

## Integrated Maqasid Al-Shariah in Cash Waqf Linked Deposit: A Study Approach to Sustainable

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**Abstract.** To strengthen the characteristics of Islamic banking and increase its contribution to the national economy, OJK developed a unique Islamic product called Cash Waqf Linked Deposit (CWLD). This research aims to investigate the effects of CWLD empowerment programs on the welfare of beneficiaries, financial inclusion, social participation, and spiritual growth, aligning with the principles of Maqasid al-Shariah. These principles focus on poverty eradication, social justice, and economic welfare through Hifze deen (faith preservation), Hifze maal (wealth preservation), and providing the poor with access to productive resources like education, training, and credit. The study examines OJK's initiative to enhance Islamic bank participation in cash waqf management for sustainable finance and broader objectives of Maqasid al-Shariah. In-depth interviews with seven key figures (two donors, three waqf institution representatives, and two managers) are analyzed using NVivo software. The findings reveal a high level of alignment between the proposed CWLD product design and stakeholder expectations. This strong alignment underscores the product's capacity to meet the objectives of Maqasid al-Shariah, such as poverty eradication, social justice, and economic welfare. By addressing these fundamental Islamic principles, the CWLD product contributes to sustainable finance, ensuring that financial activities support long-term economic stability, social inclusion, and environmental sustainability.

**Keywords** Cash Waqf, CWLD, LKS, Maqasid al-Shariah, Nazir, Sustainable Finance, PWU

### 1. INTRODUCTION

The drive to strengthen the financial industry has been reflected in the regulatory scope included in the Law on the Development and Strengthening of the Financial Sector (UU P2SK). Islamic finance, encompassing both social and commercial aspects, operates under a distinct set of principles and values. In an effort to fortify the Islamic finance sector, a series of key steps are being taken. Firstly, there has been a significant increase in access to financial services, including Islamic social financial services, aimed at providing financial support to a broader segment of society. Secondly, Islamic banking needs to undergo a transformation with two main aspects that require enhancement, resilience and competitiveness, as well as socio-economic impact and support for sustainable finance in Indonesia. The next step is to enhance cooperation with international institutions, which will facilitate global integration and enhance the competitiveness of the Islamic finance sector. Islamic banks have a dual mandate, serving both commercial and social purposes. On the commercial side, they gather and allocate funds from the public. Socially, they are responsible for managing resources obtained from zakat (mandatory charity), infaq (voluntary donations), sadaqah (voluntary alms), grants, other social funds, and cash waqf (charitable endowments), all of which are collectively referred to as Zakat, Infaq, Sadaqah, and Waqf (ZISWAF) (UU P2SK). The national Islamic finance sector has emerged as a key player in the global Islamic finance market. As of July 2023, the total

assets of the national Islamic finance sector amounted to IDR 2,461.11 trillion. This accomplishment has led to a market share of 10.89% for Islamic finance, according to the Financial Services Authority (OJK). The Islamic capital market stands out as the largest contributor, comprising 60% of the total Islamic financial assets in July 2023. This expansion has been driven by the issuance of both government and corporate sukuk, which have been well-received by both global and domestic investors. The total assets of Islamic banking were reported at IDR 819.10 trillion in July 2023, with the market share of Islamic banking assets representing 7.30% of the total assets in the national banking industry.

**Table 1. Market Share of Indonesian Islamic Banking**

Period	Indicators	
	Total Asset (%)*	DPK (Third Parties Fund)% *
2020	6.51	7.02
2021	6.74	7.21
2022	7.09	7.47
2023**	7.30	7.27

\*) Against national banking (Source:OJK, 2022)

\*\*\*) July 2023

Conversely, Islamic social finance offers significant potential. As of March 2022, the Indonesian Waqf Board reported that cash waqf collections had reached Rp1,4 billion, showing a significant rise from the Rp855 billion collected between 2018 and 2021 (Indonesia, 2023). The Ministry of Religious Affairs (Kementerian Agama, 2024) is actively working to enhance the potential of cash waqf in Indonesia. Efforts include improving the capabilities of nazir (waqf administrators) and reinforcing governance policies for waqf from the national to the local levels. According to the Director of Zakat and Waqf Empowerment at Kemenag, Indonesia's waqf potential is estimated at Rp180 billion annually, but only Rp2,3 billion, representing a low 1,3% realization rate. It has been realized so far. Cash Waqf presents a promising avenue to bridge this gap. Cash waqf represents an innovation that integrates social and commercial finance within an Islamic financial institution.

