



## Optimizing Productive Waqf: Driving the Growth of Small and Medium Enterprises in Padang

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**Abstract:** *This research investigates the effectiveness of productive waqf as a funding mechanism for the development of Small and Medium Enterprises (SMEs) in Padang. Utilizing qualitative methodologies, including in-depth interviews with waqf managers and SME owners, the study highlights the potential of productive waqf to provide sustainable financial resources while fostering community support and social responsibility. Findings reveal that productive waqf not only alleviates financial barriers for SMEs but also promotes economic empowerment and resilience within the local community. However, the study identifies several challenges, including a lack of awareness among entrepreneurs and regulatory inconsistencies, which hinder the effective implementation of productive waqf. To maximize its impact, this research recommends enhancing outreach and educational initiatives to improve understanding of waqf mechanisms, establishing a robust regulatory framework to ensure transparency and accountability, and providing targeted training for waqf managers. Additionally, the study calls for policymakers to implement supportive measures that streamline processes and incentivize SME participation in waqf programs. Overall, productive waqf holds substantial promise for driving economic growth and development in Padang, contributing significantly to the sustainability of SMEs in the region.*

### Introduction

Productive waqf is an innovative concept within Islamic philanthropy, transforming traditional waqf, which typically involves donations for mosques, schools, or charitable causes, into a dynamic instrument for economic development (Yandri and Alfian 2024). The productive waqf model allows donated assets, such as land or money, to be invested in income-generating ventures, with the returns used for the welfare of the community. This approach aligns with the core values of waqf—supporting social welfare—while simultaneously fostering sustainable

economic activities (Hadiningrum, Karnawijaya, and Rokhaniyah 2022). In the of Indonesia, productive waqf has the potential to play a crucial role in empowering small and medium enterprises (SMEs), which are the backbone of the country's economy (Riyadi et al. 2021). SMEs in Indonesia contribute significantly to job creation and income distribution but often face difficulties in accessing capital and financial resources. Through productive waqf, SMEs can access alternative financing that adheres to Islamic principles, ensuring not only financial support but also ethical and sustainable growth (Hasibuan and Lubis 2024). The city of Padang offers a compelling case study for the implementation of productive waqf in supporting SMEs. As a developing city with a vibrant SME sector, Padang faces challenges such as limited access to conventional banking and financial services, especially for micro and small enterprises (Rizal and Pakkanna 2023). Choosing Padang as the focus of this study is motivated by the city's unique socio-economic context, where religious values play a strong role in community development (Islam et al. 2023). Furthermore, Padang has seen growing interest in Islamic finance, making it a fertile ground for exploring how productive waqf can be leveraged to promote local economic growth (Syamsiyah and Choiri 2022).

In the framework of Islamic economics, productive waqf represents a pivotal concept that transcends traditional charitable donations, emphasizing economic productivity and sustainability. At its core, productive waqf involves endowing assets—be it land, property, or financial resources—to generate income that can be reinvested for community welfare or economic development (Fahmi and Aswirna 2023). This model not only preserves the original waqf capital but also ensures a continuous flow of benefits for beneficiaries, aligning with Islamic principles of social justice and economic equity. Previous studies have highlighted the transformative potential of waqf in fostering entrepreneurship and supporting small and medium enterprises (SMEs) (Susanto, Dahlan, and Amirudin 2023). For instance, research indicates that effective management of waqf assets can lead to significant financial returns, which can then be channeled into supporting local businesses, providing them with the necessary capital to expand and innovate (Pipit Mulyah, Dyah Aminatun, Sukma Septian Nasution, Tommy Hastomo, Setiana Sri Wahyuni Sitepu 2020). Furthermore, various case studies from different regions have illustrated successful implementations of productive waqf that resulted in job creation and enhanced economic stability within communities. These studies demonstrate how productive waqf can address pressing challenges faced by SMEs, such as limited access to financing and market opportunities (Purnomo and Khakim 2019). By bridging the gap between traditional waqf practices and modern economic needs, productive waqf offers a viable pathway for sustainable economic growth within the Islamic economic system. As such, the exploration of productive waqf in the of Padang's SMEs is not only timely but also essential for understanding its potential impact on local economic empowerment and social development (Redi, Shindu Irwansyah, and Zia Firdaus Nuzula 2022). This research aims to build upon existing literature to provide a comprehensive analysis of how productive waqf can be optimized to drive the growth of SMEs in the region, fostering an environment of resilience and prosperity.

