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Cash Waqf and Religious Moderation: A New Path to Strengthen Pancasila Values Among Indonesian Muslim Youth

Muhammad Syukri Albani Nasution[1]*, Budi Harianto[2], Fauzi Arif Lubis[3], Wulan Dayu[4], Imam El Islamy[5], Bambang Lesmono[6], Malkan Yahya Abdillah[7], Rudy Rifalgi[8]

[1,2,3,5,6,7,8] Faculty of Islamic Economics, Universitas Islam Negeri Sumatera Utara, Indonesia.
[4]Faculty Economics, Universitas Pembangunan Panca Budi Medan, Indonesia

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*Correspondence: Name:
E-mail:
muhammadsyukrialbani@uinsu.ac.id

ABSTRACT

Cash waqf has developed as an important instrument in Islamic social finance that connects religious commitment with socioeconomic empowerment. However, previous studies have mainly focused on cash waqf as a philanthropic and financial mechanism, while its role in strengthening civic values and social cohesion among Muslim youth remains limited. This study aims to examine how cash waqf management contributes to religious moderation and strengthens Pancasila values among Indonesian Muslim youth. This research employs a qualitative approach using in-depth interviews involving 68 participants from North Sumatra, Jakarta, Yogyakarta, and South Sulawesi. Data were analyzed through thematic analysis to identify patterns related to cash waqf practices, religious moderation, and civic values. The findings reveal that cash waqf functions not only as a charitable instrument but also as a form of faith-based civic engagement that transforms religious values into socioeconomic actions. Religious moderation plays an important role in ensuring inclusive, transparent, and socially responsible waqf management. Furthermore, this study introduces the Faith-Based Civic Economy model, explaining how cash waqf can strengthen civic identity and social solidarity among Muslim youth. The study concludes that productive cash waqf provides a strategic pathway for integrating Islamic social finance with Pancasila values through justice, welfare, and collective responsibility. Therefore, waqf institutions and policymakers should strengthen youth-oriented waqf programs, improve professional governance, and develop innovative cash waqf management strategies to achieve sustainable social empowerment.

1. Introduction

Religion plays an important role in shaping individual morality, collective behavior, and patterns of social responsibility within society. In democratic contexts, religious values are not confined to private beliefs but may also influence civic participation, social ethics, and collective economic initiatives. Indonesia represents a distinctive case in which religious identity and national ideology have evolved through continuous interaction between Islam and Pancasila. As the state

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ideology, Pancasila provides a normative framework for integrating spirituality, humanity, social justice, and civic responsibility within a pluralistic society. Recent studies demonstrate that the relationship between Islam and Pancasila is not necessarily confrontational; rather, it reflects an ongoing negotiation between religious commitment and national citizenship, in which Islamic values can contribute to social cohesion and ethical public engagement (Kustati et al., 2023; Murod et al., 2022; Septikasari et al., 2023). Consequently, the convergence between religious ethics and national principles remains important for strengthening social solidarity and sustaining democratic coexistence in Indonesia.

Nevertheless, such normative compatibility does not automatically translate into civic resilience, particularly among younger Muslims. Indonesian Muslim youth occupy a particularly dynamic socio-religious environment in which identity formation increasingly intersects with intensive social-media use, fragmented religious authority, and exposure to competing religious and political narratives. The search for identity and religious certainty during youth, when combined with limited critical media literacy and digitally amplified in-group–out-group narratives, may increase the susceptibility of some young Muslims to intolerance, ideological polarization, and exclusionary interpretations of religion (Cardinale et al., 2021; Huda et al., 2021; Syukrilla et al., 2024). Importantly, this does not imply that Muslim youth are inherently prone to extremism; rather, their high degree of digital connectivity and ongoing negotiation of religious and national identities place them within an important arena of ideological contestation. Socioeconomic frustration and perceived injustice may further intensify this vulnerability when such grievances are interpreted through exclusive religious narratives. Therefore, preventing polarization requires more than normative messages of tolerance; it also requires participatory social institutions through which religious commitment can be translated into inclusive, constructive, and materially meaningful collective action.

Within this context, religious moderation (*wasatiyyah Islam*) provides an important framework for reconciling strong religious commitment with tolerance, national commitment, non-violence, and respect for social diversity. Religious moderation has remained relevant within Indonesia's national development framework, including the RPJMN 2025–2029 and subsequent national programs aimed at strengthening harmonious religious life. However, promoting moderation primarily at the level of discourse may be insufficient if young Muslims do not encounter concrete institutional practices through which moderate religious values generate visible social benefits. Strengthening religious moderation therefore requires mechanisms that embed values such as cooperation, responsibility, justice, and concern for others into everyday socioeconomic participation. In this sense, Islamic social finance offers an important institutional arena in which religious conviction can be transformed from an individual moral orientation into collective civic practice.

