

**IMPROVING THE CONTRIBUTIONS OF INDONESIA'S THIRD
SECTOR TO SOCIO-ECONOMIC DEVELOPMENT: THE CASE OF
WAQF ADMINISTRATION**

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ABSTRACT

Third sector organisations (TSOs) play a substantial part in filling the gap left by a government in delivering public services. A TSO usually functions as a complementary institution and alternative system for promoting development. In the Islamic economic system, the concept of TSO has been known in the form of Waqf. Since Waqf has the characteristic of perpetual benefit, it provides sustainable outcomes to society and eventually helps achieve an equal distribution of economic outcomes. Given that potential, its contribution to the economy is surprisingly neglected. Many empirical studies have addressed the importance of developing and reconceptualising the Waqf sector, but limited studies have addressed the inter-relationship dimension in Waqf administration in their analysis. Working with TSO analytical frameworks derived from Weisbrod (1975), Anheier (2005), Najam (2000), and Young (2000), this study explores the role of participants in Waqf administration, specifically in utilising Waqf assets for public services provision. Therefore, this study aims at improving the contribution of Waqf, as an Islamic TSO, to the Indonesian socio-economic development by proposing possible future directions for the Waqf sector.

This study used Waqf administration in Indonesia as a case study. The data were gathered from in-depth interviews with 28 participants from government agencies, Waqf institutions, donors, and beneficiaries. Employing content or thematic analysis on the interview results, the study yielded several significant findings. The lack of systematised working relationships between government and Waqf institutions, the absence of an integrated Waqf database, and an unsupportive regulatory framework are among the factors that potentially limit the development of the Waqf sector. It is also argued that Waqf institutions complement the government by using Waqf assets to deliver public services, which outweighs its substitutive function. This finding is consistent with the Najam (2000) and Young (2000) government-TSOs relationships model. The study will conclude by proposing recommendations on future directions for the Waqf sector in Indonesia, including revising the Waqf Law, establishing a nationwide Waqf database, aligning Waqf-government social programs, and incorporating Waqf programs into the government's annual workplan. The outcome of this study indicated that the government failure, public services provision, and inter-relationships theories may provide an appropriate analytical framework to understand the functioning of Waqf administration.

STUDENT DECLARATION

I, Berry Sugarman, declare that the PhD thesis entitled ‘Improving the Contributions of Indonesian Third Sector to Socio-Economic Development: The Case of Waqf Administration’ is no more than 80,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

I have conducted my research in alignment with the Australian Code for the Responsible Conduct of Research and Victoria University’s Higher Degree by Research Policy and Procedures.

Signature

Date

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Alhamdulillah rabbil 'aalamiin (praise be to Allah, Lords of the Universe)

Quran 1:1

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ABBREVIATIONS AND GLOSSARY TERMS

Terms	Description
BOT	Build, Operate, and Transfer
GWC	Global Wakaf Corporation
IWB	The Indonesian Waqf Board
KAPF	Kuwait Awqaf Public Foundation
MUI	Majelis Ugama Islam (Malaysia)
MUIS	Majelis Ugama Islam Singapore
PBUH	Peace Be Upon Him
PT	Perusahaan Terbatas / Limited Company
SIBL	Social Investment Bank Limited
TSO	Third Sector Organisation
YBWUII	Yayasan Badan Wakaf Universitas Islam Indonesia
<i>Amal</i>	Culture and customs of the people of Madinah
<i>Al-ijaratain</i>	Long term lease contract
<i>Bait-al-mal</i>	Institution responsible for the financial administration in Islamic states
<i>Diwan al-nafaqat</i>	Department that handles all accounts related to Waqf in Caliph Umar ibn Khattab era
<i>Fatwa</i>	Formal ruling in Islam given by qualified legal scholars
<i>Fiqh</i>	Muslim jurisprudence
<i>Hadith</i>	A report on the saying and act of the Prophet Muhammad (PBUH)
<i>Halal</i>	Permissible in Islam
<i>Ijarah</i>	Contract or leasing
<i>Infuq</i>	Voluntary giving of a specific amount
<i>Istibdal</i>	Exchange
<i>Istislah</i>	Interest and welfare of Islam and Muslims

<i>Istisna</i>	Transaction on a work which still in progress
<i>Mazhab</i>	Islamic legal schools
<i>Mufti</i>	Muslim legal scholar
<i>Mudharabah</i>	Co-partnership
<i>Murabaha</i>	Sale at a stated price
<i>Musharakah</i>	Joint partnership or joint venture
<i>Mutawalli</i>	Another term for <i>nazhir</i>
<i>Muara'ah</i>	Share-cropping agreement
<i>Nazhir</i>	A person or institution who manage Waqf assets
<i>Pancasila</i>	Philosophical foundations of Indonesia
<i>Qiyas</i>	Analogy
<i>Qur'an</i>	The Holy Book of Islam
<i>Riba</i>	Interest
<i>Sadaqah</i>	Charity
<i>Sahabah</i>	The companions of the Prophet Muhammad (PBUH)
<i>Sharia</i>	Islamic law
<i>Sunnah</i>	Traditions and practices of the Prophet Muhammad (PBUH)
<i>Sukuk</i>	Islamic bonds
<i>Takaful</i>	Joint guarantee
<i>Urf</i>	Customs of people throughout the Muslim world
<i>Wasiyya</i>	The will of someone who passed away
<i>Waqf</i>	Islamic endowment
<i>Zakat</i>	Obligatory giving for Muslims based on a particular share or portion of their wealth
<i>Zakat fitrah</i>	Zakat for the completion of the fasting month
<i>Zakat mal</i>	Zakat on wealth

CHAPTER 1 INTRODUCTION

1.1 Background

In the classical two-sector economic model, public services were delivered by two main actors: government and private sectors. This model has long been established as the mainstream framework in the modern economy. However, the two-sector model possesses several issues related to sustainability, such as poverty, inequality, economic crises, environmental and value degradations (Ghatak 2018; Arshad & Haneef 2016). In response to the issues, civic organisations like cooperatives, social enterprises, foundations, and other non-profit institutions emerged, carrying altruism as their primary driving value (Molla & Alam 2011). According to Najam (2000), these institutions emerged because states failed to provide sustainable development in the economy.

Third sector organisations (TSOs), or ‘the third sector’¹, function as complementary or supplementary institutions for government in delivering public services (Young 2000; Besley & Ghatak 2017). TSOs were established with the focus of delivering service to excluded groups, who are left out due to the inability of government to meet heterogeneous demand in society (Weisbrod 1975; Hansmann 1987). The concerns of vulnerable and socially excluded groups can be advocated for and advanced through TSOs. Liu (2017) argued TSOs are more efficient in delivering public services since they work closer to community and have better knowledge of how to address the needs of the people.

While it is argued that TSOs play essential roles in promoting social welfare and providing public goods and services in society (Milward & Provan 2000; Salamon & Anheier 1999; Windrum 2014; Chadborn et al. 2019), their contribution to the economy is surprisingly neglected. There are three possible explanations for this disparity. Wigglesworth and Kendall (2000) believe that the third sector is marginalised from the government and private sectors because classical thought assumed that efficiency could only be achieved through market mechanisms. Another reason why TSOs are differentiated is because they are quite pessimistic and less engaged with their counterparts (i.e., government and private sectors). In addition, the

¹ The term ‘third sector’ is now widely used to describe a non-profit sector. The sector lies outside the government and the private sectors (Salamon, Sokolowski & List 2003). With a broader scope, this sector consists of charities, religious organisations, sporting organisations, civil society, and cooperatives. One of the purposes of this sector is to improve social welfare.

difficulties in measuring the impacts and outcomes of the third sector also makes TSOs less recognised (Nga and King 2006).

In recent years, private sector involvement in public services delivery has increased in developing countries. State-market cooperation mechanisms such as public–private partnerships and contracting-out have been introduced and carried out in many public projects globally (Besley & Ghatak 2017). In Indonesia, for example, a number of public services were financed through public–private partnership schemes, including toll roads, waste-processing units, and clean water supplies. However, government–private enterprises partnerships may not be sustainable in the long run due to different interests, such as profit-seeking motives (Wu et al. 2016) and profit distribution and risk-sharing agreements (Hodge & Greve 2009). Consequently, this type of cooperation commonly occurs in commercial projects, instead of social projects. This obstacle should be the rationale for the government to allow TSOs higher participation in the economy.

Scholars have attempted to underline the importance of TSOs in the economy, and one of the most fundamental is Weisbrod’s (1975) government failure theory. This theory posits that government cannot meet the needs of the community due to heterogeneous demands for public services. Consequently, TSOs exist to serve the people who are left out by the government (Corbin 1999; Gronbjerg 2002; Lecy & Van Slyke 2013; Kim 2015; Lu & Xu 2018). The basic assumption of the theory is that demand heterogeneity is positively associated with the number of TSOs. Previous studies have come up with conflicting results when testing the hypothesis. Some empirical studies supported the theory (Corbin 1999; James 1993; Matsunaga & Yamauchi 2004; Matsunaga, Yamauchi & Okuyama 2010; Kim 2015; Lu & Xu 2018; Lu 2020; Jeong & Cui 2020), while others opposed the hypothesis (Alesina & La Ferrara 2000; Costa & Kahn 2003; Okten & Osili 2004; Miguel & Gugerty 2005; Andreoni et al. 2016).

Milward and Provan (2000) noted an increase in the dependence of government on TSOs in delivering public services for financial and skill reasons. In performing public services provision tasks, TSOs fill the gap between government and private sector by combining equality and efficiency services (Ghatak 2018). As community-based organisations, TSOs could be a solution for government inability to deliver public services for the community (Hansmann 1980; Weisbrod 1988; Glaeser & Shleifer 2001). Therefore, government could consider arranging partnerships with TSOs for delivering public services.

The relationship between government and TSOs in performing public services delivery can be explained by interdependence theory. Anheier (2005) argued that interdependence theory assumes that the relationship between government and TSOs is a partnership, instead of the conflict seen in agency and stakeholder theories. The partnership between government and TSOs may be based upon resource dependence, where TSOs depend on government funding and regulation, while government relies on TSOs' expertise and knowledge to respond quickly to any social issues (Salamon 1996; Yaguai 2012). Meanwhile, Najam (2000) examined the relationships of government–TSOs based on similarity and dissimilarities between each other's goals and means, and introduced the four Cs model (Cooperation, Confrontation, Complementarity, and Co-optation).

Young (2000) proposed supplementary and complementary models to examine the government–TSOs relationship. The supplementary model assumes that TSOs' services are substitutive for government's services. Hence, it posits negative correlation between TSOs' spending and government expenditure. On the other hand, the complementary model presumes the relationship of government and TSOs is a partnership, instead of substitutive. Therefore, this model contends that increased spending by TSOs results in higher government spending.

The Islamic economic system has recognised the third sector concept in the Muslim philanthropic deed known as Waqf². This collective charity act works outside the government and the market sectors. Even though there are different types of charity in Islam, such as zakat³ and Sadaqah⁴, Lev (2005) considered Waqf to be the highest form of charity in Islam since the benefits are perpetual and it can fund many charitable activities. The Waqf system can also develop a more equal social and economic system for the Muslim community and all citizens, regardless of their religions.

Waqf is characterised by its perpetuity feature, meaning that the benefit from the use of Waqf assets should permanently flow for the beneficiaries. This principle is a unique characteristic shown only by the Waqf system. However, some scholars, e.g., Kahf (1998) and

² In more generic terms, Waqf is also known by some as Islamic endowment or an inalienable trust. There are several types of philanthropic acts in Islam, such as Zakat and Sadaqah. However, Waqf has a unique characteristic compared to the other donations. The benefit of Waqf has to be permanent and perpetual.

³ At a glance, there are similarities between Zakat and tax. Zakat is mandatory; all Muslims who qualify are obliged to donate from their wealth. It is a tool for the authorities to achieve efficiency in resource distribution; thus, to some extent, it acts as a tax on wealth. The calculation and the beneficiaries of Zakat are predetermined and binding.

⁴ Unlike Zakat, Sadaqah is a voluntary charity. There are no specific requirements on either the donors nor beneficiaries. There is also no limitation on the use of the donations by beneficiaries, as long as they are used in a good way.

Kuran (2004), have noted that this feature has negatively affected the growth of Waqf in many countries. The perpetuity of Waqf has made the legal and *sharia* framework of the Waqf assets management rigid. As a result, Waqf assets have not been optimally developed due to less innovations made in Waqf financing.

Despite being underdeveloped, Waqf continues to play an essential role in supporting the economy. As an instrument for poverty alleviation, Waqf reduces social and economic gaps within society (Islahi 1996; Cizakca 1998) and elevates the outcome of the economy for society (Alhabshi 1991). Historically, the Waqf system supported social and economic development in the early days of the Muslim community. Waqf assets were used to provide public services such as roads, bridges, schools, and hospitals, as at that time, Muslim caliphates did not have a specific ministry to take care of the provision of public services (Boudjellal 1999).

Like many other developing countries, Indonesia faces limitations in providing public services such as health and education. It requires substantial financial allocations from the state budget. This budget, however, is constrained to other strategic allocations like infrastructure. For example, in 2019, the Indonesian government needed approximately US\$32.8 billion to improve the education sector, US\$8.2 billion to support the health sector, and US\$27.6 billion for infrastructure financing (Indonesian Ministry of Finance 2019a). These amounts took 42% of the state budget, despite other sectors also needing to be financed by the government. Therefore, the government needs support to meet the demand of its people for public services.

One possible way is to involve the private sector in the provision of public services. The government–private partnerships scheme has been introduced in some infrastructure development projects. For instance, in this cooperation model, the government provides the land while the company builds the property (e.g., toll roads and commercial buildings). The income stream from the commercial use of the asset goes to the company before returning to the government. Nevertheless, the involvement of private enterprises in the economy is not sustainable in the future. Conflict may arise when the companies' goals as profit-oriented institutions are met with the state's aim of providing goods and services for the community. As the world's most populated Muslim country (Ahmad 2019; Haneef, Kamil & Ayuniyyah 2017), Indonesia could rely on its Waqf sector in fulfilling the people's demand. That is, government could make partnerships with Waqf institutions in delivering public services. However, despite the potential, this sector is underdeveloped.

Many studies have been undertaken in exploring the administration of Waqf around the globe. Most of these studies (Ibrahim 2012; Khalil, Ali & Shaiban 2014; Ahmed, Omar & Ogunbado 2015; Nabi et al. 2019; Abdullah 2019) relied on the assumption of a positive contribution of the Waqf system to socio-economic development, which has been affirmed by previous research (Hodgson 1974; Islahi 1996; Cizakca 1998, 2000). Other studies have also taken the issue further by investigating various aspects of Waqf administration, including the institutions, financing models, and accountability (Kamarubahrin & Ayedh 2018; Yumarni, Suhartini & Mulyadi 2019; Ambrose, Hassan & Hanafi 2018; Thaker & Asmy 2018). Additionally, previous Waqf studies in other countries concentrated on developing Waqf through financial innovation (Hasanah 2008; Khalil, Ali & Shaiban 2014; Mannan 1999; Qahaf 2005; Shamsiah 2010b).

Fewer studies on Waqf using Indonesian data have been done than those examining other countries. Many of these studies were conducted to investigate key developmental factors. For example, Haneef, Kamil and Ayuniyyah (2017) used SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis in investigating the management of Waqf in Indonesia, with a specific focus on examining the role of the Indonesian Waqf Board (IWB hereafter) as the Waqf authority. Meanwhile, Huda et al. (2017) used the Analytic Networking Process method to identify key issues in the Waqf sector and determine the priority strategies required to overcome the problems noted. Additionally, previous studies focus on issues of accountability (Masyita, Tasrif & Telaga 2005; Ihsan et al. 2017; Yumarni, Suhartini & Mulyadi 2019), donors and beneficiaries (Huda 2011; Ihsan & Ibrahim 2011; Ahmad & Rusdianto 2020), and fundraising management (Berakon, Aji & Hafiz 2021; Utomo, Masyita & Hastuti 2020).

Despite the vast number of Waqf development studies that have been done, Rusydiana and Al Farisi (2016) and Rukmana (2020) note that most of the discussion in Waqf literature has concentrated on financial and economic, governance, institutional, and accountability aspects of Waqf. Very little research has been done to improve Waqf assets utilisation using a TSOs approach. Exploring the relationships between government, Waqf institutions, donors, and beneficiaries in utilising Waqf assets for public services delivery is crucial in developing a better policy in the Waqf sector.

1.2 Research Aims and Objectives

Based on the background described in the previous section, this research aims to evaluate the contribution of the Waqf sector to Indonesian social and economic development and thus propose the possible future development of the Waqf sector. In doing so, this research provides a detailed case study of the development of Waqf administration through identification of key developmental factors and exploration of the relationships between government agencies, Waqf institutions, donors, and beneficiaries.

To fulfil the identified aims, this study is conducted with the following research objectives:

Objective 1: To identify key factors that affect the development of Waqf in Indonesia.

This study identifies the driving factors that affect the development of the Waqf sector from the participants' perspectives. The identification of such factors is expected to provide a clear map of the significant issues in the sector, which can be used as a foundation in developing future policy for the Waqf sector.

Objective 2: To investigate the utilisation of Waqf assets in supporting public services delivery in Indonesia

This research reviews the use of Waqf assets in relation to public services provision. This objective is formulated to determine to what extent Waqf assets have been utilised, especially in supporting public services delivery. While it is argued that TSOs might be supplementing or complementing the government roles in providing services for the community (Besley & Ghatak 2017; Anheier 2005; Najam 2000; Young 2000), the roles of Waqf institutions have not yet been investigated. Therefore, the objective is to understand how a Waqf institution manages its assets when used for the provision of public services.

Objective 3: To explore the relationship between government agencies, Waqf institutions, donors, and beneficiaries in utilising Waqf assets in Indonesia

Following the seminal works of Weisbrod (1975) and Anheier (2005), this study explores the relationships between government agencies, Waqf institutions, donors, and beneficiaries in relation to the use of Waqf assets. The objective of this exploration is to identify how government–Waqf institutions and donors–Waqf institutions–beneficiaries interact with each other.

Objective 4: To propose recommendations on future directions of the Waqf sector in Indonesia

This study's last objective is to provide recommendations on how the Waqf sector in Indonesia should be developed to improve its contribution to the economy. The recommendations would be based on the analysis of findings that are relevant and achievable. Practically, the outcome of this study is expected to provide policy development suggestions for the Indonesian authorities and Waqf institutions in developing the Waqf sector.

1.3 Research Questions

To achieve the above objectives, this study poses the following research questions:

1. What are the key factors that affect the development of Waqf in Indonesia?
2. To what extent have the Waqf assets been utilised in supporting public services delivery in Indonesia?
3. What kinds of relationships exist between government agencies, Waqf institutions, donors, and beneficiaries in utilising Waqf assets in Indonesia?
4. How should the Waqf sector in Indonesia be developed in the future?

1.4 Conceptual Framework

Developing a conceptual framework in this research is critical as it will help the researcher and the readers understand the real world (Bryman & Bell 2007). In constructing the conceptual framework, researchers use their assumptions, expectations, beliefs, and existing theories to explain the study (Miles & Huberman 1994). However, it is worth noting that the researcher should carefully select beliefs for creating the framework as they should help investigate the research problem.

In building the conceptual framework, the researcher needs to focus on the existing theories that are relevant and use them for planning the study. The theories may be previously developed and widely used; however, the researcher should be able to extend the well-used theory to construct a new and coherence one (Maxwell 2005). Following this suggestion, a theoretical framework has been developed to investigate Waqf administration in Indonesia (please refer to Section 2.3 for further discussions). These concepts were applied in several stages of Waqf administration and interlinked to answer the research questions (Jabareen

2009). The construct was depicted in a diagram or flowchart as suggested by Miles and Huberman (1994) and Silverman (2004) (see Figure 1.1).

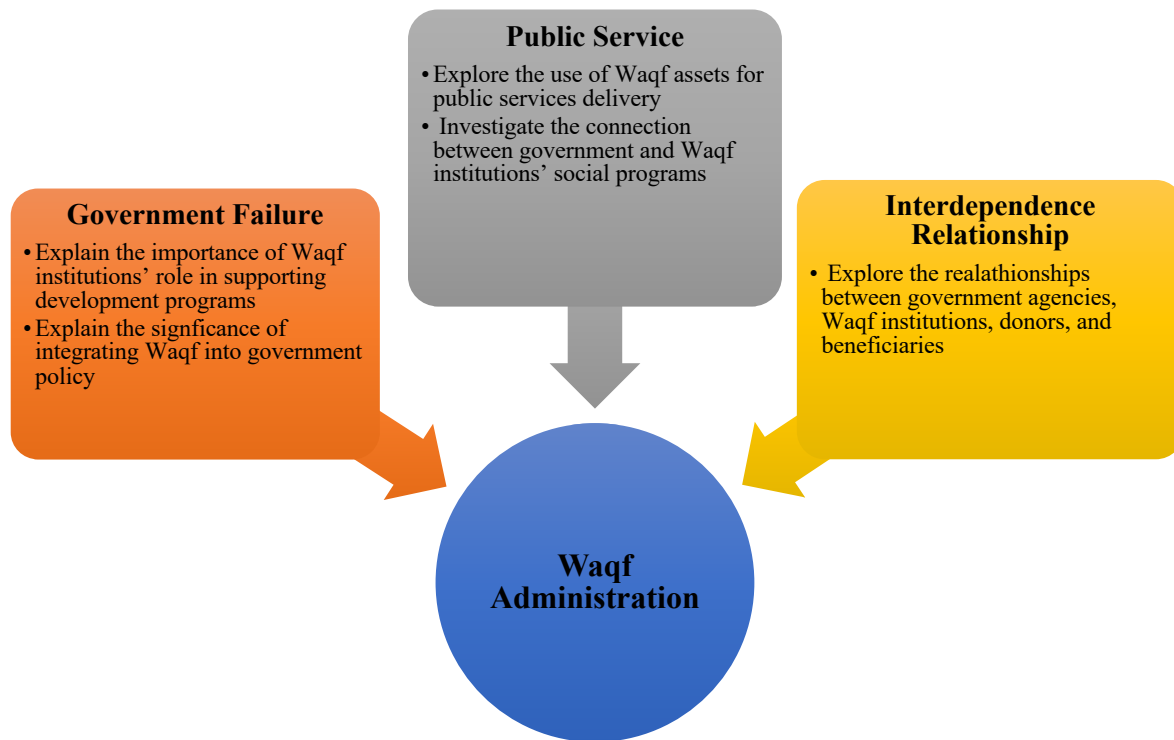


Figure 1.1: Conceptual Framework

The first concept is the government failure theory. This theory was used in highlighting the importance of Waqf institutions as development partners for the government, given that the government faces constraints in meeting the people's demand. As described in Section 1.1, the government needs support for its budget to execute socio-economic programs. In this sense, Waqf institutions can play a role in providing indirect support for the government budget through public services provision. This concept is also favourable in investigating the inability of the government to provide public goods and services for the people equitably.

The second concept used to investigate Waqf administration is related to the role of TSOs in public services delivery. The rationale that underlies this selection is that Waqf assets can be used to deliver services needed by the community. Hence, adopting such a framework is expected to shed light on the connection between the social programs run by the government and social activities performed by Waqf institutions. Under this concept, Waqf institutions exist to fill the gap where the government and private sectors could not meet the demand for collective, public (or quasi-public) goods and services (Weisbrod 1975).

The last concept used to investigate the administration of Waqf assets concerns the relationship between actors involved in utilising Waqf assets using the interdependence relationships theory as proposed by Anheier (2005), the supplementary and complementary models of Young (2000), and Najam's (2000) four Cs model. This concept helps the study explain the relationship between Waqf institutions, government, donors, and beneficiaries.

1.5 Contribution of the Study

This research puts a new foundation in the Waqf literature through the use of TSO's frameworks to investigate the relationship between government agencies and Waqf institutions in utilising Waqf assets for socio-economic improvements. Also, this study has taken a step forward by incorporating the relationship framework of Waqf institutions-donors and Waqf institutions-beneficiaries into the analysis. Next, the research's findings are expected to provide rationales for Indonesian government about the importance of introducing the third sector into the socio-economic development policymaking process. Hence, the government would have an incentive to improve its Waqf administration by implementing the possible future directions this study proposes. Another thing that underlines the importance of this study is that the findings can provide information for other scholars, which they can use as the foundation to investigate other dimensions of Waqf development or the third sector in general. The significance of this study to knowledge and practical aspects are elaborated as follow.

