

Social Audit as an Evaluation Instrument for Productive Waqf Programs in Empowering MSMEs: A Literature Review

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ABSTRACT

Productive waqf is one of the Islamic economic instruments that has great potential in empowering micro, small, and medium enterprises (MSMEs). However, the effectiveness of productive waqf programs is often constrained by weak social accountability mechanisms and performance evaluation. Social audit as a non-financial evaluative approach can be an important instrument to assess the extent to which productive waqf management is able to provide social and economic impact to society. This article aims to examine the concepts, principles, and application of social auditing in the context of productive waqf oriented towards MSME empowerment. The method used is a systematic literature study of previous studies, regulations, and theories related to social auditing, accountability, and waqf management. The results of the study show that social auditing plays a role in strengthening transparency, increasing community participation, and measuring the social success of productive waqf programs. This article also offers a conceptual framework of maqashid sharia values-based social auditing to evaluate the social performance of nadzirs and the impact of waqf on MSMEs. The findings are expected to serve as a reference for waqf institutions in developing a more comprehensive and equitable evaluation system.

Keywords: Social Audit, Productive Waqf, MSMEs, Accountability, Maqashid Sharia.

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2nd International Conference on Islamic Community Studies (ICICS)

Theme: History of Malay Civilisation and Islamic Human Capacity and Halal Hub in the Globalization Era

<https://proceeding.pancabudi.ac.id/index.php/ICIE/index>

Introduction

Economic empowerment through Islamic financial instruments is gaining attention as a strategy for poverty alleviation and capacity building for micro, small, and medium enterprises (MSMEs). One instrument with great potential is productive waqf, which is waqf that is managed in such a way as to generate sustainable economic benefits for the community and MSME actors. Productive waqf is believed to be able to strengthen MSMEs through the provision of capital, guidance, and the use of productive assets that generate income for beneficiaries (*mustahiq*) and micro, small, and medium enterprises [1]. According to the Chairman of the Indonesian Waqf Board (BWI), Kamaruddin Amin, the potential of national waqf is quite astonishing, reaching nearly 400 trillion rupiah per year, with waqf in the form of money potentially reaching 181 trillion rupiah per year. This information shows that waqf is an important instrument in promoting economic development and realizing community independence and welfare [2]. Productive waqf management plays a strategic role in socio-economic development when governance and evaluation mechanisms are adequate.[3] However, this potential is often hampered by weaknesses in accountability, transparency, and social impact measurement mechanisms. Findings [1] show that productive waqf helps increase business capital, market access, and business assistance, but finds limitations in terms of regulation, Islamic financial literacy, and management transparency.

Research related to waqf, such as measuring the performance of waqf institutions, has been extensively studied by previous researchers and emphasizes the importance of regulations, institutions, processes, systems, outcomes, and impacts in measuring waqf performance at the national level [3]. On the other hand, although financial aspects are often in the spotlight, literature on social auditing, which is an evaluation that assesses not only financial aspects but also social aspects, justice, community participation, and non-material impacts, is still very limited in the context of productive waqf targeting MSMEs. Financial audits or internal audits alone are not always sufficient to illustrate how the social and economic benefits of productive waqf are actually felt by MSMEs or the wider community. Not many studies have explicitly measured how *mustahiq* participation, the use of social indicators, transparency towards stakeholders, and how waqf institutions report their social outcomes systematically, demanding an evaluation approach that is able to capture the non-financial aspects and sustainability of productive waqf benefits [4].

In this context, social auditing emerges as a relevant evaluative instrument because it assesses the participatory aspects, transparency, and social impact of the program, rather than merely accounting compliance. Social audits have the potential to strengthen the legitimacy of *nadzir* institutions, increase public trust, and provide qualitative and quantitative evidence of the extent to which productive waqf actually empowers MSMEs. However, the literature on the application of social auditing specifically to productive waqf and its relationship with MSME empowerment indicators is still relatively limited, so a systematic literature review is needed to map the concepts, indicators, best practices, and implementation challenges. [4]

The link between social auditing and sharia principles such as *maqāṣid al-sharī'ah* is considered crucial to ensure that the benefits of productive waqf are not only material, but also in accordance with the values of justice, benefit, and social sustainability. The incorporation of sharia values-based social auditing can strengthen the legitimacy of waqf institutions, increase public trust (*waqif* and *mustahiq*), and ensure that the social and economic objectives of productive waqf are optimally achieved [5], so social auditing in Islamic economics needs to be structured based on *maqāṣid al-sharī'ah* indicators. Based on this background, this article aims to conduct a systematic literature review on the role of social audit as an evaluation instrument in productive waqf programs that focus on empowering MSMEs and are integrated with existing regulations and standards as well as *maqāṣid al-sharī'ah* values and is expected to form a Productive Waqf Social Audit (ASWP) model.

