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Mosque-Based Sharia Financial Innovation To Improve The Welfare Of Village Communities In Indonesia

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Abstract

This study aims to analyze the implementation strategy of mosque-based Islamic financial innovations to improve the welfare of rural communities In Indonesia. The research method used is descriptive qualitative with a library research approach. Data analysis was conducted through data reduction, data presentation, and conclusion drawing, to obtain a systematic and comprehensive understanding. The results indicate that mosque-based Islamic financial innovations have significant potential as instruments for village economic empowerment. Various forms, such as mosque-based Islamic financial institutions (BMT), productive waqf, Islamic cooperatives, and the establishment of mosque-based Islamic Microfinance Institutions (LKMS), have been proven to improve community welfare by strengthening access to financing, creating jobs, and developing micro-enterprises. A key finding of this study is that program sustainability is largely determined by the existence of regular evaluation and monitoring mechanisms, active community participation, and strong regulatory support. Therefore, mosque-based Islamic financial innovations have the potential to become an alternative model for inclusive, equitable, and sharia-compliant village economic development.

Keywords: *Islamic Financial Innovation; Mosques; Islamic Cooperatives; Sustainability*

Introduction

Mosques not only serve a spiritual function as places of worship, but also have great potential as centers of social and economic activity (Faizal et al., 2023). In a village context, mosques typically serve as community gathering points and institutions with strong legitimacy to drive community-based programs (Nurrachmi, 2020). This potential can be channeled into developing mosque-based Islamic financial systems, such as Islamic cooperatives or Islamic microfinance institutions, managed according to the principles of justice and togetherness (Khairi et.al., 2025). Through this mechanism, mosques have a significant opportunity to play a strategic role in improving the welfare of rural communities.

Despite their significant potential, the role of mosques in managing Islamic economics at the village level has not been optimal. Numerous studies have shown that, despite mosques' strategic capacity as centers for community economic empowerment and the management of zakat, infaq, sedekah, and waqf (ZISWAF), their implementation at the village level remains limited. This is reflected in the low synergy between mosques and formal Islamic financial institutions, the lack of training or religious studies related to Islamic finance, and the lack of innovation in utilizing mosque funds productively.

Many mosques still only perform their religious functions and have yet to innovate in the field of Islamic finance, such as providing inclusive Islamic microfinance services for the local community (Khairi et.al., 2025). However, sound mosque financial management, for example through space rentals, productive businesses, or cooperatives, has been proven to improve the congregation's economic well-being and the mosque's financial sustainability (Asyidah & Darwis, 2021). While the financial needs of rural communities, particularly MSMEs, are increasing in line with local economic development, access to formal Islamic financial institutions remains limited. Consequently, opportunities to provide Sharia-compliant capital support to micro-enterprises, such as through murabahah, mudharabah, or qardhul hasan contracts, have not been fully exploited (Mardi, 2024). This creates a significant gap between the needs of rural communities and the available Islamic financial facilities. Studies show that this imbalance hinders the potential for community economic empowerment through mosques. As highly trusted institutions in the community, mosques ideally can act as intermediaries for financial access. However, obstacles such as limited resources, poor management, and limited access to capital pose serious obstacles (Mardi, 2024).

A clear gap is the disconnect between the enormous potential of mosques and the financing needs of rural communities. Mosques are found in almost every village, yet their contribution to local economic development remains relatively small. Research in Matangaji Village, for example, shows that mosque-based sharia cooperatives can provide tangible benefits, but still face various obstacles such as low sharia financial literacy, insufficient human resource capacity, and weak institutional management. This situation demonstrates the gap between the idealism of mosques as centers of sharia economics and actual practices that do not fully support the welfare of rural communities (Mairijani, 2016).

To address these issues, more structured innovations are needed in mosque-based Islamic financial management. These innovations could include establishing Islamic cooperatives supported by robust accountability systems, developing professionally managed productive waqf (endowments), or strengthening Islamic microfinance models oriented to the needs of rural communities. Furthermore, the use of digital technology can be a key factor in supporting transparency and efficiency in mosque-based Islamic financial management. With these innovations, mosques will not only serve as centers of worship but also as agents of socio-economic change, promoting the well-being of rural communities.

