

Cash Waqf Performance In Indonesia: Empirical Analyses on Islamic Social Entrepreneurship Model

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Abstract-*This paper discusses the potential role of Cash Waqf in Economic Development in Indonesia, particularly a country with a biggest moslem population in the world. It also raises awareness of the role of Cash Waqf and attempts to define a new approach to address poverty issues and suggests a fresh approach to socio-economic development. A survey was conducted on several cash waqf institutions. All the informations, data and resources are acquired directly through personal discussions and observations. The lack of awareness about endowments (waqf) is a barrier to harnessing the potentials of Waqf in redressing socio-economic inequalities and for enhancing the quality of life of the poor. Scholars, institutions and civil society organizations, as well as Islamic banking and financing institutions will be awakened to the need to cooperate in employing the institution of waqf for reducing poverty through the provision of quality education, better health care and employment opportunities.*

Keywords: islamic social entrepreneurship, poverty alleviation, cash waqf..

I. INTRODUCTION

Lately, the term social entrepreneur or social entrepreneurship more widely heard. Someone pushed become social entrepreneur is not as attracted by the profits

that will be generated, but want to change a situation in the society for the better, indeed welfare of humankind. About profit, it matters later. There are several prominent social entrepreneurs who can serve as an example of how the call of their hearts changed the face of the world.

Indonesia is a country located in the southeast Asian continent. Although much of the country of origin of Islam, but the people who embraced Islam in Indonesia is enormous, which is about 12.7 percent of the total Muslim world. In 2010, followers of Islam in Indonesia around 205 million people or 88.1 percent of the population (The Pew Forum on Religion & Public Life, 2010). In recent years, Muslims' wealth has grown rapidly and some portion of the wealth has been redirected for philanthropy purposes. According to Ministry of Religion Data, the magnitude of Islamic philanthropy in Muslim communities In Indonesia is estimated around more than IDR 20 trillion annually (Ministry of Religion, 2015).

Despite the global economic turmoil, the world is giving more. The proportion of the global community engaged in giving behavior has increased between 2013 and 2014. In 2013, the global average of the three giving behavior was ranked 17th with scores 44 %. By 2014 this had risen to rank 13th with sores 51 %. The list of the World Giving Index top 20 countries shows that the Myanmar and USA are now measured as being the most charitable country globally with a world giving index ranking the 1st and score of 64% (World Giving Index, 2014). Whereas, Indonesia is in the rank 13th of the world giving index ranking

where giving index score 51% consist of 66% of giving money, 40% of volunteering time and 48% of helping stranger. In term of giving money, Myanmar is a top country for this giving behavior at 91% of scores (World Giving Index, 2014).

This paper is commonly described and find out the potency of cash waqf is managed by philanthropic social entrepreneurial institution, to alleviate the poverty in Indonesia. Thus it is also important to know the motive of people donating a *waqf*. According to preliminary study, in Indonesia the motives for creating *waqf* are simple. Most specific purpose *waqf* are created for mosques, suraus, cemeteries and religious schools to promote the religions. Despite the Holly Al-Quran exhorting that endowments should be of assets that one loves, *waqif* in Indonesia choose assets of least value to endow (Salleh & Muhammad, 2008). Therefore, is needed to identify the factors or motives that influence the donor or *waqf* especially in Indonesia to contribute/donate in form of cash *waqf*.

II. LITERATURE REVIEW

A. ISLAMIC PHILANTHROPY

Islamic Philanthropy defined as an institutionalized pooling and distribution of private resources with the goal of building capacity, sustainable financing and expertise for long term socio-economic benefit. Islamic Philanthropy is linked to the concept of Islamic solidarity [*takaful*]. Islamic giving includes but not limited to *Zakat*, *Sadaqa*, and *Waqf* (Gaudiosi, 1988).

Waqf is one of the oldest charitable institutions in the world. It is also one of the economic backbones of Islam that existed since the time of Prophet Muhammad (SAW) that catalyzes economic development of Muslims from various aspects of life¹. *Waqf* is sadaqah jariyyah

(running charity). It is distinct from ordinary *sadaqah*, the difference being the repeatability of the benefits that flow out of it. In Shariah, unlike *zakah*, a *waqf* is a voluntary, permanent, irrevocable dedication of a portion of one's wealth (in cash or kind) to Allah (SWT). Like ordinary *sadaqah*, *waqf* is flexible in the sense that its beneficiaries need not be restricted to Muslims and the fruits of the *waqf* must be utilized for Shari'ah compliant purposes².

