

## Analysis of Cash Waqf Management

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### ABSTRACT

Cash *waqf* is a movable *waqf* which serves to promote benefit to people. Cash *waqf* plays an important role in helping to solve social and humanitarian problems, such as: poverty alleviation and people's economic empowerment. The success of *waqf* management by *nazhir* (a party who takes responsibility to manage the *waqf*) is not only indicated by the amount of *waqf* managed, but also by the extent to which the empowerment of *waqf* can provide added value for the productive activities of the community. Using a qualitative approach, this study seeks to explore the management of cash *waqf* by *waqf* institutions in Pemalang Regency, Central Java. Data collection was carried out using interview technique. To increase the validity of the data, method and data source were triangulated by involving several relevant data collection methods. Furthermore, it also involved various parties as informants, including: key persons from the Indonesian *Waqf* Board of Pemalang and Central Java branches, local government, ACT (Aksi Tanggap Cepat) of Central Java and Jakarta branches, to triangulated the data sources. The results of this study provide an overview of the implementation of *waqf* principles and governance, transparency and accountability of *waqf* management, and the urgency of coordination of various parties in implementing cash *waqf* in *waqf* institutions in Pemalang Regency.

**Keywords:** *Waqf*; Cash *Waqf*; *Waqf* Management; Transparency; Accountability

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### 1. Introduction

*Waqf* is an Arabic term that means to restrain or compel something to halt. *Waqf* can be classified based on the object, timing, and purpose of *waqf* (Jalil and Ramli, 2008). *Waqf* assets can be both immovable (e.g. land and building) and moveable (such as: cash *waqf*). According to Islamic law, a *waqf* must be everlasting. The Malikiyyah school, on the other hand, only permits *waqf* on a temporary basis (Al-Zuhayli, 2000). *Waqf* donations can be made to either *muwaqif* (a party who make *waqf*) family or society. Cash, not land or building, is the object of *waqf* in cash *waqf*. According to the Indonesian Ulema Council, not only money, securities can also be considered as part of cash *waqf* (MUI, 2002). As a result, the *waqif* may give cash or securities in exchange for the *waqf*.

Cash *waqf* has a more values than non-cash *waqf*. One of which is that the amount of money required for cash *waqf* varies, allowing those with modest resources to make *waqf*. Compared to other assets, like as land, the value of cash *waqf* is actually more long-lasting. Natural catastrophes, for example, can cause land to be damaged or even destroyed. Meanwhile, *waqf* will continue to

exist for as long as the value of the waqf assets persists (Mohammad, 2008). As a result, cash waqf has the ability to promote the development of Islamic society (Khan, 2015), to establish a just economic system (Ali and Ali, 1995: 209), and to address social and humanitarian issues, such as: poverty reduction and resource development (Ahmad, 2015), and people and economic empowerment (Saduman and Aysun, 2009).

Cash waqf has been practiced for a long time, dating back to the Umayyad and Abbasid dynasties. The legality of cash waqf has been questioned by scholars. Nonetheless, cash waqf is still practiced today (Chowdury, Ghazali, & Ibrahim, 2011), and has lately gained popularity in Indonesia. Ismail and Mohsin (2013) have demonstrated the benefits of waqf. According to Ismail and Mohsin (2013), waqf has the ability to support not only religious affairs, but also communal goods and services such as education, infrastructure, health, and employment. The function of waqf fund managers (nazhir) would be critical in empowering waqf funds. Furthermore, good management is absolutely required so that cash waqf could truly benefit the beneficiaries.

Previous research has demonstrated the necessity of excellent waqf management in order for waqf to benefit its beneficiaries (e.g., Hashim (2007), Karim (2010). Unfortunately, research on cash waqf management is relatively scarce (Chowdury, Ghazali, & Ibrahim, 2011) and more empirical data is needed. This study aims to fill that void by investigating waqf management at a cash waqf management agency in Pemalang Regency. This study specifically aims to provide an overview of: (1) the implementation of waqf principles and governance, (2) the transparency and accountability of waqf management, and (3) the importance of coordination among various parties in implementing cash waqf in waqf institutions in Pemalang Regency.

