Cash Waqf Linked Sukuk for Islamic Social Welfare and National Development: Evidence from Indonesia

Khamim
Politeknik Negeri Pontianak, Indonesia
https://orcid.org/0000-0001-9689-8254
E-mail: khamim.sahid@gmail.com

Asyharul Muala
Universitas Islam Indonesia, Yogyakarta, Indonesia
https://orcid.org/0009-0005-7884-5243
E-mail: asyharulmuala@uini.ac.id

Muhammad Lutfi Hakim (Corresponding Author)
IAIN Pontianak, Indonesia
https://orcid.org/0000-0001-7287-504X
E-mail: muhammadlutfihakim@iainpntk.ac.id

Abstract

This article aims to study Indonesia’s experience in issuing Cash Waqf Linked Sukuk (CWLS), the schemes and legality which are meant for Islamic social welfare improvement, and CWLS’ contribution to the national development. It is the development of a conceptual paper that explores and carefully reviews regulations, relevant literature studies, reports, and official documents published on the internet. The findings showed that Indonesia has successfully formulated and issued two instruments for integrating cash waqf with the State Sukuk: the CWLS and Retail CWLS. These instruments involve six state institutions and eight central socio-religious institutions that act as formulation, implementation, and supervision. Both instruments are not only beneficial for Islamic social welfare, but they also contribute to the national development. The authors argue that the innovation of Islamic financial instruments can empower the Islamic social welfare and contribute to the national development. It contributes to the discourse on cash waqf innovations in State Sukuk which studies Indonesia’s experiences. This evidence from Indonesia can be adopted and applied by other countries that have fiscal limitations for the empowerment of Islamic social welfare, and at the same time contribute to the national development.

Keywords: Cash Waqf; Islamic Social Welfare; National Development; Cash Waqf Linked Sukuk; Indonesia

Introduction

Over the last three decades, international scholars have studied cash waqf on aspects of its management, behavior, and role (Ninglasari, 2021). Based on the experiences of several countries, scholars have investigated how the management and risk management of the cash waqf risk can contribute to the socio-economic development of Muslims (Mandaville, 1979; Sanusi and Shafiao, 2015; Azrai Azaimi Ambrose and Abdullah Asuahimi, 2021). Meanwhile, other scholars have researched, both qualitative and quantitative, the intentions and awareness of the waqif (waqf donors) in donating, the factors of collecting waqf funds, and their trust in the waqf institutions (Kasri and Chaerunnisa, 2021; Zabri and Mohammed, 2018; Qurrata et al., 2020; Abdul Shukor et al., 2018). However, only a few scholars have attempted to examine the potential
and role of cash waqf in improving the education, health, and socio-economic welfare of Muslims (Çizarca, 1995; Faizul et al., 2015; Mohamad Suhaimi et al., 2014).

Interestingly, Indonesia’s experience in optimizing Islamic capital has spawned the latest innovation from cash waqf, Cash Waqf Linked Sukuk (CWLS). Unlike Malaysia, Saudi Arabia, and Singapore—which issued Sukuk (Islamic bonds) for the development of real estate waqf (Zain and Muhamad Sori, 2020, p. 304–305; Lahasana et al., 2018; Brown, 2008)—the CWLS is the placement of cash waqf in State Sukuk to finance state projects in public services. Its yield is distributed by the nāẓir (waqf manager) to mātaqūf ‘alaḥ (beneficiaries) to finance the people’s social programs and economic empowerment (Indonesian Bank, 2019, p. 59). This Islamic social finance innovation is unique because the rewards can be utilized for the empowerment of Islamic social welfare, which at the same time contributes directly to the national development.

As the largest Muslim population in the world, Indonesia has ample cash waqf potential that has not been much realized. Based on the Indonesian Waqf Agency (BWI) data, the potential for cash waqf in Indonesia can reach 180 trillion rupiah per year. However, the realization is only 225 billion rupiah from 2011 to 2018 (Fiscal Policy Agency, Indonesian Ministry of Finance, 2021). The little realization of the cash waqf is because of the low level of public literacy on cash waqf and the waqf culture in the Muslim community, which is dominated by the immovable waqf, such as land, mosques, and educational institutions (Indonesian Bank, 2021, pp. 26). Given the vast potential for cash waqf, Indonesia has innovated the Islamic financial instrument by integrating it with the State Sukuk. Surprisingly, Indonesia collected 50 billion rupiahs through CWLS Series SW-002 on 10 March 2020, 14 billion rupiahs through Retail CWLS Series SWR-001 on 10 November 2020 (Indonesian Bank, 2021, pp. 40–50) and the amount increased significantly to 24 billion rupiahs through Retail CWLS Series SWR-002 on 7 June 2021 (Indonesian Central Securities Depository, 2021). The state claimed that these CWLS instruments can improve people’s welfare and speed up national economic recovery (Indonesian Bank, 2021, pp. 25–26).

To date, the discourse on cash waqf innovation has not fully explored Indonesia’s experience in formulating regulations and CWLS schemes as well as the schemes' implementation for the empowerment of Islamic social welfare, which at the same time contribute to the national development. Most research on cash waqf tends to argue that Islamic financial instruments can improve the socio-economic welfare of Muslims (S. N. A. C. Hassan & Rahman, 2018; Rasiam et al., 2023) and can be used as other financing alternatives in all sectors (Mohsin, 2013; Sanusi and Shafiah, 2015).

