

## Research article

# Optimizing the Potential for Cash Waqf in Indonesia

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**ORCID**M. Safrudin Sabto Nugroho: <https://orcid.org/0000-0003-0096-0020>**Abstract.**

This study aimed to examine the Government's strategy to optimize the performance of cash waqf through its Cash Waqf Linked Sukuk (CWLS) Retail policy. There is a large potential for cash waqf in Indonesia; however, when the Government issued the CWLS Retail instrument, the results were not optimal, so there is still a fairly high gap between the potential and realization of cash waqf. This was descriptive qualitative research. Data collection was done through interviews, a literature search, and document review. The results of the study showed that, firstly, the Government needs to regulate related issues including waqf that is sent directly from institutions to the Government, standardization of reporting from Nazir to stakeholders, Nazir appointment mechanisms, CWLS Retail taxation aspects, and cash waqf from abroad in the form of non-rupiah. Second, the use of offline and online platforms should be optimized to reach all levels of society. Third, a tenor of two or three years can be used according to conditions; a wakala contract can be used; the nominal issuance needs a lower number to accommodate wakif beginners and lower-middle-income classes; and social projects can use proposals from Nazir and joint projects. Finally, the Government can use more effective marketing strategies by targeting segmented investors, allowing longer offering times and diversifying the media used.

**Keywords:** cash waqf linked sukuk, sovereign sukuk, philanthropy

## 1. Introduction

Cash waqf is money collected by waqf management institutions called Nazir by issuing cash waqf certificates purchased by community members. Cash waqf may also be interpreted as waqf property within the variety of money or securities managed by banking institutions or sharia financial institutions whose profits are donated. However, the principal value cannot be reduced for alms. At the identical time, the collected waqf funds may be extended and invested by nazir into various forms of halal and productive businesses so the profits may be utilized for the event of the people and therefore the nation.

In making this investment, security aspects must be considered, including at least two aspects: first, the security of the principal value of the endowment fund so that there

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is no depreciation (there is a guarantee of integrity). The second is that the investment of these funds can be carried out in productive instruments and can bring results or income (incoming generating allocation). Thus, the financing of the institution's activities will be carried out with funds sourced from this income and, at the same time become a source for the economic development of the people.

Sovereign Sukuk can be used as an alternative source of sovereign financing. Besides that, Sovereign Sukuk is an instrument that can provide an alternative investment instrument that is safe, minimal risk so that it is desirable to investors. As one of the financial investment instruments, the payment of rewards and the nominal value is guaranteed by law so that the Sovereign Sukuk is free from the risk of default. Return to Sovereign Sukuk consists of 2 types: it can be fixed (fixed coupon) or floating (variable coupon), depending on the type of structure used. In addition, this instrument can also be traded (tradable) in the secondary market or not (non-tradable). Sovereign Sukuk can also be issued in both the domestic and international primary markets, as well as in rupiah and foreign currencies. (Directorate General of Budget Financing and Risk Management, Ministry of Finance, 2015).

In this case, the Directorate General of Budget Financing and Risk Management (DGBFRM) at the Ministry of Finance (MoF), the Government has carried out various initiatives in the development of Sovereign Sukuk, in the form of developing creative financing, namely Sukuk that can be used for social investment by issuing CWLS instruments. One of the objectives of the issuance of the CWLS instrument is to provide facilities to the Indonesian Waqf Board and the Wakif. They perform cash waqf to invest in the form of waqf money in financial investment instruments, namely Sovereign Sukuk.

The Government has launched CWLS during the IMF-World Bank Annual Meeting held in Bali on October 14, 2018. However, CWLS can only be issued in 2020. There have been two CWLS issuance transactions by The Indonesian Government using the private placement method of IDR 50.8 billion and the book building (Retail) method of IDR 14.91 billion. The CWLS instrument is a new instrument from a hybrid product between Sukuk and waqf. So far, public literacy related to waqf, known as waqf, has only been limited to land waqf for graves, mosques, etc.

Based on data obtained from the DGBFRM at the MoF, the realization of the issuance of CWLS Retail amounted to IDR 14.91 billion. While according to data from the Indonesian Waqf Agency, cash waqf in Indonesia has an enormous potential of IDR 180 trillion in 1 year. Thus, there is still a reasonably high gap between the potential of cash waqf and the realization of the performance of the issuance of CWLS Retail. So referring to this, the formulation of the problem is that the gap between the potential of cash

waqf in Indonesia and the performance achievement of the issuance of CWLS Retail is still high. The research questions are: What strategies can be applied to improve the performance of the issuance of CWLS Retail?