**Table 2. Potential and Realization of Waqf Fund in Indonesia**

Reception	Potential	Realization	Percentage
Waqf	Rp180 billion	Rp2,3bilion	1,3%

Source: (Kementerian Agama, 2024)

The wide gap between potential and actual outcomes emphasizes the urgent need to further develop and refine Islamic social finance initiatives. Addressing this gap could significantly boost the expansion of social finance in the Islamic sector. Financial Services Authority (OJK) is developing a unique Islamic product called Cash Waqf Linked Deposit (CWLD). The concept of Cash Waqf, a form of endowment in Islamic tradition, involves the donation of cash for the purpose of generating perpetual income for social welfare and community development. Cash Waqf Linked Deposit (CWLD) is a temporary cash waqf product created to combine the social and commercial roles of Islamic banks as recipients of cash waqf (LKS-PWU). This involves depositing the waqf funds into a deposit account for a certain period, where the profits generated are distributed to the beneficiaries (*mauquf`alah*). Once the waqf term concludes, the original deposit amount is returned to the waqif.

The Mudarabah Cash Waqf Deposit Product model, which has been successfully applied in Islamic banking in Bangladesh, illustrates how harnessing savings and investments in the voluntary sector can drive economic growth (Rahman, 2019). For this model to succeed in Indonesia, Islamic banks need to fulfill certain requirements concerning ethical behavior, board integrity, and clear communication (Hasan, 2019) as these elements play a crucial role in shaping depositor trust in Islamic banking institutions. CWLD contributions will be utilized for social impact projects and ensuring transparent reporting on program activities (Utomo & Ismal, 2024). When linked with deposit products, Cash Waqf can mobilize significant financial resources while ensuring that the benefits are distributed according to the principles of Maqasid al-Shariah. These principles emphasize the preservation of faith (*Hifze deen*), wealth (*Hifze maal*), intellect (*Hifze aql*), lineage (*Hifze nasl*), and life (*Hifze nafs*), with a particular focus on poverty eradication, social justice, and economic welfare. This product aims to integrate the principles of Maqasid al-Shariah with contemporary financial practices to achieve sustainable development goals.

This research seeks to investigate the impact of CWLD empowerment programs on various dimensions of beneficiary welfare, including financial inclusion, social participation,

and spiritual growth. By aligning these programs with the principles of Maqasid al-Shariah, the study aims to demonstrate how Islamic banking can play a pivotal role in enhancing national economic contributions while adhering to ethical and religious guidelines. The study focuses on OJK's initiative to bolster Islamic bank participation in the management of cash waqf for sustainable finance. To achieve these objectives, the research employs qualitative methods, including in-depth interviews with key stakeholders such as donors, waqf institution representatives, and managers. The data collected is analyzed using NVivo software to identify patterns and insights that reveal the effectiveness of the CWLD product in meeting the objectives of Maqasid al-Shariah. Preliminary findings indicate a high level of alignment between the product design and stakeholder expectations, underscoring the potential of CWLD to address critical issues such as poverty eradication, social justice, and economic welfare.

By integrating Maqasid al-Shariah into CWLD, this study contributes to the discourse on sustainable finance within Islamic banking. It highlights the role of innovative financial products in achieving broader social and economic goals while maintaining compliance with Islamic ethical standards. This research underscores the importance of developing financial solutions that not only meet the immediate needs of beneficiaries but also contribute to long-term societal well-being and sustainability.

