



CASH WAQF AND THE DEVELOPMENT: A CASE STUDY OF CASH WAQF LINKED SUKUK IN INDONESIA

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Abstract: This study offers an integrated analysis of the Cash Waqf Linked Sukuk application in Indonesia. The method employed is a review of the literature utilizing many data sources. Several significant ideas, like the sharing economy, Islamic financial innovation, and social impact bonds, have a significant link with the implementation of CWLS, according to the findings. Cash Waqf Linked Sukuk (CWLS) is a tool for placing waqf money (cash waqf) on Indonesia's sovereign Sukuk (SBSN), which was developed to support the social facilities development program. With the presence of CWLS, the private sector can actively contribute to the government's development of public facilities for widespread advantages. The primary advantage of CWLS is that its advantages can be enhanced through the provision of government-managed public infrastructure with solid governance and a low degree of risk. The Indonesian Waqf Board, Bank Indonesia, the Ministry of Finance, Islamic Financial Institutions, the Zakat Institutions, the Ministry of Religious Affairs, Investors, and (Mauquf Alaih) Beneficiaries are involved in the management of CWLS. The study finds that CWLS may be able to aid the community in achieving more sustainable and equitable economic growth.

Keywords: Cash Waqf Linked Sukuk, Social Impact Bond, Islamic Finance, Innovation, Sustainable Development Goals

INTRODUCTION

Waqf is among the socioeconomic instruments that have contributed significantly to Islamic civilization. The concept of waqf is taken from the Arabic term *Waqafa*, which means "to bring to a halt and remain still." It includes the concepts of holding, confinement, and keeping. These concepts illustrate the meaning of waqf as the holding of an asset in order to make it permanent. This prevents an asset from being inherited, gifted, sold, leased, or pawned (Al Arif, 2010).

Throughout history, various types of Waqf have emerged. Traditionally, the form of waqf involves real estate and immovable property, such as land and buildings. In 622 A.D., the first waqf was created in Madinah for the maintenance of the Mosque of Quba. Due to the management challenges of unproductive immovable waqf property and limited waqf funds, a new type of waqf that uses moveable property in the form of cash was established (Ismail, et al. 2018). Historically, cash waqf was introduced by Imam Az-Zufarin, a Hanafiy School of Thought scholar, at the start of the second century Hijriyah (Muhammad, 1997). He advocated for the utilization of monetary waqf through *mudharabah*, with the profits donated to social causes. Imam Bukhari also supports his argument. According to Imam Bukhari, Imam al-Zuhri proposed using Dinar and Dirham as monetary waqf for social assistance by employing the funds as business capital and distributing the profits to *Mauquf Al-Alaih* (beneficiary).

In spite of this, cash waqf did not become widespread until the 16th century due to the dispute surrounding its validity. Many Muslims have an incorrect conception of waqf assets, believing that waqf assets

can only take the form of land and other immovable assets, and not cash. They assumed that only immovable assets could satisfy the three requirements of waqf, which are perpetuity, irrevocability, and inalienability. In the meantime, land may also be vulnerable to devastation due to natural disasters, and waqf will only survive if its worth still remains (Mohammad, 2008).

According to Cizakca (2004, 2010), after the 16th century, cash waqf became particularly popular among ottomans. The Ottoman Sultans favored cash waqf because the fund was utilized to finance the growth of Islam in Europe. Consequently, in the last few decades, cash waqf has been recognized and implemented in a number of states, including Indonesia and Malaysia. It is claimed that because of its liquidity, monetary waqf is more significant than other types of waqf (Aziz et al, 2013). Multiple research papers assert that the transformation in the form of waqf assets to become more liquid, such as money, has far-reaching effects, including the production of more productive activities than land, buildings, and other immovable properties.

Cash waqf has demonstrated its enormous potential for public good. According to Marzuki et al. (2012), monetary waqf has a considerable influence on reducing poverty by up to 50 percent. In addition, cash waqf has demonstrated its quality as a politically and economically cost-free social fund (Aldeen et al., 2003). (2020). In several countries, Waqf is also used for national development. In 2018, Indonesia successfully issued its first cash waqf connected sukuk, which raised IDR 50 billion. The funds are invested in sovereign sukuk, and the return is utilized to improve healthcare facilities in one

of the country's provinces (Musari, 2019; Paul and Faudji, 2020). Indonesia issued its first retail cash waqf-linked sukuk in the fourth quarter of 2020, following the success of its initial issuance of cash waqf-linked sukuk. Individuals in Indonesia can now make temporary financial waqfs to help national development.