The purpose of the study is to formulate a policy issuance strategy to optimize the performance achievement of the issuance of CWLS Retail that the Government can carry out. So that the gap between the potential of cash waqf in Indonesia and the performance achievement of the issuance of CWLS Retail can be lower.

## 2. method

The method conducted on the research is a qualitative descriptive method to understand more deeply the problems of this research. It can explore in-depth answers from available data and information sources for analysis and conclusions. This research is focused on formulating a policy issuance strategy to optimize the performance achievement of the issuance of CWLS Retail that the Government can carry out. Lexy. J. Moleong (2010:157), in his book entitled *Qualitative Research Methodology*, as quoted by Lofland and Lofland, said that the primary data sources in qualitative research are words and actions. The rest are in the form of additional data such as documents and others. What is meant by data sources in research is where the data needed to support research can be obtained. When using the interview method in collecting research data, the data source is usually referred to as informants, namely people who respond or provide answers to questions submitted both orally and in writing.

Considering the research was conducted during the Covid-19 pandemic, the researcher used primary data sources, namely conducting interviews with key informants through an online meeting platform. And using secondary data in the form of literature studies through books, related regulations, local and international journals, and news information in electronic media. In this study, the author will use primary and secondary data sources. Primary data was obtained by involving the active participation of researchers. Usually, primary data is collected through survey activities, observations, experiments, questionnaires, personal interviews, and other media used to obtain field data. For this study, researchers have used interviews with key informants to obtain primary data. In addition to interviews with key informants, this study also uses the Focus Group Discussion (FGD) method. This method relies on obtaining data or information from an interaction of informants or based on the results of discussions in a group that focuses on discussing problems related to the issuance of CWLS Retail. Apart from being group information, data or information obtained through this technique is also

an opinion and decision of the group. The FGDs were conducted by resource persons who were directly involved in the publishing of CWLS Retail. The parties involved in the FGD are representatives of the secondary data, which is data obtained from the second source of the data we need.

The data in this study were obtained from literature, books, articles, journals, and so on related to this writing material, such as sovereign Sukuk books published by the MoF, contemporary waqf books published by the Indonesian Waqf Board, laws and regulations related to the management of Sukuk, namely the State Sharia Securities Law, the law related to the management of waqf, as well as several relevant journals related to the management of cash waqf.

### 3. RESULTS AND DISCUSSION

Based on data obtained from the DGBFRM at the MoF, the realization of the issuance of CWLS Retail worth IDR 14. 91 billion, in addition, according to data from the Indonesian Waqf Agency, the potential for cash waqf in Indonesia is IDR 180 trillion in 1 year. Therefore, there is currently a reasonably high gap between the potential cash waqf and the realization of the performance of the CWLS Retail issuance. So, referring to this, the formulation of the problem is that the gap between the potential of cash waqf in Indonesia and the performance achievement of the issuance of CWLS Retail is still high. As for answering research questions in the form of what strategies can be applied to improve the performance of CWLS Retail's issuance. An analysis of the research results has been carried out through interviews with Key Informants, FGD, and document reviews divided into Regulatory Aspects, Instrument Platforms, Instrument Features, and Marketing aspects. The answers to the formulation of the problems and research questions What strategies can be applied in improving the performance of the issuance of CWLS Retail can be concluded as follows:

#### 3.1. Regulatory Aspect

The Government currently has a legal basis that regulates the issuance of CWLS. The current legal basis has not fully accommodated all the needs in the issuance of CWLS Retail. There are still several issues that have not been regulated in the current regulations, including:

1. Waqf from institutions cannot go directly to the government

2. Standardization of reporting from the Nazir to relevant stakeholders.
3. Mechanism of appointment of Nazir CWLS Retail
4. CWLS Retail taxation aspects
5. Cash waqf from abroad in the form of foreign currency
6. Strengthening the role of LKS PWU in carrying out their duties and functions

### 3.2. Instrument Platform

The aspect of this instrument platform is one of the essential aspects to be investigated concerning the CWLS Retail issuance program. The instrument platform is one of the keys to the successful issuance of CWLS Retail. If you look at the issuance of CWLS Retail SWR001 which was issued by the Government in October 2020 using an offline platform, the sales results are still not optimal. In this study, based on the results of interviews with resource persons and the author's analysis, it can be concluded that subsequent publications ideally use offline or online platforms to reach all levels of society.