A few have reviewed the CWLS, but only in compliance with sharia (Hafandi and Handayati, 2021), proposed sources of funds for the CWLS (Nezliani, 2021), and proposed beneficiaries of the CLWS yields (Indra and Hakim, 2020; Rahman et al., 2021). The authors argue that not only as a social responsibility toward Islamic social welfare, cash waqf instruments can also contribute to the national development, as evidenced by the CWLS schemes. Thus, this article is an essential complement to previous studies related to cash waqf innovations in Sukuk that studied experiences from Indonesia.

This article is aimed at studying Indonesia’s experience in issuing the CWLS—whose yield is used for Islamic social welfare improvement and contributes to the national development—
including the schemes and legality of CWLS. Therefore, the first part of the article discusses the literature review related to integrating cash waqf with the State Sukuk. The second and third parts explore and analyze the legality, schemes, and implementation of CWLS and Retail CWLS. The last part of the article discusses the contribution of CWLS to national development.

Integration of Cash Waqf with The State Sukuk

The CWLS is an instrument that integrates Islamic social finance with commercial finance (Indonesian Bank, 2021, pp. 26). This instrument integrating cash waqf with State Sukuk is unfamiliar to scholars other than Indonesia because it was first launched on 10 March 2020. Some Indonesian Muslim scholars have even questioned whether or not CWLS is compatible with the Islamic law (Hafandi and Handayati, 2021). To facilitate this conceptual discussion, the authors separate cash waqf and Sukuk from the CWLS and describe both their forms and debates about them from scholars worldwide.

The first scholar who researched cash waqf was Mandaville (1979). According to him, cash waqf (waqf al-nuqūd) is the giving of trust to nāżir to manage donor money whose yield can pay the salaries of teachers, lecturers, and even the nāżir themselves. In Indonesia, cash waqf is identical to money waqf, and both are included in the type of waqf of movable objects such as bonds, precious metals, and vehicles (Waqf Law No. 41, 2004, Article 16). Cash waqf differs from money waqf. The money waqf is waqf in cash, while cash waqf is waqf issued as a cash waqf certificate through a Sharia Financial Institution (LKS), which the Minister of Religion has appointed (Bustami & Hakim, 2020, p. 100). The duality of the etymology of cash waqf is because of the absence of an operational definition of cash waqf in the 2004 Waqf Act (Siswantoro et al., 2016).

In the last two decades, the cash waqf has transformed into a more varied Islamic financial instrument and is utilized by the state in various fields (Mohsin & Razak, 2017). The cash waqf has been invested in Islamic banks using muḍarabah products in Bangladesh (M. K. Hassan et al., 2018, p. 106) and applied to Islamic insurance products (takāful) in Malaysia (Ahmad & Rahman, 2011). Malaysian Non-Banking Institutions have used Build, Operate, and Transfer contracts to develop land waqf (Noor and Yunus, 2014), providing alternative home financing through the Cash Waqf-Financial Cooperative-Mushārakah Mutanāqiṣah (Zabri & Mohammed, 2018). Muslims have practiced this cash waqf for centuries. The state’s role in the practice of such waqf starts from monitoring to using it for development in all sectors (Abdallah, 2010). The cash waqf has been used for the developments of education, health improvement, and community welfare, which at the same time have been funded by the state (Çizarça, 1995, p. 350).

Meanwhile, several scholars have proposed cash waqf innovations through the Integrated Cash Waqf Micro Enterprise Investment model to improve financial access and skills for micro-enterprises. The existence of this model was motivated by the difficulty of micro-enterprises in accessing financial services because of the stringent requirements for collateral and documentation from commercial financial institutions, the high cost of financing, and the excellent financial and business track records in Malaysia (Thaker et al., 2016; Mohd Thas Thaker, 2018). Several scholars have proposed the Waqf Crowdfunding Model and the Integrated Waqf Environmental Protection model to meet the needs of poor farmers (Afroz et al., 2019; Azganan et al., 2021), the Crowdfunding-Waqf Model, and the
Cooperative-Waqf Model to develop neglected waqf properties in Malaysia (Mohd Thas Thaker and Allah Pitchay, 2018; Allah Pitchay et al., 2018). Bulut and Korkut (2019) have offered the Cash Waqf Fund model as an alternative to the financial system in Turkey. Meanwhile, Elesin (2017, p. 223) has proposed a model for integrating waqf instruments into insurance products in Nigeria. Entrepreneurs’ high awareness and attitude towards the cash waqf can play an essential role in business growth in Nigeria (Musa & Salleh, 2018).

Besides the cash waqf, State Sukuk also transformed. The legal basis for issuing Sukuk comprises Law No. 19 of 2008 on State Sharia Securities (SBSN), as well as Minister of Finance Regulation No. 11/PMK.08/2009 on the Issuance and Sale of SBSN in the Domestic Primary Market by Auction and its derivative regulations. Generally, Sukuk consists of certificates of equal values representing undivided shares of the ownership of assets, benefit rights, services, or specific investments (AAOIFI, 2015, p. 468). Issuing Sukuk is not only an exchange between paper money and interest but also Islamic assets that allow investors to benefit from these assets (Radzi & Lewis, 2015, p. 296). At the beginning of its formation, Sukuk was claimed to be incompatible with sharia and replicated conventional bonds (Haroon et al., 2020; Hussain and Khalil, 2019). Recently, Sukuk has emerged as the fastest-growing Islamic finance industry (Ahmed et al., 2015) and has contributed to the country’s economic growth (Al Fathan and Arundina, 2019; Wahyuuningsih and Nurzaman, 2020).