Numerous studies have been conducted on the function of Islamic financial institutions in the development of a nation. Iskandar et al. (2020) analyze the existence of long-run and short-run relationships between variables in the field of Islamic commercial finance. Based on the results of the model, the presence of the EKC in Indonesia was not supported. In addition, the data indicate that there is no short-term dynamic link between growth, Islamic finance development, and CO2 emissions. CO2 emissions from transport; other sectors, excluding residential buildings and commercial and public services; and the residential buildings and commercial and public services sector are highly connected with the development of Islamic financing in Indonesia, according to long-term studies. Adzimatinur and Manalu (2021) investigate the impact of financial inclusion in Islamic banking on Indonesia's economic growth. The results indicate that inflation has a beneficial effect over the long term, but has a positive influence on lag 1 and a negative effect on lag 2 over the near term. While the financial inclusion indicator demonstrates that the financial inclusion of Islamic banking in Indonesia has a favorable impact on economic growth, the financial inclusion of Islamic banking in Indonesia has a negative impact on economic growth. Using Indonesia as a case study, Ismail and Masih (2015) examine the

different directions of causality between financial development and economic growth. In addition, the results are discussed in the context of the growth of Islamic financing in Indonesia. This essay appears to be among the first to broaden the idea of the finance-growth nexus to include the rise of Islamic financing. The analysis identifies a unique cointegrating link between per capita GDP, gross fixed capital formation, yearly population growth rate, and domestic private sector credit.

In the topic of Islamic social finance, study on their influence in national development is also prevalent. Yusroni and Chandhiq (2021) explore the knowledge of the impact of Zakat and Waqf expenditures as part of the government and community's efforts to enhance the rural economy of the disadvantaged. On the basis of their findings and discussion data, they can conclude that zakat and the economy are interdependent. Consequently, the Islamic economy cannot be divorced from Zakat and Waqf, which are potential economic development tools. With the current state of the economy, zakat and waqf can be an efficient way for the ummah to overcome its financial difficulties. Ascarya's report proposes Islamic remedies to the Covid-19 health and economic challenges utilizing Islamic social finance (ISF) institutions like as zakat, infaq, and waqf. The results indicate that ISF's instruments, particularly zakat, infaq, and waqf, could assist the government and economy in overcoming the crisis. Among the proposed solutions are: save lives, including medical assistance using zakat-infaq and health-care waqf using waqf; save households, by creating a social safety net and graduation program using zakat; save businesses, especially micro-small enterprises (MSEs), through

financial and business assistance (especially digital marketing) leveraging zakat-infaq-waqf; and save financial institutions, especially micro-small financial institutions, by the development of cash waqf and the adoption of Islamic financial instruments.

By examining two paragraphs of prior research on the subject of this study. Although it is well known that Islamic commercial financial institutions and Islamic social financial institutions play a substantial and favorable influence in a country's development performance, there are still some misconceptions. However, Cash Waqf Link Sukuk, an innovative Islamic financial product that mixes Islamic commercial financial goods and Islamic social financial products, has not been widely implemented. This research tries to fill that gap. The first purpose of this study is to describe the existence and theoretical analysis of CWLS in Indonesia, and the second objective is to define the role of CWLS in the development of Indonesia.

Using Cash Waqf Linked Sukuk of Indonesia as a case study, the authors intend to demonstrate cash waqf as an instrument that blends Islamic social finance, specifically Waqf, with Islamic commercial and public finance. This study is anticipated to aid governments of Muslim majority nations or even non-Muslim majority countries in that they can learn from the case study how to utilize cash waqf to support national development. Waqf institutions (nazhir) can also utilize the study as a reference for product innovation. The study is also anticipated to be utilized by investors who seek both worldly money benefit and hereafter gain.

LITERATURE REVIEW

Sharing Economy

The Sharing Economy has been emerging in late years as a style with high development potential by presenting itself to be an advanced model for making products, services and relationships based on sustainable use. The Sharing Economy has issued as a multidimensional and multidisciplinary concept, which initially only covered areas of the economy and social sciences and which later experienced growth in business, urban planning, tourism, information engineering and digital science (industry 4.0). This has transformed its development from an economic opportunity to a form of decentralized, equitable and sustainable economy with the creation of novel enterprises and societies that have reduced environmental impact by decreasing the utilization of innate resources. (Heras, 2020)

The definition of sharing economy has been explained by Dabbous and Tahrini (2020). The first definition is an economic model and a business model that allows community members to share resources for other community members, this economic model is assisted by the internet and website 2.0 and this economic model is claimed to be able to share access to ownership of goods and services better than ordinary economic mode. Dabbous and Tahrini (2020) noted that the goal of sharing economy is to achieve financial or non-financial benefits. The sharing economy model is claimed to make the economy better and more efficient, especially in energy consumption and distribution.

Zhu and Liu (2020) explain that sharing economy can be equated with collaborative consumption. They state that sharing

economy is an economic model based on trade, swapping, sharing or leasing and leasing services. Zhu and Liu (2020) have noted that sharing economy provides recognition of acquisition and allocation of resources with the help of technology. An economic model like this provides new information that can be used by producers and consumers. The new information can be used for free or with a charge. Another characteristic is that sharing economy is used by third parties to provide goods and services to society. Zhu and Liu (2020) conclude that sharing economy refers to situations in which institutions or individuals with unemployed resource ownership can transfer the use of these resources to other parties by demanding payment services and usually at a lower price than other similar companies.