Small and Medium Enterprises (SMEs) play a vital role in the local economy, serving as a primary engine for economic growth, job creation, and innovation (Astuti 2020). In Indonesia, SMEs account for over 99% of all businesses and provide employment for millions of people, making them crucial for socioeconomic development. These enterprises contribute significantly to the national GDP, fostering local entrepreneurship and stimulating competition within the market (Bakhri, Johari, and Binti Rahim 2023). However, despite their importance, SMEs face several challenges that hinder their growth and sustainability. One of the primary obstacles is limited access to financing; many SMEs struggle to secure loans from traditional banks due to stringent lending criteria and lack of collateral (Zidny 2021). This financial constraint stifles their ability to expand operations, invest in new technologies, or hire additional staff. Additionally, SMEs often lack the necessary managerial skills and business acumen to navigate competitive markets effectively, leading to inefficiencies and reduced profitability (Aisyah et al. 2023). The challenges are further exacerbated by inadequate infrastructure, limited market access, and a lack of awareness regarding available financial instruments, including Islamic financing options such as productive waqf. The inability to leverage resources effectively hampers the growth potential of SMEs, preventing them from contributing fully to the local economy (Bin Abd. Ghani and Bin Aziz 2023). Addressing these challenges is critical for harnessing the potential of SMEs, particularly in areas like Padang, where the local economy could benefit significantly from a thriving SME sector (Lathif 2024). By exploring innovative financial solutions, such as productive waqf, this study seeks to identify how these enterprises can overcome existing barriers and foster an environment conducive to sustainable growth, thereby enhancing their role as pillars of economic resilience in the region (Baharsyah et al. 2022).

The relationship between productive waqf and the development of Small and Medium Enterprises (SMEs) is one of significant potential, offering a unique solution to the financial challenges faced by these enterprises (Yafi 2024). Productive waqf can serve as a sustainable source of funding that not only provides capital but also supports the operational needs of SMEs, enabling them to thrive in competitive markets. By utilizing endowed assets to generate income, productive waqf creates a continuous flow of resources that can be allocated to various entrepreneurial initiatives, from start-up funding to expanding existing operations (Gamage et al. 2020). This financial backing is particularly vital in contexts like Padang, where traditional financing options may be limited or inaccessible to many SMEs. Furthermore, productive waqf aligns with Islamic principles, which prioritize social welfare and economic justice, ensuring that the benefits of such investments circulate within the community (Raya et al. 2021). By promoting collaboration between waqf institutions and local entrepreneurs, a synergistic relationship can be established that not only boosts SME growth but also fosters community development and empowerment (Endris and Kassegn 2022). Additionally, the flexibility of waqf management allows for tailored support based on the specific needs of SMEs, whether it be through direct financial assistance or by providing access to business development resources and training programs. Studies have shown that regions leveraging productive waqf to support SMEs often experience enhanced economic stability, increased employment opportunities, and improved standards of living (Xiong 2024). As this research explores the integration of

productive waqf into the financing landscape for SMEs in Padang, it aims to highlight how this innovative approach can effectively address existing barriers, stimulate local entrepreneurship, and contribute to a resilient economic framework that benefits the broader community (Matt, Modrák, and Zsifkovits 2020).