1.5.1 Contribution to Knowledge

Ridder (2017) suggests that a case study research project should have a clear aim on how it contributes to creating, elaborating, extending, or testing a theory. This would give the readers a better grasp of the study's theoretical significance. Following this approach, this study contributes to the theory in several ways. First, this study extends the application of Weisbrod's (1975) government failures concept to the Waqf sector. The adaptation of the theory, which was initially used in TSO discussions, is intended to provide a better understanding of the importance of the Waqf sector in supporting the government's duty in delivering public services. The findings suggested that the concept of the theory is also applicable in the Waqf sector.

Second, this study expands the use of government-TSOs concepts proposed by Anheier (2005), Young (2000), and Najam (2000) into the Waqf sector. In more detail, the theory has been used to explore the relationships between actors engaged in Waqf assets utilisation. The findings suggest that Waqf institutions are more likely to complement, instead of substituting

for, government agencies in performing social programs. This result indicates that the rationale that underlies the relationship between government and TSOs is also relevant for the Waqf sector. Additionally, this study broadens the scope of the investigation by incorporating donors and beneficiaries into the analysis.

Third, very little, or even no, Waqf study has been undertaken to investigate the use of Waqf assets by adopting a TSOs approach. Rusydiana and Al Farisi (2016) found that most discussions in published Waqf journals were about Waqf management, Waqf distribution, Waqf institutions, and Waqf collection. Additionally, Rukmana (2020) surveyed the available literature on Waqf and found that the discussions in the literature are related to financial, economic development, governance and accountability, history, and law. There is a gap in the discourses that explore the relationships among actors in Waqf. Hence, this study contributes by adding knowledge to the literature.

Fourth, this research fills the gap in the literature by extending the studies done by Ali et al. (2018) and Riyadi (2009) with identification of key factors in Waqf development. This research develops follow-up actions to overcome the impediment factors, and it broadens the scope of analysis of Rusydiana's (2018) study by examining the interrelationships among actors involved in Waqf assets utilisation using a TSOs approach. There are limited studies examining the relationships among actors utilising Waqf assets for socio-economic development. However, some research exists that uses this concept in exploring the activity of non-profit organisations (Smith & Lipsky 1993; Anheier 2005; Yaguai 2012; Lecy & Van Slyke 2013). Next, this thesis fills the gaps in studies by Ambrose, Aslam and Hanafi (2015) and Alani, Algodah and Alshwaiyat (2016) by exploring the possible integration of Waqf assets utilisation into support of state budgets by examining the relationships between government, Waqf institutions, donors, and beneficiaries.

1.5.2 Contribution to Practical Applications

The main contribution of this study to practical applications stems principally from the proposed future directions of Waqf discussed in Chapter 6. This research is expected to have several implications for socio-economic development policy in Indonesia. First, the research shows a need to revise Waqf Law, specifically to refocus the roles and responsibilities of the agencies involved. This suggests that there would be a shift in the decision-making process between government agencies and the Waqf authority. For example, some of the

responsibilities of the Ministry of Religious Affairs could be moved to the IWB. As a result, the ministry is no longer in charge of the practical aspects of the Waqf sector.

Second, the research suggests strengthening the function of IWB and further highlights the importance of having a central agency as the sole authority in the Waqf sector. Consequently, the guidance for a coordination framework should be established, not only in Waqf, but also in the general policymaking process. The new coordination mechanism would bring essential changes in interactions between the policymakers. For example, government ministries, the central bank, and the Financial Services Authority should directly coordinate with IWB. This is a new and practical arrangement that has not been implemented before.

Third, this study proposes the integration of Waqf programs into the annual government work plan. The implementation of this recommendation would bring some economic implications. The most significant outcome, which is also the aim of this study, would have been an improvement in the contribution of the Waqf sector to social and economic development through the utilisation of its assets. The provision of public goods and services for society could be made through the benefits yielded from the use of Waqf assets. As a result, some burden on the state budget would be shared, and the government could have a greater flexibility for directing its finance to other sectors.

1.6 Structure of the Thesis

This thesis comprises eight chapters. Chapter 1 provides the rationale of the study, the research aims, and the research questions. This chapter also describes the conceptual framework that underpins the investigation of Waqf administration concerning the utilisation of its assets.

The literature review chapters are divided into two parts. Chapter 2 focuses on the discussion of TSOs, which outlines the relevant literature dealing with the function of TSOs to support socio-economic development. The discussion includes the concepts of the third sector, government failures, the role of TSOs in public service provision, and the relationship between government and TSOs. Moreover, this chapter also reviews the religious influence on TSOs and the existence of TSOs in Indonesia, to provide readers with an initial grasp of the backgrounds of Waqf and Indonesia.

Chapter 3 focuses on literature dealing with Waqf administration. The initial parts of the chapter discuss the concepts of Waqf to bring a deeper understanding of how the system works. The chapter explains the implementation of Waqf administration in several countries as

a comparative tool for Indonesia. Next, this chapter describes various types of financing models that have been implemented in Waqf administration, which are used to develop Waqf assets. Last, the empirical literature related to the study is examined in this chapter.

Chapter 4 describes the methodology of how the research is undertaken. This part includes the design and selection of the research approach. The chapter explains how the data are collected, including interview techniques, interview questions, and the development of selection criteria for the participants who were interviewed in the research. In this chapter, content analysis as the method used for data analysis is reviewed. Additionally, this chapter provides discussions on research credibility and ethics.

The results and findings of this study are presented in Chapters 5 and 6. These chapters discuss the results obtained from the interviews. In the first section, Chapter 5 analyses the findings of the key factors that affect the development of Waqf in Indonesia. Next, the chapter examines how Waqf assets were used in relation to public services delivery. Further, Chapter 6 analyses the findings related to the relationship between government, Waqf institutions, donors, and beneficiaries. The chapter concludes with the exploration of possible future policy directions for Waqf development.

Following the empirical findings in chapter 5 and 6, chapter 7 proposes several recommendations for future directions for the Waqf sector. The findings from the exploration of key factors of Waqf development, investigation into the use of Waqf assets, and the exploration of interactions between Waqf actors are contextualised and applied to yield policy recommendations. The recommendations cover a range of aspects, including reviewing the legal framework, developing a Waqf database, and establishing a coordination framework. Moreover, this chapter addresses the research questions in relation to the findings.

The thesis concludes with chapter 8, which gives an overview of the research and summarises the main findings. This chapter highlights the thesis's contribution to both theory and practice, outlines the research limitations and provides suggestions for future research.

CHAPTER 2 THIRD SECTOR AS A SOCIO-ECONOMIC DEVELOPMENT AGENT: A LITERATURE STUDY

2.1 Introduction

This chapter aims to develop a theoretical framework for understanding the role of TSOs in delivering public services and supporting economic development. The beginning of the chapter provides a brief review of the literature on how we understand the third sector. The discourses regarding the definition and the concept of the third sector are described. The debate between the Americans vis-à-vis European scholars is reviewed. This chapter investigates the characteristics of the third sector that Salamon (1996) suggested was distinctive from government and private sectors. Next, this chapter highlights the benefits of the third sector to society and the economy. It is argued that the importance of the third sector lies in its contributions to social services, health care, education, and culture (Salamon & Anheier 1999). Arguably, the third sector is considered to have a better ability to address the needs of communities and deliver services than has the government (Liu 2017).

Given their characteristics and significance, TSOs can act as a complementary socio-economic development agent and provide support for the government in public services delivery. Hence, the chapter discusses the government's reliance on the sector in fulfilling the community's needs and explores the relationship between actors in performing such tasks. Last, this chapter discusses the religious influence on TSOs.

2.2 Understanding the Third Sector

The concept of 'the third sector' may seem unfamiliar for some. TSOs may have multiple and interchangeable names within the community, for example, civil society organisations, non-profit organisations, social enterprises, voluntary and charitable organisations (Casey 2004; Frumkin 2002). The basic ideas of the third sector are its voluntary basis (non-profit) and its pursuit of community goals. TSOs have played significant roles in delivering health, education, social, and other services in most developed countries (Salamon, Sokolowski & List 2003). The following sections will further discuss the definition and characteristics of the third sector and highlight the importance of the organisations to society and the economy.

2.2.1 Defining Third Sector Organisations (TSOs)

There is a different understanding of the third sector between North American and European scholars. As a result, they have not come up with a single definition. Initially, the third sector's terminology was introduced in the United States during the 1970s by Etzioni (1973), who thought about emerging economic and organisational forms in a post-industrial context. The term was mainly used in public policy and management studies. Etzioni (1973) attempted to integrate TSOs (i.e., voluntary groups) into the standard theory of organisations. He categorised the third sector as an alternative sector separate from the state and the private sectors; later he argued that any aspects that the government or the private sectors did not control should be part of the third sector (Etzioni 1973).

In the initial stage of his work, Etzioni (1961) drew up a typology of organisations. He proposed three types of organisations based on their compliance systems. First is a coercive organisation that uses coercive power to control members. An example of this type of organisation is the army or prisons. The second type of organisation is a utilitarian organisation, which use remuneration systems as the power to control their members' compliance. This type of organisation is predominantly found in business or the private sector. The third type of organisation is a normative organisation that uses shared values and consensual decision-making to influence its members. TSOs are an example of this type of organisation.

In the later stage of his work, Etzioni (1973) suggested that the third type of organisation was the most effective way of providing public services such as education, health, and welfare. He argued that providing public services was not profitable enough to attract businesses. At the same time, it might have complex bureaucracy if performed by the government. The state's role in providing public services is often burdened by many regulations. On the other hand, despite operating more efficiently than the government, the private sector is mainly driven by a profit-seeking motive. Hence, based on these arguments, Etzioni (1973) asserted that the third sector unites the best of both worlds: efficiency and public interest.

Subsequently, many scholars such as Salamon and Anheier (1997) and Evers (2008) have drawn on the concept of the third sector using this basic logic. Like Salamon and Anheier (1997), North American scholars considered the third sector to have the same nature as non-profit organisations, to engage in economic activities, and to have some degree of independence from the public and private sectors. They investigated the history of the non-profit sector in different states. They came up with a structural definition of the third sector

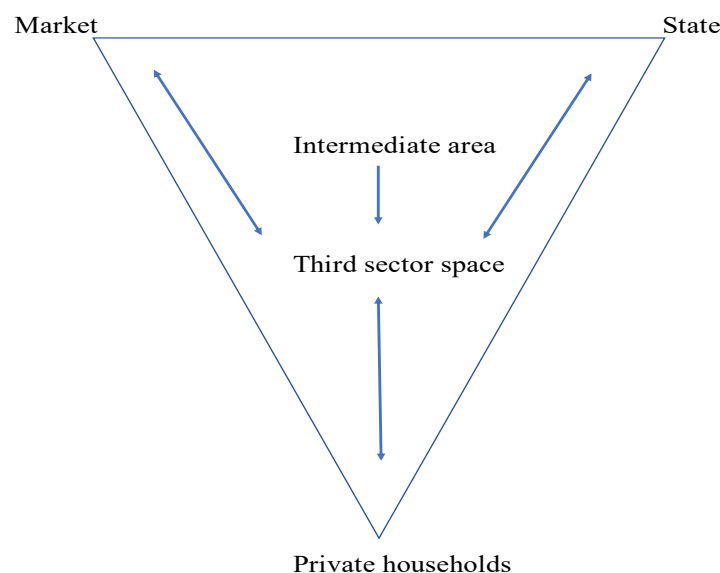
(commonly known as the American model), which treats state, private, and third sectors separately. Under this model, each sector has its objectives and identity, which are considered ‘not universal’ as there is a clear boundary between sectors (Borzaga 1998). To a certain degree, however, the separation can be understood as an outcome of the individualism culture inherent in the US’s identity (Roginsky & Shortall 2009).

Despite gaining some critics, the North American model of the third sector started to emerge when investigating the relationship between the TSOs, private, and government sectors. As Dollery and Wallis (2002) argued, the demand-based theory could explain the revival of the third sector. Under the demand-based theory, the third sector is an independent sector that exists to respond to the absence of public service provision due to the failure of the market system or the government’s limited capacity. The clear demarcation of these sectors is one of the notable differences between the American and European models.

Turning to the European model of the third sector, the idea of segregating the three sectors has triggered criticism from European scholars (Evers & Leaville 2004; Pestoff 2005; Evers 2008). They believed that historical aspects should be considered in defining the third sector, rather than only differentiating the sector from the government and private sectors. The European approach has three main differences compared to the North American approach (Alexander 2010). First, European legislatures are more concerned with the legal status of beneficiaries rather than with profit. The distinction here is between maximising returns for individual and collective investors. Therefore, based on this criterion, organisations that aim to fulfil their members’ social and financial needs—for example, cooperatives, associations, foundations, and charities—are part of the third sector. That is why, to some extent, the terms ‘third sector economy’ and ‘social economy’ are interchangeable. Lim and Endo (2016) define a social economy as the economy of goods and services provided by TSOs. This production of goods and services focuses on the benefits to stakeholders, including members, employees, the community, or the public, rather than individual profits.

The second distinctive European approach to defining the third sector is that it is integrated with politics, the market, local communities, and households. The debate on the third sector’s definition incorporated economic theory notions such as ‘welfare mix’, ‘the mixed economy of welfare’, or ‘the plural economy’. Such an approach has linked TSOs to the social, political, and economic historical–dynamic perspective (Evers & Leaville 2004; Evers 1995). This view attaches the third sector definition to the tripolar system of the government, market, and private communities.

Under the tripolar system, the cross-sectional relationships (indicated by the socio-economic and socio-political relationships of the state, market, and households to social welfare) are illustrated using a triangle (see Figure 2.1). Each corner of the triangle makes a specific contribution to social welfare. For example, the government contributes to social welfare through state legislation and policies. The market makes its contribution through business practices, while households contribute to the culture and interests of the people. The space for TSOs is in the middle, which means that they need to balance the tensions from each corner of the triangle (Evers & Leaville 2004). Practically, the operation of TSOs must consider three main things: comply with the regulations, compete with the market environment, and meet households' interests.



Source: Adapted from Evers (1995) and Evers and Leaville (2004)

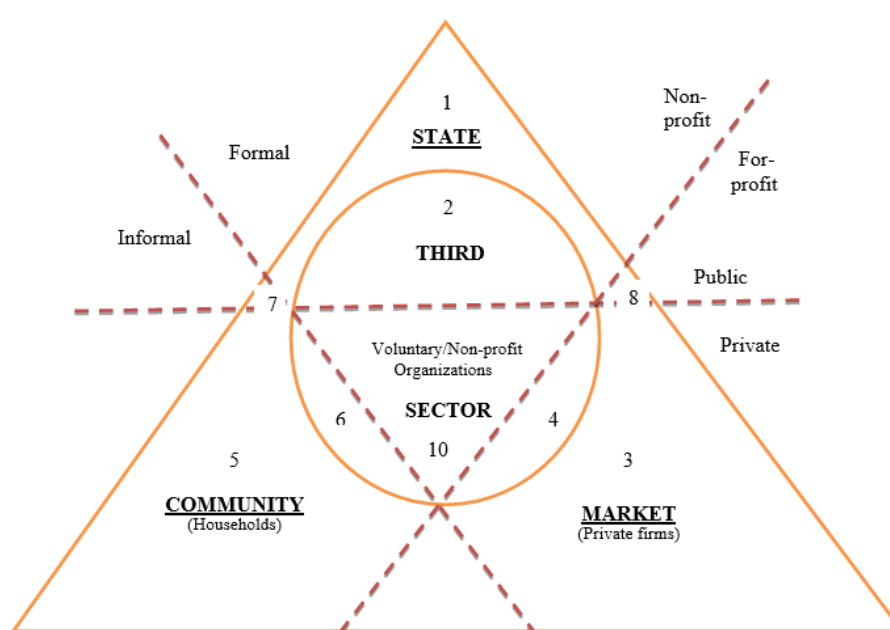
Figure 2.1: The Welfare Triangle

The third feature of the European school of thought is that they acknowledge that the traditions are different from one country to another. Their socio-economic and political history, public policy, and legal framework are different. Consequently, the traditions that TSOs have should be treated differently. This feature can be seen in the variations of the relationship between government and TSOs. For example, France holds mutualism and communal economy to have value in the relationship. In Germany, the delivery of social services is performed using a subsidiary system appointed by the government (Alexander 2010).

A complete version of the welfare triangle model, which represents the relationship between the government, the private sector, and the third sector, was developed by Defourny

and Pestoff (2008). In this hybrid model (see Figure 2.2), the third sector's involvement in the economy is captured. The centre of the triangle is separated by the behavioural tensions (represented by the dotted lines), which created area 10 (pure TSOs activities), separated from the private, government, and informal sectors. Areas 2, 6, and 4 represent the hybrid coexistence of TSOs⁵ due to quasi-influences of other sectors. The TSOs can also be intermediary agents in the welfare mix system, including economic, social, and political sides (areas 2 and 4). Area 6 specifically represents the informal community activities in which the TSOs are involved.

Based on the discussion above, it can be concluded that the European model covers more aspects than the North American model. The European model is more comprehensive because it considered that TSOs have hybrid roles in the welfare system. Additionally, the European model incorporates historical and traditional dimensions when defining the third sector.



Source: Defourny and Pestoff (2008)

Figure 2.2: The Third Sector in Welfare Triangle

⁵ Hybrid coexistence of TSOs means that the state (government), market and community (individual) also have non-profit objectives, which are targeted together with the objectives of the TSOs.

2.2.2 Characteristics of The Third Sector

Etzioni (1973) introduced the essential characteristics of the third sector economy: value-driven action and commitment from the people inside the organisation. The existence of the third sector relies on symbolic rewards and deprivations, persuasiveness, and motivation to aspire to shared values and idealism. This characteristic made the third sector different from the government (which achieves compliance through coercion and sanctions) and market organisations (which work through rewards and remuneration) (Lewis 2004; Evers 2008).

Salamon and Anheier (1999) describe five common characteristics of the third sector:

Firstly, they are organised, i.e., they possess some institutional reality. They are private, i.e., institutionally separate from the government. They are non-profit-distributing, i.e., not returning any profits generated to their owners or directors. They are self-governing, i.e., equipped to control their activities. They are voluntary, at least in part, i.e., they involve some meaningful degree of voluntary participation, either in the actual conduct of the agency's activities or in the management of its affairs. (p. 9)

The first criterion requires the third sector to be managed formally, disregarding family and friendships factors. The second and third criteria indicate non-market and non-government characteristics. The fourth represents independence from the state or market actors, while the fifth refers to the idea of community-based organisations (Salamon & Anheier 1999).

According to Lyons (2001), the TSO's distinctive characteristics may create challenges in managing and governing the sector. The first challenge is the centrality of values, which is indicated by the community sharing the motivation of those who started the organisation, for example, religious beliefs. This homogenous motive may lead to better coherence among the TSO's members. On the other hand, the centrality of values may cause instability if the TSO faces difficulties in resolving disagreements through compromise. The high level of coherence among members often causes a TSO to have a slow response to change or new circumstances. The second challenge, which is related to fundraising, pertains to the sources of funds. The operating income of TSOs usually comes from donations, membership fees, sponsorships, or government grants. This nature of organisation financing can create problems in raising capital, for example, when borrowing money from financial institutions.

The third challenge that arises from the distinctive character of the TSOs is their dependence on volunteers. Only around six percent of TSOs pay their staff, while the rest rely on volunteers to do the work (Lyons 2001). Maintaining a suitable combination between paid

employees and volunteers is quite a challenge for the managers. The next challenge in governing TSOs is that their performance is difficult to measure. Lyons (2001) advised that no standard performance baseline was applied for such organisations, unlike private organisations running a business. Many TSOs perform ‘public-serving’ tasks, such as education and health advocacy, which are intrinsically hard to measure. Another major challenge in managing TSOs is financial accountability. In the case of a TSO funded by donors, the accountability report is usually designed to gain more extensive support rather than to ‘present a fair and honest picture’ of the organisation (Lyons, 2001).

Moreover, if little interest is shown by the tax authority, the result is ignorance of accountability within the organisations. The last challenge faced by TSOs is conflict between senior staff and the board or management committee. This issue may occur due to the lack of clarity regarding the roles of the board or committee. It is often tricky for members to determine the level of involvement required from the board to steer the organisation in the desired direction.

According to Ball and Dunn (1994), common characteristics of TSOs are connected with their reasons to exist, which are: they are formed voluntarily, they are independent of government, they are not for private profit or gain, and their principal goal is to improve the circumstances and prospects of disadvantaged people. Furthermore, Allison and Kaye (2013) pointed out three common problems faced by TSOs. The first problem is the sources of funding. In general, the primary funding of the TSOs comes from donors, who play an essential role in supporting the organisations’ operating expenses. If the income from donors could not cover the expenses, the organisation should find other funding sources. The second typical problem of TSOs is related to human resources. Ideally, TSOs are run by people who hold social values, and who are competent and loyal to the organisation. It is not an easy task to find people who have such characteristics and are willing to work voluntarily. The last problem of TSOs is financial management. As the friendship values among the members of the organisation are strong, managing the financial aspects of the organisation can be somewhat tricky. Thus, less transparency and accountability are the results of any loose financial management of the organisations.

Besides the potential challenges, the characteristics of the third sector can be continuously shaped by government institutions, market players, and the informal sector such as households (Evers 1995). These influences may create conflicts among the sectors. The first conflict exists between the rationality of the market (profit maximisation and distribution) and

the solidarity and social values of the third sector and the government. The second tension concerns the universalistic perception of government organisations vis-à-vis the specific logic of the private sector.

2.2.3 Significance of the Third Sector

TSOs—civil society associations and foundations, volunteers, and other civic organisations and activities, for instance—offer unique resources for social and economic problem-solving and civic engagement. TSOs have a considerable impact on the economy. The significance of the third sector to social and economic development can be implemented in many forms, such as social services, health care, education, and culture (Salamon and Anheier 1999). Previous empirical studies underlined the significance of TSOs by examining TSO's cross-sector partnerships in delivering public services. Bell et al. (2015) evaluated the partnerships between charity TSOs and universities in enhancing the experience of healthcare students in the UK. They found that the joint work is mutually beneficial and offered a solution for fixing the healthcare system's persisting problems. Vergara, Gruis and Van der Flier (2019) investigated the role of a TSO in the administration of social housing for low-income households. The study highlighted the significant role of the TSO in implementing the country's housing policy by triggering innovations within the management of the housing corporation.

Additionally, previous studies have focused on the voluntary sector's contribution to healthcare and social services. Windrum (2014) found that the members of TSOs have used their extensive network connections and prominent position in the organisations to increase funding for innovation in the health sector. As a result, TSOs played a leading role in establishing the public–private health network and were flexible in moving across public–private boundaries.

In the UK, Chadborn et al. (2019) explored the service provision for the elderly performed by TSOs financed by the state fund. They found that these TSOs deliver valuable inputs to the government in assessing needs, ensuring the outcome of the projects, and providing data about the services performed. These contributions should have encouraged the government to make partnerships with TSOs and to involve them in the decision-making process. However, the government did not use the valuable contributions as a commissioning decision-making input.

Meanwhile, Newbigging et al. (2020) used case studies to examine the contribution of TSOs in delivering mental health crisis care in the UK. They found that TSOs can be influenced by social orientation and a relational approach in providing mental health care. The accessibility of the services was unequal, especially for vulnerable groups such as ethnic minorities, rural communities, and people with a personality disorder.

In some developed countries, government has acknowledged the impact of TSOs on the economy, which made the third sector proliferate. For example, in Canada, the government established a collaborative partnership with TSOs in 2000 called ‘Partnering for the Benefit of Canadians: Government of Canada Voluntary Sector Initiative’ (Anheier 2005). Public services can gain a lot from such cross-sector collaboration and vice versa. As Boydell et al. (2008) argued, inter-sectoral partnerships, such as between government and TSOs, enable the delivery and exchange of knowledge, support the organisation’s goals and improve the coordination process to solve social and economic problems.