For almost five decades, most previous studies on Sukuk have focused on its relationship with international stock behavior (Paltrinieri et al., 2019; Sclip et al., 2016; Naifar et al., 2016). A few of them empirically examine the practice of waqf innovation in several countries. Furthermore, Malaysia has issued a Sukuk Sustainable and Responsible Investment (SRI) to develop waqf assets and properties with a wakālah bi al-istismar contract (Zain and Muhamad Sori, 2020, 304–305). Saudi Arabia has issued an intīfā’ Sukuk to construct and manage the Zam-Zam Tower on waqf land (Lahjasna et al., 2018). The Majlis Ugama Islam Singapore (MUIS) has issued a waqf-based Sukuk instrument with a musyārakah contract to develop real estate waqf (Brown, 2008, pp. 385–389; Abdullah and Saiti, 2016). The success of several countries in innovating Islamic financial instruments to develop these commercial assets shows that Islamic institutions and laws are flexible, and not hampering entrepreneurship, collection, and management of resources on a large scale (Brown, 2008, p. 389).

In the Indonesian context, the government has issued seven Sukuk products comprising Islamic Fixed Rate (IFR), Islamic Government T-Bill (SPNS), Hajj Fund Sukuk (SDHI), Foreign Exchange Sukuk Forex, Savings Sukuk, Global Sukuk, and Retail Sukuk (Suksmana, 2019, pp. 247–248). From 2018 to 2020, the state developed four creative and innovation programs on State Sukuk: Project Financing Sukuk, Global Green Sukuk, Retail Green Sukuk, and CWLS (Hardiningdyah, 2020a). Recently, the state has issued CWLS and Retail CWLS for Muslims’ social programs and economic empowerment (Aditama, 2022). Both are cash waqf placements in State Sukuk, whose yields are distributed by the nāẓir to finance social programs and economic empowerment of the people (Indonesian Bank, 2019, p. 59). In contrast to several previous Sukuk products, these instruments resulted from integration between the State Sukuk and cash waqf. Both instruments are safe, accessible, affordable, and productive waqf-based investment products. These instruments increase the Islamic social welfare and
contribute directly to national development (Indonesian Bank, 2021, pp. 26).

Research Method

This paper is a result of library research using discourse analysis. First, the authors carefully traced and examined the laws and regulations, fatwas, and statements of sharia conformity from the National Sharia Council-Indonesian Ulema Council (DSN-MUI), supported by relevant literature. The authors also explored and analyzed documents related to CWLS formulated and implemented by the state through the official website, press releases, social media, and the webinar results published on the internet. In addition, the authors attended four webinars related to the education and information dissemination of CWLS via Zoom meetings. These webinars were held in collaboration with the Indonesian Waqf Board (BW), Bank Indonesia, Ministry of Finance, Ministry of Religion, and Islamic Financial Institutions Recipient of Cash Waqf (LKS-PWU).

CWLS Legality: Regulations, Fatwas, and Sharia Conformity Statements

In Islamic legal literature, cash waqf was never practiced during the Prophet Muhammad period. This fact has implications for the legal disparities in cash waqf among Islamic jurists. The legal difference in cash waqf lies in the eternity of the waqf object (mauqūf) (Hafandi and Handayati, 2021). Most Islamic jurists, including the Syāfi‘i law, do not allow cash waqf because one condition for the object of waqf is that the goods cannot be used up and can be institutionalized forever (Al-Zuhailī, 1985, p. 158-162). Scholars of the Hanafi law, Imām al-Zuhri, and a few Syāfi‘i scholars allow cash waqf based on istihsan bi al-turf. The way is to make money as business capital, and its yield is intended for people who receive waqf benefits (Indonesian Bank, 2021, pp. 24–25). Muslims first practiced cash waqf during the reign of the Ayyubid dynasty in Egypt, 1178 AD/572 H (Directorate of Waqf Empowerment Director General of Islamic Guidance, 2013a, pp. 9–11), and developed in several Muslim-majority countries, including Indonesia.

Despite the legal differences, Indonesia has allowed cash waqf by issuing the Waqf Act No. 41 of 2004. The law’s enactment after the accommodation of Islamic social welfare in the national social welfare policy with Zakat Management Law No. 38 of 1999 (Abbas, 2005). Previously, waqf objects could only be invested in perpetuity under most Islamic jurists’ views, which did not allow cash waqf (Presidential Instruction No. 1 of 1991 on the Compilation of Islamic Law, Article 215). After the enactment of the Waqf Law, waqf can not only be invested in perpetuity but also temporarily. In addition, the Waqf Law has also accommodated cash waqf, which categorizes it as movable object waqf (Waqf Act No. 41 of 2004, Article 16). Unlike Indonesia, Malaysia only legalizes temporary waqf in the State of Johor (M. F. Ab. Rahman & Amanullah, 2016, p. 562).