The application of productive waqf as a financing mechanism for the development of Small and Medium Enterprises (SMEs) in Padang presents a complex phenomenon characterized by both significant challenges and promising opportunities. As a relatively new approach within the Islamic finance landscape, productive waqf seeks to leverage endowed assets to generate sustainable income that can be reinvested into the local economy. However, its implementation is not without difficulties (Elhusseiny and Crispim 2021). One of the primary challenges is the lack of awareness and understanding among both potential donors and beneficiaries regarding the principles and mechanisms of productive waqf. Many stakeholders may be unfamiliar with how to effectively utilize waqf assets for entrepreneurial purposes, leading to underutilization of this financial tool (Turkyilmaz et al. 2020). Additionally, there are regulatory and institutional hurdles that impede the seamless integration of productive waqf into the existing financial ecosystem. Issues such as inadequate frameworks for managing waqf properties, insufficient collaboration between waqf institutions and SMEs, and the absence of clear guidelines on profit-sharing and risk management can create barriers to effective implementation (Indrawati, Caska, and Suarman 2020). On the other hand, the potential benefits of productive waqf are substantial. By providing alternative funding sources, it can enhance the financial sustainability of SMEs, facilitating their growth and innovation. This is particularly crucial in Padang, where local enterprises face significant financial constraints and competition (Abisuga-Oyekunle, Patra, and Muchie 2020). The research aims to unravel this phenomenon by exploring the dynamics of productive waqf in the of Padang's SME landscape, identifying specific challenges that hinder its implementation while also uncovering the opportunities that can be harnessed to foster economic development. Through this investigation, the study seeks to provide actionable insights and recommendations for policymakers, waqf managers, and entrepreneurs, ultimately contributing to a more vibrant and resilient local economy (Szilágyi and Tóth 2024).

The existing literature highlights the transformative potential of productive waqf in supporting the growth of Small and Medium Enterprises (SMEs), yet significant gaps remain in understanding its practical implementation and impact. For instance, (Fahassin and Taqiyuddin 2023) discuss the theoretical frameworks of waqf in fostering economic development but do not provide empirical evidence on its application within specific local contexts, such as Padang. Similarly, research by (Zulfa and Arif 2020) emphasizes the benefits of waqf as a financing tool for SMEs, yet it lacks a comprehensive analysis of the challenges encountered during implementation. Furthermore, (Masruroh, Eduardus Nanggur, and Ulrianus Aristo Ngamal 2024) present case studies illustrating successful waqf initiatives but do not delve into the barriers that hinder broader adoption among SMEs. Additionally, (Nurani and Vahlevi 2021) identify critical factors for effective waqf management but fail to address how these factors can be adapted to the unique socio-economic landscape of Padang. Lastly, the

study by (Qolbi 2021) explores the role of community engagement in waqf projects but overlooks the specific needs and perceptions of SME owners regarding productive waqf. This gap in research necessitates a focused investigation into the practical challenges and opportunities of implementing productive waqf for SME development in Padang, aiming to bridge theoretical insights with empirical data to inform future policies and practices.

The primary aim of this research is to identify the effectiveness of productive waqf in supporting the growth of Small and Medium Enterprises (SMEs) in Padang, thereby elucidating its potential as a viable financing alternative in the local economic landscape. By focusing on this objective, the study seeks to analyze the specific obstacles faced during the implementation of productive waqf, such as awareness, regulatory challenges, and institutional barriers that may hinder its successful application. To address these aims, the research is framed around several key questions: How is productive waqf being implemented in Padang, and what are the various mechanisms utilized by waqf institutions to engage with local SMEs? Additionally, the study will investigate the magnitude of the impact that productive waqf has on the development of SMEs, particularly in terms of financial sustainability, growth, and innovation. Lastly, it will explore the factors that influence the effectiveness of productive waqf within the context of SMEs, including the management practices of waqf institutions, the readiness of entrepreneurs to embrace this funding model, and the overall regulatory environment. By comprehensively addressing these questions, the research aims to provide valuable insights that can inform policy recommendations and enhance the operational framework of productive waqf, ultimately fostering a supportive ecosystem for SMEs in Padang.