## **2. LITERATURE REVIEW**

### **Islamic Social Finance Theory**

The theory of Islamic social finance covers multiple facets of financial practices within an Islamic context, with the goal of promoting social welfare and economic growth through financial products and services that adhere to Sharia principles. Social finance is described as the offering of financial services aimed at providing social protection for the poor and reducing their vulnerability. This is accomplished through community initiatives, microfinance, social enterprise funding, results-oriented philanthropic grants, and investment-related Islamic social programs (Muhammad, 2018). It focuses on delivering financial services to vulnerable groups, with the goal of improving their social and economic welfare (Hamed, 2020). The primary instruments of Islamic social finance generally include zakat, infaq, shadaqah, waqf, and Islamic microfinance (Hamed, 2020). Islamic social finance instruments are sectors consisting of traditional Islamic concepts based on the philanthropy of zakat, alms, and waqf; mutual cooperation such as qard (loan) and kafala (collateral); and similarly, contemporary not-for-profit Islamic microfinance that uses the profit model to cover primarily their costs and sustain

their operations. From some of these understandings, it can be concluded briefly that Islamic finance is a variety of financial transactions that are in accordance with sharia or Islamic law. Literature reviews on Islamic social finance have identified future research directions, particularly in zakat and waqf, which could influence Islamic social finance and Islamic finance research (Utomo & Ismal, 2024). Additionally, (Aracil, 2021) highlights the critical role of WAQFs, Islamic social finance institutions, in achieving sustainable development in Islamic society.

### **Legality of Cash Waqf**

Cash Waqf is simply a Waqf in the form of money, and it's not a new concept. Evidence suggests it existed in the early Islamic era. Monzer Kahf discovered two definitions of cash Waqf in classical Islamic law literature. First, in the Maliki school, cash Waqf is described as the dedication of cash as Waqf for lending to beneficiaries without charging interest. Secondly, the Hanafi scholar Imam Zufar introduced a concept where dirhams and dinars are provided as mudharabah capital, with profits being directed towards charitable purposes specified by the waqif (Kahf, 2017). From these findings, Monzer Kahf defines cash Waqf as money that is lent, collected, and then re-lent, or as funds managed through a mudharabah contract, where the profits benefit the Waqf recipients while preserving the principal investment (Kahf, 2017). Imam Zufar, a Hanafi scholar who supports cash Waqf, based his stance on the opinions of Imam Muhammad al-Shaibani and Abu Yusuf, who permitted Waqf of movable assets, including money. According to him, cash Waqf can be used as mudharabah capital, with the profits directed toward public purposes as specified. The Hanafi school recognizes three exceptions to the general principle of immovable property Waqf. First, Waqf of movable assets is allowed when linked to immovable property being endowed, such as oxen or sheep. Second, it is permitted if a hadith supports it, as in the case of horses and swords. Third, Waqf of movable assets is permissible based on local customs. Imam al-Shaibani further asserted that even in the absence of a hadith, Waqf of movable assets is allowed if it aligns with local traditions (Cizakca, 1996). The same should be implemented in the case of Cash Waqf (Lesmana, 2019) namely: i) Irrevocability: when a founder endows a cash Waqf, he cannot revoke it, in some special cases can take enjoy part of the profit; ii) perpetuity; and iii) inalienability: it cannot be the subject to any, inheritance, gift, or any alienation whatsoever.

### **Maqasid al-Shariah**

Maqasid al-Shari'ah is a combination of two Arabic words. The first is maqasid, which is a plural of maqsad that signifies objectives or purpose (Al-BàLabakī, 1990). Meanwhile, the second is al-Shari'ah that signifies ways. It can be defined as Islamic laws (Zaidan, 1968).