Among Islamic social-finance instruments, cash waqf (*waqf al-nuqud*) is particularly relevant for this purpose because it combines voluntary religious participation, relatively accessible contributions, productive asset management, and the possibility of generating sustained public benefits. Unlike zakat, which is an obligatory instrument governed by specific conditions and beneficiary categories, and unlike *sadaqah*, which may frequently take the form of direct and episodic transfers, cash waqf enables individuals to contribute according to their financial capacity while the endowed funds can be professionally managed to support longer-term social and economic programs. Its relatively low financial entry barrier and compatibility with digital payment systems also make cash waqf particularly accessible to younger Muslims. Empirical research has shown that perceived ease of use and digital Sharia banking systems can encourage Muslim youth participation in cash-waqf transactions(Berakon et al., 2021), while productive cash-waqf models may contribute to financial inclusion, microenterprise development, and community welfare (Ascarya et al., 2020; Irfany et al., 2022; Ulum et al., 2024). These characteristics distinguish cash waqf as more than a redistributive instrument: participation in its collection, management, and social utilization can create a recurring experience of collective responsibility, reciprocity, institutional trust, and concern for the common good.

Despite the growing literature on cash waqf, existing studies have predominantly examined it from the perspectives of Islamic philanthropy, financial inclusion, poverty alleviation, institutional governance, and sustainable development(Najim Nur Fauziah & Salina Kassim, 2022; Slamet Rusydiana & Avedta, 2022; Sulaeman et al., 2022). Far less attention has been given to its potential role in shaping civic dispositions, strengthening religious moderation, and reinforcing Pancasila-oriented social values among Muslim youth. This gap is particularly significant in Indonesia, where Islamic economic practices operate within a national ideological framework emphasizing religiosity, humanity, unity, deliberative citizenship, and social justice. Accordingly, this study proposes the Faith-Based Civic Economy (FBCE) as a conceptual framework in which faith-motivated economic participation is institutionalized as a form of civic practice that transforms religious commitment into solidarity, shared responsibility, and orientation toward the common good. The theoretical novelty of FBCE lies in repositioning Islamic social finance not merely as a mechanism of redistribution or welfare provision, but also as a process of civic formation through which religious moderation can connect Islamic ethical commitments with inclusive national values.

The conceptual connection between Islamic social finance and Pancasila can be further explained through the perspective of *maqāṣid al-sharīʻah*. In particular, the principles of *maslahah* (public welfare or common benefit) and *ʻadl* (justice) provide a normative bridge between Islamic economic ethics and Pancasila's commitment to humanity and social justice. *Maslahah* requires economic and social arrangements to generate benefits that extend beyond individual interests toward collective welfare, while *ʻadl* requires fairness in the distribution of resources, opportunities, responsibilities, and social protection. These principles ethically converge without implying doctrinal equivalence with the second principle of Pancasila, “Just and Civilized Humanity,” and the fifth principle, “Social Justice for All Indonesian People.” From this perspective, productive cash waqf represents a practical arena in which Islamic ethical objectives can be translated into socioeconomic practices that simultaneously promote welfare, reduce exclusion, and cultivate responsibility toward fellow citizens.

Against this background, this study investigates the relationship between cash waqf management, religious moderation, and the strengthening of Pancasila values among Indonesian Muslim youth. Drawing on the *maqāṣid al-sharīʻah* perspective and the proposed FBCE framework, the study examines how participation in cash waqf may transform religious motivation into broader socioeconomic and civic responsibility. By exploring the experiences of Muslim youth involved in cash-waqf activities, this research seeks to extend the Islamic social-finance literature beyond its conventional emphasis on financial and distributive outcomes. It argues that, when supported by accountable governance and religious moderation, cash waqf can function simultaneously as an Islamic economic instrument and as a civic-economic practice that cultivates ethical citizenship, social solidarity, inclusive national belonging, and sustainable community empowerment.

Literature Review

2.1 Islamic Social Finance and the Transformation of Cash Waqf

Islamic social finance has increasingly gained attention as an alternative approach to addressing socioeconomic inequality through instruments based on Islamic ethical principles. Unlike conventional financial systems that primarily emphasize market efficiency and individual accumulation, Islamic social finance integrates economic activities with moral responsibility, social justice, and collective welfare. Instruments such as zakat, waqf, sadaqah, and Islamic microfinance represent mechanisms for wealth redistribution and community empowerment. Recent studies

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emphasize that Islamic social finance contributes to inclusive economic development by strengthening social protection systems and improving access to economic opportunities for vulnerable groups (As-Salafiyah & Ratna Kartikawati, 2022; Slamet Rusydiana & Avedta, 2022).