To implement the 2004 Waqf Act effectively, Indonesia then issued derivative regulations. Sequentially, these regulations are Government Regulation No. 42 of 2006 on Implementing the 2004 Waqf Act, Regulation of the Minister of Religion No. 4 of 2009 on Administration of Cash Waqf Registration, Indonesian Waqf Agency Regulation No. 1 of 2009 on Guidelines for the Management and Development of Waqf Assets as money. These four regulations are the legalization of cash waqf practices which were not previously regulated in the 1991 Compilation of Islamic Law.

Two years before the ratification of the 2004 Waqf Act, the Indonesian Ulema Council (MUI) legalized cash waqf.
(jawāz) by issuing MUI Fatwa No. 29 of 2002 concerning Cash Waqf on 11 May 2002. A person, a group of people, an institution, or a legal entity can make a donation in the form of cash, and such donation can be invested and used for things permitted by the sharia. The value of the cash waqf must be guaranteed for its sustainability and may not be sold, donated, or inherited. The MUI Fatwa Commission refers to the opinion of Imam al-Zuhri, the Hanafi scholars and a few of the Syāfi’ī scholars (Decision of the MUI Fatwa Commission No. 29 of 2002 on Cash Waqf). Interestingly, the provisions issued by the most authoritative institutions producing this fatwa contradict the opinion of the Syāfi’ī law, which is followed by most Indonesian Muslims (Hafandi and Handayati, 2021, p. 8).

In contrast to cash waqf, the Sukuk fatwa was issued later after the state issued SBSN Law No. 19 of 2008 on 7 May 2008. The National Sharia Council (DSN-MUI) responded to the law by issuing Fatwa No. 69/DSN-MUI/VI/2008 concerning SBSN on 26 June 2008. This fatwa requires that asset users, funds from profit sharing, and the transfer of ownership of SBSN must follow the contract that does not contradict Islamic law principles. The contracts that can be used for SBSN comprise ijārah, muḍāraba, musyāraka, istisna’, and other contracts, and each of these contracts has its fatwa (DSN-MUI Fatwa No. 69/DSN-MUI/VI/2008 on State Sharia Securities). Regarding other contracts, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has established salām, istisna’, muḍāraba, musyāraka, muğāra’ah, musaqāt, and muğārasah contracts for Sukuk investment. The seven contracts are contained in Shari’ah Standard No. 17 Investment Sukuk (AAOIFI, 2015, pp. 470–471).

The laws, regulations, and fatwas above are the initial legal basis for the state in issuing CWLS. The following legal basis for issuing CWLS is the Minister of Finance Regulation (PMK) No. 69/PMK.08/2020 on Issuance and Sales of SBSN through Bookbuilding in the Domestic Primary Market. The state has requested a statement of sharia compliance to the DSN-MUI to increase public trust. On 6 February 2019, DSN-MUI issued a Statement of Sharia Alignment for CWLS based on a request from Imam Teguh Saptono, Deputy Chairperson of BWI. The Sharia Harmony Statement requires the implementation of CWLS under fiqh (Islamic jurisprudence), MUI fatwas, and DSN-MUI Fatwa No. 123/DSN-MUI/XI/2018 (DSN-MUI, personal communication, 6 February 2019).

In implementing the Statement of Sharia Harmony, the state was constrained by the latest fatwa, which required cash waqf funds to be distributed directly to nāẓir by Sharia Financial Institutions (LKS), Sharia Business Institutions (LBS), and Sharia Economic Institutions (LPS). Cash waqf funds should not be invested in advance (DSN-MUI Fatwa No. 123/DSN-MUI/XI/2018). However, in the CWLS scheme, the TBDSP funds must be invested in SBSN. The state then followed up this obstacle by holding several hearings with the DSN-MUI. A year later, DSN-MUI issued a Sharia Conformity Statement regarding TBDSP Funds (Not Recognized as Income) on 20 February 2020. LKS, LBS, and LPS can first invest cash waqf through CWLS with the approval of the Sharia Supervisory Board (DPS). The opposite attitude shown by DSN-MUI in the Statement of Sharia Conformity uses an excuse because there are urgent reasons (hajjah syar’iyyah) and for the public interest (maslahah rājihah) (DSN-MUI, personal communication, 20 February 2020). Regarding resolving these obstacles, the state claims that the state has coordinated well with Islamic fatwa institutions in issuing CWLS (Indonesian
After successfully publishing the CWLS for the first time, the country then issued the Retail CWLS, which was a development of the previous CWLS constraints. Issuing this Retail CWLS is based on PMK No. 125/PMK.08/2018 concerning Issuance and Sales of Retail SBSN in the Domestic Primary Market. Like CWLS, Retail CWLS also received a statement of sharia conformity from the DSN-MUI on 29 September 2020. The sharia conformity statement requires the management of Retail CWLS based on sharia principles that do not contain usury (ribā), ambiguity (garar), and gambling (maysir) elements (DSN-MUI, personal communication, 29 September 2020).