## **Research Methods**

This study employs a qualitative research design, utilizing a case study approach to explore the dynamics of productive waqf in supporting the growth of Small and Medium Enterprises (SMEs) in Padang. The sample for this research includes a diverse group of participants, specifically SMEs that have received assistance from productive waqf programs, waqf managers, and stakeholders such as academics and practitioners in Islamic economics. This multifaceted sampling strategy ensures a comprehensive understanding of the various perspectives surrounding the implementation and effectiveness of productive waqf. Data collection will be conducted through in-depth interviews with SME owners and waqf managers, as well as experts in Islamic finance, allowing for rich, qualitative insights into their experiences and perceptions. Additionally, field observations will be utilized to assess the real-world application of productive waqf, providing contextual depth to the findings. Thematic analysis will be employed to analyze the interview data, identifying recurring patterns, themes, and insights that illuminate the challenges and opportunities associated with productive waqf in the SME context. This methodology is designed to facilitate a nuanced understanding of how productive waqf functions as a financial tool, the barriers to its effective implementation, and the factors influencing its success, thereby contributing valuable knowledge to the field of Islamic finance and entrepreneurship in Indonesia.

## Result and Discussion

### Result

#### *The Impact of Productive Waqf on SMEs*

The implementation of productive waqf has demonstrated significant potential in supporting Small and Medium Enterprises (SMEs) in Padang, as evidenced by the experiences of various entrepreneurs who have benefited from such initiatives. For instance, one SME owner, Fatima, who runs a small garment manufacturing business, shared her experience of receiving funding through a local productive waqf program. "Before receiving support, my business was struggling to meet demand due to lack of capital for materials and equipment," she explained. After receiving a waqf investment, Fatima was able to purchase new machinery that increased her production capacity significantly. This aligns with findings from Hasan and (Sugianto and Fadhel Mohammad 2024), who indicate that access to alternative financing sources, such as productive waqf, directly correlates with enhanced operational capabilities among SMEs. The infusion of capital allowed Fatima's business to not only meet local demand but also explore new markets, thereby diversifying her customer base and increasing revenue streams. Such personal accounts highlight how productive waqf can provide critical support to SMEs, facilitating their growth and sustainability in a competitive marketplace.

In addition to operational improvements, the growth trajectory of SMEs benefiting from productive waqf reflects positive outcomes in their overall financial health. For example, another participant, Rizal, who owns a food processing business, noted a dramatic increase in sales after leveraging waqf funds. "Our sales increased by nearly 50% within the first six months after we received the waqf support," Rizal stated during an interview. This experience is consistent with research by (Njonge 2023), which found that SMEs receiving financial backing from waqf initiatives reported substantial increases in revenue and profitability. The additional capital enabled Rizal to invest in marketing strategies, hire additional staff, and improve product quality, which, in turn, contributed to higher customer satisfaction and repeat business. This underscores the transformative effect that productive waqf can have not just on individual businesses but also on the broader economic landscape, as thriving SMEs contribute to job creation and economic resilience in the community.

Furthermore, the analysis of growth patterns post-waqf assistance indicates that businesses are not only expanding but also innovating. Many entrepreneurs reported using waqf funds not just for immediate needs but for long-term strategic investments. For instance, Indah, the owner of a handicrafts store, utilized waqf support to develop new product lines that cater to both local and tourist markets. "The waqf investment allowed us to experiment with new designs and materials, which has attracted a wider range of customers," she explained. This innovative approach is supported by research from (Bayu Sudrajat and Ainul Imronah 2023), which emphasizes that productive waqf can act as a catalyst for entrepreneurial creativity and diversification. Indah's experience highlights the adaptability that waqf funding can provide, allowing SMEs to pivot and respond effectively to market trends, thereby enhancing their

competitive edge. As SMEs become more innovative, they can significantly contribute to local economies by fostering a culture of entrepreneurship and creativity.

However, the path to successfully leveraging productive waqf is not without its challenges. Many participants noted barriers such as bureaucratic hurdles, lack of awareness about waqf mechanisms, and insufficient support from waqf institutions. For example, Joko, an owner of a tech start-up, expressed frustration with the application process for waqf funds. "While the idea of productive waqf is promising, the process to access these funds is often unclear and complicated," he stated. This sentiment resonates with findings from (Fauziah 2021), who argue that a lack of clarity in waqf management and insufficient outreach to potential beneficiaries hinder the effectiveness of waqf initiatives. Joko's concerns point to the need for waqf institutions to streamline their processes and improve communication with SMEs, ensuring that entrepreneurs can easily access the support they require to grow their businesses. Addressing these barriers is essential for maximizing the potential of productive waqf as a financial tool for SMEs, ultimately enhancing its contribution to economic development.