Among Islamic social finance instruments, cash waqf (wakaf tunai) represents a significant innovation because it expands participation beyond traditional asset-based waqf. Through cash waqf, individuals with limited financial capacity can participate in sustainable philanthropy by contributing monetary assets that can be professionally managed for productive purposes. Recent research indicates that cash waqf has the potential to support poverty alleviation, social enterprise development, financial inclusion, and sustainable development initiatives in Indonesia (Najim Nur Fauziah & Salina Kassim, 2022; Sulaeman et al., 2022). The development of Cash Waqf Linked Sukuk (CWLS), for example, demonstrates how waqf can be integrated with Islamic financial instruments to support national economic recovery and social development(Bachrul Ulum, 2026).

However, despite its economic potential, the effectiveness of cash waqf depends significantly on governance quality, institutional capacity, transparency, and public trust. (Slamet Rusydiana & Avedta, 2022) highlight that professional management of cash waqf institutions remains a critical factor in maximizing its socioeconomic impact. Therefore, contemporary cash waqf should not be viewed merely as a charitable activity but as an Islamic social investment mechanism capable of generating sustainable social benefits.

2.2 Religious Moderation as an Ethical Framework for Islamic Economic Participation

Religious moderation (wasatiyyah Islam) represents an approach that emphasizes balance, justice, tolerance, and contextual understanding of religious teachings. In Indonesia, religious moderation has become an important framework for managing religious diversity and strengthening social harmony. The concept does not aim to reduce religious commitment but encourages religious communities to transform spiritual values into constructive social participation. Recent studies explain that religious moderation functions as a bridge between religious identity and civic responsibility by promoting inclusiveness, mutual respect, and peaceful coexistence within a multicultural society (Hakim et al., 2023; Qoumas et al., 2024).

The Indonesian government has institutionalized religious moderation as part of national development policies, particularly through the Ministry of Religious Affairs and the National Medium-Term Development Plan (RPJMN) 2020–2024. This policy framework emphasizes that religious values should contribute to social stability, democratic participation, and national unity. However, challenges remain because some groups interpret moderation differently, sometimes perceiving it as a compromise of religious authenticity rather than an expression of ethical balance (Qoumas et al., 2024; Syaadah & Slam, 2023).

Within Islamic economics, religious moderation provides an ethical foundation for ensuring that economic activities remain aligned with justice and social welfare objectives. Cash waqf management, when guided by moderation principles, can avoid exclusivist practices and promote inclusive economic empowerment. Thus, religious moderation functions not only as a theological concept but also as a managerial and ethical framework in implementing Islamic social finance.

2.3 Maqāṣid al-Sharī‘ah, Social Justice, and Pancasila Economic Values

The concept of maqāṣid al-sharī‘ah provides an important theoretical foundation for understanding the objectives of Islamic economics. The framework emphasizes the protection and enhancement of human welfare through principles of justice (‘adl), public benefit (maslahah), and social balance. Contemporary Islamic economic studies argue that financial activities should not only pursue economic efficiency but also contribute to human development and social justice.

In the Indonesian context, these principles have strong connections with the economic philosophy of Pancasila, particularly the values of social justice, collective responsibility, and mutual cooperation (gotong royong). Pancasila provides an ideological framework where economic development is expected to serve societal welfare rather than merely individual interests. Studies examining the relationship between Islam and Pancasila demonstrate that Islamic ethical values and national ideology share common objectives in promoting justice, humanity, and social harmony(Murod et al., 2022).

The intersection between maqāṣid al-sharīʻah and Pancasila economy creates a conceptual foundation for understanding cash waqf as more than a financial mechanism. Cash waqf represents an institutional form where religious commitment is transformed into economic participation, social solidarity, and collective welfare. Therefore, integrating Islamic social finance with Pancasila values provides an opportunity to develop a uniquely Indonesian model of ethical economic development.

2.4 Faith-Based Civic Economy: Integrating Religion, Economy, and Citizenship

Previous studies on cash waqf have primarily concentrated on economic dimensions, including poverty reduction, financial inclusion, governance, and sustainable development. Although these contributions are important, limited studies have examined how Islamic economic practices influence civic identity, social responsibility, and national values among Muslim youth.

The concept of Faith-Based Civic Economy (FBCE) proposed in this study addresses this theoretical gap by positioning cash waqf as a mechanism that connects religious commitment, economic participation, and civic responsibility. Within this framework, cash waqf functions as an economic institution, religious moderation acts as an ethical filter, and Pancasila provides the civic foundation that guides social engagement.

This perspective extends previous Islamic social finance literature by arguing that religious economic practices can produce not only material benefits but also social capital and ethical citizenship. Muslim youth participation in cash waqf activities may therefore represent a form of civic engagement where religious values are translated into collective action for social welfare and national development.

Based on this framework, this study proposes the following conceptual relationship:

Cash Waqf Management → Religious Moderation → Strengthening of Pancasila Values

The framework suggests that effective cash waqf management encourages moderate religious understanding, which subsequently strengthens civic values such as justice, solidarity, and social responsibility.