**CWLS and Retail CWLS: Schemes and Implementation**

The Indonesian government has issued a CWLS instrument and two Retail CWLS instruments in the last two years. The CWLS instrument was launched for the first time by the Minister of Finance, Sri Mulyani, at the International Monetary Fund and the World Bank Annual Meeting in Bali on 14 October 2018. The state issued the CWLS Series SW-001 on 10 March 2020 and has collected 50 billion rupiah of cash waqf funds. On 26 November 2020, the state issued the Retail CWLS Series SWR-001 and has collected 14 billion rupiah of cash waqf funds (Indonesian Bank, 2021, pp. 40–50). The state issued the Retail CWLS Series SWR-002 was issued on 7 June 2021 and has collected 24 billion rupiah of cash waqf funds (Indonesian Central Securities Depository, 2021). Indonesian Muslim community’s high enthusiasm (girah) and the lack of nāṣir and appropriate instruments are the backgrounds for formulating these instruments. The state is here to facilitate the spirit of the community to waqf using the right, safe, and beneficial instrument for the wider community (Hardiningdyah, 2020a). The comparison between the three CWLS series can be seen in Table 1 (Indonesian Bank, 2021b; Hardiningdyah, 2020c; Fauzi, 2021).

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>CWLS SW-001</th>
<th>Retail CWLS SWR-001</th>
<th>Retail CWLS SWR-002</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>SBSN Form</td>
<td>Non-tradable</td>
<td>Non-tradable</td>
<td>Non-tradable</td>
</tr>
<tr>
<td>3.</td>
<td>Tenor</td>
<td>Five years</td>
<td>Two years</td>
<td>Two years</td>
</tr>
<tr>
<td>4.</td>
<td>Contract Type</td>
<td>Wakālah</td>
<td>Wakālah</td>
<td>Wakālah</td>
</tr>
<tr>
<td>5.</td>
<td>Minimum Order</td>
<td>50 billion rupiah</td>
<td>One million rupiah</td>
<td>One million rupiah</td>
</tr>
<tr>
<td>6.</td>
<td>Yield</td>
<td>6.15% discount rate and 5.5% fixed coupon</td>
<td>5.5% fixed coupon</td>
<td>5.5% fixed coupon</td>
</tr>
<tr>
<td>7.</td>
<td>Total (Rp.)</td>
<td>50,849,000,000</td>
<td>14,912,000,000</td>
<td>24,141,000,000</td>
</tr>
</tbody>
</table>
There are six purposes why this CWLS instrument was formulated and published by the state. First, it is an effort to develop and innovate Islamic finance and social investment. The second purpose is to facilitate the wāqif to invest their cash waqf in safe financial instruments. Third, it is to encourage the consolidation of Islamic social funds to finance various social projects and programs, not projects or programs from the government through the APBN or APBD. Fourth, it is an effort to diversify investors and SBSN instruments. Fifth, it can support the development of the Islamic financial market, particularly the cash waqf industry. The sixth purpose is encouraging diversification of the Islamic banking business through optimizing the role of LKS-PWU (Hardiningdyah, 2020a).

CWLS SW-001

Operationally, CWLS is a cash waqf collected by the BWI (nāẓir) through a Sharia Bank (LKS-PWU) and the cash waqf is managed and invested in State Sukuk issued by the Ministry of Finance (Nuh, 2020). Five institutions play a role in the formulation and implementation of CWLS. First, BWI plays a role as the formulator of the schemes, the nāẓir, the determinant of the nāẓir partner, the single Sukuk buyer, the compiler of the marketing program, and the operator of the CWLS transaction. Second, Bank Indonesia plays the position of formulator of the schemes, registrar of Sukuk, and facilitator of CWLS implementation and training activities. Third, the Ministry of Finance acts as the formulator of the schemes, the issuer of SBSN, the determinant of the benefits of the waqf corpus, and the facilitator of CWLS implementation and training activities. Fourth, the Ministry of Religion functions as a regulator of CWLS. Fifth, LKS works as an investor and facilitator of cash waqf transactions and marketing of CWLS products (Indonesian Bank, 2021, p. 30). The details are illustrated in Figure 1.

There are four stages in the CWLS model comprising fund collection, placement of funds, distribution and utilization of yields, and cash waqf returns (Indonesian Bank, 2019, p. 59). First, the LKS-PWU accepts cash waqf, either temporarily (1a) or perpetually (1b), from the wāqif. Previously, the BWI had collaborated (2a) with LKS-PWU as a nāẓir partner to collect cash waqf from wāqif. The LKS-PWU appointed by the Ministry of Religion at this CWLS is Bank Muamalat Indonesia and BNI Syariah (Indra and Hakim, 2020, pp. 271–272). Most of its wāqif are institutional investors of Hajj fund management institutions, Islamic banking, and Islamic social fund management organizations, while the rest (0.29%) are individual wāqif. For two years and one month, the nominal value collected through this instrument is IDR 50.849 billion. LKS-PWU then distributes the collected cash waqf to BWI as the authority for managing waqf assets.
Second, the BWI invests the cash waqf under a \textit{wakālah} contract through a private placement (2b) on SBSN (3a) issued by the Ministry of Finance. Using the \textit{wakālah} contract, the yield received by BWI is a discount of 6.51% at the initial investment of \textup{Rp}2,484,532,989.00 and a coupon of 5% per year paid on the 10th of every month amounting to \textup{Rp}211,870,833.00 \cite[Indonesian Bank, 2021, p. 43]{IndonesianBank2021}. The Ministry of Finance then issued SBSN CWLS (3b) in a non-tradeable form for five years. The state uses cash waqf received from issuing CWLS to finance state projects in public services (4). As the SBSN administration agent, Indonesia Bank takes part in registering ownership, clearing, and settlement of SBSN.