During the Ottoman Empire, the *waqf* institution would lend money to households and merchants in order to earn income. (Alias 2012)³.

B. CASH WAQF AND POVERTY ALLEVIATION

According to Habibollah et al. (2010), there are three types of *waqf*.

1. Religious *waqf*: referring to *waqf* for mosques and religious schools.
2. Philanthropic *waqf*: in humanitarian *waqf*, benefits are allocated to support the society and promote social activities.
3. Family *waqf*: *waqf* from parents to children and heirs.

In some countries, *waqf* fund management has reduced poverty effectively and enhanced people's welfare,

² Ibn 'Umar reported: 'Umar acquired land in Khaibar. He came to the Prophet Muhammad (SAW) and sought his advice in regard to it. He said; "Allah's Messenger, I have acquired a land in Khaibar. I have never acquired more valuable for me than this, so what do you command I do with it?" Thereupon the Prophet (SAW) said: "If you like, you may keep the corpus intact and give its produce as Sadaqah declaring that the property must not be sold or inherited or given away as a gift". And 'Umar devoted it to the poor, to the nearest of kin, to the emancipation of slaves, to wayfarers or guests, and in the way of Allah (Sahih Muslim).

³ In another Hadith, Muhammad (SAW) said, "When a man dies, only three deeds will survive him: continuing alms, profitable knowledge and his child praying for him." (narrated by Ibn Majah As-Qalani).

by providing additional fund for education & health development programs, cheap houses & public facilities development programs, and so forth.

The most important and tangible dimensions of poverty are:

1. Hunger or Nutrition (Shortage of food leading to ill-health)
2. Ill Health (in-adequate levels of health due to less food, lack of medicine and sanitation)
3. Lack of Education and (literacy, knowledge) education opportunities
4. Lack of Shelter, Clothing and Empowerment

5. Lack of Economic opportunities & Economic resources and Lack of Income,

6. Non availability of Water (for drinking and sanitation and irrigation),

7. Deficient social relations, poor social and cultural life

III.METHODOLOGY

Data are collected by survey to Dompot Dhuafa, Zakat House, Orphaned House, Indonesia Waqf Agency, Tazkia Institute, Pirac, Ministry of Religion. Data used are at entity level into a waqf institutional. The input and output variables are explained on Table 1.

Tabel 1. Input and output of Research Variables

Variables	Descriptions
Input Variables	
Total Assets	Amount total assets of waqf institution
Number of offices	Number of head and branch offices
Program Activities Expenses	Poor Family Rehabilitation. <ul style="list-style-type: none"> • Enhancing poor people's welfare 2. Educational and Cultural Development. <ul style="list-style-type: none"> • Supplying free books • Funding relevant research and development • Improving educational programs • Scholarship • Grant for schools • Preserving and developing cultural values 3. Health and Sanitation <ul style="list-style-type: none"> • Health and Sanitation for poor people • Establishing health center • Providing cheap medicines with appropriate quality 4. Social services 5. Building facilities for religious activity 6. Fixing social facilities.
<i>Operational Expense</i>	A honorarium fee for volunteer of fundraising.
	A fix cost as monthly wages for operational officers.
Business operation (BO)	Dummy variable: 0 if international; 1 if local
Output Variable	
Surplus	The rest of the funds collected is subtracted from all expenses

Data are analysed by using Stochastic Frontier Analysis (SFA). This study will follow Battese and Coelli (1995) formulation, in which the efficiency

component of the error term, u_i , is explained by a set of variables, z_i , which have parameter, δ , that are estimated in the

same step. The equation is therefore as follows:

$$Y_i = X_i \beta + U_i \quad (1)$$

Y_i and X_i are the logarithm of the production of i -th firm in t -th time period, and the vector of input quantity of the i -th firm. U_i is the random variables, which is assumed to be independent and identically distributed normal random errors with zero mean and unknown variance. U_i is a non-negative random variable, called technical inefficiency effects. This random error variable captures the effect of external factors of production that are beyond the establishment's control, such as unpredictable variations in machine and labor performance, or the effect of weather on the value of output (Coelli et al. (1998: 198)). The error term in Equation (4) is then regressed on a set of firm-specific variables as:

$$u_{it} = z_{it} \delta \quad (2)$$

z is the variable set hypothesized to influence the DMU's efficiency, and δ is the parameter to be estimated.

The attractiveness of this method is it measures firm's technical efficiency while enabling the measurement of the contribution of explanatory variables to the firm's technical inefficiency. Botti (2009) utilize DEA and SFA to investigate performance comparison among retail with hotel franchise in France. The result shows that hotel franchises are most efficient than others.