### 3.3. Instrument Features

The quality of a product is one of the keys to success in selling a product. In the context of CWLS, product quality is reflected in the instrument's features. The features of the CWLS instrument, in this case, are represented by the tenor, the nominal value of the issuance, the contract used in the issuance, and the hallmark of this CWLS product is the social program/project that is financed from the rewards. Based on the results of interviews and discussions with Key Informants and the author's analysis, it can be concluded that in terms of tenors, you can use a tenor of 2 or 3 years according to conditions. Related to contracts, it can use wakala contracts. For the nominal value of issuance, a lower number is needed to accommodate new wakif and project-related can use the proposed projects of the Nazir and a joint project which is quite monumental.

### 3.4. Marketing Aspect

Marketing has a significant role in the success of a product so that consumers can accept it in the context of CWLS, namely investors or Wakif. Based on field observations at the Directorate of Sharia Financing, Directorate General of Budget Financing and

Risk Management, Ministry of Finance, it was found that the main marketing method in the issuance of the CWLS series SWR001 yesterday was through a Webinar. Distribution Partners conducted it, Nazir and the MoF involve resource persons from the Ministry of Religion and the Indonesia Waqf Board. In addition to marketing through webinars, talk shows are held both on television and radio. To millennial investors, marketing is also carried out through advertisements through the DGBFRM's social media. To improve public literacy, education and socialization activities can be carried out before the bidding period to become more effective and efficient. The right time to issue CWLS Retail is during Ramadan and the Hajj season, considering that this moment is believed to be the right time for fund owners to issue their social fund allocations. In addition, hunting strategies at the zoo can also be applied. Namely, marketing is done to target investors such as sharia bank customers. Utilizing institutional enforcement, for example, the collective waqf of Civil Servants, State Own Enterprise employees. Prominent Sovereign-Owned and Private Institution Waqf. In addition, there is also a potential of 2 million married couples in KUA per year who can be required to buy CWLS to start household life with something good.

## 4. CONCLUSIONS

Based on the result and discussion, it can be concluded as follows:

### 4.1. Regulatory Aspect

The government, in this case, the Ministry of Religion, the Ministry of Finance, and the Indonesian Waqf Board need to work together to revise the legal basis to accommodate all the needs in the issuance of CWLS Retail, primarily related to the following issues:

1. Waqf from institutions cannot go directly to the government
2. Standardization of reporting from the Nazir to relevant stakeholders.
3. Mechanism of appointment of Nazir CWLS Retail
4. CWLS Retail taxation aspects
5. Cash waqf from abroad in the form of foreign currency
6. Strengthening the role of LKS PWU in carrying out its functions

It is recommended that a legal basis be prepared jointly and synergistically between related parties so that the resulting regulatory formulations are harmonious, productive, can be implemented, and can meet all legal needs in the issuance of CWLS Retail.

## 4.2. Instrument Platform

The aspect of this instrument platform is one of the relevant aspects to be investigated concerning the CWLS Retail issuance program. The instrument platform is one of the keys to the successful issuance of CWLS Retail. If you look at the issuance of CWLS Retail SWR001 issued by the Government using an offline platform, the results are still not optimal. Therefore, for further issuance, it is recommended to the Ministry of Finance use offline and online platforms to reach all levels of society.

## 4.3. Instrument Features

For the issuance of the following series so that the Ministry of Finance can issue CWLS Retail by using the following features:

- a. The tenor can use a tenor of 2 or 3 years according to the conditions at the time of issuance.
- b. Using wakala contract or adjusting to available assets at the time of issuance.
- c. The nominal value of the issuance needs to be even lower to accommodate beginner and lower-middle-income class wakifs.
- d. Social projects can use projects proposed by the Nazir and a monumental joint project to attract investors.

It is better if the instrument's features can be socialized to the broader community before the following series of CWLS Retail instruments is issued by the Government. The hope is to increase public literacy on the features contained in the CWLS Retail instrument.

## 4.4. Marketing Aspect

For the following issuance, the Government, in this case, is the MoF, Ministry of Religion, and the Indonesian Waqf Board, Distribution Partners and Nazir can use the following marketing strategies:

- a. Hunting at the zoo, Sharia bank customers.

- b. Utilize institutional enforcement, for example, the collective waqf of civil servants, SOE employees.
- c. Exploration of Prominent State-Owned and Private Waqf Institutions.
- d. An assessment of the potential of 2 million married couples at KUA per year may be required to purchase CWLS Retail.
- e. Educational and outreach activities can be carried out before the offer period.
- f. Issuing CWLS Retail during Ramadan and the Hajj season.

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