Furthermore, TSOs can improve the outcome of services provided by the government to the community by addressing and fulfilling the needs of the communities. The TSOs’ community-based nature enables it to be close to the people that the public sector wants to reach. Charities, voluntary groups, and social enterprises have particular strengths, such as reaching the most disaffected people and finding innovative solutions. They play an essential part in improving quality of life by allowing people to participate and engage with each other in community life. TSOs can play a vital role in developing high-quality services the public rightly expects. In a nutshell, TSOs are required by the public sectors to improve the delivery of public goods and services to society. As a result, the government might rely on these organisations to perform its obligation, given all of its budget limitations.

2.3 TSOs as Socio-Economic Development Agents: A Review of the Theoretical Framework

Previous sections have discussed the historical and conceptual aspects of TSOs. It is argued that the TSOs can benefit the government, particularly in delivering public services for the community. This section will specifically focus on the role of TSOs in supporting the socio-economic development agenda. Some concepts that have been widely used to explore the significance of TSOs are revisited to develop the theoretical framework, including government failure, public services delivery, and government–TSOs relationships.

2.3.1 The Government Failure in Public Service Delivery

One of the most prominent theories that can explain the growing number of TSOs is the government failure theory that is proposed in the seminal work of Weisbrod (1975). Originally, this concept emerged from the idea of public choice theory in economics, where the problem in the provision of public goods and services was becoming the central issue (Hansmann 1987). Under this theory, the government cannot satisfy the needs of all its people due to heterogeneous demands among the community. Government tends to deliver public services, such as general healthcare and education facilities, for the majority groups, as it will reach the broadest community (Douglas 1987; Weisbrod 1988; Gronbjerg & Paarlberg 2001). As a result, TSOs emerged to satisfy the demand left unfulfilled by the government (Corbin 1999; Gronbjerg 2002; Lecy & Van Slyke 2013; Kim 2015; Lu & Xu 2018).

The government failure theory asserts a basic argument that the government's capacity to fulfil the heterogeneous demand affects the number and density of TSOs. That is, the more community preferences are unfulfilled, the more chance there is for TSOs to grow and meet the demand of those neglected groups of people, and vice versa. According to Liu (2017), there are three reasons why TSOs can meet the heterogeneous demand. First, TSOs are spread out and operate in a local area, while the state is more centralised. This condition makes TSOs closer to the community and they can respond to diversified preferences much quicker. Second, unlike public sector, TSOs are not bound to any political contracts, making them more flexible in meeting the needs of broader groups rather than satisfying a specific group's preference. Third, the ability of TSOs to operate as a business enables them to focus on 'consumer' satisfaction instead of performing public service obligations as the government enterprises do.

Following the theoretical relationship between government and TSOs as described above, a government failure acts as a triggering mechanism for TSOs to become involved in delivering public services (Donovan 2019). As such, the actions of TSOs are residual to the inability of the government to provide public services. In other words, there is a negative relationship between government's ability to deliver public services and the density of TSOs. However, this view was criticised by Salamon (1987, 2003, 2015), who believed that government would step in to meet residual demand when TSOs fail to satisfy that demand. This notion turns the government failure concept the other way around⁶.

⁶ This concept is known as voluntary failure theory. This theory posits that voluntary failure to supply public service will trigger government to fill in the gaps.

Salamon (1987) highlighted four traditional causes of voluntary failure. The first cause is philanthropic insufficiency, related to the inability of TSOs to generate financial resources and economic stability that is adequate to fulfil their missions. The second cause is philanthropic particularism, which concerns the potential of TSOs to be biased in serving specific community groups. These communities can be based on particular ethnicities or religions. The third cause is philanthropic paternalism, related to the tendency of the TSOs board members to implement undemocratic resource allocation decisions. The last cause is philanthropic amateurism, where TSOs are unable to get professional employees due to their inability to provide attractive remuneration. Therefore, Salamon (1987, 1996) further argued that these causes for voluntary failure could be mitigated by a partnership arrangement between the government and TSOs. For example, TSOs may rely on government funding to support their activities. Meanwhile, the government may depend upon TSOs to minimise cost and enhance expertise in public services delivery.

The approach used in assuming partnership relations between government and TSOs in public services delivery is criticised by Billis and Glennerster (1998), who argue that it does not sufficiently discuss the complexity that government and TSOs face in delivering public services. Government and TSOs are more diverse than they have previously been perceived to be. Billis and Glennerster (1998) suggested that government is better at providing services under democratic conditions, while TSOs are better at playing such a role in volatile and changing circumstances.

Another interesting point raised by Billis and Glennerster (1998) in their criticism of the theories is that the concept of government–TSOs partnership focuses only on the supply side. They believe that the theories should also generally articulate the demand for public services. According to Billis and Glennerster (1998), there are four categories of demand for public services. The first one is people who have financial disadvantages and do not have the ability to pay for a service in the private market. The second group is people who have personal disadvantages, such as the elderly or people with mental health issues, who may not be able to express their needs. The third group is the socially disadvantaged, which refers to marginalised people in the community. The last group is community disadvantaged, which are commonly neighbourhoods that face hardships in the community.

Each group has its inherent characteristics, which influence its demand for public services. Some people will ask for financial assistance, while others may request physical or moral supports. The variety of supports needed by the community can be supplied by different

actors. Hence, people will demand services from TSOs, government service agencies, or a combination of both (Donovan 2019).

Since its development, the government failure theory has been widely tested and drawn out. In testing the theory, previous studies traditionally used demand heterogeneity as a proxy for median voters (Gazley, Cheng & Lafontant 2019). The results of these studies yielded inconsistent conclusions. Some studies provide empirical support for the demand heterogeneity hypothesis (Corbin 1999; James 1993; Matsunaga & Yamauchi 2004; Matsunaga, Yamauchi & Okuyama 2010; Kim 2015; Lu and Xu 2018; Lu 2020; Jeong & Cui 2020), and others contradicted the hypothesis (Gronbjerg and Paarlberg 2001; Costa & Kahn 2003; Paarlberg & Gen 2009; Okten & Osili 2004; Miguel & Gugerty 2005; Andreoni et al. 2016).

James (1993) analysed cross-sectional data from 40 countries using the two-stage least squares method and found that religion and language diversity positively associated with higher involvement of TSOs in delivering primary and secondary education services. Similarly, Corbin (1999) analysed 285 US public service TSOs and noted the density of such TSOs increased as ethnicity and religion in the nation became more diverse. Matsunaga and Yamauchi (2004) were also among researchers who suggested a positive association between demand heterogeneity and density of TSOs. In their study, Matsunaga and Yamauchi (2004) analysed 400 public charities in the US as a sample using the two-stage least square method to conclude that age and unemployment heterogeneity were positively associated with TSOs' growth.

Kim (2015) employed 3,036 data of US public charities in 2008 to test whether age, employment, ethnicity, and income diversity is positively associated with the increase of TSOs' density. In doing so, Kim (2015) segregated the TSOs based on the sector where they provided services. The empirical findings supported their hypotheses that the proxies of population heterogeneity were positively correlated with the density of arts TSOs, education TSOs, and human services TSOs. A more recent test of the theory also confirmed Weisbrod's (1975) hypothesis.

Bae and Sohn (2018) analysed county-level longitudinal data in the US using five different generalised least squares models and concluded that racial diversity is positively related to the size of the third sector in all models. On the other hand, using meta-analysis of existing literature testing the government failure theory, Lu (2020) asserted the existence of a positive correlation between population heterogeneity and TSOs' density. He further noted that

diversity proxies such as age, ethnicity, education, and language were the best explanatory variables to support the association.

In contrast, previous empirical studies contradicted the government failure hypothesis. Testing charitable, advocacy, and membership organisations in Indiana state using ordinary least squares analysis, Gronbjerg and Paarlberg (2001) found that the correlations of religious diversity and TSOs were generally negative. Except for charitable TSOs, they noted a negative correlation between religion and the density of all TSOs, advocacy TSOs, and mutual benefit TSOs. Other studies (Costa & Kahn 2003; Paarlberg & Gen 2009) claimed that social heterogeneity is counterproductive to the willingness of people to engage and to organise due to the lack of similar values shared among them. Putnam (2007) investigated social capital in the US community and found that people who live in heterogeneous communities show lower levels of trust to their counterparts, motivation to collaborate on public projects, and willingness to sacrifice their time and money.

Some studies have focused on the causes of negative association between population heterogeneity and the density of TSOs. In general, they came with similar general conclusions: those diverse demographics create less incentive for people to become involved in the community. Studies by Alesina and La Ferrara (2000) and Costa and Kahn (2003) found that in heterogeneous populations, people tend to show low levels of trust to others, which makes them less involved in social interactions and civic activities. Meanwhile, other studies highlighted that in a high diversity demographic setting, people display lower contributions to civic organisations in terms of fundraising (Okten & Osili 2004; Miguel & Gugerty 2005; Andreoni et al. 2016).

There are two possible explanations for this adverse effect. First, people tend to trust and interact with others who share similar interests, norms, and values. Hence, diversity could have a detrimental effect on their engagement (Alesina & La Ferrara 2000). Second, it is very difficult to connect different preferences or interests in heterogeneous groups. Therefore, it is hard to achieve collective actions in pursuing a certain goal (Miguel & Gugerty 2005).

Previous studies also argued that government failure in public services delivery could be driven by political actions. Gazley and Brudney (2007) and Gazley (2008, 2010) asserted that political preferences may deter the size of public goods provision undergone by the government. A particular political goal makes the government focus on specific outcomes that match with priority programs. As a result, the government's capacity to develop socio-

economic development programs reduce and, therefore, it relies more on TSOs to provide public goods and services (Van Slyke 2003; Gazley 2008).

2.3.2 The Role of TSOs in Public Services Delivery

The previous section discussed the government failure theory that posits that the government's inability to satisfy the needs of all people leads to a growing number of TSOs. It is argued that from time to time the dependency of government on TSOs in delivering public services becomes higher for efficiency and expertise reasons (Milward & Provan 2000). This section will provide discussions on the role of TSOs as a government partner in public services delivery.

In the two-sectors model of the economy, public services can be produced by two actors: government and private. According to Ghatak (2018), the public sector delivers public goods and redistributes resources for equality, while the private sector produces private goods efficiently. In the three-sectors model, however, TSOs fill in the gap between the public and private sectors in delivering public services. As Hansmann (1980), Weisbrod (1988), and Glaeser and Shleifer (2001) asserted, the presence of the third sector could be a solution to the market and government failure in delivering public services for the community.

The hypothesis of government failure rests upon the foundational work of Weisbrod (1975), which explains the establishment of TSOs as a response to correct the 'failure' of government to respond to heterogeneous preferences⁷. Under the context of public services delivery, this concept argues that citizens who have different preferences than the majority turn to seek goods and services from TSOs. The unsatisfied citizens will voluntarily contribute to delivering the service, and this is what makes TSOs community-driven organisations (Kingma 1997).

One of the key characteristics of public services is that they are collective, meaning that the usage of the goods cannot be excludable from specific individuals. Therefore, some individuals might have little incentive to contribute to the provision of public goods. Similarly, as noted by Weisbrod (1975), the provision of public goods and services by TSOs could lead to a classic free-rider problem. Since not everybody is willing to contribute, these organisations might face financial problems in providing public goods and services. In the end, the existence

⁷ Under this hypothesis, the public sector tends to provide goods and services that satisfy the needs of the median voter. However, since the community is heterogeneous, the government cannot meet the preferences of all citizens.

of these organisations creates a greater supply of public goods and services than if the government or market worked by themselves (Preston 1988).

This view of government failure in delivering public goods and services has triggered criticism from Salamon (1987). He argues that non-profit organisations will not be a substitute for government provisions. He further explains as follows:

...because the non-profit sector is viewed as a substitute for government providing goods and services that the full political community has not endorsed, government support to non-profit organisations has no theoretical rationale. To the contrary, under this theory, to the extent that non-profits deliver services that the government underwrites, they violate their theoretical *raison d'être*, which is to supply goods the government is not providing. (Salamon 1987, p. 109)

This view argues that the government has an advantage as a financial provider since it can impose taxes and overcome the free-rider problem. In practice, this argument is not entirely valid. In certain conditions, especially at the grass-roots level, the government has no better information than the voluntary organisation on the citizens' preferences. Some individuals may hide their proper preferences so that they can become free-riders. These organisations have decentralised administration, which makes them efficient providers. Therefore, this 'voluntary failure' theory suggests that government should prefer voluntary organisations as agents for providing goods and services. In turn, the government needs to compensate for any shortcomings or failures of the voluntary sector.

Despite the different views on government 'failure,' in recent decades, given the resource constraints facing public and private sectors, cooperation between government and enterprises in the provision of goods and services has arisen. In addition to resource limitations, another main reason that underlies this partnership is government and market failure (Besley & Ghatak 2017). The possibility of government and market failures indicates that the cooperation between public and private, for instance, as public-private partnerships and contracting-out, is not sustainable in the long term. To overcome this problem, as suggested by Besley and Ghatak (2017), the involvement of voluntary non-profit organisations in the provision of social goods and services should be introduced.

Unlike the extensive literature on public–private partnerships and contracting-out (Laffont & Tirole 1996; Hart, Shleifer & Vishny 1997; Martimort & Pouyet 2008; Iossa & Martimort 2015), limited studies have been done to examine the role of Waqf institutions in public goods provision. Werker and Ahmed (2008) noted a significant increase in voluntary organisations from year to year. Further, the share of these organisations in public goods and services provision is also vital, especially in developing countries. For example, in Palestine, more than 60% of healthcare services and almost 100% of education facilities in the country are provided by non-profit organisations (Jarrar 2005). These confirm what previously has been suggested by Hulme and Edwards (1997): that TSOs’ involvement in public projects in developing countries should increase as the answer to budget constraints and limited fiscal space to maintain macroeconomic stabilisation.

Nevertheless, there are different perspectives regarding the provision of public goods using donations as financing sources. Warr and Roberts (cited by Kingma 1997, p. 137), highlighted the possibility of a ‘crowding-out effect’ in the market when the government makes any changes in the provision of public goods. Based on this concept, if the government increases budget spending to develop health facilities, the voluntary organisation’s contribution will decrease as many donors stop donating. To some extent, this condition does not apply to developing countries. While it is logical to hold the view that public goods provision should be made primarily by the state, the government could not meet its obligations due to limited budget allocation in most developing countries. Hence, it should rely on support from the third sector. This advice concurs with a study by Becker and Lindsay (1994) that found that higher private donations to public colleges and universities make local and state government spending for this sector decrease.

2.3.3 Relationship between government and TSOs

According to Anheier (2005), several theoretical approaches can explain the relationship of TSOs with other parties, such as agency theory, stakeholder theory, and interdependence theory. While the two former theories assume that there are conflicts between the government and non-profit sides, the interdependence theory provides a notion that the relationship between the state and the TSOs is a partnership. They can work together to achieve a specific outcome.

In general, the interdependence relationship between organisations can be divided into two: unidirectional and bidirectional dependencies (Yaguai 2012). Unidirectional dependence

is a one-way relationship in which one organisation depends on another organisation, but it does not work the other way around. In contrast, bidirectional dependence is a 'give and take' relationship between two organisations depending on one another. A range of factors can determine the level of interdependence between such organisations. In the relationship between Waqf institutions and government agencies, for example, the degree of interdependence can be affected by the government's specific input needed by the Waqf institution to exist, or the advantages of the public service support and social activities by the Waqf foundation.

Generally speaking, the relationship between TSOs and the government is somewhat unbalanced. These organisations are more dependent on the government as the government owns a critical resource that can affect their existence and development. There are four areas of weakness in the voluntary sector where the state can provide support (Anheier 2005):

1. TSOs have insufficient and unreliable resources to solve welfare-related issues. Since the goods provided by this sector are considered as quasi-public goods, the free-rider problem exists. There is no motivation for free riders to contribute to get the benefit.
2. TSOs may tend to focus on specific groups of beneficiaries. This drawback will create inefficiency and gaps in the service provided for the community.
3. TSOs may have insufficient accountability as the voluntary donations depend on individual goodwill and the activities are closer to donors' interests than the community's broader needs.
4. TSOs often do not have professionals as their employees as they rely on voluntary work from their members.

In some developed countries (i.e., the UK, the US, Canada, Japan, and Germany), the degree of dependency is more balanced. Though government support has emerged as one of the most critical sources of funds for TSOs as it is perceived to be secure (Froelich 1999; Gronbjerg 2002), the government are now more dependent on TSOs. TSOs have close partnerships with governments in delivering publicly financed services such as education and hospital care (Anheier 2005).

Similarly, Salamon (1996) noted higher integration between the government and TSOs in delivering services. The growth of the public sector is followed by the increasing number of organisations with service roles in the voluntary sector. Salamon (1996) made a significant point that contradicts the theory of the welfare state. Such theory fails to explain the mutual relationship between the state and TSOs. Welfare state theorists neglect the activities of the

third sector. It is widely assumed that the non-profit sector has a converse relationship with public welfare. That is, the voluntary social services shrink in size, while the welfare state expands.

Three fundamental reasons underlie the interdependence relationship between government and TSOs (Anheier 2005). The first rationale is that non-profit organisations can be substitutes and supplements for the government. This argument is related to the concept of government failure in public goods provision. Weisbrod (1988) and Douglas (1987) argued that TSOs exist because there is an undersupply of public goods provided by the government. These organisations could be an answer to the heterogeneity of demand preferences for public goods.

The second reason there is a government–voluntary organisations relationship is that the organisations complement the government. Non-profit organisations are commonly community-driven based, and therefore they typically have a quicker response to social issues. However, they are constrained by inadequate resources. In this situation, the government may guarantee funding from the public sector to the organisations and develop a supportive regulatory framework to improve equity (Salamon 1996). Moreover, as noted by Besley and Ghatak (2017), due to their long-term sustainability TSOs complement and, in some cases, substitute for the government role in providing social services and creating development programs.

The last explanation for the government–voluntary sector relationship arises from a public goods and social movement context. Since the demand for public goods is heterogeneous, there is a possibility that a policy issued by the government might not cover some of the minorities' needs. Hence, minority groups will rise to declare their expectations and press the government. This would eventually lead to a political conflict.

In addition, Najam (2000) introduced the four Cs (Cooperation, Confrontation, Complementarity, and Co-optation) to examine the government–TSOs relationships. Najam (2000) differentiated between goals and means of both parties. A cooperative relationship occurs when both government and TSOs share the same goals and means. In contrast, a confrontational relationship exists if there are dissimilarities in the goals and means between government and TSOs. If the goals are similar, but the means are the different, they are in a complementary relationship. Last, a co-optative relationship means that government and TSOs

have different goals and means. The details of this four Cs model of government–TSOs relationship are provided in Table 2.1.

Table 2.1: The Four Cs model of government–TSOs relationships

		Means	
		Similar	Dissimilar
GOALS	Similar	Cooperation	Complementary
	Dissimilar	Co-optation	Confrontation

Source: Adapted from Najam (2000)

Other theoretical perspectives widely used to explain the relationship between government and TSOs are supplementary and complementary models. These models of government–TSOs relationships were initially introduced by Young (2000). Under the supplementary model, TSOs are assumed to be substitutive for government’s role in delivering public services. Young (2000) argued that, as a result of substitutive characteristics, the increase in TSOs’ spending will reduce government expenditure. In other words, TSOs’ provision of public services has an inverse relationship with government spending.

Cheng (2019) believed that Weisbrod’s (1975) government failure theory can be the best explanatory factor in articulating the substitutive effect in the government–TSOs relationship. The inability to meet the heterogeneous demand of community creates a niche for TSOs to deliver services. Therefore, the role of government in delivering public services is substituted by TSOs. Smith and Gronbjerg (2020) highlight that government and TSOs fill the niches in a mixed economy by providing particular goods and services.

Some previous empirical studies have tested Young’s (2000) hypothesis by investigating the negative relationship between TSOs’ spending and government expenditure. Marwell and Calabrese (2015) conducted a case study on child welfare in New York and proposed a deficit model of collaborative governance. They examined the fiscal relationship between the government–TSOs and found that the dependence of the local government on TSOs becomes higher as it tends to reduce the spending allocation for TSOs. Still, the

government expected the TSOs to deliver the same amount of public services using private donations.

Meanwhile, some previous studies focused on the crowding-out effect of government spending in testing the theory. Sav (2012) investigated the government free-riding in higher education services by examining the effect of private donations on government spending. He used panel data of 1,000 public colleges in the US and found that all levels in the higher education system experienced crowding-out through government grants-cutting. They concluded that private donations reduced government funding to the sector. Similarly, Wall's (2014) study on private funding of public parks in New York City found that the local government tends to step out of funding public parks, due to higher level of funding from private donations.

Another model used to explain the relationship between government and TSOs is the complementary model. In this concept, TSOs are assumed to engage with government as a partner in delivering public services, instead of acting as a substitute (Young 2000). In contrast to the supplementary model hypothesis, the complementary model presumes that increases in government expenditure results in higher TSO spending. According to Cheng (2019), interdependence theory might be used to explain such a relationship. Interdependence theory posits resource exchanges between government and TSOs to cover each other's weaknesses. Hence, support provided by government drives increases in TSOs activities.

Previous studies have been conducted to test this view. Yaguai (2012) used a resource-dependency framework as the baseline to analyse the pattern of the interdependence ratio between government and non-government organisations (NGOs). She notes that capital ownership makes the dependency degree of NGOs towards government higher than that of government towards NGOs. However, she suggested that NGOs should improve their independence and reduce external control of their activities. Unlike the findings highlighted by Yaguai (2012), empirical findings demonstrated by Lecy and Van Slyke (2013) support government funding. In their study, Lecy and Van Slyke (2013) tested two non-profit theories: the government failure theory and interdependence theory. They found that government funding would provide a higher capacity in TSOs for delivering public goods and services. Using data from the Internal Revenue Service, they found empirically that the higher the funding support, the better the ability of TSOs to enter public markets. These findings confirm the assumption of the interdependence theory of the mutual relationship of the sectors.

Paarlberg and Yoshoka's (2016) study finds a similar result to Lecy and Van Slyke (2013), which was that there is a positive correlation between private donations and government revenues. Fyall (2016) investigated the influence of TSOs in shaping the decisions made in the government budget. Using a grounded theory approach to draw on experiences of public officials in the housing sector, she found that TSOs' activities might financially contribute to the local government budget. TSOs can assist public officials in the housing sector by advocating or mobilising community support. Moreover, TSOs can adjust their investment to match funds from the local government. Gazley and Brudney (2007) assert that both local government and TSOs seek multiple goals from their relationship, which complement each other. Government tends to look for expertise, while TSOs seek funding from government.

AbouAssi et al. (2019) used survey data from 1,200 residents in the metropolitan area of Washington DC to examine individuals' use and perception in accessing government and TSOs services to fulfil their needs. Their study found that the services delivered by TSOs were perceived to complement, instead of substitute for, government provision. Individuals who are satisfied with the government services are more likely to report using the services of TSOs. Conversely, individuals who did not receive any services from the government are less likely to use or have access to TSOs' services.

Although the interdependence relationship between government and TSOs appears to be a positive way to collaborate, as suggested by Lecy and Van Slyke (2013), Anheier (2005), in contrast, has described the 'two-fold' consequences faced by the sectors. Reliance on public funding potentially creates conflict between parties, especially when there is dissimilarity in priorities. Consequently, he asserts that the social activities of the TSOs might be at risk when they differ from the government programs. The organisation might lose its autonomy and flexibility and potentially become bureaucratised and politicised. Smith and Lipsky (1993) cautioned on the possible downside of government contracting to the TSOs. They stress that the behaviour of the TSOs could shift towards the government agenda if they rely heavily on public funding. The organisations may be forced to sacrifice their standard delivery of services and follow a contracting policy.

Turning to the relationship between Waqf institutions and donors, little research exists on the nature of interdependence connection between these parties. Previous research mainly focused on the intention of individuals to donate (Andreoni 1990; Osman 2014; Ahmad 2019; Kassim et al. 2019; Berakon, Aji & Hafiz 2021) and institutional donors (Arulampalam & Stoneman 1995; Galaskiewicz & Sinclair 2006).