2. Methodology

3.1 Research Design

This study employs a qualitative research approach with an interpretive design to examine the relationship between cash waqf management, religious moderation, and the strengthening of Pancasila values among Indonesian Muslim youth. A qualitative approach was chosen because this research seeks to understand social meanings, experiences, and interpretations developed by participants regarding cash waqf as a form of religious, economic, and civic engagement. Unlike quantitative approaches that emphasize measurement and statistical relationships, qualitative research enables researchers to explore complex social phenomena within their natural contexts and understand how individuals construct meaning from their experiences(John W, 2019; Setiawan et al., 2026).

This study adopts an exploratory perspective because the relationship between Islamic social finance instruments and civic identity formation remains relatively underexplored. Specifically, this research investigates how participation in cash waqf activities influences religious moderation, social

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responsibility, and the internalization of Pancasila values among Muslim youth. The theoretical analysis is guided by the principles of maqāṣid al-sharīʻah, particularly justice (ʻadl), public benefit (maslahah), and social balance, to understand how Islamic economic practices contribute to broader socioeconomic transformation.

3.2 Research Participants and Sampling Technique

The study involved 68 Muslim participants recruited from four regions in Indonesia, namely North Sumatra, Jakarta, Yogyakarta, and South Sulawesi. The participants represented different social and professional backgrounds relevant to cash waqf practices, including university students, young entrepreneurs, community activists, and waqf institution managers or administrators. This diversity was intended to capture variations in experiences, institutional exposure, and socioeconomic engagement related to cash waqf, religious moderation, and civic responsibility.

The geographical distribution of participants consisted of 17 participants from North Sumatra (25.0%), 18 from Jakarta (26.5%), 16 from Yogyakarta (23.5%), and 17 from South Sulawesi (25.0%). In terms of primary role, 26 participants were university students (38.2%), 14 were young entrepreneurs (20.6%), 16 were community activists (23.5%), and 12 were waqf institution managers or administrators (17.6%). The distribution is presented in Table 1.

Table 1. Distribution of Research Participants

Participant Characteristics	**Category**	**N**	**%**
Region	North Sumatra	17	25.0
	Jakarta	18	26.5
	Jogjakarta	16	23.5
	South Sulawesi	17	25.0
	Total	68	100.0
Primary Role	University Students	26	38.2
	Young Entrepreneurs	14	20.6
	Community Activists	16	23.5
	Waqf Institution Managers/Administrators	12	17.6
	Total	68	99.9

Source : Data sourced from the author.
Note: The total percentage for primary role equals 99.9% due to rounding.

Participants were selected using purposive sampling because the study required individuals with relevant experience and knowledge concerning cash waqf and Islamic social finance. The inclusion criteria were: (1) Muslim youth who had participated in, contributed to, or managed cash waqf activities, (2) individuals with sufficient familiarity with Islamic social finance practices, and (3) participants who were able to articulate their experiences and perceptions regarding religious moderation, socioeconomic engagement, and social responsibility.

Purposive sampling was considered appropriate because qualitative research prioritizes information-rich participants who can provide detailed and contextually relevant accounts rather than statistically representative samples(Campbell et al., 2020). The inclusion of participants from different geographical regions and social roles enabled the study to capture a broader range of perspectives regarding how cash waqf practices intersect with religious values, economic participation, and civic responsibility.

The distribution of participants was not intended to achieve statistical representativeness. Rather, it was designed to ensure sufficient variation in participants' backgrounds and experiences, thereby supporting a richer interpretation of the social and institutional contexts surrounding cash waqf practices in Indonesia.

3.3 Data Collection Procedures

Data collection was conducted through three complementary techniques: semi-structured interviews, focus group discussions (FGDs), and supporting questionnaires. First, semi-structured interviews were conducted with participants to explore their understanding and experiences regarding cash waqf management, religious moderation, and Pancasila values. The interview questions focused on several aspects, including: The meaning and function of cash waqf beyond conventional charitable practices, the role of religious moderation in managing Islamic social finance, the relationship between cash waqf participation and social responsibility, the contribution of Islamic economic practices toward strengthening civic values. Second, FGDs were conducted to obtain collective perspectives and identify shared experiences among participants. The discussions focused on how young Muslims perceive the relationship between faith, economic participation, and national identity. Third, supporting questionnaires were distributed to obtain general information regarding participants' demographic characteristics and involvement in cash waqf activities. The combination of different data sources was applied to strengthen data triangulation and improve the credibility of research findings.

3.4 Data Analysis Technique

The collected qualitative data were analyzed using thematic analysis developed by (Braun & Clarke, 2021). Thematic analysis was selected because it provides a systematic procedure for identifying, analyzing, and interpreting patterns within qualitative data(Erihadiana & , Feri Rustandi , Cucu Munawaroh, 2024; Haq et al., 2021). The analysis process consisted of several stages: First, data familiarization, where interview transcripts, FGD discussions, and questionnaire responses were reviewed repeatedly to understand participants' narratives comprehensively. Second, initial coding, where meaningful statements related to cash waqf, religious moderation, Islamic ethics, and Pancasila values were identified and categorized. Third, theme development, where similar codes were grouped into broader conceptual themes.