The Role of Sharing Economy for Economic Development

Dabbous and Tahrini (2020) have summarized various controversies regarding the existence of sharing economy with the goal of a sustainable economy. In their study it is said that on the one hand sharing economy will increase economic growth and increase Gross domestic product, sharing economy is able to make cost savings to economic actors so that it makes them more economical or economically saving. Sharing economy is considered capable of reducing economic inequality because it plays a role in a fairer and more equitable distribution of resources. On the other hand, there is a contra opinion gathered by Dabbous and Tahrini (2020), namely that sharing economy has the potential to form a market system that is not free or in the sense of a monopoly because the first actor in sharing economy has the potential to dominate the market and maintain the

majority of the market share. Sharing economy also has the potential to overhaul and destroy government regulations. The existing regulations are deemed irrelevant to the latest conditions, even though government regulations are made to protect the interests of the community and thus sharing economy has the potential to violate the interests of the community.

Zhu and Liu (2020) reveal several benefits of sharing economy, namely that it can reduce pollution level. This is the impact of various resources such as delivery services, vehicle services and accommodation services so that they can utilize idle resources. Zhu and Liu (2020) state the benefits in sharing economy, namely being friendly to the community and friendly to the environment.

Motivation of Using Sharing Economy

The driving factors why people use sharing economy explained by Nakamura et al. (2020). They consist of intrinsic and extrinsic factors. The intrinsic factors come from the value of a person's inner values while the extrinsic factors are derived from external environment. The motivation of actors in sharing economy comes from the process of receiving information, evaluating information and making decisions about purchases. Nakamura et al. (2020) provide examples of cases such as transportation service applications that can work because of customer motivation in low price, better service, the desire to interact with local people since they are considered to know more about the destination area.

Innovation in Islamic Finance

Salem (2019) states that Islamic financial institutions have several unique characteristics such as aspects of research and variations

in methods to solve community problems and meet the expectations of requirements. Project investment is considered a way of life and aims to build social capabilities, maximize production and achieve development plans. The aim of the innovation of varieties and diversities is to form transactions that are used in a variety of products and services by Islamic financial institutions. Islamic financial innovation has provided a simple but flexible form to be made more sophisticated by changing the characteristics of liquidity and risk management. An example is asset securitization and swap transactions in accordance with Islamic principles. Innovation is something that can happen to the Islamic financial industry. The Islamic financial industry can develop instruments for low-cost financing that demonstrates good capabilities.

Sukuk Development and Innovation

Sukuk are an example of the development in the area of Islamic financial instruments. Sukuk are the alternative instruments to regular bonds, which is compliant with sharia. In many aspects their exposures are similar to bonds and are based on the financial strength of the issuer. The Sukuk are Islamic investment certificates, in which each holder holds a beneficial undivided right to ownership of the underlying assets. Consequently, Sukuk holders are entitled to deal in the revenues generated by these assets, as well as being entitled to share in Islamic financial product innovation the proceeds of their realization. They can be seen as a development tool instead of a financial instrument (Salem, 2009)

Sukuk can be considered an ideal answer to the limited availability of Islamic financial instruments in local markets, where there is a concentration on Ijara, Murabahah, and Wakala investment, in addition to securitization, which is considered controversial by religious figures. Sukuk may be an ideal solution to develop an integrated market of financial instruments of different risk levels in order to meet the needs of investors. Sukuk will enhance the power of the markets to originate, because its development will not depend on the size of the establishment and its ability to borrow, but on its ability to issue Sukuk resulting from securitizing assets. Allowing institutions to issue Sukuk will improve their financial returns, growth prospects, and disperse the risks resulting from the institutions borrowing from a larger number of investors: those that issue Sukuk, and not to let it be borne by banks. In other language, it will ameliorate the credit rating of the institutions that issue the Sukuk and the banks that finance it (Salem, 2009).

The use of Sukuk as a financial instrument with a variety of capabilities is appropriate to a wide variety of aspects of international economic performance. Some of Sukuks' main advantages are to increase the capital available to produce major economic projects, control liquidity, use funds in an optimum manner, and increase the size of capital markets for investors. Several indices have been developed to assess their performance in the financial market (Salem, 2009).

Social Impact Bonds

According to Marwan and Haneef, (2020) Social Impact Bonds (SIBs) are a financial mechanism which helps to increase investments

to reduce social problems. The development of SIBs is often attributed to a non-profit organization known as Social Finance, based in the UK. Social finance was introduced in 2007 to help understand the shortfall in social sector funding. As things progressed, social finance gained valuable information on the fundamental issues associated with funding social services. As a result, social finance (n.d.) designed various structures that would provide flexibility and long-term funding, encourage innovation and have an impact – eventually leading to the SIBs model.

Social Impact Bonds (SIBs) are innovative mechanisms that bring together the public, private and voluntary sectors to address social challenges that focus on delivering results. SIBs are a commissioning tool where social investors provide the initial support for a social project and obtain returns based on the impact or outcomes achieved from the project (Marwan and Haneef, 2019). Generally, SIBs are part of the discourse on “social finance” which is taking place especially in the West. The term “social finance” can be reported as investment activity that generates financial returns and looks at the societal and environmental impact which comprises four primary strategies: socially responsible investing, environmental finance, development finance and impact investing (Marwan and Haneef, 2019).