As an intermediary unit, a charity organisation such as a Waqf institution relies heavily on donations for their social activities. On the other hand, most donors will pay attention to the use of their donations by charity organisations (Sargeant & Sargeant 2017), since this determines which specific charity organisation they will donate to (Snip 2011). Thus, TSOs should maintain donors' trust because it will lead to donors' commitment and loyalty. In the long run, donors will be fundraising agents for the organisations as they will advocate to others about the programs and services offered by the charity organisation, and influence people to donate (Palmer 2014).

One way to achieve this is by providing reports on financial operations and activities on a regular basis. However, Trussel and Parsons (2007) pointed out that other information than accounting measures can affect donations to charitable organisations. Using a sample of 4,727 charity institutions in the US between 1997 and 1998, they found that fundraising variables and the institution's reputation are essential information for the donors. They found that these variables will positively affect donations. In line with that, previous research (Hyndman 1990; Berman & Davidson 2003) found that most donors look for non-financial information such as motivation to donate.

The results of the studies by Hyndman (1990) and Berman and Davidson (2003) were supported by Duncan's (2004) research, which found that one of the main reasons for donors to contribute to charity organisations is because they expect to make a difference to other people's lives. They are less likely to make a regular donation if they perceive that their contribution is wasted. To ensure their expectation are fulfilled, donors tend to do cross-checking on the activities of TSOs (Sargeant & Woodliffe 2007). Hence, charity organisations should be able to demonstrate the outcome of charity projects and how they improve the welfare of the community (Bennett & Choudury 2009).

Similar to the connection between Waqf institutions and donors, limited empirical research is available on the relationship between charity organisations and beneficiaries. In general, Waqf institutions should have incentives and opportunities to deliver public goods and services in a promised quantity. In turn, this process would give donors a signal about how the institution manages the donations to meet beneficiaries' expectations. On the other hand, as highlighted by Ben-Ner and Van Hoomissen (1992), beneficiaries can set the objectives of the charity organisation in line with their interests. The influence of beneficiaries on the institution is substantial in providing public services and goods that meet the demand of beneficiaries.

2.4 Religious Influence

TSOs can be classified based on their field of activity (Lyons 2001), for example, philanthropic intermediaries and religious activities. One form of activity of the TSOs is to encourage and facilitate the actions of people who want to devote their assets (property or money) to advance public goods. In this sense, the organisations act as intermediary units or charitable trustees between donors and beneficiaries. Another form of TSOs activity is religion. The mission and activities of religion-based TSOs are driven by the religious teachings or spiritual traditions attached to the organisations (Martens 2002). Besides their primary functions of facilitating worship and regulating members' beliefs and practices, religious organisations also perform other social functions, such as providing public goods and services. It is what Anhelm (1999) defined as 'bringing religious practice into the public sphere.'

Religious traditions among TSOs play a significant influence in shaping their identities. It is evident that religious-based TSOs have become mainstream. Berger (2003) recorded a significant increase over the past few years in global organisations that label themselves as religious or spiritual TSOs. One reason religious TSOs are flourishing is that religious communities are the most significant civil society, comprising a billion believers and members worldwide (Berger, 2003). Thereby, benefits are provided to religious TSOs by the extensive religious communities in giving them access to social and resource networks. Another factor in the identification of many TSOs as religious organisations is the presence of TSO leaders as religious actors in political and public life, especially in conflict resolution (Berger 2003). In the present day, many religious leaders, who are usually the head of their organisations, are involved in public action and preventing conflicts. One example is the support of religious groups in Poland's Solidarity movement and in apartheid eradication in South Africa (Johnson & Sampson 1994). Hence, religious TSOs have emerged as international communities acknowledge the pivotal involvement of such organisations in social actions.

Nevertheless, that is not always the case. In contrast to the trend of building up religious identities among the TSOs, Adams and de Bussy (2008) assert that the religious identity of TSOs could depend on the social settings. The argument was based on their study, which found that religious TSOs intentionally disclosed their faith identity in a secular environment like Australia. The effectiveness of religious organisations has been significantly downplayed by the prevalent perceptions of Australians towards religion. As a result, the TSOs were willing to sacrifice their religious identity to secure their marketing and fundraising strategies in the longer term. Despite the evidence, a previous study from Phillips (2007) provided a different

point, as he found that, under Prime Minister John Howard's government from 1996 to 2007, the conservative view, as promulgated by their leader, was in favour of the large Christian TSOs. The religious background identity of such TSOs brought benefits from the conservative Christian view of the government. Hence, the finding indicated that, apart from the social factor, religious identity of TSOs can also be influenced by the political environment.

The religious identity attached to a TSO can also potentially create drawbacks for the organisations. As highlighted by Kallman et al. (2016), TSOs attached to a specific belief can be rigid in their activities. Despite serving the public interests, this type of organisation can be sensible only to a particular group that matches their background. In a broader context, it can trigger an inequality of resource allocation. In addition, in the case of benefits dependency, specific-religion TSOs may force the beneficiaries who depend on their services to accept particular beliefs and leave them with no other alternatives.

The religious foundations of TSOs are varied. The faith-supported organisations are established upon specific religions like Christianity, Buddhism, Judaism, and Islam, or multi-religious orientations such as the International Association for Religious Freedom or World Conference on Religion and Peace. The activities of these TSOs are very diverse and mostly related to charity, international relief, human rights, and advocacy and lobbying (Berger 2003).

2.5 Islamic Philanthropy

In general, philanthropy is a concept that describes the giving of money or assets either from one person to another or by institutions to non-profit organisations (Che Man, Wahab & Hamid 2014). Etymologically, the term philanthropy is derived from the Greek word *philos*, which means love or romance, and *anthropos*, meaning man or human. Thus, philanthropy can be defined as feeling love or affection for other human beings (Payton & Moody 2008). In a broader term, philanthropy means generosity. According to Abd Rahman (2014), philanthropy has three main features. First, it concerns the wellbeing of others, not only human beings but also other entities like animals and the environment. Second, it concerns those who are in distress. Third, it is based on voluntary effort without expecting anything in return.

In Islam, the concept of philanthropy is fundamental, and it is one of the five pillars of faith for Muslims. Giving is an important resources redistribution approach as the wealth gap within and among the societies can be minimised or even eliminated (Zakaria, Samad & Shafii 2013). The philosophical basis for Islamic philanthropy relies on the relationship between individuals and the community (*hablu min an-nas*) and the relationship between the individual

and God (*hablu min Allah*). Therefore, humans are linked to each other through obligations to Allah.

Islamic philanthropy comes from the principle that everything on earth belongs to Allah and human beings are only a trustee for all that wealth. Some wealth is bestowed on some people to help others to narrow the social gap and alleviate inequality (Alam 2010). There are two types of Islamic philanthropy: obligatory and voluntary. Zakat or almsgiving is the mandatory philanthropy in Islam. However, zakat is only compulsory for those who meet certain conditions. One of the requirements is that they have enough resources remaining after meeting the basic needs of their family (Alam 2010; Almarri, Meewella & Mainela 2012).

Che Man, Wahab and Hamid (2014) mention zakat as the obligatory philanthropy that Muslims must give to beneficiaries based on a particular share or portion of their wealth. However, the values of their assets must be above a specified limit. There are two types of zakat which are: zakat *mal* (wealth) and zakat *fitrah*. Zakat of wealth is related to the ownership of certain assets that fulfil certain conditions. This zakat includes zakat for plants, zakat for cattle, zakat for commercial trades, zakat for mining goods, and zakat for precious metals such as gold and silver. In comparison, zakat *fitrah* is zakat ordered by the Prophet Muhammad (PBUH) to Muslims in the month of Ramadan starting from the first day until the last day of the month (Fathoni 2015). This zakat is mandatory for all Muslims, either on their own behalf or on behalf of persons under their responsibility.

Besides obligatory philanthropy, the other type of Islamic philanthropy is voluntary philanthropy. There are several types of voluntary philanthropy. The first one is *Infaq*, which means giving away a certain portion of wealth for society. In this type of philanthropic act, the donor usually gives a defined amount on a 'mandatory' periodic basis. For example, a Muslim might vow to give 5% of his salary to an orphanage every month. The term *Infaq* can often be found in the Quran and the suffix *fi sabil Allah*, which means for the sake of Allah. Thus, doing *Infaq* can be an indicator of a person's faith. Kahf (2015) categorised *Infaq* into four types: First, as a religious absolute personal obligation, every Muslim is required to donate even though there is no urgent need from society for the money. Second, *Infaq* can be a religious circumstantial personal obligation, when the obligatory status results from specific circumstances and relations. For example, a person in good financial conditions may be required to spend to augment the livelihood of his neighbours. Third, *Infaq* can be a religious community obligation, in which it becomes a personal obligation for every Muslim until someone takes charge of fulfilling it. Thus, if someone has fulfilled the obligation, there is no

need for the others in the community to take the same action. Community obligation is usually related to the provision of public services, such as building civil and religious infrastructures (e.g., roads, hospitals, mosques, and wells). Last, it is a voluntary religious contribution, which is somewhat similar to the nature of Waqf.

The second form of voluntary philanthropy in Islam is *Sadaqah*. This type of good deed is generally undertaken based on the donor's discretion, and it can be on a one-off or regular basis. According to Ibrahim and Sherif (2008), *Sadaqah* has a long-term impact, meaning that the benefit should be sustained well after the *Sadaqah* has been made. The act of *Sadaqah* may come in many forms, such as giving away free books or planting trees in public spaces. *Sadaqah* can also be a channel to support development initiatives that zakat does not cover. Like Waqf, *Sadaqah* has also been used to support microfinance, and those who do not conventionally fall within the zakat categories of beneficiaries (Ibrahim and Sherif 2008).

The third form of voluntary philanthropy is *Takaful*. It originates from the Arabic word *Kafalah*, which means 'guaranteeing each other' or 'joint guarantee.' Under this concept, the responsibilities are shared and compensated among the community. The fourth type is *Wasiyya*, or will, which refers to a gift passed by an individual to others after death. The passed gift can be in the form of wealth, debt, or beneficence of one's property. *Wasiyya* can only be executed after the death of the giver as an inheritance.

The final form of voluntary philanthropy is Waqf. It is a wealth-sharing mechanism with other persons (Abd Rahman 2009). The possession of an asset is transferred and put under an injunction from the transaction, including sale, inheritance, grant, or *Wasiyya*. As the dominant characteristic of Waqf is perpetuity, the physical source of the donated assets should remain intact and unchanged. Therefore, Waqf typically applies to non-perishable properties whose benefits and usufruct can be extracted without consuming the property itself.

2.6 Third Sector Organisations (TSOs) in Indonesia

In Indonesia, TSOs are driven by the people's fundamental values, which put forward the cooperative, consensus, and participation of the members in making a decision. This principal view is manifested in the country's most fundamental principles called *Pancasila*. Amid modernisation and individualistic streams, in most traditional villages in Indonesia the value of collaborative work still exists. For example, in rural areas, people rely on self-help to establish village water management by building dams or irrigation systems. Most of the activities of the TSOs are related to advocacy and community development agendas.

There are six types of TSOs based on their legal entities (Radyati 2006). The first one is a foundation. This type of TSO is a non-membership organisation that an individual establishes. The second type of TSO is an association, which is a membership organisation regulated by civil law. The third type is a cooperative, which can still be found in most villages in Indonesia. The activity of a cooperative commonly focuses on the socio-economic empowerment of the village. The fourth type is a labour union, which has to be registered with the Indonesian Ministry of Labour and Transmigration. This type of TSO is relatively uncommon compared to the other TSOs. The fifth is a mass organisation, in which members usually have the same or related profession. The last type of TSO is the educational legal entity, which is established for educational activities.

Besides the above examples of conventional TSOs, religious TSOs (which usually focus on philanthropic activities) are also known in Indonesia. As mentioned by Candland (2000), the existence of religious TSOs in the country was mainly influenced by the social formation that put Islamic faith as the basis of the organisation's activities. However, Berger (2003) brought religious TSOs into a broader context. She highlighted the activity of these organisations in the provision of public services at the national and international levels. She argued that religious TSOs exist as non-profit, independent, and voluntary-based organisations. Using Berger's (2003) ideas, Indonesia has several religious philanthropic TSOs such as *Dompot Dhuafa* Foundation, *Rumah Zakat* Indonesia, and Waqf institutions that rely on Islamic beliefs. It is important to note that besides the Islamic-based TSOs, there is also a non-Muslim community that has developed philanthropic organisations such as *Lembaga Daya Darma*, which manages funds from Catholic churches, and *Yuda Puniakerti*, which collect donations from Hindu temples (Alawiyah 2013).

In the legal context, several regulations control the activities of Indonesian TSOs, namely *Foundation Law*, *Association Law*, and *Cooperative Law*. Specific to the Islamic-based TSOs, other laws such as Zakat Law and Waqf Law apply as their legal system. The existence of TSOs in Indonesia was first regulated under the 1848 civil law enacted by the Dutch colonial government. Consequently, the development of TSOs in Indonesia was affected by liberal political movements in the Netherland (Hasan 2008). According to Radyati (2006), the TSOs activities were initially driven by the willingness of the members to improve the socio-economic conditions of other Indonesians oppressed by the colonial government. In the early 1900s, civil organisations and social movements started to awake, marked by the National Resurgence in 1908 through the establishment of *Boedi Oetomo*, the first self-reliance

organisation in Indonesia. Nevertheless, during the Japanese colonisation, the TSOs were all dissolved due to the forced-labour policy.

The TSOs began to re-emerge during the post-colonial era. Prior to 1965, cooperatives and labour unions became the channels for Partai Komunis Indonesia (the Indonesian Communist Party) to promote its communist views (Cahyono 2005). Subsequently, the government increased its authority over TSOs by issuing a regulation that enabled the government to liquidate any TSOs that violate public order, including receiving donations from overseas. In the era after 1965 (also known as the New Order era), many TSOs survived because of personal connections to the government, which protected them from any opposition; in turn, the TSOs could help the government to achieve its political goal (Friborg 2015).

After the Reformation period, marked by the collapse of the New Order regime, the military involvement in politics and the economy was reduced. The number of TSOs rose exponentially and they became more active as the government relaxed regulations and provided more space to the organisations to express their ideas. In August 2001, foundation law was enacted to monitor the activities of the organisations (Radyati 2006).

The first regulation that underlay the activity of TSOs in Indonesia was the *Cooperative Law* in 1958. According to the 1945 Indonesian Constitution Law, the cooperative system⁸ has to be the foundation of the Indonesian economy. During the initial implementation of the *Cooperative Law*, all rice and tobacco products in a village had to be sold to the village cooperatives (Radyati 2004). Furthermore, Radyati (2004) adds that under *Law No. 6 Year 1974 concerning Social Welfare Principles*, TSOs were obliged to be involved in the provision of education services and environmental conservation. However, most of the TSOs in Indonesia nowadays are in the form of foundations, and thus, the governance aspects are controlled by the *Foundation Law*.

As membership-based organisations, TSOs in Indonesia have been growing in number due to the solid altruistic motives of some people to help needy people who have been missed by the government development agenda (Budairi 2002). These organisations separate their assets to deal with issues related to social, religious, and human affairs. Radyati (2006) notes

⁸ As mentioned by Radyati (2004), the International Cooperative Alliance (ICA) defines cooperative as ‘people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations’. Under the system, democratic decision-making is preferred, and the members of the cooperative have equal voting rights. Such system is different with those implemented in the limited companies or other conventional firms. While the latter focus on profit, the business of cooperative is driven by values.

that there are still traditional TSOs in Indonesia that give significant influence on the community, such as *subak* (irrigation groups), *arisan* (credit groups), and *tanggung renteng* (traditional credit cooperatives in which the financial burden is shared among members).

In terms of governance, management of TSOs is varied, based on the type and structure of the organisations. For instance, in a foundation, the management is fully responsible for setting and achieving the TSO's goals. In comparison, management in a cooperative is supervised by the board of supervisors who provide advice in decision-making. In Islamic charity organisations like zakat or Waqf foundations, the highest authority is the board of trustees, who can set general policy, and approve and evaluate annual planning. In most of these TSOs, the board of trustees can appoint or remove the management and supervisory team (Radyati 2006).

Radyati (2004) noted that some TSOs may have issues in their governance aspects due to their ambiguity. For example, some TSOs are foundations by nature, but they have members and act like associations. As a result, they have to comply not only with the foundation law, but also civil and self-reliance organisation laws. Another example is that some large TSOs are highly dependent on foreign donors to support their activities. Consequently, these donors may set a specific standard of transparency and accountability that the organisations have to comply with (Saidi 2004; Baswir 2004; Jani 2004). Since most Islamic TSOs are foundations, they must comply with the foundation law. However, due to their religious values, this type of organisation is also regulated by Islamic philanthropy laws like Zakat Law and Waqf Law.

The activities of the conventional TSOs in Indonesia mainly focus on social change programs and advocacy in various areas, for example, environment, governance, gender equality, watchdog activism, and community development (Fuelner 2001). To name a few, Indonesian Corruption Watch focuses on monitoring activism, the Indonesian Women's Coalition for Justice and Democracy deals with women's rights issues, and the Indonesian Forum for Environment is concerned with environmental matters. On the other hand, Islamic TSOs pay more attention to service-delivery programs such as education and health services. Most of these activities are charity-based, and rely heavily on donations.

2.7 Conclusion

This chapter has examined theoretical concepts in the literature about the third sector. The focus was on how TSOs can support governments in accelerating social and economic development through collaboration in public services delivery. The theoretical frameworks

discussed in this chapter establish a foundation for understanding why the partnership between government and TSOs is decisive and becomes essential in formulating strategy to fulfil the needs of the community. The literature dealing with the importance of TSOs as a socio-economic development counterpart provided explanations for why TSOs are growing and developing into an alternative solution to overcome the inability of government to provide public services. It is argued that collaboration between government and TSOs could improve efficiency and equity in public services delivery.

Additionally, the literature dealing with religious TSOs sheds light on how religious traditions can shape the identity of TSOs. Islamic teachings about giving and perpetual benefit through Waqf make Waqf institutions likely to be one of the Islamic TSOs that have significant impact on Indonesian socio-economic development. Based on this argument, the following chapter will focus on the empirical aspects of literature dealing with Waqf, including concepts and economic contributions of Waqf, the implementation of Waqf administration and financing models, and a review of previous Waqf studies.

CHAPTER 3 WAQF ADMINISTRATION: A LITERATURE STUDY

3.1 Introduction

The previous chapter has provided a theoretical framework of the TSOs' potential as a partner for government in delivering public services. This chapter focuses primarily on exploring the empirical aspects of Waqf administration. The first section describes the historical and basic concepts of Waqf. It also discusses the economic dimension of Waqf. It is suggested that the voluntary system contributes to the government budget by lowering the risk of a deadweight loss created through the taxation system and reducing government expenditure. Following this section, the chapter discusses the socio-economic conditions and the development of Waqf administration in Indonesia and other countries. As its contribution to the economy has been confirmed, many Muslim countries are paying attention to modernising their Waqf systems. Various models of Waqf financing and the adoption of the model around the globe is also discussed in the next section. The remaining sections discuss the prior empirical studies related to Waqf administration.

3.2 History of Waqf

There are many versions regarding the history of Waqf that are cited by scholars. Some Islamic scholars believe that the concept of Waqf has been known since the reign of Prophet Muhammad (PBUH), mainly when he resided in Madinah in the early 7th century. At that time, Prophet Muhammad (PBUH) gave his land to have a mosque built on it. Then, he continued to build mosques on the donated land and his seven farmyards (Bukhari 1996). However, as cited by Mahamood (2006), some scholars suggest that the activity of Waqf was legally introduced in the reign of Caliph Ummar Ibn Khattab in the mid 8th century, when he created the first Waqf institution and donated his farmyard called *Biraha*.

Another version of the origin of Waqf that supports Ummar as its creator is based on the story of when Ummar came to Prophet Muhammad (PBUH) to ask advice about his land, which he wanted to devote to Allah. Prophet Muhammad (PBUH) suggested the process of Waqf and how it should be organised. Waqf should ensure that the capital and the benefits derived from the land should be given to the people (Bearman 2003; Bukhari 1996). The property then became the first mosque built under the Waqf system.

Contrary to the claims above, Gil (1998) asserts that the first Waqf was the land owned by Mukayriq, a Jew who died in the Uhud war in 625. Mukayriq gave the land to Prophet Muhammad (PBUH), which the Prophet then turned into a Waqf asset. Palms plantations that grow on the Waqf land were used for the Muslims, the warriors, the family of Prophet Muhammad (PBUH), and the needy people.

Subsequently, Waqf practice grew in the Umayyad dynasty and the Abbasia dynasty. However, Waqf was understood only as a good deed by wealthy people who wanted to donate their assets, and the donation was managed individually without specific rules. The creation of a legal body to manage Waqf assets was introduced in the Ummayah dynasty during the reign of Caliph Hisham Ibn Abdul Malik. At that time, the judge Taubah Ibn Ghar al-Hadrami created a Waqf institution in Basrah. Since then, Waqf distribution in the dynasty has been appropriately managed under the Ministry of Justice (Ministry of Religious Affairs 2006).

The fast-growing Waqf development in the Islamic Caliph era happened during the reign of Salahuddin al-Ayyubi in Egypt. During this period, most farms became Waqf properties, owned and administered by the state. The Caliph Salahuddin al-Ayyubi imposed an excise tariff on non-Muslim traders. The revenue gained from this tariff was then donated as Waqf to the poor people. As such, Waqf was a political tool for the regime (Djunaidi & Al-Asyhar 2007).

In the modern era, Waqf administration has become more organised. In some countries, Waqf assets are administered by a special institution. In Turkey since 1926, Waqf assets have been acknowledged in the *Charity Foundation Act*, which an exclusive Waqf agency administers from the Prime Minister's Office. Moreover, the Turkish Waqf Agency has established a special purpose bank called Turkish Auqaf Bank (Huda & Heykal 2010).

3.3 Definition of Waqf

In Islamic laws, there are four schools of thought who are accepted by most Muslims. The four primary schools of thoughts are as follows:

1. Imam Abu Hanifa

The Hanafiya school of thought is the earliest school, established in 699–767 AD by Imam Abu Hanifa. There are no authenticated books on law written by him. Most of the teachings of this school of thought come from numerous discussions and opinions recorded by his disciples. The Hanafiya school of thought has the most significant number of followers

among Muslims. The views of this school are mostly adopted by countries in north-west China and central Asia that used to be parts of the Ottoman Empire. Among these countries are Turkey, Syria, Jordan, Palestine, Egypt, Afghanistan, Pakistan, and Bangladesh (Ahmad 2010). Among modern Islamic scholars, Imam Abu Hanifa is considered the first jurist who used analogy (*Qiyas*) to determine Islamic law when the *Qur'an* and *Hadiths*⁹ had multiple interpretations in their guidance (Ali 2002; Aghnides 2005).

2. Imam Malik bin Anas

Imam Malik bin Anas established the Malikiyya school of thought in 795 AD. This school was initially based in Madinah and represented the views and practices of the city. Imam Malik bin Anas was a judge in Madinah who wrote all his decisions in a book called al-Muwatta. This school is the second-largest *mazhab* after the Hanafiya, predominantly found in northern and western parts of Africa, Chad, Sudan, Kuwait, and Bahrain (Ahmad 2010). According to Ramadan (2006), the Malikiyya school's primary sources for the law come from the *Qur'an* and then the trustworthy *Hadiths*. If multiple interpretations occur from these sources, this school uses hierarchical laws to decide. The priority order of the other laws is *Amal* (culture and customs of the people of Madinah), followed by consensus of the *Sahabah* (the companions of the Prophet), *Qiyas* (analogy), *Istislah* (interest and welfare of Islam and Muslims), and finally *Urf* (customs of people throughout the Muslim world).

3. Imam al-Shafi

Imam al-Shafi was a disciple of Imam Malik. The Shafiyya school of thought mainly relied on the *Qur'an* and the *Hadiths* to formulate the Islamic law. Among the countries that have adopted this school's teachings are Indonesia, Malaysia, Singapore, Brunei, Saudi Arabia, and Sri Lanka (Ahmad 2010). In the case of the *Qur'an* and *Hadiths* providing multiple interpretations, the school prioritises the consensus of *Sahabah* as the source of law. If there is no consensus among the *Sahabah*, the teaching then relies on the individual opinions of the companions, followed by analogy (Ramadan 2006).