The analysis generated three main themes: Cash Waqf as Faith-Based Civic Engagement : This theme explains how cash waqf transforms religious commitment into social participation and collective welfare. Religious Moderation as an Ethical Framework : This theme describes how moderation principles encourage inclusivity, transparency, and responsible management of waqf resources. Internalization of Pancasila Values through Economic Participation : This theme highlights how cash waqf activities become practical expressions of justice, solidarity, and mutual cooperation. Finally, the themes were interpreted through the framework of maqāṣid al-sharīʻah to construct the relationship between cash waqf management, religious moderation, and Pancasila values. This analytical process resulted in the development of the proposed Faith-Based Civic Economy (FBCE) framework.

3.5 Research Trustworthiness

To ensure the credibility and reliability of qualitative findings, this study applied the principles of qualitative trustworthiness proposed by (Lincoln, Y. S., & Guba, 1985; Wang, 2022). First, credibility was achieved through data triangulation by comparing information obtained from interviews, FGDs, and questionnaires. Second, transferability was strengthened by providing detailed descriptions of research participants, locations, and social contexts. Third, dependability was maintained through systematic documentation of the research procedures, including data collection and analysis processes. Fourth, confirmability was ensured by maintaining consistency between

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empirical evidence and research interpretation. These procedures were applied to minimize researcher bias and ensure that findings accurately reflected participants' experiences.

3.6 Ethical Consideration

This research followed ethical principles in qualitative research. Before data collection, participants were informed regarding the research objectives, procedures, and their voluntary participation. Participants were given the right to withdraw from the study at any stage. Confidentiality and anonymity were maintained throughout the research process to protect participants' identities and personal information.

3. Results And Discussion

4.1 Cash Waqf as Faith-Based Civic Engagement among Muslim Youth

The first finding demonstrates that cash waqf among Indonesian Muslim youth has evolved beyond its conventional understanding as a religious donation mechanism. Based on interviews and focus group discussions involving 68 participants from four Indonesian regions, cash waqf was perceived as a form of active social participation that connects religious commitment with socioeconomic responsibility. Participants viewed cash waqf not merely as an act of worship (ibadah), but also as a practical expression of concern for community welfare and national development.

The findings indicate that cash waqf creates a bridge between individual spirituality and collective responsibility. Young Muslims involved in waqf activities described their participation as a meaningful way to transform religious values into social contributions. This finding is reflected in participants' perceptions that contributing to cash waqf represents involvement in broader social missions, including poverty reduction, community empowerment, and improving public welfare.

This finding strengthens previous studies on Islamic social finance, which argue that waqf has moved from a traditional charitable institution toward a sustainable socioeconomic mechanism. Cash waqf provides opportunities for broader community participation because it allows individuals without significant physical assets to contribute to productive social development programs. The transformation of waqf from passive charity into productive social investment reflects the objectives of Islamic social finance, particularly the promotion of justice (ʻadl) and public benefit (maslahah).

From the perspective of maqāṣid al-sharīʻah, this transformation demonstrates that cash waqf functions as an instrument for protecting and enhancing social welfare. The economic value generated from waqf is not limited to financial returns but extends to social capital formation, community solidarity, and collective empowerment. Therefore, the findings suggest that cash waqf represents a form of faith-based civic engagement where religious commitment becomes a foundation for socioeconomic participation.

4.2 Religious Moderation as an Ethical Framework in Cash Waqf Management

The second major finding reveals that religious moderation plays a significant role in shaping how Muslim youth understand and manage cash waqf. Participants emphasized that wasatiyyah (moderation) provides ethical guidance to ensure that waqf activities remain inclusive, transparent, and oriented toward collective welfare rather than exclusive interests.

The study found that participants did not perceive religious moderation as a reduction of religious identity. Instead, they interpreted moderation as a balanced approach that enables Muslims to express religious values through constructive social actions. This perspective challenges the assumption that religious commitment and civic responsibility exist in opposition. Rather, the findings demonstrate that strong religious identity can encourage greater social responsibility when guided by principles of moderation.

These findings are consistent with previous research emphasizing that religious moderation in Indonesia functions as an ethical framework for maintaining social harmony in a plural society. Religious moderation encourages religious communities to move beyond symbolic expressions of faith toward practical contributions to society. In the context of Islamic social finance, moderation ensures that economic activities based on religious motivation remain aligned with principles of justice, accountability, and inclusiveness.

Furthermore, this finding contributes to the discussion on Islamic economic governance by suggesting that ethical orientation is a crucial component of waqf management. Effective cash waqf institutions require not only professional financial management but also moral governance based on trust (amanah), transparency, and social responsibility. Thus, religious moderation operates as an ethical mechanism that strengthens public trust and sustainability of cash waqf institutions.