The General Structure of Social Impact Bonds

In a SIB, investors often work with a government commissioner to pay for a series of actions intended to improve a social outcome that is of financial interest. The Commissioner rewards the investors their

excess value in proportion to how successfully the intervention was able to thwart the social consequence. Investors might not get their money back and return without better results (Marwan & Haneef, 2020).

An overall model of SIBs is shown in Figure 1. According to this structure, the government pays an intermediary or SPV to raise money for the initial capital of the intervention program when it determines the social area of intervention. Private investors put their money into "bonds" that the intermediary issues. The funds raised are distributed to social service organizations that offer the essential services to the target demographic. The program's effectiveness will subsequently be measured by independent assessors, who will then report the results to the outcome payer, typically the government. The investors will begin with their capital plus returns, depending on the degree of success. Investors, however, run the risk of losing all of their money if the program fails.

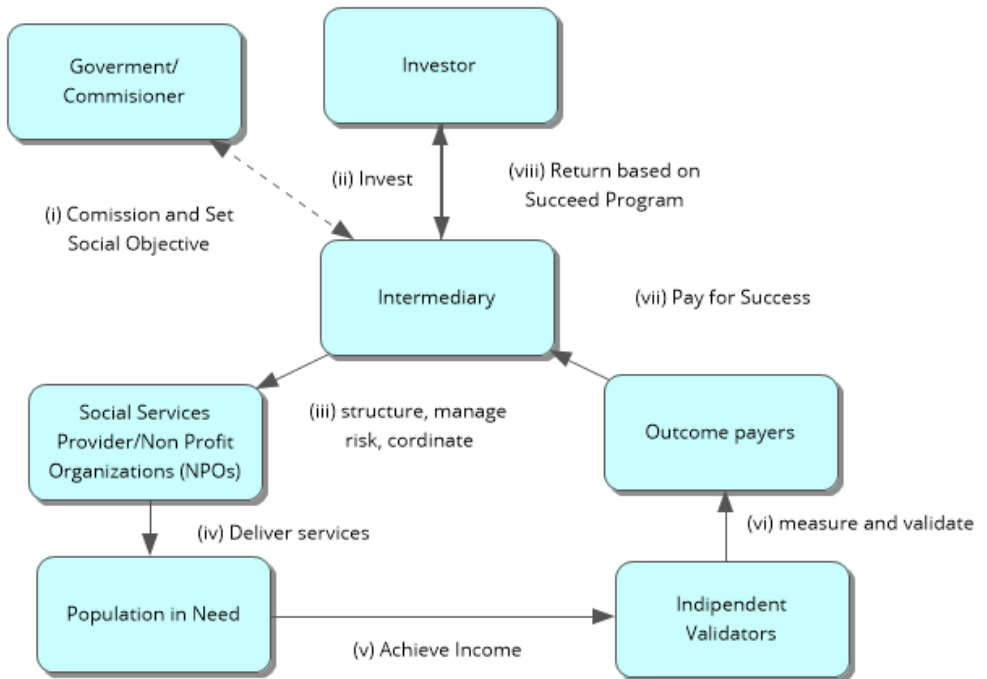


Figure 1. General Social Impact Bond
(Adopted from Marwan and Haneef, 2020)

Parties Involved in Social Impact Bonds

As evidenced by the overall structure of SIBs, the model involves a variety of participants. They play several crucial roles that are essential to the success and sustainability of SIBs. Table 1 provides a summary of the roles and examples of the following stakeholders:

Table 1. Stakeholder and Role of Social Impact Bonds

| Stakeholder | Roles | Examples of stakeholders |
|------------------|---|--|
| Service provider | In the transaction, provide a social service. Examples include providing | Non-profit or non-governmental organization (NGO), public-sector service |

| | | |
|-----------------|--|---|
| | capital for social services and giving data and outcomes on service delivery. | provider, cooperative, non-profit or for-profit social enterprise, for-profit enterprise |
| Investors | <p>Provide capital to service providers in advance or during the term of the contract.</p> <p>Principal lenders are investors who have the highest priority to repay if outcomes are achieved.</p> <p>Subordinated lenders are investors whose repayment priority is lower.</p> <p>Lenders: Investors who are not compensated regardless of the outcome.</p> | <p>Person, trust, foundation, investment firm, commercial bank, credit union, public sector entity, non-governmental organization (including service providers), government organization (other than an outcome funder)</p> |
| Intermediaries | <p>Example: money raising, transaction structuring, formation of a corporation (SPV/LLC), management, partners, receiving payments by outcome and paying investors, overseeing service delivery performance.</p> | <p>Not-for-profit (either financially or structurally).</p> <p>Commercial bank, impact investment firm, government agency, and company (organization for social policy research).</p> |
| Outcome funders | <p>Pay for outcomes</p> <p>Determine the parameters of the findings and the terms of reimbursement, for example.</p> | <p>Government, foundation, and development firm</p> |
| Evaluators | . | <p>Independent valuation firm, research institute, university, government agency</p> |
| Validators | <p>Validate the rigor of the assessment in order to evaluate the outcomes.</p> | <p>Independent appraisal firm, research establishment, university, government agency.</p> |
| Lawyers | Provide advice on transaction | Law firm |