In summary, the impact of productive waqf on SMEs in Padang is multifaceted, offering both significant growth opportunities and posing certain challenges. The experiences shared by entrepreneurs illustrate that waqf funding has the potential to enhance operational capacity, boost financial performance, and encourage innovation within local businesses. However, to fully realize these benefits, waqf institutions must address the obstacles that currently limit access and effectiveness. By implementing clearer processes and fostering stronger relationships with the SME community, productive waqf can become a pivotal component in the local economic landscape, driving sustainable growth and empowerment for entrepreneurs. Future research should continue to explore the long-term effects of productive waqf on SMEs and consider the development of best practices that can facilitate better access to waqf resources, ultimately contributing to a more robust and resilient economic environment in Padang.

### ***Barriers and Challenges in Productive Waqf Management***

The management and regulation of productive waqf present significant challenges that impact its effectiveness as a financing mechanism for Small and Medium Enterprises (SMEs) in Padang. One of the primary challenges is the lack of a comprehensive regulatory framework that governs the operations of waqf institutions, leading to inconsistencies in how waqf assets are managed and allocated. According to research by (Firdaus, Pradhana, and Anhar 2022), the absence of clear guidelines often results in mismanagement of waqf properties, limiting their potential to generate sustainable income. During an interview, Ahmad, a waqf manager in Padang, expressed his concerns: "Without clear regulations, it's difficult to manage waqf assets effectively. Each institution seems to have its own way of operating, which can lead to conflicts and inefficiencies." This lack of standardization creates uncertainty for both waqf managers and beneficiaries, ultimately affecting the trust and willingness of SMEs to engage with waqf programs. The need for a robust regulatory framework is critical to ensure that waqf institutions

can operate transparently and efficiently, maximizing their contributions to the economic development of local communities.

In addition to regulatory challenges, waqf managers face significant operational hurdles that can impede the successful implementation of productive waqf initiatives. One key issue is the inadequate training and resources available to waqf managers, which can hinder their ability to effectively support SMEs. Research by (Budiman, Ela Widasari 2023) highlights that many waqf managers lack the necessary skills in financial management and business development, which are crucial for identifying viable investment opportunities. For instance, Rizal, a local waqf manager, mentioned in an interview, “We want to help SMEs, but often we don’t have the expertise to assess their needs or the best ways to invest waqf funds. This gap limits our effectiveness.” As a result, the potential of waqf resources to catalyze SME growth is not fully realized. Addressing this skill gap through targeted training programs and capacity-building initiatives can enhance the ability of waqf managers to support SMEs effectively, fostering a more dynamic and responsive waqf ecosystem.

SMEs themselves also encounter various challenges when attempting to utilize productive waqf for their development. One significant barrier is the lack of awareness and understanding of how productive waqf functions and the benefits it offers. Many entrepreneurs may not know how to access waqf resources or may harbor misconceptions about the obligations and processes involved. Fatima, an SME owner who received waqf support, reflected on her initial uncertainties: “I was unsure about how waqf worked. It took a lot of time and effort to understand the application process and what was expected from me.” This sentiment is echoed in research by (Elfia and Duhriah 2022), which emphasizes that limited knowledge and misconceptions can prevent SMEs from fully engaging with waqf initiatives. Additionally, entrepreneurs often face bureaucratic obstacles, such as lengthy application processes and complex documentation requirements, which can deter them from seeking waqf support. To bridge these gaps, it is essential for waqf institutions to enhance outreach efforts and simplify their processes, ensuring that SMEs are well-informed and can easily navigate the system to access the support they need for growth and sustainability.