Literature Review

2.1 Concept of Social Audit

Social auditing is an evaluation approach that is oriented towards social accountability, participation, and transparency. The goal is not only to assess economic efficiency, but also the social, ethical, and moral impact of an organization on society [7]. In the context of Islamic institutions, social auditing plays an important role in assessing the compatibility of economic activities with *maqāṣid al-sharī'ah* values, especially in terms of distributive justice and public benefit [8]. The difference between social audit and financial audit is that in social audit, indicators such as community empowerment, stakeholder engagement, sustainability, and transparency of social reports are evaluated [9]. Thus, social auditing serves to complement financial auditing so that institutions are not only materially accountable, but also morally and socially.

2.2 Productive Waqf as a Social Economic Instrument

Productive waqf is defined as the management of waqf assets in a productive manner to generate income which is then channeled for the social and economic benefit of the community [10]. This model has been proven to contribute to microeconomic empowerment and the development of MSMEs (Maksum & Muktirrahman, 2024).

Research [3] developed the National Waqf Index (IWN) to assess the effectiveness of the waqf ecosystem, covering six main dimensions: regulation, institution, process, system, outcome, and impact, but the social audit dimension has not been an explicit part of the measurement. Meanwhile, research [11] on Micro Waqf Bank shows how Qardh al-Hasan financing can help MSMEs in accessing capital, but has not involved systematic measurement of social impact on beneficiaries. Some literature shows that productive waqf is effective in improving the economy, but there is no formal social audit mechanism to ensure fairness, transparency, and moral accountability of waqf managers.

2.3 Social Audit in the Context of Waqf

The study of social audit in Islamic financial institutions is still relatively limited. However, [9] argues that social auditing can be a shariah governance mechanism that assesses an institution's compliance with *maqāṣid al-sharī'ah*, especially the aspects of social welfare and justice.

In the context of waqf, social audit covers several important aspects

1. Stakeholder engagement: how the nazir, mauquf 'alaih, and the community participate in the evaluation
2. Social transparency and reporting: disclosure of management results and benefit distribution;
3. Shariah compliance and social ethics: the extent to which management is in accordance with Islamic principles and the value of benefit;
4. Social and economic sustainabilitylong-term impact on beneficiaries, especially MSME actors. In reality, most waqf institutions in Indonesia still focus on financial reporting, not yet adopting social audit instruments based on social performance indicators (SPI) as used in international Islamic microinstitutions.

2.4 MSME Empowerment Through Productive Waqf

The MSME sector is a key sector in the Indonesian economy, and contributes to 60% of GDP and 97% of the national workforce [12], however, most MSMEs experience constraints in access to capital, management, and financial literacy and productive waqf is expected to be present as a socio-economic solution that combines philanthropy and entrepreneurship [10]. Empirical research [11] as well as [1] shows that productive waqf is able to strengthen the economic resilience of MSMEs, especially when managed through the cash waqf linked microfinance model. However, to ensure the sustainability of the program, a social audit is needed that assesses the social and non-financial outcomes of the financing such as increased business capacity, recipient family welfare, and community participation.

Research Methodology

This research uses a systematic literature review (SLR) approach to identify, evaluate, and synthesize scientific findings related to social auditing in the context of productive waqf and MSME empowerment. The data were obtained from national (Sinta 2 and above) and international (Scopus and DOAJ) reputable journal articles whose main topics are social audit, social accountability, productive waqf, MSMEs, *maqāṣid al-sharī'ah*. The number of articles found in the initial stage: 86 articles, after selection and screening, 20 articles remained that met the analysis criteria. With this methodological design, this research is expected to produce a systematic and comprehensive review, while paving the way for the development of waqf social audit instruments that are applicable in empowering MSMEs based on Islamic values.

3.1 Results of Literature Analysis

From the 20 articles identified, four major themes were obtained that illustrate the dynamic relationship between social audit, productive waqf, and MSME empowerment. These themes are:

- 1). Social Audit as an Instrument of Sharia Accountability
 - 2). Productive Waqf Management Practices for MSMEs
 - 3). Social Indicators and *Maqāṣid al-Sharī'ah* in Waqf Evaluation
 - 4). Integration of Social Audit into the Waqf-Based MSME Empowerment Model
- These four themes form the basis for the conceptual model of Productive Waqf Social Audit (ASWP) as an original contribution of this research.

3.2 Theme 1: Social Audit as an Instrument of *Sharī'ah*

Accountability Social audit in the context of Islamic institutions serves to strengthen spiritual, social, and moral accountability, not just financial. According to [9] and [8], social auditing is a means of assessing whether an institution's activities reflect *maqāṣid al-sharī'ah* specifically justice (*al-'adl*), welfare (*maslahah*), and social responsibility (*amanah*). In the context of waqf institutions, social audit involves an evaluation of the waqf's social benefits, community participation, and reporting transparency. Institutions that integrate social audits are proven to be more trusted by the public [13], however, most waqf institutions in Indonesia still use conventional financial-based reports [10], so the social dimension has not been systematically measured. Thus, social audit can be a non-financial oversight mechanism that complements sharia audit and strengthens the legitimacy of waqf institutions in the eyes of society.