This research is critical since cash waqf is common in Indonesia, yet research into waqf management is relatively scarce. Existing research tends to concentrate on the fiqh law of waqf (Fauzia, 2008). Furthermore, results linked to the management of waqf funds will definitely make a significant contribution to the body of knowledge and practices of waqf in Indonesia.

## **2. Literature Review**

### *2.1 Aksi Cepat Tanggap (ACT) as Waqf Institution*

Aksi Cepat Tanggap (ACT) is a professional non-profit organization that specializes on social and humanitarian work. It started to operate in 1994 and has evolved into a worldwide humanitarian organization with a broader reach, in 2012. In Indonesia, ACT activities have been taken place in up to 30 provinces and 100 regencies/cities. On a worldwide scope, 22 nations in Asia, Africa, and Europe have benefited from the ACT global waqf program. ACT established the ACT Global Waqf Program to help society in overcoming social and economic problems while also empowering them to be more productive and powerful. Global waqf offers four types of long-term waqf benefits, i.e. food, educational, health, and productive economic waqf.

### *2.2 Cash Waqf Potential in Indonesia*

According to Nasution (2005), the overall potential of cash waqf in Indonesia is approximately Rp3 trillion. Unfortunately, the cash waqf collection of numerous nazhir organizations have not

been able to attain this potential number. For example, the Indonesian Waqf Board (IWB), an autonomous organization in charge of national waqf, has only managed Rp4 billion of cash waqf since its inception in 2009. Furthermore, the overall collection of cash waqf funds from seven large-scale waqf institutions is barely amounted to Rp32,781,459,176 on a national scale.

### 2.3 Cash Waqf Management

The function of nazhir in the cash waqf management is significant since nazhir has the authority to act on the waqf property, including manage, maintain, develop, and distribute the waqf funds to those who are entitled to them. Waqf management will be effective, according to Ahmed (2014), if it is carried out by a non-profit organization having a legal entity such as nazhir (in Rozalinda, 2015)

Aziz et al (2014), Pitchay et al (2014), Alias et al (2015), Harun et al (2016), and Rusydiana and Devi (2017; 2018) have all performed previous study on waqf and cash waqf. In Indonesia, research on cash waqf management is relatively scarce. Research on waqf is still dominated by non-cash waqf discussions (Rusydiana & Alparisi, 2016) and focuses on the fiqh of waqf (Fauzia, 2008). Hasbullah is one among the researchers that investigated the cash waqf in Indonesia (2012). He investigated the implementation of cash waqf management following the issue of Waqf Law No. 41 year 2004. The finding indicates that cash waqf regulation does not promote the implementation of cash waqf as a method of empowerment and economic equality in society. The cash waqf management system must be improved by increasing the quality of nazhir and transforming cash waqf funds into integrated social business capital. As one of the creative waqf models, cash waqf for the development of productive and social economic facilities in the community must be provided.

## 3. Research Methodology

This study is an exploratory study using a qualitative approach. This study focuses on cash waqf management agencies in Pemalang Regency, Central Java. Using a qualitative method, this research is anticipated to give a description of waqf management in Pemalang Regency.

### 3.1 Research Informant

Ten informants from various institutions with knowledge of cash waqf management were involved in this study. The primary informants of this study are cash waqf managers from Aksi Cepat Tanggap (ACT). ACT is the institution that has implemented cash waqf. To enhance the validity of the data, data sources were triangulated by incorporating numerous informants from various institutions as well as muwakif, as shown in Table 1.

Table 1. Research Informants.