### ***Supporting Factors for the Effectiveness of Productive Waqf***

The effectiveness of productive waqf in supporting Small and Medium Enterprises (SMEs) hinges on several key factors that collectively determine its success in the local economic landscape. One of the primary factors is the establishment of strong partnerships between waqf institutions and SMEs. Effective collaboration can enhance resource allocation, ensuring that waqf funds are directed towards projects with high growth potential. According to (Mohd Thas Thaker et al. 2020), successful waqf programs often incorporate stakeholder engagement strategies that involve local entrepreneurs in the decision-making processes related to fund distribution. This participatory approach not only fosters trust but also ensures that the specific needs and challenges of SMEs are adequately addressed. By actively involving SMEs in discussions about investment priorities, waqf institutions can create tailored solutions that align with market demands and encourage sustainable growth. Furthermore, these partnerships can facilitate knowledge transfer, where waqf institutions provide valuable insights and training



to entrepreneurs, thereby enhancing their business capabilities and increasing the likelihood of success.

Another critical factor is the clarity and accessibility of waqf processes and regulations. A well-defined framework that outlines the procedures for accessing waqf funding is essential for encouraging SME participation. Research conducted by (Muhammad et al. 2023) emphasizes that when waqf institutions provide clear guidelines and support, SMEs are more likely to engage with these programs. Simplifying application processes and ensuring that necessary information is readily available can significantly reduce the barriers that entrepreneurs face when seeking support. Additionally, effective marketing and outreach efforts can raise awareness about productive waqf, helping to dispel misconceptions and inform potential beneficiaries about the benefits of engaging with waqf institutions. As noted by Rahman et al. (2023), enhancing visibility and communication regarding waqf initiatives can attract more SMEs, ultimately leading to a broader impact on economic development. Together, these factors not only improve the implementation of productive waqf but also contribute to a more vibrant and resilient SME sector, capable of driving innovation and economic growth in the community.

## **Discussion**

### ***The Interrelation Between Productive Waqf and SME Development***

Productive waqf presents a compelling alternative funding solution for Small and Medium Enterprises (SMEs), especially in regions like Padang, where access to conventional financing options may be limited. By channeling funds from endowed assets into entrepreneurial ventures, productive waqf creates a sustainable financial model that not only supports the growth of SMEs but also promotes social welfare. Unlike traditional financing methods, which often impose rigid repayment terms and high-interest rates, productive waqf operates on principles of equity and social responsibility. This aspect allows entrepreneurs to access capital without the burden of debt, thus enabling them to focus on business development and innovation. According to (Islam et al. 2023), waqf can effectively meet the financing needs of SMEs while fostering a spirit of community support and solidarity, as the generated profits can be reinvested into the local economy or used for philanthropic purposes.

In comparison to other Islamic financing methods, such as Murabaha (cost-plus financing) and Musharakah (profit-sharing partnerships), productive waqf offers unique advantages that can better align with the needs of SMEs. While Murabaha involves the sale of goods at a profit margin, which requires SMEs to engage in asset acquisition, it may not provide the flexibility needed for businesses that require working capital for operational expenses. Similarly, Musharakah requires a level of financial commitment from both parties, which can be challenging for SMEs with limited resources. In contrast, productive waqf allows entrepreneurs to tap into a pool of resources without upfront costs, making it more accessible for startups and smaller enterprises. Research by (Pipit Mulyah, Dyah Aminatun, Sukma Septian Nasution, Tommy Hastomo, Setiana Sri Wahyuni Sitepu 2020) highlights that waqf can serve as a catalyst for SME development by reducing financial barriers and enabling

entrepreneurs to invest in growth opportunities without the constraints associated with conventional loans.

Moreover, the community-oriented nature of productive waqf reinforces its role as a sustainable funding model for SMEs. By prioritizing social impact alongside financial returns, waqf institutions can cultivate a sense of accountability and responsibility among entrepreneurs. This aspect is crucial in fostering a positive entrepreneurial ecosystem, where business owners are encouraged to give back to the community that supported them. As evidenced by the findings of (Yandri and Alfian 2024), successful productive waqf programs not only enhance the economic prospects of individual SMEs but also contribute to broader socio-economic development, thereby creating a more resilient local economy. The interplay between business growth and community welfare exemplifies the holistic benefits of integrating productive waqf into the financing landscape.