Several previous studies have shown that mosques have the potential to stimulate the sharia economy (Ahdi;, 2023). For example, research in Cirebon and Bandung confirmed that mosque-based sharia cooperatives can improve the community economy, despite still facing institutional challenges (Nurrachmi;, 2020).This is in accordance with several studies which confirm that mosques have an economic and social role (Asyidah & Darwis, 2021). Meanwhile, other research in Surabaya through the mosque-based micro-business community program emphasized the effectiveness of mosques in strengthening small community businesses (Nafik;, 2014). However, these studies have focused more on the implementation of cooperatives or micro-enterprise programs, while the broader aspects of mosque-based Islamic financial innovation, which integrates technology, literacy, and empowerment, have rarely been explored. This research aims to address this gap with a more comprehensive approach.

Based on the above discussion, it is clear that although mosques have significant potential to support the welfare of rural communities, the reality is that this potential is still not being optimally utilized. Several gaps remain that must be addressed through innovation in the form of mosque-based Islamic financial models that are relevant to the socio-economic conditions of rural communities. Therefore, this study aims to: (1) identify forms of mosque-based Islamic financial innovation that can be implemented in villages; (2) evaluate their impact on rural community welfare; and (3) develop recommendations for sustainable implementation strategies. Therefore, this research is expected to provide both theoretical and practical contributions to the development of a mosque-based Islamic economy to improve the welfare of rural communities.

RESEARCH METHOD

The research method used in this study is a descriptive qualitative approach with the aim of providing an in-depth description of mosque-based Islamic financial innovations in improving the welfare of rural communities. This type of research is library research, utilizing various literature, journal articles, books, reports, and other scientific sources related to mosque-based Islamic financial innovations to improve the welfare of rural communities. The data sources in this study are divided into two: primary data in the form of relevant previous research findings and secondary data in the form of documents, official publications, and regulations related to mosque-based Islamic financial management.

Data analysis was conducted through three interconnected stages. First, data reduction, which is the process of selecting, simplifying, and organizing data from relevant literature to align with the research focus. Second, data presentation (data display) is carried out in the form of narrative descriptions, tables, and conceptual models to systematically understand the relationships between concepts. Third, conclusion drawing and verification, which involves interpreting the research findings to answer the research objectives and validating the analysis results by comparing them with various literature sources. With this method, the research is expected to provide a comprehensive picture of mosque-based Islamic financial innovation strategies and their impact on the welfare of rural communities.

FINDING AND DISCUSSION

Forms of Mosque-Based Sharia Financial Innovation That Can Be Implemented in Villages

Village mosques not only serve as centers of worship but also have significant potential as inclusive community economic institutions. Bank Indonesia emphasizes that mosques are not merely places of worship but also have strategic potential as centers for the development of Islamic economics and finance, particularly in collecting and distributing ZISWAF (zakat, infaq, sedekah, and waqf) funds for the economic empowerment of the community (Buchori, 2023). In addition, academic studies state that mosques can be optimized as a vehicle for social-economic empowerment of the community through various community-based productive and commercial activities (Faizal et al., 2023).

Institutions such as Islamic savings and loan cooperatives, productive waqf, and mosque-based micro-enterprise capital have been identified as strategic tools for strengthening the welfare of local communities. First, productive waqf. Several studies have shown that the concept of village-based productive waqf has been successfully implemented, creating a tangible, sustainable economic impact for the surrounding community. For example, in Tanjung Inten Village, Purbolinggo District, East Lampung Regency, the management of productive waqf at the Darul Ihsan Mosque and the Muhammadiyah Darul Hikmah Islamic Boarding School includes the utilization of waqf land for shops, schools, and rice fields. This model not only provides direct economic benefits but also fosters community solidarity through the application of Islamic principles such as ukhuwah (brotherhood), ta'awun (mutual assistance), and equality, thus fostering holistic and sustainable community empowerment (Efriniasih, 2021).

Furthermore, a study in "Village X" revealed how productive waqf, managed with a systematic approach, including investments in the agriculture, fisheries, and local crafts sectors, has successfully improved the economic well-being of the village community. Respondents reported increased income, poverty reduction, skills enhancement, and strengthening social ties between residents, thus proving productive waqf to be an effective and sustainable instrument for empowering rural communities (Sundana, 2023). Therefore, mapping of mosque-based productive waqf is very relevant to be implemented in the context of village economic empowerment.