4. Imam Ahmad bin Hanbal

The Hanbaliyya school of thought was named after the Imam Ahmad bin Hanbal by his disciples and followers in 855 AD; Imam Hanbal did not establish the school. Compared

⁹ The sayings or acts of the prophet. They have become a tradition followed by Muslims.

to the other jurists, the Hanbaliyya teachings are the most conservative. Consequently, rigidity and ‘intolerance’ in the teachings have caused their unpopularity. The disciples of this school are bounded by the literal injunctions of the *Qur’an* and the *Hadiths* and are very strict in observing religious duties.

Etymologically, the term Waqf can be defined as holding or stopping something or to dwell in place (Sabiq 2009; Al-Kabisi 2004). Waqf can also refer to *Tahbisul Ashl wa Tasbiilul Manfa’ah*, which means to hold a good and give its benefit (Ustaimin 2009). Similar to that, the word Waqf (or Awqaf in plural form) comes from the Arabic verb *Waqafa*, which means making a thing stop and stand still (Cizakca 1998). Regarding a legal definition, Islamic scholars differ in defining Waqf. These differences occur because of the dissimilarities between the schools they adhere to.

One of the clerics of the Hanafi school (Al-Kabisi 2004), Imam of Sharkhasi, defines Waqf as withholding property from the reach of others. Similarly, Al-Murghinany describes Waqf as holding property within the hands of its owner, which is then followed by spreading the benefits as a charity. These definitions of Waqf imply that a Waqf asset is still retained by the owner or donor themselves. In that sense, the donor is still the owner of the donated property, and Waqf only occurs on the benefits, excluding the physical assets of the property. The scholar Ibn Arafat, of the Maliki school of thought, defines Waqf as giving benefits of something, while the property remains in the ownership of the donor (Al-Kabisi 2004). Such a definition only determines the awarding of Waqf to the rightful person or place.

Meanwhile, the scholars of the Shafiyya school of thought put forward a different definition of Waqf (Al-Kabisi 2004). Imam Nawawi, for example, defines Waqf as holding back property that may provide benefits not for himself, while the property remains and is used for good. Imam Al-Syarbini al-Khatib and Ramli al -Kirir define Waqf as holding back property that has benefits for others by securing the existence of the property and shifting the ownership by specific consideration. Similar to that, Ibn Hajar al-Haitami and Shaykh Umairah define Waqf as holding back a property that can be utilised by maintaining the existence of the property and taking ownership of the property. Meanwhile, according to Shaykh Shihab al-Din al-Qalyubi, Waqf is referred to as holding property to be utilised by maintaining the existence of the property. Using those definitions, the Shafi school of thought requires Waqf property to have perpetual characteristics, in such a way that the property is not easily damaged or destroyed and the benefits can be utilised sustainably.

Other clerics from the Hanbali school of thought define Waqf with a more straightforward language: to keep the origin of the property (land) and to donate the resulting benefits (Al-Kabisi 2004). Jumhur Ulama, consisting of the followers of Shafi'i and Hanbali, define Waqf as withholding the legal action of the person who owns the property that has been represented for its benefits to be used by others, while the material remains intact.

Based on the discussion of the definition of Waqf above, it can be concluded that the property that has been given up no longer belongs to the owner and is held with a binding contract. The status of Waqf property is to be used for the good, meaning that the donor can no longer make a legal act on the property because it has been mandated to *nazhir*¹⁰. With the separation of ownership of the Waqf assets from the original owner, the maintenance and obligations of those assets are turned to *nazhir*'s responsibility. Referring to these opinions, the Government of Indonesia defines Waqf as 'a wakif legal act to separate and/or hand over some of his possessions to be exploited forever or for a certain period following his interests for worship and/or general welfare according to *sharia*.' This definition is stipulated in *Law No. 41 Year 2004* (the Waqf Law, hereafter) *Article 1* regarding Waqf (Indonesian Waqf Law, 2004).

3.4 Types of Waqf

Depending on its purposes, Waqf can be divided into two groups, namely Waqf *khairi* (solely for charity) and Waqf *zurri* (family Waqf). Waqf *khairi* can be classified into two categories: (i) general Waqf for charitable purposes without specifying motives, conditions, or beneficiaries, and (ii) special Waqf for charitable purposes by determining motives, conditions, and beneficiaries. In Waqf *zurri*, the benefits of Waqf are for family purposes. However, some scholars consider this type of Waqf does not comply with *sharia* rules (Shakor 2011). Moreover, Shakor (2011) mentions that Waqf can also be classified into Waqf *musytarak* and Waqf *irsad*. Waqf *musytarak* is a combination of Waqf *khairi* and Waqf *zurri*. That is, part of the benefits derived from Waqf is dedicated to the interests of the family, and another part is used for the public.

Waqf assets can be in the form of movable assets (money and shares) and immovable assets (land and buildings) (Shakor 2011). Unlike the immovable Waqf properties, the movable Waqf assets have triggered differences of opinion among Islamic scholars because of their non-permanent characteristic. However, according to the leading Islamic scholars, such as Imam

¹⁰ An individual or organisation that is entrusted by the donor to manage the donation.

al-Shafi, Imam Malik, and Imam Ahmad Ibn Hanbali, a movable asset can be surrendered if it meets the condition in which the asset is not used up if utilised (Sabit 2006). While based on the views of Imam Hanafi, a movable asset can be surrendered if it is permanently attached to immovable property because it will contribute to the purpose of Waqf.

In the context of Indonesia, Waqf is regulated in the Indonesian Waqf Law (2004), in which Waqf is defined as ‘assets that have long-term durability and long-term benefits and have economic value according to the *sharia* law.’ Based on this law, the main requirements of Waqf assets are: ‘Waqf assets can only be used if it is owned and controlled by the wakif (Waqf institutions) legally (Article 15).’ Similar to Shakor (2011), this law also knowledge two types of Waqf assets: immovable and movable.

Further, based on the law, the immovable assets comprise rights to the land, buildings that stand upon the land, plants and other objects related to the land, ownership rights to apartment units, and other immovable assets by the provisions of *sharia* law and regulations. Movable assets include money, gold and silver, securities, vehicles, intellectual property rights, lease rights, and other movable assets by the provisions of *sharia* law and regulations.

3.5 Characteristics of Waqf

Referring to the various definitions of Waqf, there are at least three main characteristics of Waqf agreed upon by the scholars, namely (Sabit, Iman & Omar 2005):

1. Irrevocability, meaning that after the asset is donated, it becomes a Waqf asset and cannot be returned to the donor. A statement of the donor is binding in any case after being declared solely for humanitarian and beneficial purposes. Waqf becomes effective and binding after the donor declares it, even though the ownership of the assets is not handed over to the beneficiaries.
2. Perpetuity, meaning that after the Waqf declaration is made by the donor, Waqf is binding automatically and is valid until the Day of Judgement. Also, Waqf is not limited by time and is not temporary, and the assets must be lasting or sustainable.
3. Inalienability, meaning that after the Waqf declaration is made, the donated asset cannot be divided or transferred, either by the donor, Waqf institution, or their heirs. Waqf assets also cannot be used as a gift or inheritance. Waqf institutions cannot use Waqf assets as collateral for loans because this will stop the benefits. Therefore, if a Waqf institution, for example, mortgages a house in Waqf and the mortgagor dwells in it, then the person must

pay regular rent as a resident. By following this logic, mortgages in the modern sense, where banks can sell property, are not allowed.

3.6 Elements of Waqf

According to Elasrag (2017), there are four major elements of Waqf: the donor or founder of the trustees, the asset, *nazhir*, and the beneficiaries. Since the role of *nazhir* could be fulfilled by the donor himself during his lifetime, three core elements of Waqf remain. The details of each element will be presented below.

3.6.1 The donor or founder of Waqf

The Waqf system requires certain conditions to be met by people who are willing to donate their assets. Though some basic prerequisites are generally accepted (for example, the donor or the asset owner must be mindful), some other preconditions are regulated differently in different countries. One example is regarding the belief of the donors. In Indonesia, the Waqf Law does not limit the donor to be a Muslim (Indonesian Waqf Law 2004). As such, people who have other beliefs can make a specific donation for Waqf. By doing so, the government expects to have a wider base of Waqf donors.

Like Indonesia, the Waqf system in Kuwait and Malaysia also allows a non-Muslim donor. Nevertheless, the purpose that is stated in the Waqf should comply with *sharia* rules. In contrast to those countries, Waqf donors in India are limited only to Muslims. The *Wakf Act 1954* defines Waqf as ‘permanent dedication by a person professing Islam of any movable or immovable property for any purpose recognised by the Muslim law as pious, religious or charitable.’ (Wakf Act 1954). Similar to India, Singapore also regulates that a Waqf founder must be a Muslim (AMLA 1966).

Another example of the different requirements for the donor is related to the form of the donor itself. Indonesian Waqf Law (2004) enables an organisation or legal entity (besides an individual) to become a Waqf donor. Like the types of donors recognised in Indonesia, Malaysia acknowledges that Waqf land can be owned by institutions, corporations, or other entities (Selangor Waqf Enactment 1999).

The traditional Islamic law, however, only recognises as a donor a person or individual. According to Kuran (2004), organisational or institutional donors may create an opportunity for transactions. Thus, the legal provision to create a Waqf entity for the organisation or

institution is needed. Some methods have been implemented in Kuwait and Indonesia as an alternative way to establish the Waqf entity (Kuran 2004).

In Turkey, a large conglomerate named The Vehbi Koc Foundation developed a Waqf entity. This Waqf entity focused on education by providing financial support to people and schools or universities. In Indonesia, an organisation called Global Wakaf Corporation (GWC) managed 30 companies as donors for Waqf. By donating a specific portion of their shares to the GWC, they make GWC a Waqf trustee. If the companies make profit, the portion of the dividends coming from the donated shares becomes cash Waqf.

3.6.2 Assets of Waqf

The conception of Waqf assets has developed since the beginning of the system. Originally, Waqf assets were made only with physical property or immovable objects. However, over time, new concepts of Waqf property have expanded, for example, financial rights on tangible and intangible assets that have economic value. Example of the tangible assets are land (property), and the intangible assets include intellectual property (rights over creations or inventions), patents, trademarks, and goodwill.

Though intangible assets were not regulated in the classical *Fiqh* (Islamic rules), several countries have adopted the contemporary approach of Waqf assets classification. In Indonesia, *Indonesian Waqf Law (2004) Article 16* classifies Waqf assets into movable and immovable properties (instead of using the terms tangible and intangible assets). The movable properties include cash, gold and silver (or any other precious metals), stocks, and intellectual rights. On the other hand, fixed assets such as land and real properties are considered immovable properties. Other countries such as Kuwait, Turkey, Malaysia, Egypt, and Singapore also recognise cash Waqf and other immovable assets. However, the donated assets should comply with the *sharia* principle (Zuki 2012); that is, the source of the assets must be *halal*.¹¹

One of the most critical aspects of Waqf that many Islamic jurists agree with is the permanency. The principal value of the donated assets should not be changed in nature (Mahamood 2006). However, debates among Islamic scholars still exist regarding perpetuity and the permanency of the assets condition. According to Hennigan (2004), the concept of the perpetuity of the Waqf is clear. Unlike bequests, a Waqf pledge cannot be revoked. He argues

¹¹ This means that the possession of the assets must not be related to something forbidden by Islam. For example, the shares from a liquor company cannot be donated as Waqf.

that assets from a bequest could not be donated as Waqf assets. In this sense, the concept of perpetuity in Waqf is bounded to the donor's intention rather than the asset itself.

Therefore, at this point, the perpetuity in intention is different from the permanency of the assets. For instance, if a donor gave the assets for a specific period, this donation does not meet the perpetuity characteristic and cannot be considered Waqf. Conversely, if the donor surrendered the asset without any limitation of a certain period (even though the asset has a useful life of 20 years), this donation meets the perpetuity requirements; hence, it is a valid Waqf. For Waqf assets that have a specific useful life, the act of *istibdal* enables the change of the form of the assets. In the example of Waqf property with 20 years of useful life, the asset can be sold after it finishes its lifespan. The money continues the perpetuity of that particular asset.

The difference in permanency requirement as a mandatory element in Waqf has existed since the era of the four great jurists. Rahman (1980) notes that the Hanafiya, the Hanbali, and the Shafiyya school of thoughts defended the concept of permanency in Waqf. They included the permanency aspect (*ta'biid al-waqfi*) in determining the validity of a Waqf. Under this opinion, the donor no longer possesses power over the assets, and the endowments cannot be withdrawn. Also, Waqf is performed using *tabarru'* agreement (relinquishment of rights), i.e., transferring the first ownership right (donor) to another without a replacement, payment, or exchange. On the other side, the Maliki scholars uphold the belief that Waqf may be carried out temporarily. This opinion does not include permanency as one of the Waqf conditions. Temporary Waqf is permissible because Waqf is carried out under a *tabarru' ghairu lazim* agreement (release of non-permanent rights), so the possession of the property is still held by the donor. The part that belongs to the public is the benefit of the property itself. Therefore, the donor can reclaim the assets at a specific time.

Similarly, Kahf (1998) proposed the use of temporary Waqf. He argued that Waqf stands in the same position as other non-mandatory forms of worship, such as *Sadaqah* and *Infah*. Hence, Waqf should have flexibility in the existence of the assets, whether it is in permanent or temporary form. For example, someone donates a rented building for an agreed period, such as ten years. Then the building is managed productively by the *nazhir*, and the profits are distributed to the beneficiaries for ten years. When it reaches the 10th year, the asset of the Waqf is returned to the owner.

Despite the ongoing debate on the concept of permanency, *The Indonesian Waqf Law* (2004) regulated that the Waqf shall be a permanent act. In contrast to Kahf (1998), Hennigan (2004) argued that Waqf is different from other worship forms, such as *Sadaqah*. Thus, the dedication of Waqf should be permanent. Specific boundaries on the time frame should be created to minimise operational complexity and misuse of the Waqf assets.

Furthermore, *The Indonesian Waqf Law* (2004) has also introduced temporary Waqf, meaning that Waqf assets can be used for a certain period or leased. Nevertheless, a guarantee is required for the principal Waqf assets if they are leased. This guarantee is needed if there is any dispute, to ensure that the principal assets of this Waqf are fixed and not reduced. Considering this principal aspect, periodic Waqf can only be done through a safe investment mechanism, for example, in Islamic financial institution products that have guarantors.

3.6.3 Beneficiaries of Waqf

The epicentre of the discussion on the beneficiaries of Waqf is related to the scope of people who may enjoy the benefit. In Kuwait, for example, the law regulates that the donor should not be the beneficiaries of the given asset, especially if the asset is used for an activity that creates income. This approach follows the Shafi and Maliki school of thought that forbids people from doing a Waqf for themselves or being the beneficiaries. However, the donor may be allowed to be the Waqf beneficiary if one day his socio-economic condition changes drastically. Consider, for instance, a person who has made Waqf by establishing a hospital for poor people. If one day that person becomes poor, he or she can go to the hospital to get medication. Gil (1998) and Lev (2005) contend that a donor can also be the beneficiary of the Waqf. They give a historical instance of the wells in Madinah which Caliph Uthman bought to provide water for the people. Prophet Muhammad (PBUH) then told Caliph Uthman that the revenue from selling water could be his.

In its earliest development, the beneficiaries of Waqf are determined based on the *Qur'an*. These beneficiaries are the poor, the needy, and the orphans. Over time, Waqf has become intended not only for specific people and purposes (i.e., religious and social) but also to serve a wider community. In other words, Waqf assets are used to improve public services, such as infrastructures, schools, and clinics. The shift in the use of Waqf assets was mainly driven by the fact that Muslim Caliphates did not have specific division concerns with roads, water, schools, hospitals, and other types of public services (Boudjellal 1999).

3.7 Administration of Waqf

According to historical records, since the Prophet Muhammad's (PBUH) reign, Waqf was carried out by the donor himself and managed by his family members. Waqf is generally a private charity that is managed independently without the intervention of an institution or state. Meanwhile, *zakat*, taxes, and spoils of war were managed by the Prophet Muhammad's companions (PBUH), called *bait al-mal*.

The new Waqf management was formed under the reign of Umar ibn al-Khattab, by establishing an institution known as *diwan al-nafaqat*, which is a department that handles all accounts related to Waqf. In the second century after the Hijrah (the move of the Prophet Muhammad (PBUH) from Makkah to Madinah), a new department was introduced, which was under the supervision of a judge (Islahi 1996). For centuries Waqf was only carried out by rich and famous people in the community. The coverage of the Waqf area became increasingly broader and the Waqf system succeeded in delivering public service and other social functions. With this background, Waqf institutions developed, both managed by *nazhir* or *mutawalli* or by a state institution (formed by the government).

In Kuwait, the Waqf ministry formed an entity to manage Waqf, namely the Kuwait Awqaf Public Foundation (KAPF), an independent government institution. This institution is tasked with administering all aspects of Waqf in Kuwait, ranging from investment and management of Waqf assets, file administration, and education and training to the public about Waqf (Busharah 2012; Khalil, Ali & Shaiban 2014). Even in a Muslim and secular minority country such as Singapore, Waqf management is entrusted to the Singapore Islamic Religious Council (MUIS), a statutory board that is part of the Singapore government entity (Karim 2008, 2010a, b). In Indonesia, Waqf management agencies are entrusted to the IWB, a non-structural government institution directly responsible to the president.

3.8 Economic Significance of Waqf

Besides the significant number of works of literature created on the *sharia* and legal aspects of Waqf, the exploration of the economic dimension of Waqf has become a widespread topic for discussion among Muslim countries. As described in chapter 1, historically, Waqf played an important function in the economy of Muslims (Islahi 1996; Cizakca 1998). It is considered a fundamental economic institution for enhancing economic activities and ensuring that the economic outcome benefits society (Alhabshi 1991).

Within an economic sense, to some extent, Waqf could play a role in diverting resources of an individual or society at large from the current period and investing them into productive assets that would generate revenues for future use. In this context, Waqf combines the act of saving and investment. Waqf institutions could increase the future accumulation of capital by diverting a specific portion of consumption and putting it into productive assets. In other words, Waqf implies a sacrifice of a consumption opportunity in the current period to provide income and services for the society in future generations (Kahf 1998).

Under the compliance of the *sharia* principle of Waqf, the Waqf assets should have a perpetuity principle, meaning that the assets should not be disposed of in any form. If there is a new Waqf, it will be added to the current assets. As a result, Waqf assets should continuously increase. Also, there is a prohibition against consuming or leaving assets idle or neglected. Thus, Waqf assets are not permitted to decline. As such, Waqf is regarded as an increasing or accumulative investment. This claim is supported by the evidence provided by Kahf (1998), who asserts that the development of Waqf properties in Turkey, Egypt, Morocco, and Syria constitute one-third of the agricultural land in those countries.

On a more macro level, Waqf also plays a substantial role in supporting the government budget. As summarised by Budiman (2014), the contribution of Waqf to economic development covers not only the state's income and expenditure but also deficit financing. The existence of Waqf institutions is vital in achieving effective distribution of income and wealth. The simplest explanation for this is that donations made by the rich people through Waqf institutions are used for public purposes. Therefore, Waqf creates a positive impact on the redistribution of wealth (Nik Hassan 2008). Unlike other economic instruments that have the same purpose of income redistribution, such as tax policy and the transfer of government expenditure, Waqf, with its voluntary nature, has lower implementation costs. Waqf involves a small, sometimes zero, cost of collection. At the same time, the costs of collecting taxes and the costs for transferring government expenditure may create additional burdens for the government.

In the context of the theory of economic redistribution, Baskan (2002) underlines that two parties can act as redistributive agents within the community depending on the size of population. The individual plays a role as a redistributive agent in a less-populous group, while the government acts as a redistributive institution in a more-populous group. Baskan (2002) argues that most economic theories discuss the role of government as a redistributive agent,

while not many theories explain the role of individuals and private institutions as redistributive agents.

The act of individuals in redistributing their income is mainly motivated by an altruistic feeling towards other people. In fact, of the economic theories that support the government side, the equilibrium of the redistribution level of income could never be optimal when it is redistributed by individuals. In other words, economic theories suggest that the role of redistributing income should be performed by the government, not left to individuals (Baskan 2002).

Since there is no absolute measurement of optimal redistribution, it is difficult to determine whether the distribution of wealth through Waqf institutions is optimal or suboptimal. However, the historical development of Waqf since the Ottoman society provides evidence that Waqf shows its central importance to the social, economic, and cultural life of the people. The community of the Ottomans relied on the financing of health, education, and welfare entirely on Waqf institutions. Such a voluntary system provided houses, books, properties, and cemeteries for the local society (Baskan 2002). This argument contradicts the view of most political economists who consider the state to be the most efficient agent to tackle inequality problems. Baskan (2002) believed individual–state cooperation performed in the Waqf system can be the solution for inequality.

In line with this argument, Cizakca (2000) points out that the Waqf system could assist a nation's economic goal of a fairer distribution of income. He believed that tax policy should come after Waqf as an income redistribution instrument. This view is reasonable as lower tax burdens will create a higher surplus among consumers and producers, resulting in a lower deadweight loss of the policy. Hence, because the production costs and the prices to the consumers are reduced, lower taxes would increase aggregate demand and supply.

Besides its contribution to the income side, Waqf also supports the spending side. As Waqf is not part of the government budget, it indirectly contributes to government expenditure. This voluntary action could support the provision of public services and serve public interests. As a result, the government can save a certain portion of its budget that was initially planned to be spent on social programs and reallocate the money to other sectors. The more Waqf funds are collected and used for beneficial projects, the lesser the portion needed from the government to finance the projects. In this sense, Waqf institutions can somehow substitute the role of the government in the economy (Nik Hassan 2008). For example, during the Ottoman

period, almost all public services, including religious, health, social, and scientific, were financed by Waqf and created no burden to the government (Saduman & Aysun 2009). The dominant participation of the government would hinder the progress of other sectors. Additionally, a large government bureaucracy creates a tendency towards a centralised economy. Waqf institutions enable people to participate in the economy and reduce the involvement of the government.

Another contribution of Waqf to the state budget is that it can prevent deficit financing and lower the interest rate. When a national budget is in deficit, it must borrow money to finance the gap between income and expenditure. However, public borrowings could increase risks relating to future economic volatility. The best example of this argument is the previous financial crises that hampered East Asia countries, which provided a valuable lesson that massive public borrowings, together with private borrowings, from external resources, lead to excessive negative effect within the region (Nik Hassan 2008). In one article, Cizakca (1998) points out that the Waqf system can significantly reduce government spending. He highlighted the role of Waqf in fulfilling services for the public without burdening the government budget. As a result, the gap between income and expenditure becomes narrower, which minimises the need for public borrowing and crowding-out effect. Thus, as the government needs less money for budget financing, the interest rate would be lower and may create support for private investment and growth. Besides, one of the basic principles of Islamic finance is that it prohibits *riba* (interest), as Waqf does. As a result, the implementation of the Waqf system could gradually reduce interest rates.

Despite the contribution to the national budget, Waqf system also has an economy-wide impact. First, Waqf could support government programs in alleviating poverty, which has always been the most critical problem of developing nations. Sadique (2010) argued that one of the fundamental ways to eradicate poverty is through charity. There are many forms of charity; however, the charity that lasts for an extended period must have a perpetuity characteristic, and the Waqf system displays such a feature. Through Waqf institutions, productive long-term assets that can generate revenues can be preserved. The investment outcome of these assets can be distributed explicitly to the poor as beneficiaries. The Waqf system can also be used to disseminate knowledge and skills in entrepreneurship for the poor to develop the microfinance sector (Obaidullah & Khan 2008).

Moreover, Ahmed (2007) classified the roles of Waqf institutions in improving social welfare into two main dimensions. In the first dimension, Waqf is classified based on the type

of beneficiaries: family members and the public. In the second dimension, he distinguished Waqf based on the use of the assets: religious (e.g., mosques, graveyards, Islamic facilities) and philanthropic (e.g., schools, hospitals, bridges, roads). These classifications of Waqf are shown in Table 3.1.