IV. DATA AND DISCUSSION

Cash institution is a legal entity and therefore should fulfil some requirements, which are called *rukun waqf*. The rules can be explained as follows:

- a. *Al-waqif* is a person who donates waqf fund.
- b. Assets or fund donated as waqf are technically called *al-mawquf* in *fiqh* (Islamic law).

c. Those who are entitled to benefit from return of waqf fund management are *al-mawquf 'alaih*.

d. The way of a *waqif* stating his/her asset or fund as waqf is called *sighah*.

Explains conditions that should be satisfied in managing cash waqf. They are as follows:

1. *Nadzir* is a person/entity that is assigned to manage waqf fund.
2. As a matter of fact, *waqif* has the right to determine person or institution that will manage his/her waqf fund.
3. *Fiqh* experts determine flexible requirements for being a *Nadzir*.
4. *Nadzir*'s responsibilities include: Maintaining waqf asset, preparing waqf asset for rent, managing waqf fund, collecting waqf investment returns and distributing them to *al-mawquf 'alaih*.
5. *Nadzir*'s division of work. A *waqif* can appoint more than one *nadzir* to handle his/her waqf fund. If a *waqif* does so, each *nadzir* will conduct a more specific job. Asset maintenance, investment management, and investment return distribution will be carried out by different *nadzir*.
6. A *Nadzir* cannot take any part of waqf fund.

As the appointed *nadzir*, fund manager may carry out the followings to sustain investment return of cash waqf fund:

1. Invest cash waqf fund in various domestic or global syariah portfolios with good prospect.
2. Invest cash waqf fund in real sectors or businesses whose sources, process, and outputs are in line with syariah.

Allocate some of the collected fund as profit sharing-based loan to selected small businesses. Technical and managerial assistance are required to accompany this investment. If this investment runs well, *nadzir* will not only generate returns, but also help accelerate poor people's economic development. *Nadzir* should also pay attention on some points described below:

- a. Transparency. Nadzir has to manage cash waqf fund transparently and regularly make financial and performance reports, which are accessible by waqif.
- b. Productivity. Nadzir has to be able to manage the fund productively, so that disadvantaged people can benefit from cash waqf fund continuously.
- c. Trustable. Integrity of a nadzir is crucial. It has to avoid any business opportunity and process that can lead to moral hazard.

Waqf Management Institution should manage waqf fund in such a way that the collected fund become more and more productive. The more the waqf investment return, the more *mawquf 'alaih* benefit from waqf fund. According to *fiqh*, *nadzir*, as a waqf fund manager, is obliged to handle the fund productively. *Nadzir* is responsible for maintaining, expanding, and developing waqf assets in order that they can provide some income such as investment return, rent fee, agricultural products, etc.

Waqif has a right to settle on particular requirements related to his/her waqf. Such

a requirement is classified in two groups, i.e. (1) requirement that goes in line with *syariah*, and (2) condition that does not align with *syariah*. *Nadzir* does not have to obey the latter, even if *waqif* has agreed to donate his fund as waqf. Any rule or requirement should not violate Islamic law. *Fiqh* experts affirm that power of *waqif's* requirement status should not contravene Allah the Almighty's rule.

Cash waqf certificate will be issued in various denominations, e.g. IDR (Rupiah)-100-million, IDR-50-million, IDR-10-million, IDR-5-million, and IDR-1-million, in order that more prospective donors can afford them. Name of the donor (it can be on behalf of dead individual) and specific purpose of the donation (e.g. for educational services, health assistance, or other welfare enhancement efforts) will be stated on the certificate.

Table 2 below presents relevant data of descriptive statistics for continuing analysis of input and output variables.

Table 2. Summary of Descriptive Statistics

Variables	Mean	Standard Deviation	Skewness	Kurtosis
Number of offices	903	909	2.11	4.15
Initial Assets (in billion IDR)	85,275	344,713	2.52	5.19
<i>Program Expenses</i>	73,165	62,226	3.59	14.74
<i>Operational expenses</i>	51,393	33,798	2.74	7.09
Surplus (in billion IDR)	8,330	9,736	7.36	66.14
Log(offices)	6.41	0.93	-0.47	1.65
Log (Employees)	8.40	1.02	0.13	0.15
Log (Total assets)	11.95	1.30	0.16	0.29
Log(Surplus)	10.13	1.26	0.46	0.94

Source: Elaboration Data An Audited Financial Statement of Institutions, 2015

Table 3 presents ranking of Productivity efficiency over the seven waqf institutions based on total factor productivity changes. It shows that the most productive waqf institutions is

Dompot Dhuafa, the only entity within international business operation (Amerika, Hngkong, Japan and Australia) beside in Indonesia. This indicates that although on average these entities could not improve

their productivity during the observation periods, however, they can manage to be more productive compare with other domestic entities.