Second, mosque-based sharia cooperatives. There are concrete examples of mosque-based sharia cooperative initiatives; for example, in Sumedang, a mosque cooperative helps residents escape the clutches of loan sharks and increase income through sharia-compliant business capital. A case study in Sumedang, West Java, shows that the Tegalkalong Grand Mosque Sharia Cooperative is significantly helping the community, especially small business owners, escape the clutches of loan sharks. One member, Kokom Komalasari, said she has successfully paid off old debts and expanded her business. From her initial capital of Rp 500,000 to a loan of Rp 4.5 million, she has access to interest-free sharia-compliant business capital. This system not only increases income but also opens up new business opportunities, such as an online clothing business (Sumedang, 2019).

Additionally, in Ciherang Village, Pondok Bogor, a collaborative initiative between the Open University and Djuanda University in Bogor supports the establishment of a mosque-based Baitul Maal wa Tamwil (BMT). The goal is to strengthen the economy of the surrounding community according to sharia principles. This program includes technical training and infrastructure preparation, so that mosque administrators are prepared to manage the BMT professionally and sustainably (Jabaronline.com, 2023).

Third, Islamic Microfinance Institutions. For example, in Pontang District, Serang, waqf management is carried out by the Mosque Prosperity Council (DKM) and a foundation that established an independent microfinance institution to stimulate the economy of village youth and farmers. This model demonstrates how mosques can transform into centers of economic empowerment that adapt to the needs of local communities (Ropei et al., 2021).

Table 1 Forms of Mosque-Based Islamic Financial Innovation

Innovation Model	Short Description	Case Study Example
Productive Waqf	Utilization of waqf assets (land/cash)	Village X (agriculture,

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	for productive economic activities.	crafts) and Tanjung Inten Village (shops and rice fields).
Mosque Sharia Cooperatives	**Utilizing mosque cooperatives helps residents escape the clutches of loan sharks and increase income through Sharia-compliant business capital.**	**Sumedang (Mosque-Based Cooperative)** **Bogor (Mosque-Based BMT)**
Sharia Microfinance Institution (LKMS).	Establishing a mosque-based microfinance institution with community management.	Serang (Mosque-Based LKMS)

These innovations must be supported by several steps, namely: First, the integration of the principles of Maqashid Sharia in mosque financial management. Mosque-based Islamic financial innovation will be more solid if its foundation refers to the principles of Maqashid ash-Shariah, which encompass the five main objectives of sharia: preserving religion (hifzh ad-din), preserving life (hifzh an-nafs), preserving reason (hifzh al- ‘aql), preserving descendants (hifzh an-nasl), and preserving wealth (hifzh al-mal). This principle is important because every Islamic financial management, including mosque-based ones, is not only aimed at managing funds, but must also be able to provide benefits for the community. Thus, the orientation of mosque-based Islamic financial innovation is not merely financial gain, but also part of an effort to uphold the values of justice, welfare, and social sustainability within the framework of sharia.

A study conducted in Pakatto Village, Gowa Regency, showed that waqf management based on the maqashid sharia (Islamic principles) has a significant impact on improving the community's quality of life. This occurs because waqf managed in accordance with maqashid is not only ritualistic but also socio-economic. The study identified the role of professional nazhir (managerial administrator) with managerial competence and communal values as a crucial factor in optimizing waqf benefits. Maqashid-oriented waqf empowerment can create economic independence for village communities through the development of productive assets and social empowerment programs. These findings reinforce the view that mosque-based Islamic financial innovation will be successful if it has a maqashid basis as its strategic foundation (Umar;, 2022).

The application of sharia principles in waqf management is also evident in the land waqf management practices in Jatipayak Village, Lamongan. Research shows that although its use is still largely consumptive, there are creative practices such as leasing waqf land, with the proceeds used to support community needs. This leasing mechanism, although simple, has helped improve the economic standard of local residents, particularly in meeting educational needs and family welfare. This indicates that although waqf management is not yet fully optimal, the integration of sharia principles into its management practices continues to have a positive impact on the community (Oktafia, 2021). Thus, both the Gowa and Lamongan studies demonstrate that mosque-based Islamic financial innovation will be more effective if supported by the principles of maqasid sharia, the professionalism of the nazhir (manager), and productive waqf management patterns. This opens up space for expanding mosque-based Islamic financial models in various regions, while simultaneously addressing the community's need for an inclusive, equitable, and sustainable financial system.