However, for productive waqf to realize its full potential as a funding solution for SMEs, there must be concerted efforts to address the existing challenges related to its implementation. These challenges include a lack of awareness and understanding of waqf mechanisms among entrepreneurs, as well as bureaucratic hurdles that may impede access to funds. Enhancing education and outreach efforts to inform SMEs about the benefits of productive waqf is essential for increasing participation. Research by (Raya et al. 2021) suggests that greater transparency in the processes and operations of waqf institutions can significantly improve the trust and engagement of potential beneficiaries. By establishing clear pathways for SMEs to access waqf funding, the effectiveness of this financing model can be significantly amplified.

### ***Future Potential for Developing Productive Waqf: Recommendations for Enhancing Effectiveness and Efficiency***

The future potential of productive waqf in Padang is substantial, given its unique ability to serve as a sustainable funding mechanism for Small and Medium Enterprises (SMEs) while promoting social welfare. To fully harness this potential, several recommendations can be implemented to enhance the effectiveness and efficiency of productive waqf management in the region.

Firstly, establishing a comprehensive regulatory framework is essential to create a standardized approach for managing waqf assets and processes. Such a framework would outline the roles and responsibilities of waqf institutions, ensuring transparency and accountability in fund allocation. According to (Indrawati, Caska, and Suarman 2020), a clear regulatory environment can mitigate risks associated with mismanagement and can foster greater trust among stakeholders. Additionally, implementing monitoring and evaluation systems would enable waqf institutions to assess the impact of their funding on SMEs, facilitating continuous improvement and adjustment of strategies based on empirical evidence.

Secondly, improving the capacity of waqf managers through targeted training programs is crucial for enhancing operational effectiveness. By equipping waqf managers with the skills necessary for financial assessment, risk management, and business development, they can make informed decisions that maximize the impact of waqf investments. As highlighted by (Qolbi

2021), a well-trained management team is pivotal in identifying viable investment opportunities that align with the needs of local entrepreneurs. Collaborations with educational institutions and business experts could facilitate the development of such training initiatives, creating a knowledgeable workforce capable of driving productive waqf programs forward.

Moreover, enhancing awareness and understanding of productive waqf among SMEs is vital for increasing participation and engagement. Waqf institutions should invest in outreach programs that educate entrepreneurs about the benefits and processes associated with waqf funding. Simplifying application procedures and providing clear guidance on eligibility criteria can significantly reduce barriers to access. Research by (Fauziah 2021) indicates that improved communication strategies can demystify waqf mechanisms, thereby encouraging more SMEs to seek support. Workshops, seminars, and informational resources can play a crucial role in building this knowledge base within the SME community.

Lastly, fostering partnerships between waqf institutions, local governments, and private sectors can lead to more robust support networks for SMEs. Collaborative initiatives that combine resources and expertise can enhance the scope and reach of productive waqf programs. Such partnerships can also facilitate innovative funding models that blend waqf financing with other forms of support, including grants, mentorship, and access to markets. This holistic approach not only strengthens the ecosystem surrounding SMEs but also ensures that waqf funds are utilized effectively to drive economic growth.

## Conclusion and Recommendation

In conclusion, this research highlights the significant effectiveness of productive waqf as a sustainable funding mechanism for supporting the development of Small and Medium Enterprises (SMEs) in Padang. The findings indicate that productive waqf not only provides essential financial resources but also fosters a sense of community and social responsibility among entrepreneurs. However, to maximize the potential of productive waqf, strategic recommendations are imperative. Firstly, waqf institutions should enhance outreach and educational programs to increase awareness and understanding of waqf mechanisms among SMEs, thereby facilitating greater participation. Secondly, it is crucial to establish a robust regulatory framework that ensures transparency, accountability, and standardized practices in waqf management. Additionally, targeted training for waqf managers can improve their capacity to support SMEs effectively. Policymakers should consider implementing supportive measures that streamline the application processes and provide incentives for SMEs to engage with waqf initiatives. By adopting these strategies and policies, productive waqf can significantly contribute to the economic empowerment of SMEs, thereby driving sustainable growth and development in the region.

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