Maqasid al-shariah is refers to the ultimate goals of sharia in promoting *maslahah* or the public interest. According to Imam Al-Ghazali, *maslahah* involves pursuing what is beneficial and preventing what is harmful. Maqasid al-shariah emphasizes the preservation of the objectives and laws of sharia, which include safeguarding religion, life, intellect, progeny, and wealth. (Al-Zuhaily, 1994) highlights that maqasid al-shariah focuses on three primary goals: achieving good (*maslahah*), avoiding harm (*mafsadah*), and preventing disasters for humanity both in this world and the hereafter. Therefore, Muslims are encouraged to refrain from actions that could harm themselves or others, in line with the principles of maqasid al-shariah.

This concept is encompasses the goals of divine law (sharia) and touches upon all facets of human life, is a concept that extends beyond the mere legal domain. It also includes the promotion of general welfare, embodying Islam's comprehensive perspective on life (Abdullah, 2012). Within the framework of maqasid al-shariah, Muslims are required to uphold a high standard of morality, not only in their personal actions but also in their interactions with society and others. This is intended to protect and preserve the five essential objectives of sharia: safeguarding religion, life, intellect, progeny, and property (Rabe, 2018).

The maqasid shariah index has become an essential tool for evaluating the performance of financial institutions, particularly in sectors like Islamic banking (Lesmana, 2019) and Islamic fintech (Saad, 2019). This index serves as a means to assess how well these institutions adhere to sharia principles and achieve the objectives of sharia. Additionally, the maqasid shariah index plays a critical role in measuring the extent to which these institutions align with sharia principles in delivering financial services.

### **Cash Waqf Linked Deposit**

Cash Waqf Linked Deposit (CWLD) uses a deposit instrument as a temporary cash waqf, where the profit-sharing can be directly allocated to the beneficiary (*mauquf alaih*). CWLD features include the deposit amount being equal to the waqf amount, with a minimum deposit of 1 million rupiah and a minimum term of 1 year. The deposit is liquidated according to the waqf term, and the profit-sharing is transferred to the *nazhir's* account for the *mauquf alaih* (BWI, n.d.).

The advantages of CWLD from the perspective of Lembaga Keuangan Syariah Penerima Wakaf Uang (LKSPWU) include the potential increase in Third-Party Funds/ Dana Pihak Ketiga (DPK) from waqf deposits and the potential DPK from *nazhir's* retained funds, potential income from financing through a close-loop system, enhancing the reputation of Islamic Banks in fulfilling social functions, empowering communities, and promoting

sustainable finance, as well as attracting new customers to the bank. For the wakif/customers, CWLD provides a Cash Waqf Certificate (SWU), a Waqf Pledge Deed (AIW), and a CWLD certificate. The principal deposit is returned after the temporary waqf period ends. Customers also contribute to social welfare improvements, and the waqf funds are managed through Islamic banking activities. For nazhir, CWLD offers marketing convenience by utilizing LKSPWU's digital services, waqf funds are guaranteed by the Deposit Insurance Corporation (LPS) if the funds are below 2 billion rupiah, they gain benefits from assets after the project is completed, and there is optimal benefit distribution to the mauquf alaih, along with ease in distributing the benefits.

### **3. METHODS**

This research adopts a qualitative methodology to gain a comprehensive understanding of stakeholder acceptance and perceptions regarding Cash Waqf Linked Deposits (CWLD) in Indonesia. By employing a qualitative approach, the study is able to capture detailed and nuanced insights through in-depth interviews with key stakeholders. This method allows the exploration of complex issues related to CWLD, such as its design, application, perceived benefits, and challenges, which are essential to understanding stakeholder perspectives and potential areas for improvement.