| | | |
|----------------------|--|---|
| | structure and represent the various actors engaged in the transaction. | |
| Technical assistance | Give advice to funders (governments) and service providers on the design and implementation of the agreement. | NGOs, law firms, academic institutions, and development organizations |
| Stakeholder | Roles | Examples of stakeholders |
| Service provider | Deliver a social service in the transaction. Examples include providing capital for social services and providing service delivery data and outcomes | Not-for-profit or non-government organization (NGO), public sector service provider, co-operative, non-profit or for-profit social enterprise, for-profit enterprise. |
| Investors | Provide capital to service providers in advance or during the contract period. Examples: principal lenders: investors with the highest priority to repay if results are achieved. Subordinated lenders: investors whose priority to repay is lower. Lenders: Investors that are not reimbursed independently of the results achieved. | Person, trust, foundation, investment company, commercial bank, credit union, public sector entity, NGOs (including service providers themselves), government organization (other than an outcome funder) |
| Intermediaries | Example: fund raising, structure deal, establishment of a corporation (SPV/LLC), management. partners, receiving payments by outcome and paying investors, managing the performance of service | Not-for-profit (financial or structural entity). organization of social policy research), commercial bank, impact investment company, government agency, company. |

| | | |
|----------------------|---|--|
| | delivery. | |
| Outcome funders | Pay for outcomes Example: determine results parameters and repayment terms. | Government, foundation, development company. |
| Evaluators | Evaluate program outcomes. | Independent appraisal firm, research establishment, university, government agency. |
| Validators | Validate the rigour of the assessment to assess the results. | Independent appraisal firm, research establishment, university, government agency. |
| Lawyers | Advise on the transaction structure and represent the different actors involved in the transaction. | Law firm |
| Technical assistance | Provide advice to donors (governments) and service providers regarding design and Implementation of deal. | NGOs, academia, development agency. |

(Marwan and Haneef, 2020 (adopted))

METHODS

This study employs qualitative research methodology and a literature-based methodology. The data was acquired from relevant papers such as journals, proceedings, the prospectus for cash waqf-linked sukuk, and other sources. Fustenberger et al. (2018) utilized the same methodology to conduct a similar study in Bahrain.

RESULT AND DISCUSSION

Cash Waqf Linked Sukuk (Concept and Scheme)

Cash Waqf Linked Sukuk (CWLS) is a mechanism for depositing waqf funds (cash waqf) on Sovereign Sukuk (SBSN) to assist the Government's social facilities development program. With the creation of this CWLS, the private sector can actively engage in the government's development of public facilities for widespread advantages. The primary advantage of CWLS is that its advantages can be increased through the provision of government-managed public facilities with solid governance and a low-risk threshold (Bank Indonesia,2020).

The Indonesian government has thus far issued two distinct forms of CWLS. The first, issued in March 2020 via private placement (SW001) and aimed at institutional investors, was followed by the second, launched in October 2020 and aimed at retail investors (SWR001).



Figure 2. Logo of Indonesia Cash Waqf Linked Sukuk
Source: DJPRR, Indonesian Ministry of Finance, 2020

Additionally, with CWLS, waqf funds can be temporary for a specified length of time, allowing for more flexible wakif contributions. In simple terms, the CWLS model is as follows: I accumulation of waqf funds from wakif (waqf donors) by Nazhir (Waqf Institutions)/ (waqf collectors) which is Indonesian Waqf Board (BWI), (ii) Indonesian Waqf Board (BWI) buys SBSN from the Ministry of Finance with a private placement mechanism, (iii) The Ministry of Finance uses the proceeds to finance Government projects in (waqf beneficiaries).

The entire method is outlined in Figure 3. Unfortunately, the initial issuance of 50 billion IDR CWLS with a five-year maturity is still restricted to wakif institutions. In accordance with the Minister of Finance of the Republic of Indonesia's Regulation No. 139 /PMK.08/2018, a minimum of IDR 50 billion is required for the purchase of SBSN related to the creation of sovereign sukuk with a social investment plan (socially responsible investment) (Bank Indonesia,2020).

This amount is incomparable to the IDR 250 billion social non-investment SBSN. This is a kind of government support towards the development of Indonesia's social finance sector. Sukuk coupons from the placement of waqf funds were used to build a retina center at a waqf-based hospital, Achmad Wardi Eye Hospital in Serang, Banten, which is operated by the Indonesian waqf board and Dompot Dhuafa Foundation. The Retina Center of Achmad Wardi Hospital will be the first retina center in Indonesia to serve the needy. By March 2020, Bank Indonesia, the Indonesian waqf board, the Ministry of Finance, the Productive Waqf Forum, and the Appointed Islamic Financial

Institutions had secured IDR 50 billion (Indonesian Waqf Board, 2020).

This is merely one example of how social and business activities are interwoven in CWLS. Other social activities that can be supported by the return on investment of cash waqf in sovereign sukuk include school and mosque maintenance, dhuafa shelter, and others.