No	Institution	Name Initial	Gender	Occupation
1	IWB Pemalang	AN	M	Directur
2	ACT Head Office	JF	M	Global Wakaf Division
3	ACT Central Java	GY	M	Global Wakaf Central Java Division
4	ACT Pemalang Regency	ASD	M	Director

5	Yayasan Inisiasi Wakaf Indonesia	EP	F	Director
6	Yayasan Bina Insani Randudongkal	JR	F	Education Division
7	Yayasan Tsamrotul Fuad Pemaslang	SJ	M	Treasurer
8	Muwakif	AA	M	Lecturer for Stembu University
9	Muwakif	AZ	M	Businessman
10	Muwakif	AM	F	Private sector employee

### 3.2 Data Collection and Analysis

Data is acquired and evaluated using the following steps: (1) data collection, (2) data reduction, (3) data presentation, (4) drawing conclusions and verification. Data were gathered using personal and telephone interview. During reduction phase, data is summarized into a more understandable form by using a coding procedure to categorise the informants' responses. Furthermore, the data is provided in an easy-to-understand format. Finally, tentative findings are formed in preparation for future investigation. This preliminary finding is subject to change if further information or evidence is discovered in the field that enhances or weakens the conclusion. This procedure is repeated until a final decision is obtained.

Method triangulation and data source triangulation were used to improve the data's validity. Data sources are triangulated by involving several informants. Meanwhile, technique triangulation was carried out in data gathering by using interview and observation methodologies.

## 4. Results and Discussion

Findings of this study are presented into three sub-sections based on the objectives of this study.

### 4.1 Waqf Principles and Governance Implementation

The legal framework for formal waqf institutions involved in the waqf management is provided by Law No. 4 year 2004. The success of the implementation of waqf principles and governance is influenced by 3 factors: institutional, community, and government aspects.

#### 4.1.1 Institutional Aspect

Individual, organizational, and legal entity nazhir are the three forms of nazhir governed by Government Regulation No. 42/2006. The institution in question in this study is nazhir, a legal body that is legally registered with IWB. The nazhir organization/legal entity is a social, educational, communal, and Islamic religious institution. Individual nazhir administrators who have completed the standards, have a particular work program in the growth of waqf, and satisfy all administrative requirements as an official nazhir institution comprise this nazhir institution.

ACT is one of legally recognized waqf institutions. The central ACT coordinates waqf management in all ACT branches across Indonesia. Seminars, trainings, and workshops on waqf are provided to the waqf team in order to increase the quality of nazhir. Waqf management is monitored through coordination meetings, both routine and incidental. Regular weekly meetings are held to assess progress toward the waqf program's objectives. All parties participating in waqf

management are checked on a regular basis through these sessions in order to preserve the quality of waqf management. This is consistent with what GY from the Global Waqf Division stated: *‘Coordination is done frequently and inadvertently. Routine coordination is often carried out on a daily basis by employees according to their divisions, in addition to routine communication with other departments in accordance with the job description in ACT Center. In addition to routine coordination, Nadzir in ACT is involved in waqf training and seminars in local, national and international scope. The last international waqf meeting was recently conducted in Malaysia. In this sense, the most recent up-to-date news regarding waqf will always be provided by ACT. Furthermore, ACT is frequently asked to fill in the content of a variety of mass media such as newspapers.’*

#### 4.1.2 Community Aspect

There are two types of societies: muwakif and non-wakif. The community plays an important role as a source of waqf funds. The magnitude of the community's contribution to the amount of cash waqf collected is highly reliant on the success of the nazhir institution. There were several informants from wakif in this research who had contributed money to nadzir to develop various facilities, such as health and educational.