Third, the state pays the yield from the CWLS to BWI as discounts and coupons (5a). BWI distributes the yield to the waqf management institution (\textit{nāẓir} partners) for project financing and social welfare that has been determined according to the agreement (5b). At the beginning of the investment, the discount was used by \textit{nāẓir} partners to construct and develop waqf assets, which comprised purchasing medical equipment, construction of the Retina Center Building, and renovation of the Achmad Wardi Waqf Hospital in Serang, Banten, Indonesia. The hospital, directly supported by BWI and Dompet Dhuafa, will become the first Retina Center for the poor (\textit{du'a'if} based on waqf \cite[Indonesian Bank, 2021, pp. 44-45]{IndonesianBank2021}). Coupons received by BWI every month are used to implement non-physical social programs (5c), which comprise cataract surgery services for the poor and the procurement of ambulances. The target for the benefit of the coupon for five years is to serve 2,513 patients for free at the Achmad Wardi Waqf Hospital. The Director of Zakat and Waqf Empowerment of the Ministry of Religion said that the Achmad Wardi Waqf Hospital had served 100-150 poor people every day and almost a thousand every month \cite{Nasar2020}. This yield is competitive because the state does not tax it.

Fourth, the state pays the principal SBSN (6a) to BWI at maturity. Cash waqf from the SBSN principal received by BWI is then returned in its total amount (6b) to
donors who are waqf temporarily (1a/6c), while the funds of donors who are waqf perpetually (1b) are managed further by BWI. As a nāzir, BWI gets 10% net income from the management and development of the SW-001 Series CWLS. This percentage is under Article 12, Waqf Act No. 41 of 2004. BWI’s yield percentage is higher than several other countries, such as India, Turkey, and Bangladesh. The Central Waqf Council India received 6% of the waqf net income from the waqf beneficiary. In comparison, Turkey and Bangladesh allocated 5% of the net waqf income received by the waqf beneficiary for the nāzir (Directorate of Waqf Empowerment Director General of Islamic Guidance, 2013b, pp. 102–103). Besides the four-state institutions, the Ministry of Religion acts as a regulator that supports the management and empowerment of waqf assets productively following the provisions set by the MUI (Indonesian Bank, 2021, pp. 31–32).

Retail CWLS SWR-001 and SWR-002

In its scheme and implementation, Retail CWLS is not much different from CWLS because it is an extension. The Retail CWLS fixes two main weaknesses in CWLS: the high minimum purchase of CWLS and no involvement of the nāzir from the Muslim community. The first obstacle harms the length of issuing CWLS, which requires two years and one month (from October 2018 to 10 March 2020) to complete the minimum purchase of CWLS (50 billion rupiah). This obstacle is overcome by the Retail CWLS scheme with a minimum purchase of only one million rupiah. The minimum requirement for Retail CWLS purchases positively impacts the increase in the number of individual wāqif. In issuing CWLS SW-001, individual wāqif was only 0.29% and then increased to 99.62% (1,041) in CWLS SWR-001 (Hardiningdyah, 2020c).

Retail CWLS is a cash waqf investment in State Sukuk. The yield is distributed by nāzir to waqf beneficiaries to finance social programs and the economic empowerment of Muslims (Hardiningdyah, 2020c). Besides the five institutions that play a role in CWLS, the Financial Services Authority (OJK) also made it a success. The OJK acts as a regulator and supervisor of the LKS. More details regarding the scheme and the roles of the six institutions involved in the formulation and implementation of Retail CWLS are illustrated in Figure 2.
The Ministry of Finance appointed LKS-PWU (1) as the distribution partner of Retail CWLS. There are six banks designated by the Minister of Religion as LKS-PWU, namely Bank Syariah Indonesia, Bank Muamalat, CIMB Niaga Syariah, Bank Permata Syariah, Bank Mega Syariah, and Bank Bukopin Syariah as LKS-PWU. For wāqif who wishes to donate cash waqf to LazisNU and LazisMU, it can be done through Bank Syariah Indonesia. Wāqif can donate to Baitulmall Muamalat through Bank Muamalat. Donations to Dompet Dhuafa Republika can be made through CIMB Niaga Syariah, while donations to Al-Azhar Islamic Boarding School Foundation can be made through Bank Permata Syariah. Wāqif can also donate to BWI and the Indonesian Islamic Da’wah Council through Bank Mega Syariah. Donating to Waqf Build Conscience Nation and Global Waqf Foundation is also possible through Bank Bukopin Syariah (Hardiningdyah, 2020b; Fauzi, 2021).

LKS-PWU is tasked with marketing Retail CWLS to the public, receiving cash waqf and issuing Waqf Pledge Deeds (AIW) and Cash Waqf Certificates (SWU). The wāqif (individuals or institutions) who wish to make waqf to nāżir (2b), either temporarily or perpetually, must fill out the AIW and Retail CWLS order forms (2a) and submit the cash waqf to LKS-PWU (3). The minimum cash waqf is one million rupiah and multiples without a maximum limit. Individual wāqifs dominate cash waqf donors at Retail CWLS. LKS-PWU accepts the cash waqf and provides AIW and SWU to the wāqif (4) as valid evidence.