It is anticipated that the collaboration of these numerous stakeholders will expedite the implementation of the CWLS, which will become a landmark in the growth of the social finance sector in Indonesia. It is anticipated that the CWLS instrument will become a new financial instrument for supporting Indonesia's Islamic economic sector.

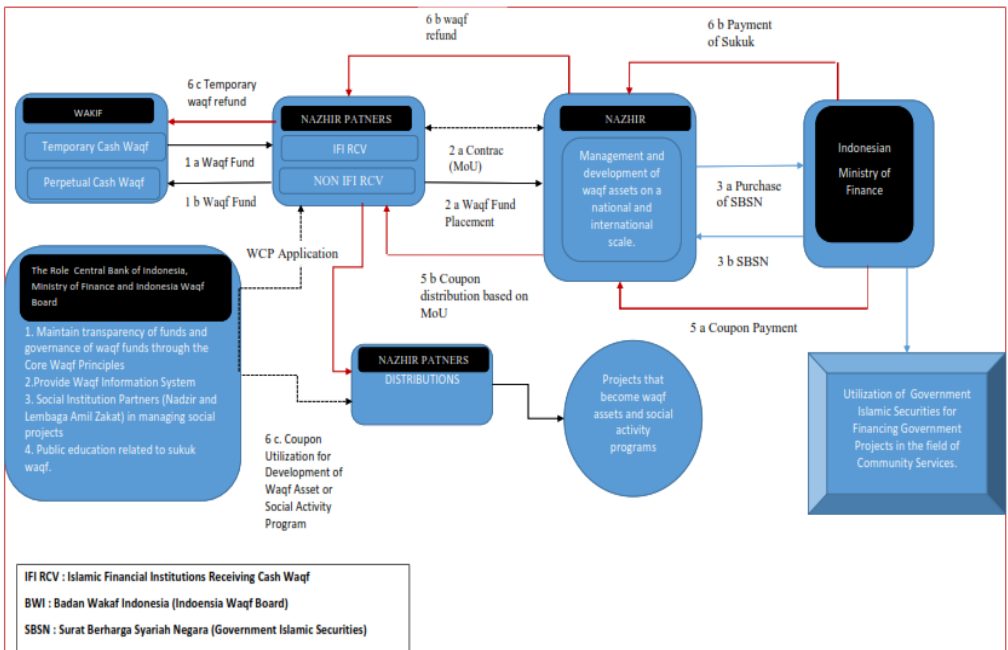


Figure 3 Cash Waqf Linked Sukuk Scheme (Bank Indonesia, 2020)

The Importance of Issuing CWLS (DJPRR, Indonesian Ministry of Finance, 2020)

1. Enhancing the capabilities of the Islamic financial sector.
2. Strengthening national Waqf administration
3. Supporting the execution of the Sustainable Development Goals.
4. Increasing social investment in the midst of the Covid-19 pandemic.

Optimizing CWLS for the Financing of Social Projects (DJPRR, Indonesian Ministry of Finance, 2020)

1. Provision of free pre-service healthcare facilities, such as the Ahmad Wardi Eye Hospital, for the needy.
2. Development of CSR funds for social activities, such as state-owned enterprise CSR funds.
3. Empowerment of Micro, Small, and Medium Enterprises by Waqf Institutions through Productive Waqf.
4. Financing regional social infrastructure and social activities, such as the exploration of fruitful Waqf in Riau Province.
5. The possible use of unproductive land for livestock/plantations, such as the Dompot Dhuafa Plantation Waqf.
6. A scheme that offers free Umrah to Al-Quran teachers in the areas.
7. Establishment of an Endowment Fund for social institutions, including Hajj Financial Management Agency Funds (BPKH).
8. Free health treatments, including free cataract surgery, for the poor.

CWLS characteristics (DJPRR, Indonesian Ministry of Finance, 2020)

1. It is designed for both individual and institutional investors/wakifs.
2. In accordance with the norms of sharia
3. The minimum order quantity is IDR 1,000,000 and there is no maximum order quantity.
4. 100% of temporary Waqf will be restored to the investor / wakif after two years, while Nazhir will administer the permanent Waqf funds.
5. Fixed returns, extended by the appointed Nazhir to social programs/activities.
6. Untradeable on the secondary market.

CWLS Retail - SWR001 aims (DJPRR, Indonesian Ministry of Finance, 2020)

1. Providing individuals access to productive and secure Waqf money.
2. Creating innovations in Indonesia's finance and social investment sectors.
3. Promoting sustainable and inclusive economic growth.
4. Supporting the national Waqf movement, facilitating the growth of social investment, and fostering the development of productive Waqf in Indonesia.
5. Strengthening the Indonesian cash Waqf ecosystem.

Sharia Compliance of Retail CWLS (SWR001)

The management of retail CWLS in accordance with sharia standards. It has got a certificate of sharia compliance from the

National Sharia Council - Indonesian Ulema Council (B-578 / DSN-MUI / IX / 2020 29 September 2020).