Compare to non-cash waqf, the cash waqf scheme is favorable to certain muwakif. They don't need to have a lot of money to be able to waqf. According to the following informants:

*‘...If we donate land or buildings which needs a big sum of money, we may not be able to afford it. Nevertheless, if we donate cash, even if it is in little amounts, it can contribute to the construction of, for example, building for educational facility.’*

*‘In addition to the smaller amount of money that we can afford to donate, this cash waqf is highly flexible. We are now releasing for Islamic education at the foundation that we created in 2012. If land waqf and building waqf remain burdensome for certain of our people, then waqf innovation in the form of cash waqf becomes extremely beneficial and manageable. It is simple to gather and disseminate.’*

#### 4.1.3 Government Aspect

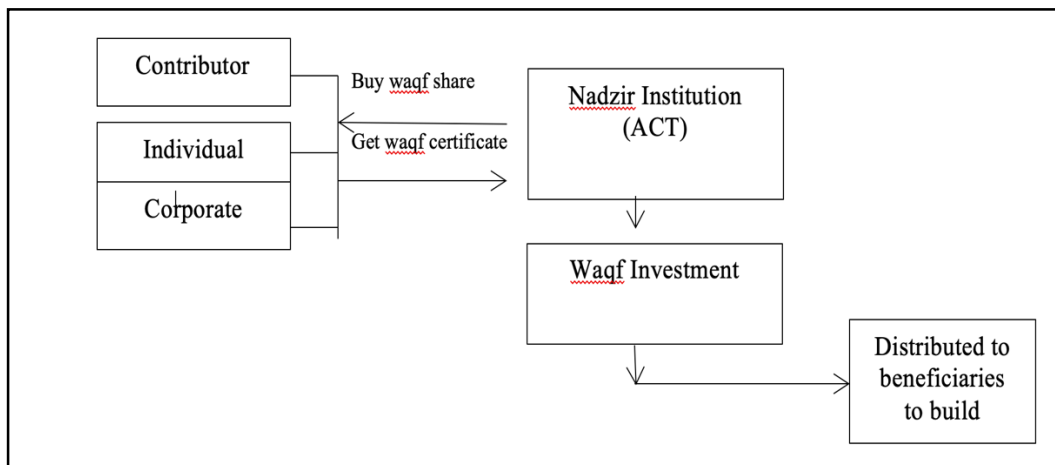
The central IWB, regional representatives, and the Ministry of Religion are the governing institutions in charge of controlling waqf affairs. The involvement and assistance of the government will influence how cash waqf practices are implemented in institutions and communities. According to the head of Indonesian Waqf Board Pemalang Branch:

*‘Indonesian Waqf Board is a governing institution, facilitator, and regulator of waqf practices for other institutions in the region... There are often joint activities with the regional MUI, Ministry of Religion, BAZNAS, Regional Government, and various other institutions to carry out the communication process to the community regarding the urgency of waqf, overcome all the problems that exist in the community regarding the constraints of the waqf process and its follow-up, and provide guidance and empowerment to prospective individual and institutional nazhir regarding waqf management.’*

At ACT, cash waqf is implemented through the global waqf program which comprises the following stages: socialization, collecting, and distribution of waqf funds. ACT's waqf fundraising strategy is to prosper the mauquf 'alaih and realize economic justice in the face of the industrial revolution 4.0 era, namely by developing long-term strategic program plans, designing long-term budgets, developing fundraising scenario designs (goals and strategies), identifying source of funds (waqif) through direct and indirect methods, and monitoring work results (monitoring and reporting).

Waqf collection at ACT is done on a regular basis, at the center, branches, and units. The cash waqf scheme was socialized through internet and telephone media. Waqf deposits by wakif to nazhir must be made through a sharia bank designated by the Minister of Religion. The cash waqf management plan used in Indonesia is comparable to the idea utilized in Malaysia, Kuwait, and the United Kingdom. Mohsin (2013) refers to this plan as the Waqf Shares Scheme, in which waqf is collected through participation, as depicted in Figure 1.