Second, digital technology as a supporter of mosque innovation. Traditional innovations in waqf management will be far more effective when combined with digital technology support. This is evident in the emergence of waqf crowdfunding platforms that facilitate the mobilization of waqf funds quickly, transparently, and accountably. One example is the Wakaf Salman ITB application, which provides digital services for collecting and distributing waqf in various forms, from productive waqf, cash waqf, to educational waqf. Through this platform, congregations and the general public can distribute their waqf using only their devices, without the need for face-to-face meetings, thus increasing inclusive access (ITB, 2025).

Likewise, Dompet Dhuafa has a Digital Waqf program through its official app and website, which allows people to pay waqf online with an instant payment system and transparent reporting. This system helps reduce administrative barriers and expands access to community participation, including among millennials and the Indonesian diaspora abroad who want to contribute to the economic development of the community. Through digitalization, waqf funds are channeled not only for the construction of mosques or Islamic boarding schools, but also for the development of productive businesses such as agriculture, education, and waqf-based healthcare. This makes waqf more inclusive, efficient, and able to meet the needs of the modern era (DompetDuafa, 2025).

Furthermore, the Indonesian Waqf Board (BWI) has developed a Digital Waqf program integrated with various Islamic financial institutions. This program allows waqf donors to distribute small cash waqf donations through digital payment applications such as GoPay, OVO, LinkAja, and QRIS. This innovation is important because it opens up access for wider community participation, including those with limited funds but still wishing to contribute to ongoing charitable activities. In this way, the digitalization of waqf not only simplifies the transaction process but also increases transparency, accountability, and public trust in waqf management (BWI, 2025).

Third, synergy with regulations and the Islamic Waqf Board (BWI) as a guarantor of governance. Strengthening mosque-based Islamic financial innovation requires not only technical support but also strategic synergy with supervisory and regulatory institutions, such as the Indonesian Waqf Board (BWI), which has the authority to regulate and regulate waqf management at the national level. Within this framework, BWI plays a crucial role in establishing standards, regulations, and supervision that support transparent, accountable, and sharia-compliant waqf governance. For example, a study by Hasanah et al. (2021) emphasized the importance of enhancing the professionalism of nažhir (waqf managers) as a key strategy for managing cash waqf based on an entrepreneurial model (cash waqf) (Irfany, 2020).

In addition, the model and mechanism for managing cash waqf in Indonesia also shows that BWI and institutions such as LKS-PWU actively contribute to formulating regulations and stages for managing cash waqf, including fundraising, investment, and distribution of results, all of which are developed based on BWI regulations and reference to the role of nazhir (Almantiqy, 2017). This reflects the existence of a regulatory structure and professional governance that serve as the foundation for innovative initiatives such as mosque-based Islamic finance. With professional, transparent, and integrated waqf governance, supported by regulations from the Indonesian Waqf Board (BWI) and implementation by competent administrators, public trust in waqf will continue to grow. This high level of trust is crucial because it provides social capital for expanding and deepening mosque-based Islamic finance innovation. Ultimately, mosques can develop into productive economic centers that go beyond mere places of worship to have sustainable, long-term impacts.

Mosque-based Sharia financial innovation is a significant breakthrough in addressing the economic needs of rural communities while strengthening the role of mosques as centers of community empowerment (Abdullah et al., 2024). Through Sharia financial instruments such as productive waqf, sharia cooperatives, and mosque-based digital platforms, communities gain easier access to halal financing, social investment, and economic empowerment programs. The presence of this model not only increases family income and opens new business opportunities but also strengthens social solidarity and expands the reach of economic justice in rural areas. Therefore, mosques are no longer merely places of worship but are transforming into driving forces for community welfare, integrating spiritual values with sustainable economic development (Ibrahim et al., 2023).

One form of mosque-based Islamic financial innovation is productive waqf. Productive waqf serves as a strategic instrument that not only serves as a form of worship but also has a tangible impact on improving community welfare (Masriyah, 2024). Through optimal management of waqf assets, such as agricultural land, micro-businesses, and social facilities, waqf can become a new source of livelihood for the surrounding community (Trapsila;, 2018). The profits generated from this management directly increase family income, reduce dependence on external assistance, and strengthen local economic independence (Ahdi;, 2023). Moreover, the productive waqf model also fosters social solidarity because the benefits are distributed fairly and sustainably (Ibrahim et al., 2023).