Since the waqf instituion efficiency vary among the sample, we need to identify input and output variables that influence its technical efficiency. We apply the stochastic frontier analysis (SFA) approach to identify which input has more contribution on the waqf institution efficiency.

Findings on the potential of waqf institutions (WI) to allevae poverty from this study try to explain that the WI establishment as an Islamic social entrepreneurship entity to develop nation's economy, especially to income distribution, create jobs and increase welfare that build themselves as not to profit body as well as social vehicles with a global economic vision.

Tabel 3. Stochastic Frontier Analysis

Rank	Waqf Institution	EFF CH	TEC HCH	PE CH	SE CH	TFP CH
1	Dompot Dhuafa	1.000	0.725	1.000	1.000	0.725
2	Indonesia Waqf Deposits	1.000	0.724	1.000	1.000	0.724
3	Zakat House	0.999	0.724	0.999	1.000	0.724
4	Orphaned House	1.000	0.724	1.000	1.000	0.724
5	Indonesia Waqf Agency	1.000	0.724	1.000	1.000	0.724
6	Yakief Foundation	1.000	0.723	1.000	1.000	0.723
7	Fatimah Azzarah	0.999	0.723	0.999	1.000	0.723
	Mean	0.997	0.724	0.999	1.000	0.724

Source: Data Processed, 2015

Contribution of cash waqf to sosio-economic development in developing countries is significant. Fund collected through cash waqf certificate program can be allocated to social-related development areas (e.g., agriculture, education, health, and infrastructure), urban poverty alleviation program, and other public service development. This opportunity in turn will reduce poverty level and will allow people help themselves.

Therefore, the WI needs to have a new agenda in order to enhance WI efficiency. Since the total assets have a significant role in enhancing WI efficiency, therefore the WI need not to rely on fundraising, but to collect more financial support from all moslem Indonesia citizen. In addition, it is also need to increase the technical efficiency

of the franchise firms, especially thosewith BO localy system by creating more innovative products and services to attract more buyerrs and at the end, to increase net profit.

Waqf has high potentials in redressing socio-economic inequities and enhancing the quality of life. *Waqf* is one of the social security systems that will not only help individuals but collectively can ease the financial burden of a country. It plays a very important role in poverty alleviation, health services, education, orphanage center, mosques, shelter and residences for the needy, and others as long as it is complies with Shariah. Alam (2010) has expressed concerns on the sustainability of the funds and in spite of having such a huge contribution and a wealth base; the application and execution of those funds are

either mismanaged or misappropriated (Alam 2010). As such, the discussion in this paper will center in the ways of ensuring sustainability and continuous growth of the assets which are subjected to *waqf*. The potential of venture philanthropy will be discussed as an approach to enhance *waqf*.

V. CONCLUSION

When the government is unable to prosper the people through their program, volunteer sector can be seen as an alternative way out. Indonesia as world muslim largerst population has huge potential of cash waqf which could reach IDR 20 trillyun. However, this opportunity still not result significant output. Indonesian Waqf Deposit (IWD) as cash waqf insitituion in Indonesia strives to get optimum result of this potential and maximize their performance specifically cash waqf., attempt has made by Indonesia in establishment of cash *waqf* development. In fact rulings has made by FATWA MUI (Majelis Ulama Indonesi) has agreed to allow the practices of cash *waqf* and followed by several states that has implemented cash *waqf* in their respective Islamic council.

Cash waqf has a variety of benefits due to its flexibility. The minimum price offered could involve many Muslims contributing to the cash *waqf*. Through cash *waqf* fund, the abandoned assets which lack financial support could be developed for the sake of the Islamic economy. The cash *waqf* fund could also support Islamic religious schools and institutions of education that are experiencing liquidity as well as maintain other Islamic assets.

Therefore, future research is conducted to study the motivation factors of the *waqif* or donor in contributing their money to the respective council as the donor or waqif is not allowed to manage their own waqf in Indonesia. Hence, the determinants of cash *waqf* giving among people particularly in Indonesia is considered significant to be identified in order to recognized which factor most influence public of Indonesia to

contribute or to donate in cash *waqf*. Consequently, all necessary action would be taken to enhance the institutions of *waqf* generally and to increase the amount of cash *waqf* collection specifically and eventually improve the socio economic of *ummah* in general and in the state in particular.

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