The research employs two primary data collection methods, with a strong focus on in-depth, semi-structured interviews. These interviews follow a pre-defined interview guide that ensures consistency across participants while also providing flexibility for exploring emerging themes. The interview questions are designed to investigate the CWLD model and design, stakeholder experiences with CWLD, and their perceptions, expectations, and recommendations for strengthening the program. This approach enables the researcher to gain rich, context-specific insights that are pivotal for qualitative analysis. A thematic analysis, facilitated by NVivo software, will be conducted on the interview transcripts to identify, categorize, and interpret recurring patterns within the data. This method aligns with qualitative research objectives, aiming to reveal stakeholders' perspectives on critical aspects such as:

1. Sharia-Compliant Product Development in Islamic Banking
2. Maintaining Competitiveness in the Growing Islamic Finance Market
3. Sustainable Development Initiatives in Islamic Banking
4. Innovating Opportunities with Cash Waqf Linked Deposit

At this stage, the focus is on creating interview questions that align with the research questions. The objective is to elicit open-ended responses from the interviewees, encouraging

them to offer critiques, suggestions, and possible solutions to the research issue. The questions are structured to delve into four main areas of interest.

1. CWLD Model and Design
2. CWLD Application
3. Respondent Perceptions and Expectations of CWLD
4. Respondent Feedback on CWLD Application

## **4 RESULTS**

### **Sharia-Compliant Product Development in Islamic Banking**

Interview findings with respondents reveal that Maqasid al-Shari'ah plays a fundamental role in adapting fiqh muamalat (Islamic commercial jurisprudence) principles into Islamic banking, particularly in the product development process. A primary approach involves modifying conventional banking products to be Sharia-compliant, allowing Islamic banks to offer familiar, established products in the market. This adaptation is considered essential, as a complete prohibition on conventional product modifications could severely limit Islamic banking offerings, potentially causing Muslims to turn to conventional banks to meet their financial needs. (Zakariyah, 2022) found that 96% of the mosques surveyed save their surplus donations in banks, with 92% preferring Islamic bank.

Respondents noted that this adaptation aligns with the goals of Maqasid al-Shari'ah, which seeks practical solutions to address current financial demands rather than solely emphasizing prohibitions. However, the adaptation process requires thorough modifications to ensure full compliance with Sharia principles. For instance, conventional elements are replaced with contracts based on fiqh muamalat, and often a combination of traditional contracts is employed to create new products. A notable example is musharakah mutanaqisah, which integrates contracts like musharakah (partnership), bay' (sale), and ijarah (leasing). These combined contracts allow Islamic banks to create innovative products that fulfill customer needs while adhering to Sharia standards.

### **Maintaining Competitiveness in the Growing Islamic Finance Market**

Maintaining competitiveness in the rapidly expanding Islamic finance market is a key challenge for Islamic financial institutions, which must align business operations with Sharia principles. A fundamental function of Islamic banking is adherence to Sharia standards, typically overseen by a Sharia Board (SB) to meet stakeholder expectations (Grassa, 2016).

The main role of the SB is to ensure that the institution's operations conform to Islamic principles (Jan, 2021).

Interviews revealed that some respondents view the replication of conventional financial products in Islamic finance as extending to both product structuring and pricing. Islamic banks currently use floating rates to remain competitive, as controlling these rates independently is challenging. This practice, though somewhat unconventional in *fiqh muamalat*, where fixed rates are preferred to avoid *gharar* (uncertainty), is supported to maintain market relevance. Fixed-rate financing, while reducing uncertainty, can limit competitiveness. In fluctuating rate environments, customers may prefer fixed rates during rate hikes but shift to conventional banks if rates fall, exposing Islamic banks to market volatility.

From a Maqasid al-Shari'ah perspective, replication and adaptation are acceptable if done carefully and in line with Sharia principles, ensuring the protection of wealth, life, intellect, lineage, and justice. Adaptations are permissible as long as they uphold core Sharia tenets, such as avoiding *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), while fostering justice and welfare (Forte, 2011). In Islamic finance, economic goals must integrate with social and ethical responsibilities, with institutions required to prioritize justice, honesty, and public interest (Ullah, 2014).

### **Sustainable Development Initiatives in Islamic Banking**

The banking sector is key to sustainable development by directing financial resources towards sustainability goals (Aracil, 2021). For example, banks support the Sustainable Development Goals (SDGs) by funding green projects and managing sustainable responsible investment (SRI) funds. Islamic banking contributes to these goals by offering products that fulfill people's needs while protecting the environment and generating profit (Muhammad, 2018). Many banks adopt the triple bottom line—people (social well-being), profit (financial gain), and planet (environmental protection)—to ensure their operations benefit society and the environment alongside financial gains. Responsible banking integrates corporate social responsibility with sustainable development into core business practices (Park, 2020).