The cash waqf collected in Retail CWLS SWR-001 was 14 billion rupiahs, and Retail CWLS SWR-002 was 24 billion in approximately two months of captivity during the COVID-19 pandemic (Indonesian Central Securities Depository,
2021). After the cash waqf is collected, the LKS-PWU then distributes it to the nāżīr as the authority for managing the waqf property. The nāżīr performs administration, management, development, and supervision of the waqf property. In addition, the nāżīr is also tasked with compiling programs and reports on the distribution of Retail CWLS yields and submitting them to BWI, the Ministry of Religion, the Ministry of Finance, and the wāqīf. With the power of nāżīr, LKS-PWU then invests the cash waqf with a wakālah contract by auction, book-building, and private placement in Retail SBSN CWLS. The form is scriptless and cannot be traded in the secondary market with a tenor of two years (5). The Ministry of Finance then issues Retail CWLS SBSN, whose money is used by the state to finance projects in public services (4) (Hardiningdyah, 2020c).

As the SBSN administration and payment agent, the Indonesian Bank takes part in registering, clearing, and settling SBSN ownership. The Indonesian Bank then pays the yield from the CWLS to the nāżīr at a 5.5% fixed coupon rate periodically (6) every month. This yield is competitive because the state does not tax it. The nāżīr distributes the Retail CWLS yields to waqf beneficiaries (7) for financing the specified Islamic social welfare and programs. The Retail CWLS yield distribution programs are educational scholarships from elementary school to university, treatment of underprivileged patients, financing health facilities (hearing aids, Indonesian mobile clinics, and boarding school health clinics), and capital help for the poor (empowerment of MSMEs), as well as construction and development of waqf assets (mosques, hasanah residential waqf, healthy intake waqf, and pesantren economic independence waqf of Islamic boarding schools) (Indonesian Bank, 2021, p. 64).

The Ministry of Finance, through Bank Indonesia, pays the principal of SBSN to nāżīr at maturity (8). Cash waqf from the SBSN principal received by nāżīr is then returned in full to the wāqīf, who makes a waqf temporarily, while the funds of the wāqīf who makes a waqf perpetually are managed further by nāżīr. After the yield distribution is carried out, the nāżīr is tasked with making periodic management reports to the BWI. To involve community participation in managing cash waqf, the Ministry of Religion assigned seven nāżīr with legal entities to CWLS SWR-001 and added BWI to CWLS SWR-002. They are LazisNU, LazisMU, Baitulmall Muamalat, Dompet Dhuafa Republika, Al-Azhar Islamic Boarding School Foundation, BWI, Indonesian Islamic Da’wah Council, Waqf Build Conscience Nation, Global Waqf Foundation.

The state claims that this Retail CWLS is safe, trustworthy, accessible, productive, whole, and a blessing (Indonesian Bank, 2021, p. 46). Safe because the state guarantees the placement of cash waqf on investment and follows the DSN-MUI sharia fatwa and opinion. Trustworthy because cash waqf is managed and utilized transparently and accountable. It is accessible because the wāqīf can donate cash waqf offline and online at LKS-PWU, and the information can be accessed online. The reason why it is considered productive is that cash waqf yields (discounts and coupons) are used to finance social programs and community economic empowerment. Intact because the cash waqf that the wāqīf has donated will return after maturity. Blessings because only with cash waqf of at least one million rupiah, the wāqīfs can double their profits. They have contributed to national development and have done good deeds whose rewards will flow continuously (`amal jāriyah) until the Day of Resurrection as devout Muslims (Hardiningdyah, 2020a).
Development

Studies on the role of Islamic endowment argue that cash waqf improves Islamic social welfare comprising the economy, education, health, and agriculture (Çizarca, 1995, p. 350; Hassan and Rahman, 2018). In addition, several other studies argue that Islamic endowment can also be used as another alternative financing in all sectors (Mohsin, 2013; Sanusi and Shafiei, 2015). The authors examined the implementation and schemes of waqf management in several countries that distribute waqf benefits for the public and individual interests. These previous studies recommended that cash waqf be used as an alternative financing scheme by the state in various aspects without involving the state budget.

This article is a necessary complement and recommendation from previous studies. After carefully examining and studying the legality, schemes, and implementation of CWLS in Indonesia, the authors argue that cash waqf is not only utilized for Islamic social welfare but also contributes directly to national development. The authors can prove the contribution of cash waqf to national development with cash waqf funds, which are placed by the nāẓir on SBSN CWLS, used by the state to finance projects in the public services that have a positive impact on economic improvement. It is confirmed by Muharam et al. (2019), Wahyuningsih and Nurzaman (2020) that the State Sukuk has a significant effect on the country’s economic growth.

Since the State Sukuk was first published in 2008, the state has issued sixteen kinds of Sukuk products, accompanied by an increase in the total issuance of State Sukuk each year. From 2008 to 2012 (Hardiningdyah, 2020a), the state issued eight Sukuk products: Islamic Fixed Rate (IFR) Issuance, Retail Sukuk, Global Sukuk, Sukuk Hajj Fund (SDHI), Sukuk Auction, Islamic Government T-Bills (SPN-S), Project-Based Sukuk (PBS), Green Shoe Option. From 2013 to 2017, the state issued three Sukuk products: Project Financing Sukuk, Savings Sukuk, and Dual Tranche Global Sukuk. From 2018 to 2021, the state has issued five Sukuk products: Global Green Sukuk, Online Saving and Retail Sukuk, Green Retail Sukuk, CWLS, and Retail CWLS. The number of Sukuk innovations has a positive impact on the increase in the total issuance of State Sukuk every year except for 2013 (see Figure 3).