For example, research at the Darul Muhya Mosque in Kuta Makmur District shows that the rotational management of waqf rice fields has significantly contributed to improving the village economy. This scheme allows villagers to earn additional income from collectively managed rice harvests, thereby reducing dependence on external economic sources. Furthermore, agricultural-based waqf management also creates a sustainable system of local self-reliance, as the productivity of the waqf land remains maintained, and the results are directly enjoyed by the community, who manage it in turns. Thus, the agricultural-based productive waqf model serves as a means of empowerment that is not only spiritual but also practical in improving the standard of living of rural communities. This aligns with research showing that productive waqf has significant potential to stimulate the economy at the grassroots level (Munira, 2025).

Furthermore, the impact of waqf rice field management is not limited to household economics but also strengthens social solidarity among residents. The rotation system in rice field management creates a sense of togetherness, as each family receives a turn to benefit from the waqf land equitably. This pattern of benefit distribution builds trust, togetherness, and mutual cooperation within the community. Furthermore, the success of the productive waqf at the Darul Muhya Mosque serves as a clear example that professional and innovative waqf asset management can be an effective local economic instrument that is relevant to the needs of rural communities (Munira, 2025). In other words, productive waqf is not merely an instrument of worship, but also a strategy for inclusive and socially just economic development.

In a study in Village X, productive waqf management involving the agriculture, fisheries, and local crafts sectors was proven to encourage community economic empowerment and reduce poverty levels. Through this program, village communities gain broader access to productive resources, thereby increasing household incomes and reducing dependence on external assistance. Furthermore, community involvement in managing waqf assets encourages improved production skills, both in agriculture and in

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processing fishery products and crafts, ultimately strengthening the village's overall economic capacity (Sundana, 2023).

Furthermore, active community participation in the management of productive waqf not only produces economic benefits, but also strengthens social networks and a sense of shared ownership of waqf assets (Ibrahim et al., 2023). This demonstrates that waqf can be an instrument for inclusive economic development, as its benefits are not concentrated in the hands of a select few but are distributed fairly across all levels of society. This model also contributes to the sustainability of village development, as communities not only passively receive the proceeds but also participate in managing, maintaining, and developing waqf assets to ensure their continued productivity from generation to generation. Therefore, productive waqf has proven to be a means of community empowerment, integrating spiritual, social, and economic values within a single, equitable system.

Research conducted in Bandung on mosque-based Sharia Cooperatives (KSBM) indicates that sharia microfinance and business development have a positive and significant impact on the development of members' businesses. Through access to sharia-compliant financing and managerial assistance, cooperative members are able to increase productivity, expand their businesses, and improve their household financial conditions. This ultimately improves the welfare of the cooperative's members, demonstrating that KSBM can function as an instrument for community-based economic empowerment. Although the spiritual capital component does not directly influence business development, this study shows that the success of businesses run by members still has a significant impact on their well-being. These findings also demonstrate the importance of mosques as institutions that function not only in the religious sphere but also have significant potential to engage in financial and managerial economic activities (Nurrachmi;, 2020). With a strong community base, KSBM is able to become a driving force for the community's economy, aligned with Sharia values and the practical needs of the community.

The focus on education and understanding the concept of productive waqf has proven to be a crucial factor in improving community welfare. Educational activities, conducted in a dialogic and participatory manner, cover the legal aspects, urgency, and governance of waqf. This fosters a better understanding among village communities. This inclusive education not only provides theoretical knowledge but also enhances practical skills, motivation, and positive attitudes toward waqf management. Thus, the learning process about productive waqf can strengthen the community's capacity to manage waqf assets more professionally (Makhrus et al., 2021). With increasing waqf literacy, rural communities are becoming more aware of the economic potential inherent in productive waqf management.

This awareness encourages active participation in waqf asset management, so that waqf is no longer understood merely as an act of worship but also as a means of sustainable economic development. Through direct involvement, communities not only derive economic benefits but also develop a sense of shared ownership of waqf assets. This strengthens social solidarity, increases independence, and makes waqf an inclusive and effective empowerment instrument for all levels of society.

A study in three districts in Lampung Province (Pringsewu, Mesuji, and Tanggamus) found that community empowerment through productive waqf, including in the areas of education, health, and social development, significantly contributes to improving social welfare and community independence. This empowerment not only expands community access to basic services but also strengthens the role of waqf as an instrument of sustainable development (Gunawan, 2021). Furthermore, increasing the capacity of nazhir

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(Islamic trustees) in managing waqf assets has been shown to have a positive impact on optimizing the distribution of benefits, allowing the waqf program to reach a wider audience.