Table 3.1: Classifications of Waqf

	Religious	Philanthropic
Family	A	B
Public	C	D

Source: Adapted from Ahmed (2007)

From the table above, Waqf type A, B, and C are not suitable as a tool for poverty alleviation. Type A is uncommon since the family members are usually not the sole beneficiaries of religious Waqf. Type B of Waqf is dedicated to family members, while type C is meant for worship; thus, these types of Waqf could not economically benefit the poor. Waqf type D is relevant to the goal of eradicating poverty. The outcome of public philanthropy can provide services to the poor (Ahmed 2007).

Another contribution of Waqf to the economy is that it would enhance economic progress in the country. Historically, during the Ottoman period it was proven that Waqf and the economy have a positive correlation (Nik Hassan 2008). A nation's economy would be advancing as Waqf institutions were flourishing. Similarly, with a larger size of Waqf properties and a higher involvement level of private institutions, the economy would be progressing more. Since Waqf provides public goods or services, the conventional economic problem of undersupply of public goods could be solved by the system. A high involvement level of public services in fulfilling society's needs through Waqf would create an excess supply of public services in the Islamic economy (Cizakca 1998). Additionally, the motivation of Muslim people to do Waqf could effectively increase assets turnover and minimise idle wealth in the economy, which eventually creates a positive effect on economic progress.

3.9 Waqf Administration in Indonesia

Currently, Waqf administration in Indonesia is carried out under the Waqf law. Before that, the management of Waqf assets used *Law No. 5 Year 1960 concerning Agrarian Principles* as its legal foundation (Rozalinda, 2015). The use of agrarian or land law to regulate

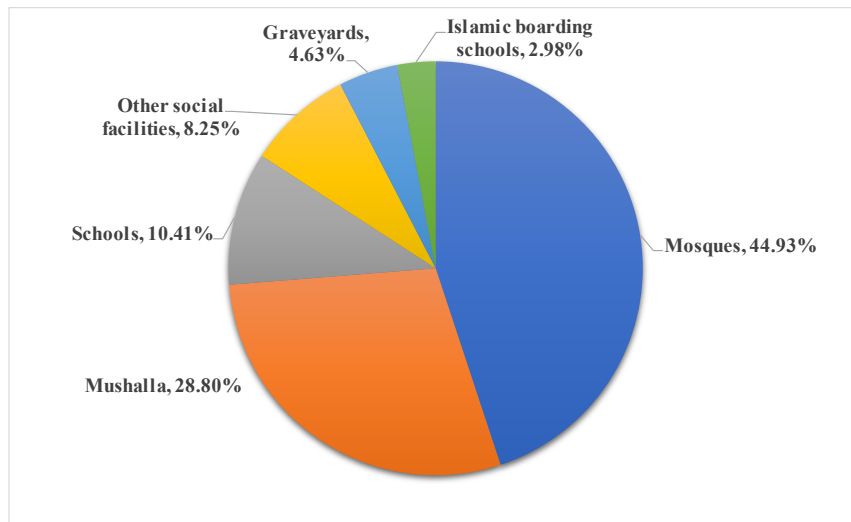
Waqf can be understood since, at that time, there was only one type of Waqf asset, which was land. After the enactment of the Waqf law, endowments in Indonesia became more sophisticated, and there was a need to issue a more detailed regulation. This goal was followed up by the issuance of the *Government Regulation No. 42 Year 2006*, ruling the implementation of the Waqf law, and the enactment of the *Minister of Religious Affairs Regulation No. 4 Year 2009* that explained individual and organisation trustees (Rozalinda, 2015).

The Waqf law ruled the process of Waqf, including the fundamentals of endowment, changes in the status of Waqf property, management and development of Waqf property, dispute settlement, and administrative sanctions. One breakthrough policy of this law was the establishment of the IWB. This board is an independent state agency that has several responsibilities, including to manage and develop Waqf assets, providing advice and considerations to the government in the policy formulation of Waqf, fostering trustee/*nazhir*, dismissing and replacing trustee/*nazhir*, providing approval or permission for any changes in the status of Waqf property, and giving approval for the exchange of Waqf assets. The establishment of IWB is expected to make the administration of Waqf assets more effective, so that Waqf assets yield a better benefit for the community.

Another progressive policy introduced in the Waqf law is acknowledging Waqf movable objects (besides immovable objects), stated in Article 16 (Indonesian Waqf Law, 2004). This arrangement is one of the government's efforts to support the development of cash Waqf so that the assets can be utilised quickly and are easily accessible.

3.9.1 Immovable Objects of Waqf Assets

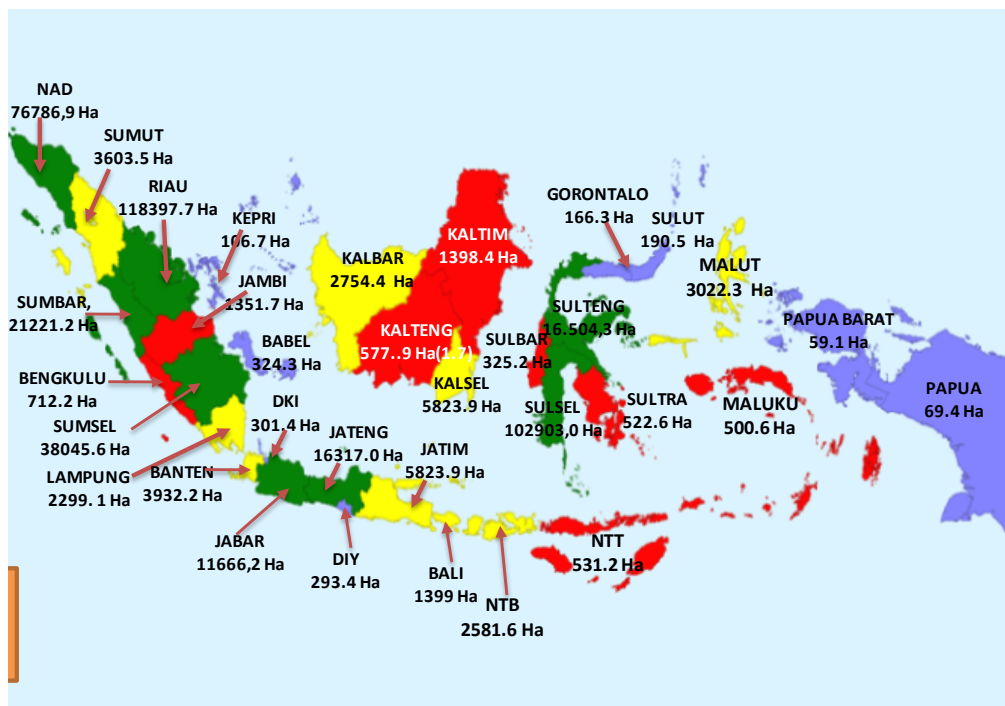
The most common and widely used form of Waqf in Indonesia is fixed assets (immovable property), especially land. Figure 3.1 shows the use of Waqf land in Indonesia. According to statistical data provided by the Indonesian Ministry of Religious Affairs, in 2015, Waqf land in Indonesia reached 435,768 plots with a total area of more than 4 million m² or around 440 thousand hectares ((Ministry of Religious Affairs 2016). This area is comparable to twice the size of Singapore's area (Beik 2013). Given these figures, Indonesia has become the country with the most significant Waqf land assets in the world. Most of the properties are used for religious (worship) purposes, educational, and social interests. More than 73 percent of the assets are used for religious facilities (mosques or mushallas) and around 13.3 percent for educational facilities, while the rest is for social purposes such as graveyards.



Source: Waqf Information System, Ministry of Religious Affairs (2016)

Figure 3.1: The Use of Waqf Land in Indonesia

Furthermore, these 440 thousand hectares of Waqf land are spread in 33 provinces throughout Indonesia, as shown in Figure 3.2. The provinces that have the largest area of Waqf land are Riau (118,398 hectares), South Sulawesi (102,903 hectares), Nanggroe Aceh Darussalam (76,787 hectares), South Sumatra (38,046 hectares), West Sumatra (21,221 hectares), Central Sulawesi (16,504 hectares), Central Java (16,317 hectares), and West Java (11,666 hectares) (Ministry of Religious Affairs, 2016).



Source: Ministry of Religious Affairs (2016)

Figure 3.2: The Spread of Waqf Land in Indonesia

Some Waqf lands are idle; however, there are several examples of how Waqf institutions utilise their land assets:

1. Yayasan Badan Wakaf Universitas Islam Indonesia

This Waqf institution has 1.3 hectares of Waqf land under its supervision in Yogyakarta. The scope of activities is education from kindergarten to university (Hosen 2016). This institution also built a hospital to international standards on the Waqf land.

2. Yayasan Wakaf Universitas Muslim Indonesia

This Waqf institution was established on February 8, 1953, in Makassar, South Sulawesi. The institution manages 1.12 hectares of Waqf land used for campus I, 14 hectares for campus II, 0.7 hectare for campuses III and IV, and 29.2 hectares for campuses V and VI, with several dormitory buildings. The scope of activities of the foundation is education, research, and empowerment of the Islamic community (Hosen 2016).

3. Darussalam Gontor Modern Islamic Boarding School

This institution was established on October 9, 1926, in Ponorogo, East Java. The lodge has 186 hectares, consisting of highlands and rice fields and 15 buildings for education and dormitories. The scope of activities is education and business to support educational activities (Hosen 2016; Muljawan, Sukmana & Yumanita 2016).

4. The Sultan Agung Semarang Waqf Foundation

Established on July 31, 1950, in Central Java, the institution has a land area of 36.8 hectares in the province's capital and 38.7 hectares in several areas outside. The scope of activities is education from kindergarten to university (Hosen 2016).

5. Jamie Darussalam Mosque

This mosque was built on the exchanged land using the *istibdal* scheme. Initially, the mosque was on Waqf land on Jalan Kotabumi, Central Jakarta. Then the Waqf land and mosque building were rehabilitated by PT Putragaya (Putragaya Ltd), with more extensive land and buildings on Jalan Kotabumi Ujung. The old mosque building is only one floor, and its size is 400 m² on Waqf land of around 500 m². Meanwhile, the new two-storey mosque was built in an area of around 800 m². The 2nd floor is used for prayer and worship, while the 1st floor is a multipurpose room to be rented out for commercial activities. The income from the leasing is intended for the operational costs of the mosque (IWB 2016).

6. Raudha Building

The building was built on Waqf land under the supervision of the Raudhatul Muta'allimin Foundation (RMF). The location is within the Jakarta Central Business District. RMF initially built the building with its funds. However, the construction was then shifted to investors for six years (2004–2010). The investors completed the construction and received benefits from leasing the building. Using this experience, in 2013 RMF collaborated again with other investors to build commercial office buildings, with a land area of approximately 4,000 m². This collaboration uses the build, operate, and transfer (BOT) scheme. Investors finance the building construction and use it for 35 years. After that, the ownership and management of the building are returned to RMF. As compensation, RMF gets rent income of Rp1.2 billion per year during the leasing period (IWB 2015).

3.9.2 Movable Objects of Waqf Assets

The management of movable Waqf assets, especially cash Waqf, in Indonesia is generally carried out through three processes: first, collecting funds that involve donors; second, managing the funds to determine the direction of the investments that involve the Waqf institution; third, distributing the funds to beneficiaries. Ideally, Waqf institutions act as a fund manager to make financial investments in the money market (Islamic bank and insurance products) and capital market (Islamic stocks, *Sukuk*, and Islamic mutual funds). Waqf institutions can also make direct and indirect investments in the real estate sector. In direct investment, the Waqf institution directly invests in a project using Waqf money, for example, the construction of palm oil plantations, malls, and apartments. Meanwhile, Waqf institutions carry out indirect investment by entering business cooperative ventures with other parties, such as Islamic banks or other financial institutions. For example, Waqf institutions participated in syndicated financing of a toll road development (Nasution 2013; Hosen 2016).

According to the IWB (2019b), there are 224 Waqf institutions registered on IWB, and there are several well-known Waqf institutions that manage cash Waqf, as follows (Rozalinda 2015; Hosen 2016; Muljawan, Sukmana & Yumanita 2016):

1. Tabung Wakaf Indonesia (TWI)

TWI is an autonomous body of Dompot Dhuafa Republika, which was established on July 14, 2005. TWI aims to initiate actions by Waqf institutions, such as financial institutions that can mobilise collections of Waqf assets and fulfil the needs of society. The funds collected by TWI are used to run programs in the following sectors:

- A. Education Sector, for example, Smart Ekselensia and Rumah Cahaya.
- B. Health sector, for example, free health services and integrated health homes.
- C. Religious sector, for example, a guest house for converts.
- D. Economic sector, for example, empowerment, which has a broad scope, including:
 - (a) Farm Waqf, which TWI runs by investing Waqf funds in the livestock businesses of Dompot Dhuafa network partners, especially Kampung Ternak, located in Bogor and Sukabumi. In addition to being used to increase the value-add of Waqf assets, farm Waqf is intended to empower local farmers to participate in a variety of Dompot Dhuafa networking programs, such as the distribution of sacrificial animals, research programs, education, and training as well as assistance in the livestock sector. Besides Kampung Ternak, TWI is also actively working with the Tebar Hewan Kurban (THK). TWI and THK carried out investments under profit-sharing schemes through the placement of Waqf funds amounting to Rp100 million in THK during the period 2007–2009 (Rozalinda 2015).
 - (b) Plantation Waqf, which TWI runs in two areas, namely Lahat District, South Sumatra (for rubber plantations and cocoa), and Banggai District, Central Sulawesi (for coconut plantations). The Waqf rubber plantation program in Lahat District was carried out by screening a group of farmers classified as disadvantaged, who were then given management rights of a half hectare of rubber land using a *muzara'ah* contract. TWI provides spiritual and entrepreneurial assistance to farmers, hoping that they will be enthusiastic about working and doing Waqf (Rozalinda 2015). Meanwhile, the cocoa plantation business in Banggai District, Central Sulawesi, was carried out by investing in Waqf funds for planting cocoa. The income from the plantation was used to finance the operation of Mansamat First High School. The cocoa plantation was intended to use labour from the local community (Rozalinda 2015).

2. Yayasan Wakaf Bangun Nurani Bangsa (YWBNB)

This Waqf institution was established on January 20, 2005 and focuses on managing money collected from the alumni of ESQ 165 training (Emotional and Spiritual Quotient 165). In its operations, YWBNB synergises with ESQ 165 institutions. The endowments collected were used by YWBNB to erect a building known as Menara 165, located in Jakarta. The building is an office complex managed by Graha 165 Ltd. and is commercially leased. YWBNB acts as a shareholder of PT Graha 165. In 2015, YWBNB's ownership of the company shares reached 26,755 shares with a value of around Rp 31 billion or representing

21% of the ownership of PT Graha 165. YWBNB generally earns income from the following sectors:

- a. Cash Waqf received from ESQ 165 alumni reached Rp 48 billion in 2015, which was utilised to purchase the shares of PT Graha 165 of Rp 31 billion and to purchase units on the 5th floor of Menara 165 worth Rp 14.9 billion.
- b. Annual dividends from PT Graha 165 of Rp 0.7 billion on average.
- c. Land Waqf and other Waqf assets from ESQ 165 alumni and the community.

3. Al-Azhar Waqf

This institution is a business line established by Yayasan Pendidikan Islam, aiming to develop and manage Waqf funds to be more productive. In utilising the funds, this institution focuses on the education and religious sectors. Al-Azhar Waqf collects cash Waqf from the donors from various sources, including land Waqf, transportation Waqf, and endowments for palm oil plantations (Rozalinda 2015).

4. Baitul Maal Muamalat (BMM)

This institution is a unit under the auspices of Bank Muamalat Indonesia (BMI). Initially, BMM was established as an institution that received *zakat*, *infaq*, and *sadaqah* funds from the BMI workers to be distributed to the poor and for microbusiness empowerment. In 2002, BMM launched the Muamalat Cash Waqf program as a cash Waqf management product. The strategy of raising funds carried out by BMM is to transfer funds from accounts of BMI customers who wish to donate their savings as Waqf. The investment made by BMM from Waqf funds is more focused on the microfinance sectors. One of these was a profit-sharing scheme at Baitul Maal wat Tamwiil (Islamic microfinance institutions).

5. Rumah Wakaf Indonesia (RWI)

This Waqf institution is closely affiliated to Rumah Zakat (RZ) institution. In socialising Waqf, RWI uses a database of donors from RZ as the main target of potential Waqf donors even though RWI and RZ have separate management. The socialisation method is carried out by introducing potential donors to the concept of Waqf and RWI-based Waqf projects, such as:

- a. Development of Waqf schools through fundraising for cash Waqf.
- b. Investment in financial assets (deposits) and property using resources from cash and land Waqf.

- c. Investment in the real sector with the *mudharabah* system where RWI acts as a capital provider (Shahibul Maal).

6. Global Waqf

Initially, Global Waqf was a Waqf management product under the *zakat* foundation of Aksi Cepat Tanggap (ACT). Even though Global Waqf only registered as a Waqf institution on the IWB in 2013, this institution has extensively promoted Waqf programs. Some factors drive this progressive work of Global Waqf as below:

- A. The management of Global Waqf is still under ACT, and therefore the programs are still interconnected. As a result, the publication of the Global Waqf program is integrated with the ACT publication.
- B. The people working on Global Waqf are ACT employees; thus, the development of Global Waqf is greatly affected by the development of ACT.
- C. The target of potential donors for Waqf are generally regular donors at ACT.

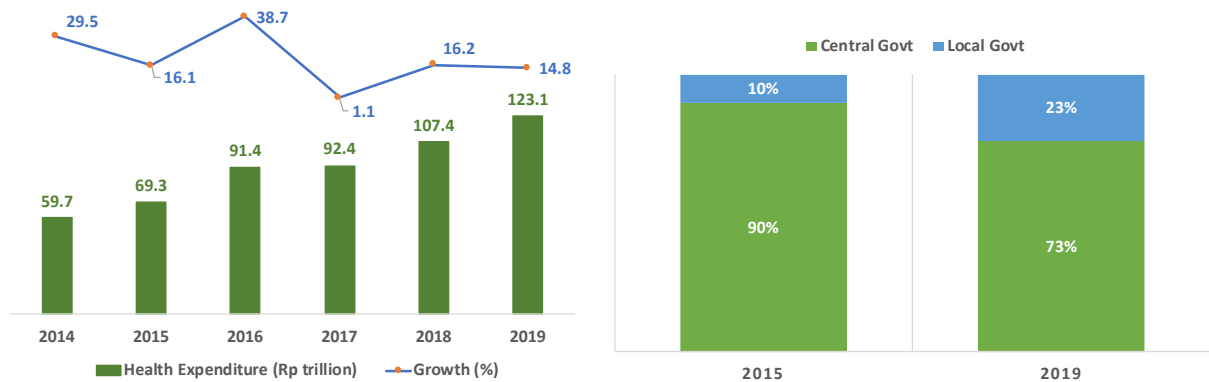
Some Waqf-based programs managed by Global Waqf are as follows:

- a. Community cattle barn.
- b. Kedai Yatim, a minimarket brand managed by Global Waqf.
- c. Wells to help water-deprived areas.
- d. The Global Waqf Tower building that will be built soon.

3.10 The Indonesian Socio-Economic Policies

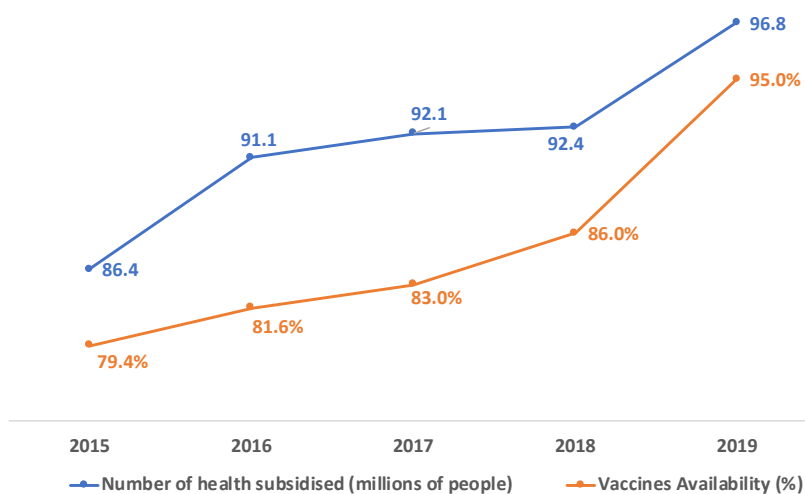
According to the report from the World Health Organization (2017), the health expenditure as the percentage of the global GDP rose from 3% in 1948 to 9.9% in 2017. The same trend also occurs in Indonesia. It is important to note that since the implementation of the Indonesian Health Law in 2009, the government was mandated to allocate at least 5% of the total budget for the health sector. Based on the Indonesian Ministry of Finance (2019b), since 2014, Indonesia has doubled its expenditure on health from Rp59.7 trillion to Rp123.1 trillion in 2019. From this amount, Rp89.8 trillion comes from the central government spending and Rp33.3 trillion is allocated by the local government through the local transfer and village funds. There is a shift in the level of responsibility for the health sector from central to local government, as indicated by the change in the allocation ratio of health financing provided by the two administrators. In 2015, the central government bore 90% of the national health expenditure, while only 10% was financed by the local government. The proportion of health

cost allocation changed in 2019, resulting in a lower burden for central government (73%) and higher responsibility for the local government (27%) (see Figure 3.3).



Source: Indonesian Ministry of Finance (2019b)

Figure 3.3: Indonesian Health Expenditures



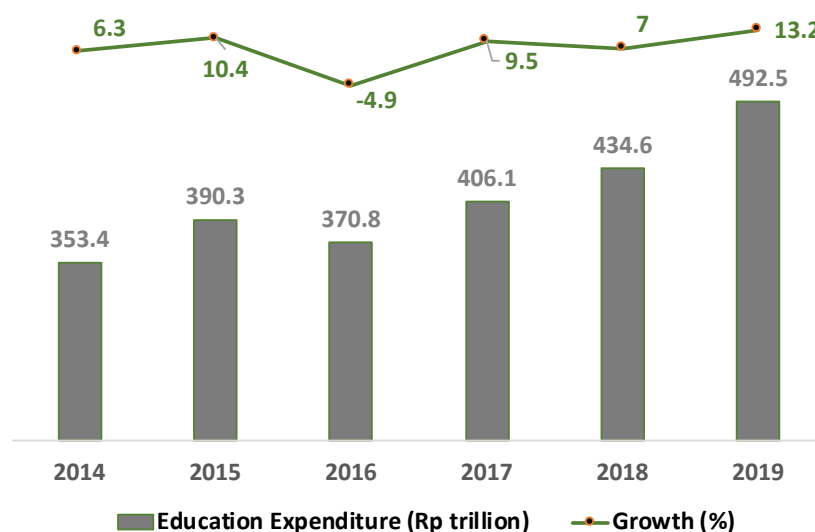
Source: Indonesian Ministry of Finance (2019b)

Figure 3.4: Indonesian Health Policy Indicators

These higher health expenditures are mainly used to support the policy in improving the access and the quality of health services. The inequality and quality of health services have been a long-term issue in the country. To cope with the issues, the government has widened the scope to subsidise poor people related to the national health coverage. In 2019, the number

of subsidised people was 96.8 million, which is 10 million higher than that in 2015. The government also focused on improving health services quality, especially in the first stage facilities. The availability of medicines and vaccines in the hospital rose from 79.4% in 2015 to 95% in 2019, followed by the higher supply of labour in the health sector (see Figure 3.4). The government has also paid attention to the prevention activities, such as improving the standard of medicines and food. The number of certified medicines and food in 2019 is almost double than the figure in 2015, which is 41.3 thousand to 74 thousand (Indonesian Ministry of Finance, 2019b).

Like the spending on health, budget expenditure for the education sector is also compulsory by the constitution. The portion of this spending allocation is 20% of the total budget. From 2014 to 2019, education spending grew 7% annually on average, with the highest growth in 2019 of 13.2% (see Figure 3.5). In 2019, the government allocated Rp492.5 trillion for this sector, and most of it (63%) was financed by the local government. The shift in the cost allocation is a result of the implementation of the decentralisation system. Under the system, the local government is responsible for providing education for its people.