3.3 Theme 2: Productive Waqf Practices and MSME Empowerment

Research [11] and [1] shows that productive waqf plays an important role in sharia-based microfinance, such as through Micro Waqf Bank (BWM) and cash waqf linked microfinance.

This model supports MSMEs in terms of:

- a. Access to usury-free capital,
- b. Improved financial literacy, and
- c. Sustainable business coaching.

However, a common finding in the literature is the lack of social performance measurement: many institutions only assess success in terms of the profitability of waqf assets, not the social impact on *mustahiq* and beneficiaries [3]. This gap emphasizes the need for social audits so that economic and social benefits can be measured in a balanced manner.

3.4 Theme 3: Social Indicators and *Maqāṣid al-Sharī'ah*

Social audits in Islamic economics need to be structured based on *maqāṣid al-sharī'ah* indicators, which assess human welfare holistically [6]. Based on the results of the literature synthesis, social indicators for productive waqf can be grouped into five main dimensions:

Tabel

| Maqāṣid Dimension | Social Audit Indicators | Example of Application |
|--------------------------------------|--------------------------------------------------------|-----------------------------------------|
| Hifz al-Dīn (Protection of Religion) | Conformity of activities with sharia principles | Usury and gharar-free asset management |
| Hifz al-Nafs (Welfare of Life) | Social impact on beneficiaries | Increased mustahiq income |
| Hifz al-'Aql (Knowledge) | Financial literacy and waqf education | Entrepreneurship training for MSMEs |
| Hifz al-Māl (Economic Justice) | Distribution of proceeds and equitable distribution of | Fair distribution of business surplus |
| Hifz al-Nasl (Social Sustainability) | Benefits Long-term impac | Self-reliance of the assisted community |

3.5 Theme 4: Integration of Social Audit into MSME Empowerment Models

The synthesis results show that the application of social audit to productive waqf can strengthen good governance and sustainability of MSME programs. The success of Islamic financial institutions depends on social performance management (SPM), which measures participation, transparency, and social impact. When SPM principles are adapted to waqf institutions, a new model emerges called Productive Waqf Social Audit (ASWP) - an audit process that assesses the spiritual, social, and economic accountability of waqf institutions in empowering MSMEs.

3.6 Conceptual Model: Social Audit of Productive Waqf (ASWP)

This model integrates three major components:

- 1). Input: Waqf assets (money, land, buildings) + nadzir management + maqāṣid al-sharī'ah values
- 2). Process:
 - Implementation of social audit (social indicators, community participation, report transparency)
 - Participatory evaluation mechanism between nadzir and beneficiaries
- 3). Output & Outcome:
 - Increased social accountability
 - Improved welfare of MSMEs
 - Public trust and sustainability of waqf institutions

This model demonstrates that the success of productive waqf depends not only on financial efficiency, but on the institution's ability to create measurable and sustainable social impact. By implementing social audits, waqf institutions can assess the extent to which waqf funds truly provide economic and spiritual benefits to society, while increasing public transparency. With the ASWP framework, waqf institutions can:

- a. Assess the extent to which productive waqf programs contribute to the increased income and independence of MSMEs,
- b. Measure community participation and perceptions of waqf management
- c. Enforce transparency and spiritual accountability before the public and regulators.

These findings are in line with the ideas of [9] and [3] that the success of waqf institutions is not simply measured by economic outputs, but also social outcomes.

Conclusion

From the description above, the conclusions of the results of this study are summarized as follows:

- 1). Social audit is capable of being a non-financial supervisory instrument that assesses the balance between profitability and social benefits of waqf institutions.

- 2). Productive waqf is proven to have great potential in supporting the micro-economy through sharia funding schemes for MSMEs, but has not been fully audited from a social perspective.
- 3). The integration of maqāṣid al-sharī‘ah indicators in social auditing makes the assessment system more comprehensive and in accordance with the principles of justice and sustainability.
- 4). The proposed Social Audit of Productive Waqf (ASWP) conceptual model becomes a new evaluation framework, which assesses the performance of waqf institutions from three main dimensions: social accountability, economic empowerment, and spiritual sustainability.
- 5). The implementation of ASWP is expected to increase public trust, expand community participation, and strengthen the legitimacy of waqf institutions at the local and national levels.

Recommendations that can be given from these findings are:

- a). Future researchers are advised to develop an empirical model of ASWP, by testing maqāṣid indicators using Structural Equation Modeling (SEM) or Partial Least Square (PLS) approaches.
- b). The development of a standardized waqf social audit instrument is needed so that it can be used across institutions and regions.

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