CWLS Series 1 (SWR001) Issuance Timeline

1. Launching : 9th October 2020
2. Offer Period : 9th October 2020 until 20th November 2020
3. Determination of Sales Proceeds : 20th November, 2020
4. Settlement Date (Issue) : 26th November, 2020

Term & Condition CWLS (DJPRR, Ministry of Finance, 2020)

Table 2. Term & Condition of Indonesian CWLS

| Issuer | Indonesian SBSN (Sovereign Sukuk) Issuing Company |
|---------------|---|
| Contract Type | Wakalah |
| Issuance date | 20 th November 2020 |
| Forms | Script less and non-tradable in the secondary market |
| Tenor | 2 (two) years |
| Maturity | 10 th November 2022 |
| Minimum Order | IDR 1,000,000 |
| Maximum Order | There is no maximum order |
| Return | 5.50% return (Fixed Coupon), paid periodically every month. Returns are paid periodically every month to Nazhir for |

| | |
|---------------------------|---|
| | financing social programs / activities. |
| Coupon payment date | Coupon Payment Date is the 10th of each month. In the event that the 10th falls on a non-working day, it will be paid on the following working day without compensation. Working days are the days when the payment system operations are held by Bank Indonesia. |
| First Coupon payment date | 10 th December 2020 (Short Coupon) |
| Underlying Assets | Projects of Ministries, Government Agencies and State-Owned Enterprises in 2020 in accordance with the State and Expenditure Budget. |
| Program/Social Activity | Determined jointly by Nazhir and the designated Islamic Financial Institutions prior to the offering period, and known to the government. |

Source: Indonesian Ministry of Finance, 2020

Social Projects to Be Financed from CWLS Returns:

Figure 4 describes many Islamic banks appointed as Cash Waqf Receivers, their nazhirs, and their social programs for which CWLS Return serves as a funding channel.

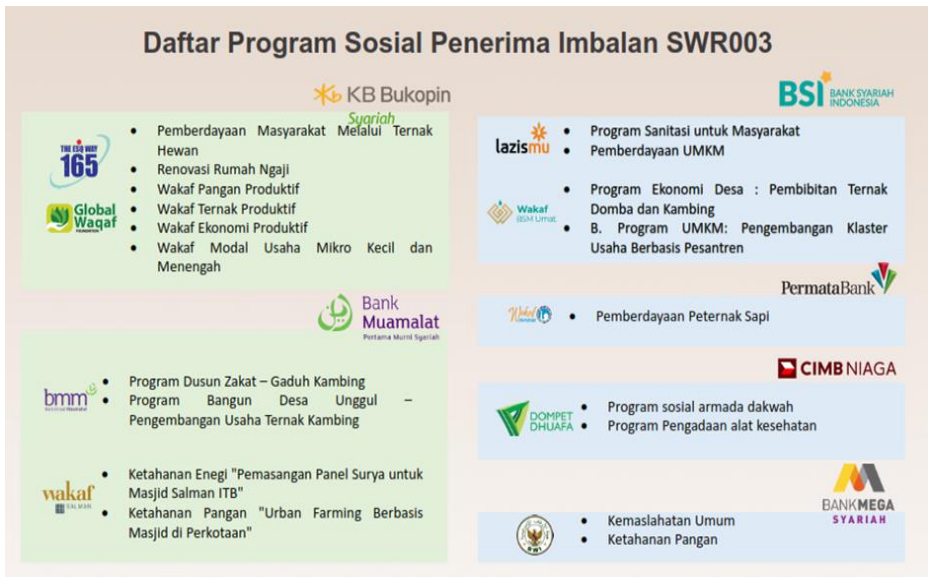


Figure 4 Social Projects to Be Financed from CWLS Returns:
Source: DJPRR, Indonesian Ministry of Finance, 2022

1. Bank KB Bukopin was designated as an Islamic financial institution that receives cash waqf in collaboration with nazhir Global Waqf and 165 ESQ Way's social programs, which include community empowerment through animal husbandry, renovation of the Koranic house, productive food waqf, productive livestock waqf, productive economic waqf, and capital waqf for micro and small businesses.
2. Bank Muamalat Indonesia (BMI) was designated as an Islamic financial institution that accepts cash waqf in partnership with the nazhir Baitul Mall Mumalat Foundation in order to establish a zakat village program, a program to construct superior communities, and the development of goat farming companies. Bank Muamalat Indonesia is also partnering with Nazhir Masjid Salman, Bandung Institute of Technology on a scheme

to install solar panels for mosque energy security and urban framing based on urban mosques.

3. Bank Syariah Indonesia (BSI) was designated as an Islamic financial institution that accepts cash waqf in collaboration with the nazhir Muhammadiyah Amil Zakat Institution (LAZISMU) to fund community cleanliness projects and small business empowerment. This bank also engages with the BSM Ummah Foundation on rural economic programs, sheep and goat raising, and the development of Islamic Boarding School cluster companies.
4. Bank Permata Indonesia was designated as an Islamic financial institution that collects monetary waqf in partnership with the APU (Al Azhar Peduli Umat) Foundation in order to empower cattle producers through a social program.
5. Bank CIMB Niaga has been designated as an Islamic financial institution that accepts monetary waqf in partnership with the Dompot Dhuafa Foundation in order to fund a social program consisting of a da'wah fleet and the purchase of medical equipment.
6. In partnership with the Indonesian Waqf Agency, Bank Mega Syariah was designated as an Islamic financial institution that received cash waqf to implement a food security program.