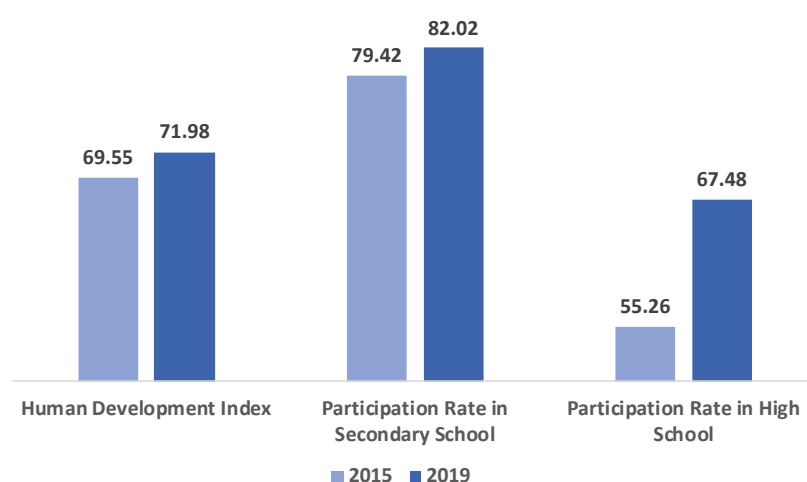
Source: Indonesian Ministry of Finance (2019b)

Figure 3.5: Indonesian Education Expenditures

In recent years, policy in the education sector has focused on improving access and distribution of schools, as well as enhancing the quality of the teachers. Schools are given subsidy to cover their operational costs, which the amount varies based on the performance. In

2019, 55.8 million students were covered under this financial assistance, more than three times than that in 2015 of 16.9 million students. New schools and universities were also built, especially in remote suburbs. Lately, however, the government has put more weight on improving the quality of human resources. Vocational-based schools and courses became the focus. A high number of affirmation scholarships were also given to more awardees. In 2019, 471,000 scholarships were awarded compared to 269,000 awards in 2015.

Given these policies, the education sector has shown improvements in the past five years (see Figure 3.6). The human development index rose from 69.55 in 2015 to 71.98 in 2019. The participation rate in secondary school is slightly improved in 2019 to 82% from 79% in 2015. While the participation rate in high school experienced higher growth within the period, from 55% to 67% (Indonesian Ministry of Finance, 2019b).

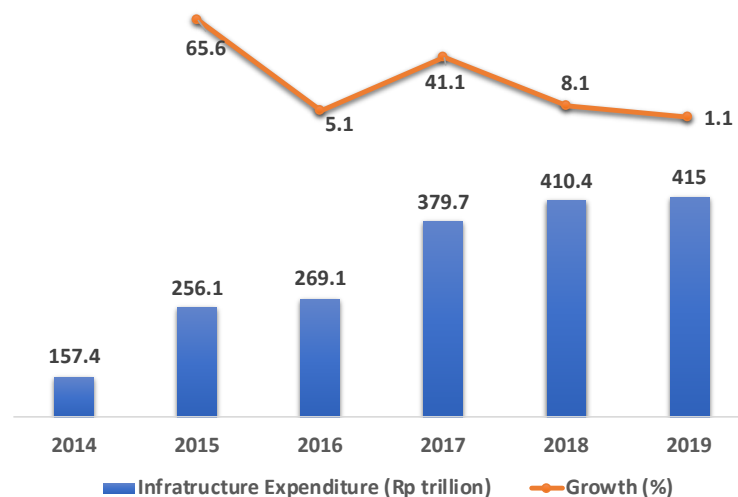


Source: Indonesian Ministry of Finance (2019b)

Figure 3.6: Key Indicators in Education Sector

Furthermore, since 2014, the development of basic infrastructures has been massively done throughout the country. The policy was aimed to improve the connectivity between regions and elevate the production capacity by building roads, airports, seaports, power plants, and dams. The spending allocation for this sector has grown 26% on average every year, with the latest figure was Rp415 trillion in 2019 (see Figure 3.7). Unlike health and education expenditures, infrastructure spending is not mandatory; thus, it is government discretionary. Considering the high funding requirement for the projects, the central government increased the involvement of local governments and private sectors. There is a standard requirement of

the fund transferred to the local government to be used for community infrastructures, such as irrigation, sanitation system, and housings. The government also provided a guarantee for private companies who invest in infrastructure projects, for example, toll roads, seaports and other projects that have commercial values.



Source: Indonesian Ministry of Finance (2019b)

Figure 3.7: Indonesian Infrastructure Expenditures

From 2014, a total of 14,617 kilometres of roads have been built, along with 157 kilometres of bridges and 1,525 kilometres of railroads. Within the period, 38 dams and 363 hectares of irrigation networks were built each year on average. There are also 15 new airports spread-out the regions. The outcome of these efforts is compensating. The country's position in terms of the ease of doing business hiked from 114 in 2015 to 40 in 2019 (Indonesian Ministry of Finance, 2019b).

3.11 Waqf Administration in Other Countries

Given the importance of the Waqf system in developing socio-economic conditions, many Muslim countries are modernising their Waqf administration. These countries are at different stages in developing their Waqf management. The details of Waqf management in each country are discussed in the following sections.

3.11.1 Waqf Administration in Brunei

Brunei Darussalam began to professionally manage Waqf assets since the issuance of the Laws of Brunei Darussalam (Laws of Brunei), the Act of Religious Council, and Kadis Courts Act (Chapter 77). According to the regulations, since 1956 the Religious Council has been the sole trustee of Waqf assets, including Waqf *'am* (general Waqf) and Waqf *has* (specific Waqf) (Hubur, 2019). Before the law existed, the management of Waqf was carried out individually according to Islamic laws. Since there was no existing regulation, the ownership transfer of a property from an individual to the public was done verbally. Almost all Waqf properties were used as physical assets, such as mosques, cemeteries, and places for Islamic teaching purposes (Hubur 2019).

Since the issuance of the Kadis Courts Act (Chapter 77), the use of Waqf assets in Brunei were more directed. The kingdom supervises all Waqf processes, and it must be done with written pledges. This regulation also acknowledges other types of Waqf assets, such as money or cash. According to Radiah (2016), there are six types of Waqf assets known in Brunei. The first one is a land asset. The land is one of the type of donations that is most often offered by the people, after money. However, not all land that is donated can be recognised as a Waqf asset. Several criteria must be fulfilled to become land for Waqf. One of them is that the donor must propose the transaction to the Religious Council before donating his or her land. The Religious Council has the right to approve or reject the Waqf proposal.

The second type of Waqf asset is a building, which can only be used as a mosque. The third type is cash Waqf, commonly used for additional development and purchase of equipment for mosques and schools. Fourth is a vehicle that has the intended use of carrying a coffin. The fifth type of Waqf is books, which are usually in the form of the Holy *Qur'an* and other Islamic books. The last is equipment to improve the standard of mosques or schools.

As the sole trustee of the Waqf assets, the Religious Council acts as the treasurer of the Waqf assets. The Council has the right to administer and carry out any investments regarding these assets. Furthermore, the Council is also responsible for distributing the benefits of Waqf assets. However, it does not rule out the possibility of a legal entity establishing an institution to collect and manage Waqf assets. Waqf institutions are required to abide by the rules issued by the Religious Council. For example, they must be registered in the Religious Council's database, ensuring transparency by carrying out periodic reports of the utilisation of the assets.

In this case, the Religious Council acts as a supervisor to ensure that the records and reporting of Waqf administration are performed effectively.

In terms of conducting community fundraising, media campaign strategies are heavily used in the form of mass media advertising as well as reporting to get funding support or other kinds of assistance from the people of Brunei. In raising Waqf funds from the community, the Religious Council has a specific department called the Department of Waqf and Baitul Mal, which determines the fundraising size. In addition, an agency called Tanmiah Agency was assigned to develop the assets managed by the Council and acts as an investment executor (Tanmiah Agency 2018).

The Religious Council also uses online media from the Ministry of Foreign Affairs to collect Waqf properties. Through the website, the Council provides information related to Waqf requirements, types of property that are suitable for Waqf, as well as Waqf institutions. Free online electronic media are provided in every mosque, in shopping malls, and in other strategic places to facilitate people's access to information (Hubur 2019).

In developing the properties of Waqf, the Religious Council utilises the assets based on the purposes, functions, and compliance with Islamic principles. The Council uses two approaches: consumptive and productive approaches, to manage the assets (Hubur 2019). The consumptive approach has a similar nature to other Islamic philanthropy acts like *Sadaqah* or *zakat*, which have been standard practice anywhere in the world. For the productive approach, the Council empowers the assets to generate profits that are then used for people's benefit. This investment is executed by Tanmiah Agency. In performing such actions, the agency must comply with the principal value of Waqf and the applicable Laws of Brunei.

One of the effective Waqf assets management practices implemented by the agency is directing the properties of Waqf to housing, business facilities, and gas stations. Besides channelling into physical properties, Tanmiah Agency also invests the assets into financial instruments by issuing and participating in the purchase of low-risk Islamic financial products such as Islamic Real Estate Investment Funds (REITs) and *Sukuk* (Tanmiah Agency 2018).

The revenue gained from the investment activities is distributed for the need of poor and orphaned children and to provide support for strategic sectors like education, religious, health, and social sectors. Commonly, the supports are given in the form of facilities for existing properties or services.

3.11.2 Waqf Administration in Pakistan

The traditions of doing Waqf in Pakistan and other parts of the Indian subcontinent began along with the spread of Islam in the eighth century AD. It was increasingly developed with the birth of Islamic power in the country, especially during the Mughal dynasty. At that time, Waqf was not only used as a complement to the philanthropic activities carried out after *zakat* and almsgiving but also to support the efforts of Muslim rulers to gain higher power and social recognition (Malik 1990).

During the British colonial era, the management of Waqf continued to be carried out under *fiqh* rule even though the government did not intervene. In 1894, the British Privy Council issued a decree that virtually abolished family endowments. It was considered a way for local authorities to avoid taxes on their property and maintain family wealth. The decision drew protests from Muslims, which led to the birth of the *Mussalman Wakf Validating Act, 1913*. The law brought back the principles of management of Waqf to be based on *fiqh*.

In 1923, the *Mussalman Wakf Act* was issued with the intention of creating better Waqf management and ensuring the accountability and transparency of Waqf assets management. This law obliged every *nazhir* to make a statement before the local court regarding the Waqf assets they managed. The obligation included providing additional information such as the description of assets, yearly gross profits from the results of the Waqf assets management, and yearly costs associated with the management activities.

After independence, the *Awqaf Ordinance* was issued in 1962, and the *Provincial Waqf Property Ordinances* were published in 1979. The implementation of Waqf practices in Pakistan by the Ministry of Religious Affairs and Endowment was carried out by appointing Waqf administrators in each province who were authorised to regulate and manage Waqf assets in each province in Pakistan.

One example of Waqf development in Pakistan is Hamdard Waqf Laboratories. Initially, Hamdard was a well-known pharmacy company in Pakistan, which had been operating since the British colonial era. In 1953, a significant change happened in the company with the declaration of Hamdard as a Waqf for Muslims by Judge Muhammad Said. Hamdard also changed its name to Hamdard (Waqf) Laboratories of Pakistan, not only for commercial activities but also for educational and philanthropic purposes. In 1964, Judge Muhammad Said established the Hamdard Foundation, which became the driving force for humanitarian

activities using funds from Hamdard (Waqf) Laboratories in Pakistan. This foundation focuses on philanthropic activities aimed at the development of education, health, and social affairs.

Some of the achievements made by the Hamdard Foundation in Pakistan are as follows:

1. In the 1980s, the Hamdard Foundation developed Madinat al-Hikmah, an area that stands on 350 acres near Karachi and is dedicated to the City of Education.
2. The establishment of the Hamdard Public School within the Madinat al-Hikmah complex with approximately 5,000 students. Hamdard Public School is also part of UNESCO Associated Schools Projects.
3. The establishment of Hamdard University as part of Madinat al-Hikmah. The university has several institutions, including The Hamdard College of Eastern Medicine, Hamdard School of Law, Hamdard Institute of Management Sciences, and Bait al-Hikmah, a big library with a collection of over two million books.
4. Social activities, such as free clinics and medicines, health education through media, and free eye treatment for the community.

3.11.3 Waqf Administration in Bangladesh

The practice of Waqf in Bangladesh has a long history along with the Islamic history of the region. Ahmed and Safiullah (2010) note that Waqf in Bangladesh started at the beginning of Islamic rule in the region in the eighth century. The implementation of Waqf in Bangladesh was increasingly important during the rule of the Mughal dynasty, with many Islamic schools and community-based social institutions established. One of the most famous is the Waqf of Haji Muhammad Mohsin of Hughli, India, founded in 1806, which became the centre of Waqf-based socialisation activities in Bangladesh. During the era of the Islamic dynasty, the management of Waqf was based on Islamic jurisprudence, specifically the Hanafi school.

This condition changed with the beginning of the colonial era. The Waqf tradition in Bangladesh was no longer as evident as in the past. One reason was that the British East India Company (BEIC), in its early days, did not interfere in the management of Waqf. This situation continued until, in 1810, *Regulation XIX* was enacted, which ruled that Waqf assets were under the control of the Board of Revenue of BEIC. This condition remained until the publication of the *Religious Endowments Act* of 1863, which stipulated that each asset relating to mosques, temples, and other religious sites be handed over to certain management parties (trustees) with

supervision to be carried out by the local committee responsible to the Board of Revenue. Since then, Waqf management in Bangladesh, like Waqf in India, has not been a government affair. In fact, in *The Indian Trusts Act 1882* it was stated that the law did not affect the Waqf of the Muslims. Thus, in the colonial period, the management of Waqf was still based on *sharia* and *fiqh* law.

In 1923, the British colonial government issued *The Mussalman Wakf Act*, with the intention of improving the management of Waqf and ensuring the accountability and transparency of Waqf assets management. *The Mussalman Wakf Act* fell under the *fiqh* system in India and became the initial step towards the subsequent regulation known as *The Bengal Waqf Act, 1934*. *The Bengal Waqf Act* is a regulation that explicitly regulates Waqf in the Bengal area, which later became the country of Bangladesh. In the law, the establishment of an Endowments Body and the appointment of an Endowments Commissioner were introduced. Local judges were to act as guarantors of Waqf assets but did not have the power to supervise and control the management of Waqf assets run by *nazhir*.

The Bengal Waqf Act, 1934 remained in force in the Bengal region, which subsequently became East Pakistan, until the enactment of the 1962 *Waqfs Ordinance*, which was amended in 1988 and 1998. The Waqf Directorate carried out the implementation of the regulation as part of the Ministry of Religious Affairs, which can appoint *nazhir* to manage Waqf assets.

An excellent example of how a Waqf institution manages Waqf assets in Bangladesh is the Social Investment Bank Limited (SIBL). On July 5, 1995, SIBL became the fourth Islamic bank to be established in Bangladesh and began to operate on November 22, 1995. The bank operated as a venture bank that collaborated with many Islamic organisations and the Bangladesh government. The operations of SIBL focus on formal, informal, and Islamic philanthropy sectors. SIBL can be considered a pioneer of collecting cash Waqf in Bangladesh; cash Waqf has played a role in financing infrastructure projects, social assistance, and other humanitarian activities (Rozalinda 2015).

SIBL operates as a social intermediary by building capital accumulation in the community for commercial interests combined with social activities. One of the popular products from SIBL is a certificate of cash Waqf. The money can come from people who intentionally donate their money or from savings that already exist. The funds collected from accumulated cash Waqf are used for the benefit of the wider community, such as in the fields of religious preaching, education, and social services. If the management of cash Waqf results

in a surplus, it is used to maintain land Waqf assets in Bangladesh. In addition to Waqf certificates, SIBL also launches other Islamic financial instruments, including Waqf Properties Development Bonds, Zakah Payment Certificates, and Family Waqf Certificates.

3.11.4 Waqf Administration in Saudi Arabia

Saudi Arabia is one best example of a country in developing Waqf sector; it formed a Ministry of Hajj and Waqf in 1961. One of the duties of this ministry is to manage all Waqf assets in Saudi Arabia. The government of Saudi Arabia started to regulate Waqf in 1966, along with the establishment of the Waqf Council (Silverstein 2010). The Minister of Hajj and Waqf chairs this council. Its members consist of the Deputy Minister of Hajj and Waqf, Islamic law experts from the Ministry of Justice, representatives of the Ministry of Finance and Economics, the Director of Antiquities, and three scholars and journalists. This council has the authority: a) to register Waqf assets, assessing their conditions and establishing management techniques; b) to determine the steps of Waqf development, including investment of the Waqf assets; c) to distribute Waqf assets in compliance with *sharia* law; and d) to prepare Waqf management reports (Djunaidi and Al-Asyhar 2007).

Various efforts to develop Waqf assets have been carried out by the government, including the expansion of al-Haramain Mosque, the construction of mosques, and various supports for educational facilities such as higher education institutions and libraries and the publication of free books. The Ministry of Hajj and Waqf made various innovations, such as Waqf *Sukuk* for hotels (e.g., hotels around the al-Haramain Mosque), housing, and agriculture, which are scattered across several regions in the country.

One of Mecca's iconic landscapes is Zamzam Tower, which is near the al-Haramain Mosque. This tower was built on Waqf land, represented by the King of Saudi Arabia under King Abdul Azis Waqf (KAAW) as *nazhir* or trustee. The Waqf land from KAAW was leased to the Binladin Group with a BOT system for up to 28 years. According to Kholid, Sukmana and Kamal (2009), the concession contract obliged Binladin Group to build shopping centres, office buildings, and hotels for KAAW as a form of payment from Binladin Group to KAAW. Then, Binladin Group subcontracted the concession to Munshaat, a property company based in Kuwait. Munshaat is obliged to restore the management of the Zamzam Tower building to KAAW as *nazhir*. This project cost US\$390 million, and Munshaat carried out the financing by issuing *Sukuk Al-Intifa* for 24 years. *Sukuk Al-Intifa* is a type of *Sukuk* that allows buyers to rent space inside the Zamzam Tower complex for a specific period. The number of *Sukuk* units

purchased is equivalent to the number of leasing rights owned by the buyers. Buyers can use it for themselves or lease it to others (Kholid, Sukmana & Kamal 2009).

3.11.5 Waqf Administration in Kuwait

Waqf has been practised in Kuwait since 1695. In those days, the Waqf sector in Kuwait was managed independently by donor/wakif directly or through parties appointed as *nazhir* by local judges. Social and cultural changes have contributed to the development of Waqf in Kuwait. The Department of Waqf was formed in 1930 and was followed by the establishment of the Waqf Affairs Board in the 1940s.

In further developments, a decree by the Kuwaiti Emir on April 5, 1950, led to more restrictive regulation in Kuwait. Post-independence, in 1962, the Ministry of Awqaf and Islamic Affairs was established to manage Waqf assets (Al-Osman 1997). Subsequently, the development of Waqf regulations in Kuwait became significant with the establishment of *Awqaf Institutions Law* in 1993, which aims to provide facilities for improving the management of Waqf.

In Kuwait, the regulating authority for the Waqf sector is the Ministry of Awqaf. However, the government agency authorised to administer Waqf assets is the KAPF, formed in 1993. The benefits from the managed assets are allocated to develop public health, scholarships for students, social empowerment, and scientific activities. KAPF has performed its role very well as an operator of Waqf assets in Kuwait, so the Organisation of the Islamic Conference appointed Kuwait to be the coordinator for Waqf institutions in the Islamic world (Busharah 2012; Khalil, Ali & Shaiban 2014). One success story of Waqf management performed by KAPF is its involvement in Waqf management in the US through investment cooperation with Al-Manzil Islamic Financial Services, a division of United Bank of Kuwait (Rozalinda 2015).

3.11.6 Waqf Administration in Singapore

In Singapore, Muslims' lives are regulated under a special act called *The Administration of Muslim Law Act (AMLA)*. This act was enacted through Law No. 27 Year 1966 and consists of 10 chapters and 146 articles; Waqf is one aspect that it regulates. Before the existence of the law, from 1905 Waqf in Singapore was carried out by *The Muhammedan and Hindu Endowments Ordinance*. Based on Chapter IV Article 58 of *AMLA*, from 1 July 1968, Majelis Ugama Islam Singapore (MUIS) was given the authority to manage Waqf.

At the beginning of the implementation of this system, not all Waqf were supervised under MUIS. There were still individuals or private organisations who managed Waqf, which resulted in a flawed database system, especially records of the number of Waqf properties. There was no reporting mechanism and a lack of coordination between the guardians of Waqf and MUIS. This situation did not change until the amendment of *AMLA* in 1995, which obligated *mutawalli* to register Waqf assets under their supervision. As a result, in 2000, all Waqf assets in Singapore were registered in MUIS (Bank Indonesia 2016).

Since then, Waqf management in Singapore has been delegated to MUIS as a statutory board of the government, forming a subsidiary to specifically manage Waqf assets, namely Waqf Real Estate Singapore (Warees). According to Fahrurroji (2015), MUIS has the authority to manage Waqf funds and to elevate the potential of Waqf for the beneficiaries. As a trustee, MUIS carries out administration roles such as updating Waqf data, administering Waqf reports, and auditing Waqf assets. Warees, on the other hand, carries out commercial roles such as investment activities, securitisation of assets, or taking corporate actions (e.g., issuing shares).

The management of Waqf assets in Singapore commonly uses the *istibdal* method since it is considered the most suitable approach for developing Waqf land (Fahrurroji 2015). According to Kahf (1998), *istibdal* is the sale of all or part of Waqf land, and the income from the sold land can be used to buy other land dedicated for the same purposes. The *istibdal* method has been proven to be appropriately applied to commercial property in Singapore (Fahrurroji 2015). It allows the substitution of less useful Waqf assets into funds to finance Waqf investment projects.

According to Karim (2010a), there are 200 Waqf properties worth around S\$300 million managed by 99 Waqf institutions in Singapore. Most Waqf assets in Singapore are utilised to develop buildings and maintain mosques or other Islamic religious facilities. The next common use of Waqf assets is for financing religious schools.

The concept of *istibdal* has been widely used in Singapore to develop Waqf projects. MUIS has used the concept to exchange 20 Waqf lands with low values for fewer Waqf lands with higher values. Additionally, Warees used *istibdal* to issue S\$25 million *Sukuk* using *musharakah* contracts to buy a building inside the prime zone of development. This scheme is the first use of *Sukuk* to develop Waqf assets productively.

In terms of cash Waqf, Singapore implements a compulsory cash Waqf scheme, obliging Muslim workers to give a specific portion of their salaries to Waqf. This salary deduction is done automatically through their workplaces.

3.11.7 Waqf Administration in Malaysia

Waqf practice in Malaysia has been in place since the beginning of the spread of Islam into Malaysia, and since then, Waqf has become a common practice in Malaysian society. This era was marked by the development of several Waqf-based mosques in Malaysia, such as the Upper Mosque in Malacca and the Sultan Abu Bakar Mosque in Johor (Alawiah 2012). It can be said that Waqf is inseparable from the lives of people in Malaysia, although not to the same extent as in the Ottoman Empire, Egypt, and South Africa. According to Alawiah (2012), the practice of Waqf in Malaysia is believed to have lasted for more than eight centuries since the arrival of Muslim traders who spread Islam on the Malay Peninsula in the tenth century.

The legal framework of Waqf in Malaysia follows the other Islamic legal frameworks in the country. Malaysia implements a decentralised Waqf system, meaning that the government of each state can operate its own Waqf management. The Malaysian federal constitution mandates that Islamic regulations, including Waqf, are self-governed by every state through its local leader (sultan). As for the states that do not have sultans, such as Sabah, Sarawak, and Malacca, as well as federal territories such as Kuala Lumpur and Putrajaya, the regulation of Waqf management follows the *Administration of Islamic Law (Federal Territories) Act* of 1993.

Each state has a Majelis Ugama Islam (MUI) as the executor of every Islamic religious regulation. Each MUI has the authority to authorise, regulate, supervise, and manage consumptive Waqf within the state. Each MUI has an Advisory Board and Waqf Asset Management Committee. The Advisory Board consists of experienced individuals in the field of *sharia* law appointed by the MUI with state *mufti*, MUI secretary, state Agrarian Director and state officials in the legal consultancy field as permanent members. The other members consist of state financial officials, academics, and practitioners in professions related to *sharia* law, property management, and financial management (Sabit 2017).