Similar findings emerged in the productive waqf-based poverty alleviation model at the Nurul Hayat Foundation in Surabaya, which has proven effective in improving the living standards and well-being of local communities. The waqf program managed by this institution not only provides direct economic assistance but also focuses on sustainable empowerment through small business development, education, and social services. Thus, productive waqf serves as a strategic instrument in improving the standard of living of communities while strengthening social solidarity at the local level (Aska et al., 2022).

Furthermore, along with technological advancements, the integration of fintech and e-waqf opens up new business opportunities and expands its impact in the digital economy. The strategy for empowering productive waqf in the Industry 4.0 era highlights the need to develop the capacity of nazhir human resources, more adaptive waqf regulations, cross-institutional synergy, and e-waqf expansion, all of which are key to achieving broader societal welfares (Wahyudi et al., 2025). This type of innovation strengthens mosque-based economic empowerment with broader reach and high long-term scalability, while increasing transparency, accountability, and public trust in the management of waqf funds. Furthermore, the use of digital technology enables the development of an inclusive waqf ecosystem, where people from all walks of life can participate easily and quickly through online platforms. Thus, waqf is no longer limited to traditional patterns but has evolved into a modern instrument capable of supporting socio-economic development, creating jobs, and strengthening the economic independence of the community in a sustainable manner.

Table 2. Impact of Mosque-Based Sharia Financial Innovation on Village Community Welfare

Innovation Model	Impact on Village Community Welfare
Productive Waqf (Rice Fields/Land)	Increases economic independence, family income, and village community solidarity.
Productive Waqf (Creative Sector)	Empowers UMKM, reduces poverty, and increases local production and skills.
Islamic Mosque Micro Cooperative	Supporting the development of members' businesses, increasing community income and living standards.
Waqf Literacy and Education	Increasing public understanding of waqf and encouraging active participation
Strengthening Nazhir and Institutions	Expanding the benefits of waqf to education, health, and social sectors, fostering sustainable prosperity
Technology Integration (E-waqf)	Expanding waqf reach, transparency, management efficiency, and the impact of the digital economy.

The above description demonstrates that mosque-based Islamic financial innovation has a significant impact on improving the welfare of rural communities through various empowerment models that integrate spiritual, social, and economic aspects. Productive waqf, Islamic cooperatives, education, and strengthening the capacity of nazhir (Islamic trustees) have been proven to increase family income, strengthen social solidarity, and encourage sustainable local economic independence. Furthermore, the integration of technology through e-waqf expands community participation, increases transparency, and strengthens public trust in waqf governance. Thus, mosques function not only as centers of worship but also as strategic institutions in building an inclusive, adaptive, and competitive economic ecosystem for the community in the digital era.

Developing Recommendations for a Sustainable Implementation Strategy

The strategy for implementing mosque-based Islamic finance in villages must be designed with sustainability principles in mind, from an economic, social, and spiritual perspective. As centers of community activity, mosques have significant potential to integrate worship and economic functions, serving not only as places of ritual but also as centers for community empowerment. For this strategy to be sustainable, careful planning, strengthening the capacity of managers, and support from the community and village government are required (Yuris Asbi & Uswah Hasanah, 2024). This strategic model aligns with the concept of sustainable Islamic finance, which emphasizes long-term sustainability.

Recommended strategies include the following: First, establishing a mosque-based Islamic microfinance institution with a transparent and accountable management structure. This institution can collect funds from the congregation through zakat, infaq, sadaqah, and cash waqf, which are then managed productively for the benefit of the village community (Fauziah et al., 2025). The importance of a financial accountability system is key to gaining public trust and participation in this program. Having a formal institution under the auspices of the mosque allows for more focused fund management and avoids practices that are not in accordance with Sharia (Holle et al., 2023).

Second, community economic empowerment based on sharia-compliant entrepreneurship. Mosques can act as micro-enterprise incubators by providing entrepreneurship training, sharia-compliant financial literacy, and business mentoring. This is particularly relevant in villages, where the majority of the community relies on agriculture, small trade, and informal services for their livelihoods. With mosque support, they can develop sharia-compliant businesses and increase the competitiveness of local products. This program has proven effective in improving community welfare in several community-based empowerment studies (Fatimah;, 2024).

Third, the digitalization of mosque-based Islamic financial services. Digital transformation enables rural communities to access financial services more easily, quickly, and transparently. Through mobile applications or digital platforms connected to mosques, communities can distribute zakat (alms), infaq (donations), sadaqah (charity), and conduct other Islamic financial transactions. This digitalization also strengthens transparency because all transactions can be tracked in real time. This aligns with the global trend of digital finance, which is increasingly being implemented in developing countries to expand financial inclusion (Fatimah;, 2024).