4.3 Cash Waqf and the Internalization of Pancasila Values through Economic Participation

The third finding indicates that cash waqf contributes to the internalization of Pancasila values among Muslim youth through direct economic and social participation. Participants explained that involvement in cash waqf programs allowed them to understand Pancasila not merely as a national ideology but as a lived ethical practice reflected in justice, solidarity, and mutual cooperation (gotong royong).

The findings reveal that cash waqf provides an experiential pathway through which religious values and national values intersect. The practice of voluntarily contributing resources for community benefit reflects the principles of social justice and humanity embedded in Pancasila. In this context, cash waqf becomes a practical manifestation of the fifth principle of Pancasila: social justice for all Indonesian people. This finding extends previous studies that primarily analyze Pancasila from political and ideological perspectives. The current study demonstrates that Pancasila values can also be strengthened through economic practices, particularly Islamic social finance instruments. By participating in cash waqf activities, young Muslims experience national values through concrete socioeconomic actions rather than merely through formal education or ideological discourse.

The relationship between cash waqf and Pancasila values also reflects similarities between Islamic economic principles and the Pancasila economic system. Both emphasize social justice, collective welfare, and economic activities that serve human dignity. Therefore, cash waqf provides an important example of how Islamic economic instruments can operate within Indonesia's national ideological framework.

4.4 Developing the Faith-Based Civic Economy Model

Based on the three thematic findings, this study develops Faith-Based Civic Economy (FBCE) as a process-oriented conceptual framework. FBCE refers to a process through which religiously motivated economic participation is institutionally translated into inclusive social practices, collective responsibility, and civic-oriented values through an ethical framework of religious moderation. The model therefore moves beyond a simple linear sequence of cash waqf management, religious moderation, and Pancasila values by specifying the mechanisms that connect these domains.

The process begins with religious commitment as a motivational foundation. Cash waqf then provides institutional activation by converting intention, worship, and concern for others into an organized economic contribution. Religious moderation operates as an ethical filter that directs this participation toward inclusiveness, accountability, fairness, and public benefit. When these principles are embodied in institutional practice, participants may encounter repeated experiences of cooperation, reciprocity, trust, and shared responsibility. These experiences constitute the proposed bridge toward Pancasila-oriented civic values such as humanity, unity, social justice, and national responsibility.

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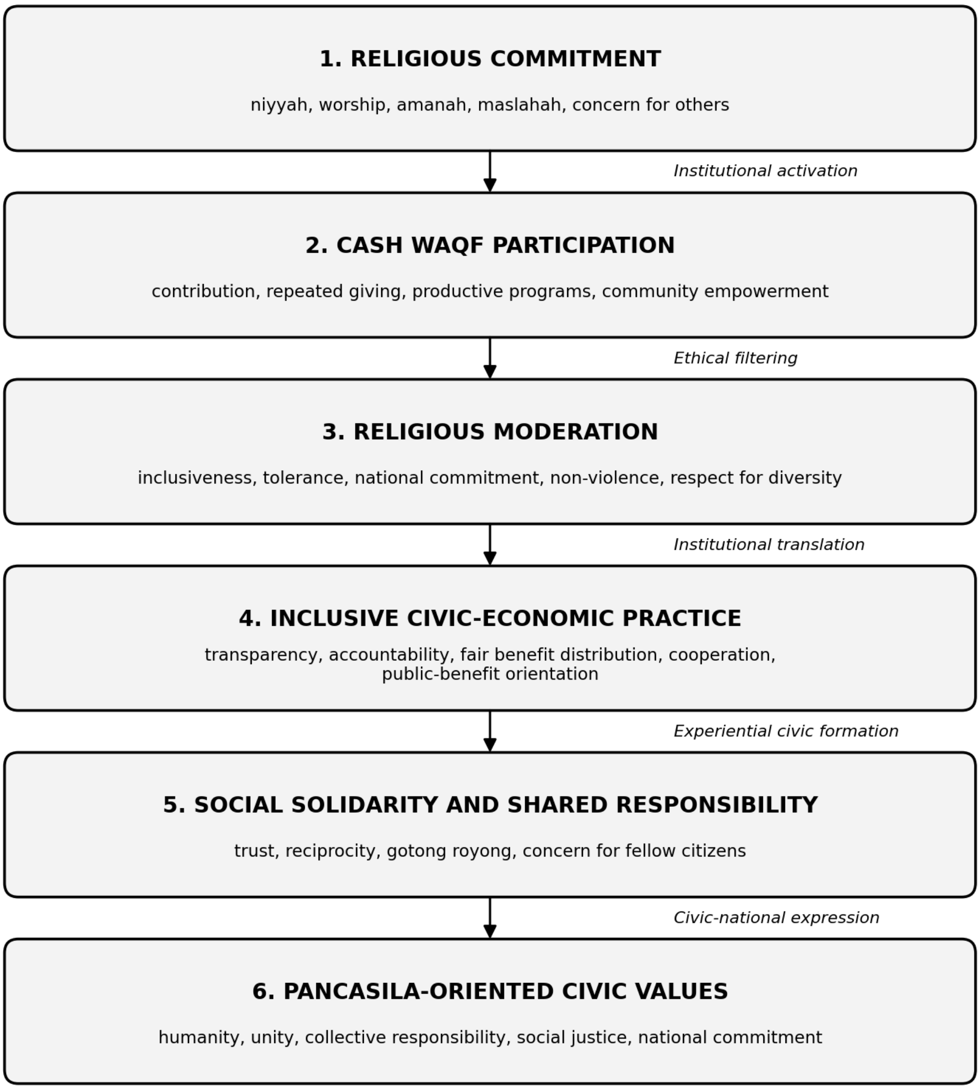