Interviews revealed that the Cash Waqf Linked Deposit (CWLD) aligns with sustainable finance by supporting Maqasid al-Shari'ah objectives. CWLD promotes social welfare (*maslahah*) by funding projects in education, healthcare, and infrastructure, directly benefiting communities. It also preserves wealth (*hifz al-mal*) through prudent investment in stable, beneficial projects, ensuring capital security. Additionally, CWLD upholds justice (*adl*) by fairly distributing benefits and addressing basic community needs (*hifz al-hajat*), advancing social and economic welfare in line with Sharia goals.

Furthermore, banks can foster sustainable practices by collaborating with lenders to mitigate negative supply chain impacts (Lesmana, 2019). Preliminary findings indicate that out of 135 mandates, 70 central banks and monetary unions support sustainability through policies promoting economic growth, while 65 lack such mandates (Dikau, 2021). Financial institutions that promote sustainability can encourage long-term growth and social well-being by motivating businesses to adopt sustainable practices (Grassa, 2016).

### **Innovating Opportunities with Cash Waqf Linked Deposit**

In recent years, discussions around waqf have increasingly focused on its role in shaping fiscal policy, particularly through cash waqf (Al Arif, 2012). Indonesia has a variety of waqf assets, including movable and immovable properties (Budiarto, 2021). The Cash Waqf Linked Deposit (CWLD) is a productive deposit-based waqf product, derived from temporary cash waqf, aimed at strengthening the role of Islamic banking in the economy. CWLD integrates social and business functions in Islamic banks, designated as Lembaga Keuangan Syariah Penerima Wakaf Uang (LKS-PWU). According to the Hanafi and Maliki schools, CWLD is permissible, as waqf involves the donor retaining ownership of the asset, aligning with traditional waqf principles (Zulfa, 2024).

Interviews reveal that most respondents agree Maqasid al-Shari'ah plays a key role in the development of products like CWLD by targeting Sharia objectives of social welfare, economic justice, and sustainable development. In Indonesia, where challenges such as poverty, educational access, and healthcare disparities persist, Maqasid al-Shari'ah guides product design to address these issues. CWLD merges savings with waqf, allowing deposits to be invested in profitable ventures, with returns used for social causes such as education, health, and economic support.

Maqasid al-Shari'ah further encourages adapting products like CWLD to Indonesia's local context, ensuring effective waqf fund distribution, raising community awareness, and boosting participation in economic development. Through this framework, CWLD serves not only as a Sharia-compliant tool but also as a means for achieving social justice, welfare, and sustainable growth.

The evolution of waqf in Indonesia reflects a dynamic shift, expanding from fixed assets like land and buildings to include cash waqf. This shift, supported by BWI, has increased the scope of waqf assets (Prasetya, 2021). As digitalization advances, regulations for cash waqf are increasingly essential to manage faster money flow and transaction ease (Nugraha, 2022).

## 5 DISCUSSION

This study explored the integration of Maqasid al-Shari'ah into the development of Sharia-compliant products in Islamic banking, focusing on the Cash Waqf Linked Deposit (CWLD) as a sustainable finance product in Indonesia. The research aimed to understand how Maqasid al-Shari'ah principles—such as social welfare, economic justice, and sustainable development—inform product adaptation and contribute to Islamic banking's relevance and competitiveness in a rapidly growing market.

The findings reaffirm the importance of CWLD in aligning Islamic banking practices with the social and economic objectives set forth by Sharia law, offering a model for sustainable finance that not only complies with Islamic principles but also supports critical social initiatives like education, healthcare, and infrastructure. Respondents highlighted that the adoption of CWLD addresses immediate financial needs while promoting social welfare and just distribution of wealth, underscoring the contribution of Islamic finance to the broader Sustainable Development Goals (SDGs).