Fourth, synergy with village governments and Islamic financial institutions. For this program to be sustainable, mosques need to collaborate with village governments in terms of regulations, capital support, and infrastructure strengthening. Furthermore, mosques can partner with Islamic banks, BMT (Baitul Maal wat Tamwil), and Islamic cooperatives to manage funds and finance community businesses. This synergy will strengthen the institutional capacity of mosques while increasing public trust in mosque-based financial programs (Srilestari, 2024).

Fifth, strengthening Islamic financial literacy and education for rural communities. Without a strong understanding, it will be difficult for communities to actively participate in this program. Therefore, mosques need to regularly hold Islamic financial studies, seminars,

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and simple training classes to introduce Islamic financial concepts, the benefits of saving in Islamic institutions, and the dangers of usury practices. A high level of literacy will encourage voluntary community participation and reduce the risk of moral hazard in program implementation (Suman et al., 2024).

Finally, sustainability strategies must incorporate regular evaluation and monitoring. Mosques, as the central management unit, should establish a dedicated team tasked with evaluating financial performance, assessing the impact on community well-being, and identifying emerging obstacles. This evaluation is crucial to ensure the program not only runs smoothly initially but remains consistent and adaptable to changing community conditions. With regular evaluations, mosques can address weaknesses and strengthen long-term implementation strategies.

Table 3: Sustainable Implementation Strategy for Mosque-Based Islamic Finance

Strategy	Description	Objectives
Establishment of a mosque-based Islamic microfinance institution	Establish a formal institution under the auspices of the mosque with the principles of accountability and transparency.	Collect and manage community funds productively
Empowerment of Islamic entrepreneurship	Training, literacy, and mentoring for Islamic-based businesses.	Increasing the economic independence of rural communities.
Digitization of services	Utilization of digital applications and platforms.	Facilitate access and expand financial inclusion.
Institutional synergy	Collaboration with village governments and Islamic financial institutions.	Strengthening institutional capacity and sustainability.
Islamic financial literacy	Education through studies, seminars, and training.	Increasing community participation.
Evaluation and monitoring	Regular evaluation teams in mosques.	Ensuring program sustainability and improvement.

Based on the description and table above, it is clear that the development of recommended strategies for implementing mosque-based Islamic finance in villages must consider the principle of sustainability. This principle must be the primary orientation in every step designed. This strategy focuses not only on the establishment of institutions or programs but also integrates aspects of accountability, empowerment, digitalization, synergy, and community literacy. Thus, mosques become not only centers of worship but also centers for managing community finances, capable of promoting economic independence, strengthening social solidarity, and maintaining spiritual integrity. All of the strategies outlined demonstrate that successful implementation is crucially determined by consistency, active community participation, and strong institutional support. Furthermore,

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another important assertion is that the sustainability of this strategy depends on the existence of ongoing evaluation and monitoring mechanisms. Without evaluation, the program has the potential to become merely a short-term initiative without long-term impact. With regular evaluation, mosques can continuously adapt to the village's socio-economic dynamics, address weaknesses, and strengthen successful aspects. Therefore, this recommended strategy is not merely a technical step, but rather a sustainable framework that integrates the mosque's role as an agent of social, economic, and spiritual change at the village level.

CONCLUSION

Based on the results and discussion above, it is clear that mosque-based Islamic financial innovation has significant potential as an instrument for village economic empowerment in Indonesia. This innovation, presented in various forms, includes mosque-based Islamic financial institutions (BMT), productive waqf, Islamic cooperatives, and even digital donations. These initiatives have been proven to improve community welfare by strengthening access to financing, creating jobs, and developing micro-enterprises. The implication of these findings is the need for mosques to play an active role not only as centers of worship but also as economic drivers for the community, integrating spiritual and socio-economic functions in a sustainable manner. Therefore, an implementation strategy must be systematically developed, encompassing strengthening Islamic governance, collaboration with the government and Islamic financial institutions, and utilizing digital technology to ensure the program's adaptability. This research recommends that mosques in villages be further empowered as centers of Islamic financial innovation, supported by government policies, increased public literacy, and strict Islamic oversight. This will enable them to become pillars of sustainable community welfare in accordance with the principles of maqasid al-sharia.

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