Figure 1. Faith-Based Civic Economy (FBCE) process mechanism

The arrows in Figure 1 represent qualitative analytical transitions inferred from thematic patterns. They should not be interpreted as statistically verified causal paths or mediation effects. This distinction is necessary because the study employs an interpretive qualitative design rather than a causal or structural equation model.

Table 2 summarizes the mechanisms and qualitative indicators that can be used to trace each FBCE transition. These indicators are analytical guides. In the final manuscript, each indicator should be retained only when supported by participant narratives, coding records, or triangulated qualitative evidence.

Table 2. Analytical Indicators And Transition Mechanisms of the FBCE Model

FBCE Stage	Transition Mechanism	Potential Qualitative Indicators
Religious Commitment	Motivational Foundation	Worship Orientation, Niyyah, Amanah, Maslahah, Concern For Others
Cash Waqf Participation	Institutional Activation	Contribution, Repeated Giving, Participation In Waqf Programs, Engagement With Productive Social Utilization

Religious Moderation	Ethical Filtering	Inclusiveness, Tolerance, National Commitment, Non-Violence, Openness Toward Social Diversity
Civic-Economic Practice	Institutional Translation	Transparency, Accountability, Fair Benefit Distribution, Cooperation, Reciprocity, Public-Benefit Orientation
Civic Formation	Experiential Social Learning	Trust, Solidarity, Gotong Royong, Shared Responsibility, Concern For Fellow Citizens
Pancasila-Oriented Civic Values	Civic-National Expression	Humanity, Unity, Social Justice, Collective Responsibility, National Commitment

The revised model also clarifies the status of religious moderation. Rather than functioning as a statistical mediator, moderation is conceptualized as an ethical filter or normative bridge. This formulation is methodologically consistent with the qualitative design and explains how the orientation of cash waqf management may be directed toward inclusive rather than exclusive social outcomes.

4.5 Discussion: Theoretical and Practical Implications

The theoretical contribution of FBCE becomes clearer when the findings are positioned against three bodies of literature: Islamic social finance, religious moderation, and studies on Islam and Pancasila. The novelty of the model lies not in any single component, but in the mechanism through which those components are connected.

First, Islamic social finance research has established the role of waqf in poverty alleviation, financial inclusion, socioeconomic empowerment, productive investment, and sustainable development. Research on cash waqf among younger Muslims has also increasingly examined behavioral intention, religiosity, trust, willingness, and digital adoption. (Mujahidah & Rusydiana, 2023), for example, focus on determinants of cash waqf intention among Indonesian Muslim youth. (Yumna et al., 2024) evaluate the measurable welfare, financial inclusion, social, and spiritual effects of CWLS empowerment programs. These studies are concerned primarily with antecedents of participation or program outcomes.

FBCE addresses a different level of analysis. It asks how participation in a faith-based economic institution is interpreted and experienced as a form of collective responsibility. The model therefore shifts attention from the question of why individuals donate or whether an intervention improves welfare toward the institutional process through which religious motivation can be translated into civic-economic practice. This represents an extension of Islamic social finance from a distributive and developmental framework toward a framework of civic formation.

Second, Indonesian religious moderation research has primarily developed through policy, education, interreligious relations, local culture, tolerance, and the prevention of extremism. Qoumas et al. (2024) demonstrate the institutionalization of religious moderation through national policy while noting that it has not yet fully become a national habitus. (Zaluchu et al., 2025) show that recent Indonesian scholarship continues to emphasize education, local cultural values, tolerance, multiculturalism, and social harmony. (Mubin et al., 2025) further demonstrate that moderate Islamic values can be internalized through organizational learning and community engagement in ways that foster civic responsibility.