Figure 1. *Waqf Shares Scheme by Mohsin (2013).*



#### 4.2 Accountability and Transparency

To build trust in the nazhir, waqf management must be held accountable. High accountability demonstrates excellent management's ability to deliver intended benefits. Waqf management accountability is achieved by nazhir quality assurance and the preparation of accountability reports linked to waqf management. The legal permissions and certificates possessed by Nazhir attest to his excellence, as revealed by informant JF from the ACT center below:

*'A nazhir who already has a license from the authorities must carry out his responsibilities effectively, giving general and particular instructions about the nazhir performance report in accordance with the approved job description. Following that, the authority/leadership will monitor and assess its performance as well as its adherence to the applicable Sharia laws. This procedure is carried out on a regular and recurring basis in order for the public to directly review ACT's performance.'*

Waqf management is also held accountable through the creation of periodic financial reports and nazhir performance reports. Waqf financial accounting reports are based on PSAK Syariah 109 for zakat, infaq, and shodaqah, which are not completely compatible for waqf since the principles of

zakat, infaq, and shodaqah differ from the waqf premise. Hence, the waqf reporting standard has yet to be released and is currently being discussed by the National Standard Board of Indonesian Accountant Association from sharia division, Bank Indonesia, and the IWB. ACT's financial statements comprise a statement of financial status, a report on changes in funds, and a report on assets being managed.

Meanwhile, waqf management transparency is achieved through the distribution of waqf management accountability reports to stakeholders, which consists of financial reports, as stated by an informant from ACT Central Java:

*'We make reports related to waqf achievement that are submitted to ACT Center, IWB, and muwakif on a regular and periodic basis so that information can be received openly and transparently to related parties.'*

ACT has demonstrated appropriate accountability and openness based on data collected from informants. However, ACT's accountability has to be increased, particularly in terms of financial reporting in order to comply with waqf-related requirements. This is acceptable given that the standard board has yet to release the standard for waqf-specific reporting. Transparency must also be enhanced because the number of stakeholders who get financial reports remains limited. To improve transparency, ACT can make better use of electronic media by expanding the dissemination of waqf management reports. Furthermore, high levels of accountability and openness are anticipated.

#### *4.3 The Need for Collaboration with Other Waqf Institutions*

Communication and collaboration with many stakeholders are required to ensure that the implementation of cash waqf is as successful as possible. This partnership can improve waqf fund collection and foster a mutually supporting and strengthening environment among different relevant organizations, such as ACT, IWB, Islamic banks and foundations, and other institutions. Furthermore, this partnership may result in improved distribution, providing larger advantages to the community. According to informant GY from ACT Central Java, this is as follows:

*'As a party that supports the success of cash waqf implementation in ACT, we always endeavor to contact frequently with the Ministry of Religion, Central Java MUI, IWB, and Islamic banks. We also invite these parties to training events or workshops on cash waqf that we organize on a regular basis in the hopes of achieving a successful level of cash waqf management from a managerial standpoint. By doing so, we hope that the quality of nadzir and the quantity of cash waqf can improve from time to time.'*

According to one informant, ACT has always communicated and worked with institutions involved in waqf management. The goal is to improve waqf implementation and management, as well as to distribute waqf in an effective and efficient way.

## **5. Conclusion**

The purpose of this study is to explore the implementation of cash waqf principles and governance, the accountability and transparency in waqf management, and to describe the importance of coordination and collaboration among waqf institutions. ACT has actively involved in the

implementation of cash waqf through Global Waqf Program. Three factors contribute to the successful application of waqf management principles and governance at ACT: institutional, community, and government. These factors must be empowered in order for the implementation and management of cash waqf to operate effective and efficiently. The socialization process, as well as the collecting and distribution of cash waqf, are all part of cash waqf management.

Accountability and transparency in ACT are accomplished through accountability reporting, which takes the form of financial reports and nazhir performance reports that are provided to specific stakeholders. To improve nazhir's performance, it is important to coordinate and collaborate with associated parties such as IWB, Islamic banks, and other waqf institutions. Finally, this research is yet exploratory, and more research is still needed. The future researchers are suggested to examine the performance of waqf management using a quantitative approach. In addition, developing a measure to assess the effectiveness of waqf management is also worth to be undertaken.

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