Since 2013, the state has used the issuance of this SBSN to finance projects in earmarked public services, such as the construction of bridges, roads, railways, laboratories, Islamic and state university buildings, and others (Hardiningdyah, 2020a). Besides contributing to national development, the yield of the final two Sukuk products, integrated with cash waqf, is given by the state to nāẓir. As the manager and distributor of waqf benefits, the nāẓir then distributes yields from CWLS and Retail CWLS for program financing and Islamic socio-economic welfare. This Indonesian experience, through CWLS and Retail CWLS, proves the authors’ argument that cash waqf is used to finance specific Islamic social welfare programs and contributes to the development of state infrastructure in public services.
The state’s success in improving social welfare through CWLS proves the vital role of Islamic capital. Gough et al. (2008) categorize the welfare system in Indonesia as belonging to an informal welfare regime where there are complex interconnections between major social institutions (state, market, community, and family). These major social institutions provide social support and create welfare institutions for the community. Yuda (2020) categorizes that social welfare policy models based on the CWLS instrument belong to the Islamic inclusive welfare regime model, which is adopted in Malaysia and Brunei Darussalam. Social welfare regimes like this deviate from the welfare systems in Western countries.

Interestingly, there is a shift in the role of cash waqf practices in Indonesia. At first, the practice of waqf was only supervised by the state. In its development, the state administratively regulates the practice of waqf and uses it for development in all sectors (Abdallah, 2010). The state takes advantage of these endowments’ great potential, as evidenced by the involvement of six state institutions in the CWLS instrument as formulators, regulators, issuers, and supervision. Meanwhile, religious institutions act as distributors of the CWLS yield to waqf beneficiaries. The state continues to involve the central Islamic social institutions. These religious institutions have played a role in collecting and implementing social programs to create Islamic socio-economic welfare in Indonesia (Kusujjati, 2011, p. 420). Thus, the practice of cash waqf, which was initially started and collected by Islamic religious institutions, shifted to the role of state institutions in the case of CWLS and Retail CWLS.

The state and Islamic fatwa institutions take an essential role in the legality of CWLS. Regulations, fatwas and sharia conformity statements that have been established by the state and Islamic fatwa institutions increase the confidence of the Muslim community in donating. It shows that there is a synergism between the two in the development of Islamic financial instruments for Islamic social welfare, which at the same time contributes to national development. It confirms Kusujjati (2011, p. 420). Thus, the practice of cash waqf, which was initially started and collected by Islamic religious institutions, shifted to the role of state institutions in the case of CWLS and Retail CWLS.

The state and Islamic fatwa institutions take an essential role in the legality of CWLS. Regulations, fatwas and sharia conformity statements that have been established by the state and Islamic fatwa institutions increase the confidence of the Muslim community in donating. It shows that there is a synergism between the two
in the development of Islamic financial instruments for Islamic social welfare, which at the same time contributes to national development. It confirms Brown’s (2008, p. 389) argument, which states that Islamic institutions and laws are flexible and do not hinder entrepreneurship, collection, and management of large-scale resources in Islamic financial instrument innovation. Meanwhile, the legalization of cash waqf that the state has started does not aim to Islamize the state law, as happened in Malaysia (Noor & Rahman, 2016). However, it is a manifestation of Indonesia’s bureaucratization and modernization of Islamic law (Jahar, 2019).

Conclusion

This article proves that the innovation of Islamic financial instruments can empower Islamic social welfare and contribute to national development. In its implementation, the state has used the issuance of SBSN CWLS for project financing in the public service sector on an earmarked basis. The nāẓir then distributes the yield from the SBSN to the waqf beneficiaries for program financing and Islamic social welfare. The CWLS has been supported by state and Islamic fatwa institutions’ regulations, fatwas, and sharia-compliant statements. CWLS is the best Islamic finance innovation to facilitate the enthusiasm of the Muslim community to donate cash waqf to safe, trustworthy, accessible, productive, intact, and blessed instruments that can simultaneously contribute to national development. This evidence from Indonesia can be adopted and applied by other countries that have fiscal limitations for the empowerment of Islamic social welfare, considering that the instruments contribute to the national development.

However, this article has two limitations. First, this article is a conceptual paper in development and is not yet equipped with empirical sources. Second, this article’s discussion is limited to two types of cash waqf innovations, CWLS and Retail CWLS, practiced in Indonesia. Therefore, the authors recommend further research to empirically examine cash waqf innovations in several countries to get more complex and comprehensive results and discussions.

References


Afroz, R., Muhibullah, M., & Morshed, M. N. (2019). Factors affecting the
intention of the rice farmers to adopt the integrated cash waqf environmental protection model: An empirical study in Kedah Malaysia. The Journal of Asian Finance, Economics and Business, 6(4), 189–199.


Insecurity and welfare regimes in Asia, Africa and Latin America: Social policy in development contexts. Cambridge Univ. Press.


Hardiningdyah, D. I. (2020b, November 9). *Cash Waqaf Linked Sukuk Series SWR001 ‘Ceaseless Charity Full of Blessings’* [Central & Eastern Indonesia Regional Virtual Talkshow]. Education and Socialization of CWLS Retail Series SWR001, Zoom Meeting.


Mohamad Suhaimi, F., Ab Rahman, A., &