FBCE extends this literature by proposing Islamic social finance as another institutional arena in which moderation can be practiced. The model does not treat moderation only as theological discourse or government policy. It locates moderation within decisions about resource management, beneficiary orientation, transparency, accountability, cooperation, and collective benefit. This

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economic-institutional positioning differentiates FBCE from studies that primarily locate moderation within education or public policy.

Third, studies on Islam and Pancasila have largely emphasized normative compatibility, political relations, civic education, and social cohesion. The present findings add a meso-level institutional pathway. Cash waqf provides the economic institution, religious moderation provides the ethical filter, and participation in collective social benefit provides an experiential arena in which solidarity and public responsibility may be formed. In this way, FBCE specifies how the normative compatibility between Islamic ethical commitments and Pancasila-oriented values can potentially be enacted through an Islamic economic practice.

The novelty of FBCE therefore does not lie in demonstrating that cash waqf can generate socioeconomic benefits, that Islamic ethics promote justice, or that religious moderation supports social harmony. These propositions are already established in previous scholarship. The contribution lies in integrating these strands into a process model that explains religious commitment → faith-based economic participation → moderation-guided institutional practice → civic solidarity → Pancasila-oriented social responsibility. FBCE consequently conceptualizes Islamic social finance not only as a mechanism of redistribution and sustainable philanthropy, but also as a potential institution of civic formation.

The model also has practical implications. Waqf institutions seeking to engage Muslim youth should not focus solely on fundraising or digital convenience. Programs should make the social destination of funds visible, provide transparent reporting, establish clear accountability, use inclusive beneficiary criteria, and create opportunities for participants to understand how collective contributions generate public benefit. Such institutional practices are consistent with the FBCE mechanism because they connect religious motivation with observable experiences of social responsibility and trust.

For policymakers, the framework suggests that Islamic social finance can contribute to broader civic objectives when economic governance is aligned with moderation, justice, and inclusiveness. However, the model should be treated as an empirically informed qualitative framework that requires further testing. Future quantitative or mixed-method studies can operationalize the indicators in Table 2 and examine whether the proposed transitions are associated with measurable changes in social trust, civic responsibility, national commitment, and Pancasila-oriented attitudes.

4. Conclusion

This study concludes that cash waqf represents more than a philanthropic instrument; it functions as a strategic mechanism for integrating religious commitment, socioeconomic empowerment, and civic responsibility among Indonesian Muslim youth. The findings demonstrate that effective cash waqf management encourages young Muslims to transform religious values into practical social actions through economic participation, community empowerment, and collective welfare initiatives.

The study reveals that religious moderation plays an important mediating role in ensuring that cash waqf practices remain aligned with the principles of inclusivity, justice, transparency, and social responsibility. Rather than weakening religious identity, religious moderation enables Islamic values to be expressed through constructive engagement with society. In this context, cash waqf becomes a platform through which religious commitment contributes to social harmony and national development.

Furthermore, this research contributes theoretically by introducing the Faith-Based Civic Economy (FBCE) model, which explains the relationship between cash waqf management, religious moderation, and the strengthening of Pancasila values. The model demonstrates that Islamic social finance can function not only as an economic mechanism but also as a social institution that produces ethical citizenship, social solidarity, and ideological resilience. This finding expands previous studies that primarily examined cash waqf from the perspectives of poverty alleviation, financial inclusion, and institutional governance.

From a practical perspective, this study suggests that waqf institutions, Islamic financial organizations, and policymakers should develop more professional, transparent, and youth-oriented cash waqf programs. Strengthening digital waqf platforms, improving waqf literacy, and integrating cash waqf with entrepreneurship and community empowerment programs can increase its contribution to sustainable socioeconomic development.

Although this study provides important insights, its qualitative design and focus on Muslim youth limit the generalization of findings. Future research may employ quantitative or mixed-method approaches to examine the measurable impact of cash waqf participation on social capital, economic empowerment, and civic attitudes. Comparative studies across Muslim-majority countries may also provide broader perspectives on how faith-based economic models contribute to inclusive and sustainable development.

Author contribution statement

Following the Contributor Roles Taxonomy (CRediT), all authors contributed significantly to the development, analysis, and completion of this research. Muhammad Syukri Albani Nasution contributed to the conceptualization, formulation of the research objectives, methodology design, and preparation of the original manuscript draft. Budi Harianto contributed to data collection, research validation, and critical revision of the manuscript. Fauzi Arif Lubis contributed to the theoretical framework development, literature review, and analysis of Islamic social finance concepts. Wulan Dayu contributed to qualitative data organization, interpretation, and manuscript editing. Imam El Islamy contributed to the analysis of religious moderation perspectives and theoretical discussion. Bambang Lesmono contributed to research methodology refinement, validation, and critical review of the manuscript. Malkan Yahya Abdillah contributed to supporting data analysis, academic review, and manuscript improvement. Rudy Rifalgi contributed to reviewing the final manuscript, formatting, and ensuring consistency of the research presentation. All authors have read and approved the final version of the manuscript.

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