Cash Waqf-Linked Sukuk as Sharing Economy

Cash Waqf Linked Sukuk are an example of the sharing economy. CWLS is able to benefit both the government and the beneficiaries (mauquf alaih) through the investment of cash waqf in

sovereign sukuk. The transfer of these resources adheres to the sharing economy's ideals, which aim to create a more cost-effective and efficient economy. Due to the use of the internet, CWLS is also classified as a sort of sharing economy. For instance, when a potential investor wishes to make an investment, the investor must register an online account, and Nazhir maintains his Waqf funds online. This is consistent with the sharing economy principle, which employs the Internet as its mechanism. Another principle of the sharing economy is the disclosure of information to economic actors, whereas the CWLS is open to all investors. This will undoubtedly have an effect on minimizing economic actor misinformation.

In contrast to Dabbous and Tahrini (2020), who state that the sharing economy has the potential to disrupt government policy because it is a new phenomenon, CWLS is issued with numerous regulations, and the issuer is the government itself; therefore, the existence of CWLS should be consistent with the Government of Indonesia's development goals. The presence of CWLS will improve human resources, food security, and poverty reduction. These objectives are outlined in the CWLS Nazhir's program.

According to data from the Indonesian Ministry of Finance, the SWR001 Retail Series CWLS collected more than fourteen billion rupiah, the SWR001 Series CWLS collected more than twenty-four billion rupiah, and the SWR 002 Retail CWLS 002 Series collected more than twenty-five billion rupiah. Over 1,340 waqf givers have purchased Retail CWLS SWR 001 Series with an average order value of 18,000,000 rupiahs, while over 500 persons have purchased Retail CWLS SWR 002 Series with an average order value of 40,000,000

rupiahs (DJPRR, Ministry of Finance, 2022). These figures suggest that waqf contributed money or capital in exchange for mauqf alaih.

Cash Waqf Linked Sukuk as an Islamic Financial Innovation

Islamic financial instrument is CWLS. The Indonesian government, namely the Ministry of Finance, is well-known for its inventions in Islamic financial products. Prior to CWLS, the Ministry of Finance had released a number of Islamic financial products, including Green Sukuk (whose underlying is in the form of environmental preservation actions and projects, demonstrating Indonesia's commitment to overcome). The Project Financing Sukuk is another invention from the Indonesian Ministry of Finance. E-SBN is an additional innovation (Retail Sales of SBSN through modern online platforms with the assistance of distribution partners (banks, securities firms, fintech)).

CWLS is an example of innovation because it is a new and distinct financial product. CWLS combines Waqf (which is a social activity) and investment operations (commercial activities). CWLS is capable of addressing some of Salem's (2009) concerns, including sharia compliance. The CWLS was preceded by a Fatwa issued by the Indonesian Ulama Council's National Sharia Council. This Fatwa is founded on a solid and deliberative Fiqh basis. This fatwa can serve as a reference for CWLS managers to appropriately administer Waqf funds. Good governance is the second challenge raised by Salem (2009). CWLS in Indonesia is administered by the Ministry of Religious Affairs, the Indonesian Waqf Board, and the Islamic

Financial Institutions. Multiple parties' participation will improve the control mechanism.

The third obstacle faced by Islamic finance innovation is the divergence of scholarly opinion (Salem, 2009), specifically the disparity of scholarly opinion about the legal status of transactions and product status. Some Islamic scholars concur on a number of points, while others disagree on a number of others. This phenomenon is the product of Islam's vast and diverse scientific legacy, also known as Usul Fiqh (Principles of Islamic Jurisprudence). National Sharia Board has issued a certificate of sharia compliance to CWLS, removing this obstacle. As in other Muslim-majority nations, Islamic scholars in Indonesia have differing opinions regarding the legality of a transaction. However, the Financial Services Authority (OJK) or regulatory authorities that oversee all Indonesian financial institutions will only use the National Sharia Board of Indonesian Ulema Council's view (DSN MUI). All decisions of the National Sharia Board of the Indonesian Ulama Council will be adopted by the Financial Services Authority via the issuance of OJK's Regulation, which will serve as the legal system.

CONCLUSION

This article describes the Cash Waqf Linked Sukuk model as a case study of Islamic Financial Industry's sharing economy, innovation, and social impact bond. The urgency, legal basis, Fiqh foundation, objectives, schemes, and processes of CWLS have also been discussed. Noting that the establishment of CWLS is a significant innovation in the worldwide Islamic financial industry is essential. CWLS is

anticipated to facilitate the accomplishment of sustainable and equitable development objectives for the Indonesian people. The CWLS model is anticipated to serve as a guide for other nations to develop novel instruments of a similar nature.

To make CWLS issuing more effective and efficient than in the past, it is advised that blockchain technology be included into the digital ecosystem, particularly in the era of industrial revolution 4.0. The use of technology will enable potential investors to invest in CWLS via their smart phones, hence increasing cash waqf participation in Indonesia.

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