In addressing the research objectives, this study found that Maqasid al-Shari'ah provides a flexible yet robust framework for adapting conventional financial products, ensuring that Islamic banks can meet market demands without compromising Sharia compliance. This approach, while innovative, also draws from traditional jurisprudence, which supports the use of contemporary contracts like *musharakah mutanaqisah* to create products such as CWLD that combine multiple agreements in a Sharia-compliant manner. This alignment with traditional principles yet innovative adaptation shows the potential for Islamic banking to expand product offerings and improve customer retention while remaining competitive. Comparing these findings to existing literature, our study aligns with previous research suggesting that a Sharia Board (SB) plays a pivotal role in maintaining the integrity of Islamic financial products (Grassa, 2016). Additionally, consistent with (Rahman, 2019) the study reaffirms that Islamic finance institutions contribute meaningfully to sustainable development by implementing the triple bottom line—people, profit, and planet—in their operational strategies. Our findings also align with (Aracil, 2021) emphasis on banks as essential intermediaries in driving sustainable growth, further supported by the regulatory focus on expanding waqf assets for public welfare in Indonesia (Prasetya, 2021).

## 6 CONCLUSION

The development of Sharia-compliant products in Islamic banking has experienced rapid growth, driven by increasing societal demand for adherence to Islamic principles. Research

indicates that a significant majority of mosques prefer Islamic banks for managing their surplus donations, underscoring the strong preference for Sharia-compliant financial solutions (Zakariyah, 2022). Islamic banking products are carefully crafted to align with Sharia principles, avoiding interest (riba), uncertainty (gharar), and gambling (maysir), while adhering to the objectives of Maqasid al-Shari'ah. This adherence ensures that financial products not only comply with Islamic law but also contribute positively to societal welfare by preserving essential values such as religion, life, intellect, lineage, and property.

The adaptation of conventional banking products to fit Sharia principles has proven beneficial, allowing Islamic banks to maintain stability and competitiveness. This adaptation is necessary to meet current financial needs while adhering to Sharia requirements, involving modifications that replace conventional elements with Sharia-compliant contracts. This process is crucial in today's complex financial environment, where hybrid contracts and innovative solutions are essential for competing with conventional banking products. Islamic banking regulations emphasize not only avoiding prohibited elements but also promoting justice, welfare, and customer protection. Maqasid al-Shari'ah guides Islamic banks to offer products that deliver social benefits, such as microfinancing for small entrepreneurs, thus supporting economic justice and social welfare (Lesmana, 2019).

Maintaining competitiveness in the growing Islamic finance market involves balancing Sharia compliance with practical considerations, such as the use of floating rates for Islamic financial products. This approach helps Islamic banks remain competitive while ensuring adherence to Sharia principles (Jan et al., 2021). The role of Islamic banks in sustainable development is increasingly recognized, with products like Cash Waqf Linked Deposit (CWLD) contributing to social welfare and economic justice. CWLD combines the principles of waqf with productive investments, aligning with Maqasid al-Shari'ah to address social and economic challenges in Indonesia (Zulfa, 2024). This dynamic evolution of waqf norms, supported by institutions like BWI and adapted to the digital era, reflects a broader commitment to sustainable and inclusive development in Islamic banking (Nugraha, 2022) (Prasetya, 2021). Overall, the integration of Sharia principles in product development, competitive adaptation, and sustainable finance ensures that Islamic banking continues to fulfill its role in promoting ethical finance, social welfare, and economic justice.

## **7 LIMITATION**

A significant limitation of this study is the limited number of informants, which may restrict the range of perspectives and experiences represented. As the sample size is relatively small, it is possible that the study does not fully capture the diversity of opinions and factors related to the research topic. Consequently, the findings should be considered with the awareness that they might not reflect the broader population or industry comprehensively. Additional research involving a larger number of informants would be valuable for achieving a more thorough and representative analysis

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