As a result of implementing a decentralised Waqf system, the legal framework of Waqf prevailing in Malaysia tends to be non-uniform between states. According to Khalil, Ali and Shaiban (2014), the non-uniform legal framework and practice of Waqf management affect the efficiency of planning and distribution between states. Ibrahim (2012) has identified a gap in

the Waqf legal framework in Malaysia, which is governed by various laws issued by each state. The absence of a single Waqf rule causes problems for the understanding and interpretation of Waqf due to differences in *fatwas* in each state (Ibrahim 2012). These conditions cause the implementation of Waqf to be incoherent (Alawiah 2012). The management of Waqf in Malaysia is considered not to contribute to the community's welfare significantly. This situation has resulted from negligence in the financial management of Waqf by the authorities (Alawiah 2012). These problems were incentives for the government to form a body that manages Waqf centrally with efficient management to encourage the growth of Waqf assets in Malaysia.

Therefore, the federal government announced the Department of Waqf, Zakat, and Haj (JAWHAR) in 2008. JAWHAR is an authorised extension of the federal government in matters of Waqf management. The establishment of JAWHAR is expected to provide developments in the management of Waqf, by ensuring its operation in a more organised, systematic, and effective manner. However, the MUI of each state is given full authority to regulate and manage Waqf assets in their area because the MUI of each state is the main administrator of Waqf assets in their respective states (Ibrahim 2012). Therefore, JAWHAR only acts as the coordinator of the MUIs in the states.

Statistically, the total area of Waqf land in Malaysia has reached 11,091.82 hectares, with a value of RM99 million, most of which is in Johor, Trengganu, and Sabah (Ismail, Salim & Hanafiah 2015). Waqf land is mainly used for educational institutions. Through cooperation with various parties, both government and private agencies, the management of Waqf land have begun to develop by adopting various business models, such as real estate and housing using the principle of leasing. Various financing institutions, such as Islamic banks, hajj savings, and cooperatives can develop creative and innovative Waqf models using *mudharabah* contracts so that the source of funding is no longer a problem in the management of Waqf (Ahmad and Nur 2011).

Various efforts to develop Waqf in Malaysia have been made, including cash Waqf at Bank Muamalat Malaysia Berhad. In 2015, the number of cash Waqf that were collected was approximately RM8 million. In addition, Malaysia also developed shares Waqf which initiated by Johor Corporation Berhad. The shares are cooperation between the MUI Johor and Johor Land Cultivators (PPNJ) in developing oil palm plantations. Also, the *takaful* model has become a contemporary product of Waqf management in Malaysia (Hasbullah and Zaidi 2015).

Some of the funds resulting from Waqf management are currently used to develop education and health infrastructure, including:

- a. Al-Ehsan housing at the cost of RM2.27 million in Malacca, which is rented out to poor people at low, affordable rates.
- b. The development of education services with 19 Waqf clinics spread across Johor, Negeri Sembilan, Selangor, Sarawak, Perak, and Penang and one hospital in Johor. This health service is intended for the poor at a low cost.
- c. Various institutions and universities have been established with endowment funds, including Malaya Islamic College, currently known as the Islamic University of Malaysia in Cyberjaya, Al-Bukhari International University in Kedah Trengganu Culinary Academy.

Also, MUI Johor collected funds using Waqf shares that are valued at RM10 per share. Some of the projects funded by these Waqf shares are as follows:

- a. Johor Waqf Shares Building.

The Johor Waqf Share Building is the first project funded from the collection of Waqf money through shares Waqf. This building in Johor Bahru is commercialised by renting office spaces to companies or the government.

- b. Plantation Waqf

The plantation Waqf managed by MUI Johor was initially owned by the government of the Sultanate of Johor. MUI Johor then received the land as a grant from the government. The 3,800 hectares of land then become a palm oil plantation financed using Waqf shares

- c. Student dormitory building in Egypt

In 2006, MUI Johor bought a 6-story building in the Qahirah, Egypt. The building was later used as a dormitory for students from Johor studying at Al-Azhar University, Egypt. The RM4,500,000 building purchase was financed through shares Waqf.

3.12 Waqf Financing Models

Waqf assets are endowed to increase the benefits and results required to realise the objectives determined by the donors. Therefore, over time jurists have put great efforts into thinking about how to make Waqf assets and investments more productive so that they provide more significant benefits for the people. There are two general forms of Waqf financing in the

literature: traditional (classic) Waqf financing models and contemporary Waqf financing models (Qahaf 2005).

3.12.1 Traditional Waqf Financing Models

Qahaf (2005) divided traditional Waqf financing models into four methods as below:

3.12.1.1 Waqf financing by adding new Waqf

This type of Waqf financing is done by creating a new Waqf to add to the existing Waqf. The term ‘to add’ here means to increase the Waqf property capital and develop it. There are several examples of this type of Waqf financing (Qahaf 2005):

- The expansion of the Nabawi Mosque was carried out during the times of Caliph Umar, Uthman, the Umayyads, and the Banu Abasiyah. Every expansion added to the existing Waqf assets.
- Purchase of Raumah wells by Caliph Uthman at the Prophet Muhammad’s (PBUH) suggestion; its benefits were given to the Muslims.

3.12.1.2 Waqf financing by lending the assets

In this type of financing, a loan (*al-mursad*) is given to Waqf institutions or administrators by lenders to develop Waqf assets. After legal approval is obtained, the assets are handed over with a lease contract to the lender for an extended period (Obaidullah 2012; Ahmed, Omar & Ogunbado 2015). In other words, tenants are asked to finance the construction of Waqf assets, and the amount issued remains a debt to the Waqf institution, which can be repaid through periodic rentals. After the loan is settled, the lease expires. Buildings remain under the ownership of Waqf institutions, and tenants are given the right to occupy the property permanently (Kahf 1998; Obaidullah 2012).

3.12.1.3 Waqf financing by substituting the assets

Substituting Waqf assets (*istibdal*) is one of the traditional models of Waqf financing, in which Waqf assets are exchanged with other assets/properties that provide services or income that are at least the same without changing the provisions set by donors. Kahf (1998) defines *istibdal* as the sale of all or part of the Waqf land, and the revenue from the sale can be used to buy other land dedicated to the same purpose (Kahf 1998; Ahmed, Omar & Ogunbado 2015).

This concept allows Waqf institutions to obtain funds to finance Waqf investment projects through the substitution of land or less useful assets. According to Kahf (1998), this substitution method is divided into two forms: (i) substitution of one Waqf land with another land (*ibdal*) that has the same characteristics, and (ii) substitution of Waqf land with cash value (*istibdal*). In practice, *istibdal* is used in various forms, such as selling a part of the Waqf property to build more structures on the same property or selling Waqf assets and buying new assets in exchange, to be used for the same purpose as the sold assets. Another form is selling several Waqf assets and buying a new property with a higher value that can generate enough income to finance Waqf projects (Sabit, Iman & Omar 2005). The *istibdal* concept has been practised in Malaysia and Singapore.

The development of Waqf assets has the basic purpose of eliminating poverty and improving the socio-economic conditions of Muslim communities. However, there are several issues related to the use of *istibdal* as a financing instrument, namely:

- a) There are differences of opinion between jurists about the concept of *istibdal*. This dissimilarity is because there are no direct references from the *Qur'an* and the *Sunnah* that are relevant to the concept (Sulong 2013). Several jurists allow the implementation of *istibdal* to develop Waqf assets based on certain conditions, such as damaged, unproductive land, or a mosque that has specific reasons not to be used for worship or has been damaged, with no way to reconstruct the property (Sabit, Iman & Omar 2005). The building or land of the mosque can be sold or replaced by other assets for development purposes. The jurists who oppose this view argue that Waqf is a perpetual asset. The purpose of the Waqf property must be continuous and sustainable for goodness, religion, and charity to provide benefits to the beneficiaries. An exchange is not allowed for any reason to fulfil this principle (Sulong 2013). According to Qahaf (2005), Prophet Muhammad (PBUH) forbade selling, distributing, transferring, exchanging, or bequeathing Waqf assets. Additionally, Imam Maliki stated that the application of *istibdal* to immovable property is prohibited, unless there is a necessity or there will be benefits for the people, such as the expansion of mosques, cemeteries, and public roads, or if the state authorities took over Waqf assets for economic development (Qahaf 2005).

In the case of the Waqf property no longer provides benefits, then the property can be exchanged with other assets to ensure the sustainability of benefits. Thus, Waqf exchanges are permissible if they guarantee benefits for the recipient. According to Nazih Hamad, quoted in Sabit, Iman and Omar (2005), most Maliki scholars disapprove of *istibdal*, but

some allow it. Hanbali scholars allow *istibdal* if needed, including substituting mosques if damaged. Likewise, Hanafis allow the concept as a form of financing the development of Waqf.

- b) The concept of *istibdal* increases the exposure of Waqf assets to being corrupted and mismanaged. There is no doubt that there are several benefits to using this method, especially when high-value Waqf assets are sold to develop other Waqf assets, thus generating income to finance socio-economic development. However, this method requires Waqf institutions to implement good governance that guarantees transparency and accountability.
- c) From a legal perspective, legislation on Waqf in several countries makes it difficult for the trustee to replace or sell Waqf assets. This situation also becomes another obstacle in implementing the *istibdal* for the development of Waqf assets.

3.12.1.4 Waqf financing by selling monopoly right of the assets

This method was developed by Hanafiya scholars in the third century AD to prevent the sale of Waqf property because of it being endangered or damaged (Kahf 1998). This method was created through *hukr* (meaning monopoly or exclusive), where the trustee gives the right to use the assets to the lessee for an unlimited period. Lessees can then develop the assets by using their resources at their own risk (Kahf 1998). The tenant pays a specific amount in advance, almost the same as the total value of the property leased and is obliged to pay the rent periodically. In return, the tenant can use these assets continuously. This financial right can be marketed, being sold, given as a gift, transferred to third parties, and can even be inherited (Zarqa 1994).

The proceeds from the sale of use rights for Waqf assets and periodic leases can be invested in other more profitable investments or to maintain and develop other Waqf assets. Because the sale of exclusivity rights is not considered the sale of the Waqf itself, periodic rental income is considered a sustainable income for Waqf institutions. The money obtained from the sale of rights to the lessee might be used as funds for developing Waqf assets. In that case, it will increase future income and subsequently will positively impact the social welfare of the Muslim community (Sabit, Iman & Omar 2005; Obaidullah 2012). *Hukr* has been used in countries ruled by the Ottomans, such as Egypt, Iraq, and Syria. However, *hukr* was legally annulled in Egypt, Syria, Iraq, Jordan, and Libya during the 1950s and 1960s.

3.12.1.5 Waqf financing by double-renting the assets

This concept, known as *al-ijaratain*, is a long-term lease contract in which the lease contract is divided into two parts: (i) a lump sum paid in advance for the construction of Waqf assets and (ii) periodic payments or instalments, for example, payable every year during the lease period. In this model, prospective tenants pay a sum of money to reconstruct damaged buildings by leasing them upfront. In addition, tenants also pay periodic rent to Waqf institutions. The right to use Waqf property can be transferred to others or inherited, and the lease contracts are renewed every year (Zarqa 1994). Thus, this arrangement provides an alternative to finance reconstruction while avoiding violations of the prohibition on the sale of Waqf property (Sadique 2010).

According to scholars such as Zarqa (1994), Kahf (1998), and Sabit (2006), this concept is less preferable compared to *hukr*. The latter concept is preferred as a Waqf financing model because Waqf institutions can use a large payment in advance. The funds can be invested to increase other Waqf or obtain new Waqf. Conversely, the initial payment in *al-ijaratain* is only limited to repairing (reconstructing) the same Waqf, which may not be the best investment.

3.12.2 Contemporary Waqf Financing Models

In these models, Waqf development financing is divided into three (Sabit, Iman & Omar 2005; Karim 2010a, b), namely:

3.12.2.1 Debt-based financing

Debt-based financing refers to funds obtained by Waqf institutions through the *sharia* financing schemes such as buying and selling (*istisna'*), rent (*ijarah*), and *Sukuk* (Sabit, Iman & Omar 2005; Karim 2010a, b; Obaidullah 2012). This model is debt-based since the amount of debt to the finance company will be the responsibility of the Waqf institution, either in a lump sum or in instalments. The sales and rental contracts can be independent of each other or combined, depending on the arrangements made by the parties.

a) *Istisna'*

Istisna' is an asset sale contract between the parties where the specifications, method, and duration of delivery and the asset's price are determined based on the parties' agreement. *Istisna'* is almost the same as a *salam* contract, another form of forwarding sale. However, *salam* is commonly used in the commodities market, where investors pay in advance the

purchase prices for agricultural commodities to be delivered in the future (Chapra 1998). This scheme may apply to land Waqf if the land is used for agricultural activities.

There are several ways *istisna'* can be implemented, namely: (1) between Waqf institutions and developers; (2) between Waqf institutions and investors; and (3) between investors and developers for construction on Waqf land. The first scheme is a direct method, while the second scheme includes Waqf institutions, investors, and third parties.

Under this system, the Waqf institution makes a contract with investors, and investors make other contracts with construction companies or developers. This scheme is known as parallel or back-to-back *istisna'*. Investors do not need to build buildings by themselves. They can make *istisna'* contracts with third parties, or they can hire contractor services. After the construction is completed and the building is handed over, the investor gives the building to the Waqf or rents the building to a Waqf institution with an *ijarah* contract. The amount becomes a debt to the Waqf institution and must be settled from the money that comes from the expanded Waqf property. The debt can be paid in monthly or annual instalments. The number of instalments must be less than the expected revenue from renting the building. At the time of payment of the last instalment, the building ownership will be transferred to the Waqf institution. This financing model has been practised in Sudan and Mauritania. Sales with orders (*istisna'*) are considered ideal financial instruments to be applied to the property of Waqf.

b) Ijarah

Ijarah is the contract of transferring rights to use goods or services without any transfer of ownership of the goods or services themselves. Technically, there are two different connotations related to the *ijarah* contract (Sabit, Iman & Omar 2005; Karim 2010a, b): (i) fees given for using someone's services, such as doctors, lawyers, teachers, or people who can provide valuable services; and (ii) transfer of usufructuary rights from certain properties to others.

c) Sukuk

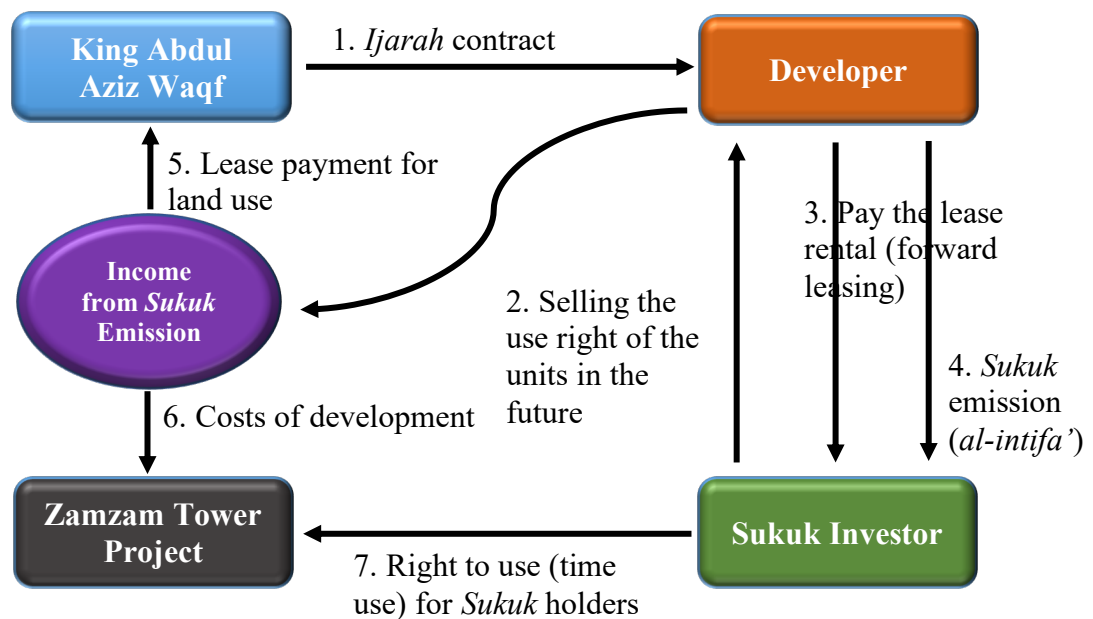
According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), *Sukuk* is defined as a certificate that is proof of an undivided share of an asset, benefit right, and services, or ownership of a project or specific investment activity (AAOIFI 2005). Fourteen types of contracts can be used in *Sukuk* issuance, namely: *Ijarah Sukuk*, *Murabahah Sukuk*, *Salam Sukuk*, *Istishna' Sukuk*, *Mudharabah Sukuk*, *Sukuk Musyarakah*, *Sukuk Wakalah*, *Mugharasah Sukuk*, *Sukuk Muzara'ah*, and *Sukuk Musaqah*.

Sukuk has several characteristics. First, it can prove ownership of an asset, benefit right, service, or particular investment activity. Second, the income gained is in the form of rewards, margins or profit-sharing, according to the type of contract used in the issuance. Third, it is free from the elements of interest. Fourth, it requires underlying assets for the issuance. Last, the use of proceeds must follow *sharia* principles.

The characteristic of *Sukuk* that represents ownership of assets and benefits follows the nature of Waqf. The introduction of *Sukuk* instruments is considered to help accelerate the progress and development of Waqf. Thus, it is understandable that in some countries *Sukuk* has been used as a model for financing the development of Waqf, as happened in Saudi Arabia and Singapore.

In Saudi Arabia, one famous example of Waqf property development was the construction of the Zamzam Tower in Mecca. This commercial development of Waqf was carried out on Waqf land managed by the King Abdulaziz Endowment Waqf (KAEW) through a BOT agreement. KAEW, as a trustee, rents out Waqf land it manages to developers (Munshaat Real Estate Projects KSC) with an *ijarah* contract (forward *ijarah*) for a 28-year contract period. The agreed rental fees, which the developer must pay, are in the form of a building and not cash. After 28 years, Munshaat is obliged to provide the building to KAEW as a rental fee for the Waqf land it manages. Therefore, the payment system is not carried out monthly or annually but in full (lump sum) after the lease period ends.

Munshaat built a tower by issuing *Sukuk al-intifa*, worth US\$390 million for 24 years. Munshaat Real Estate Projects KSC used the proceeds from the sale of *Sukuk* to pay the parties involved in project development. The flow of transactions in developing Zamzam Tower is illustrated in Figure 3.3.

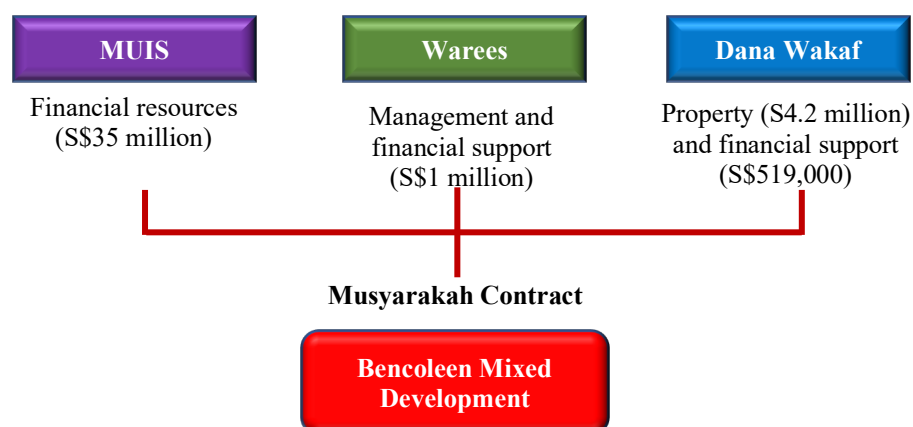


Source: adapted from Al-Hamoud (2005)

Figure 3.8: Flow of transactions in Zamzam Tower Project

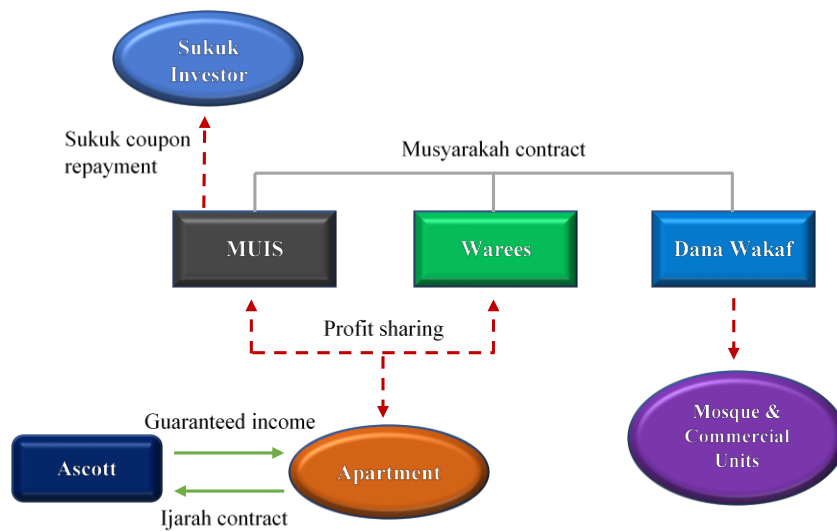
2. 2nd contract

A rental contract was made between a Special Purpose Vehicle and Ascott International Management Pty Ltd to compensate investors. Ascott agreed to lease the property for ten years so that there was an income stream. This could be adjusted according to the benefits given to investors. In the previous *musyarakah* agreement, profits were divided according to the proportion of capital invested by the parties. Figure 3.5 illustrates this type of contract.



Source: adapted from Karim (2010a)

Figure 3.9: *Sukuk* emission of MUIS (1st contract)



Source: adapted from Karim (2010a)

Figure 3.10: Sukuk emission of MUIS (2nd contract)

3.12.2.2 Equity-based financing

Waqf institutions act as landowners and make partnerships with investors or developer companies. Developers seek funding for the project and secure Waqf land as an underlying component of the loan. Mergers between Waqf institutions and developer companies can be carried out through *mudarabah* or *musharakah* partnerships (Karim 2010a; Mohsin 2014).

a. *Mudharabah*

Mudharabah is a partnership agreement between two or more parties, in which one party acts as a capital provider (*Rab al-mal*) and the other parties act as executors. The profits from the cooperative result are divided based on the agreed proportions. At the same time, the losses incurred will be borne entirely by the capital provider unless negligence of the executors causes the loss.

After the capital is returned, the partnership ends. Scholars from Shafiyya and Maliki schools of thought allow *mudarabah* only for trade purposes, and the investors should not interfere with the management. However, Imam ibn Hanbal allowed *mudarabah* between someone who provided assets and others who provided labour.

b. *Musyarakah*

Musyarakah is a contract of cooperation between two or more parties to combine capital, in the form of money or any other forms, for obtaining profits, which will be distributed

according to the agreed proportions. The losses incurred will be borne together on a pro-rata basis, depending on the capital proportion due to each party.

3.12.2.3 Self-financing

Self-financing is the contribution of cash or land assets that Waqf institutions use as the cost of developing Waqf. Waqf institutions can use several methods to reduce funding costs, for example, through land use and land securitisation. Additionally, Waqf institutions can also use cash Waqf and Waqf shares.

According to Mohsin (2005, 2012, 2014), and Khademolhoseini (2008), nine forms of contemporary financing can be used as internal Waqf financing means, namely as follows: (i) Waqf shares models; (ii) *takaful* Waqf model; (iii) direct and indirect Waqf models; (iv) mobile models; (v) semi-compulsory models; (vi) corporate cash Waqf model; (vii) deposit product model; (viii) cooperative model; and (ix) mutual fund Waqf model.

1. Waqf shares model

This Waqf system is also known as public Waqf. Waqf shares model is a system where donors buy Waqf shares from a religious institution at a certain amount agreed previously. The donors then receive a cash Waqf certificate as proof of purchase of Waqf shares. The Waqf shares are then donated to a Waqf institution that will manage the funds. The collected funds are channelled to charitable purposes (activities) specified by the institution itself, for example, for building and renovating mosques, establishing or renovating schools, training centres, and other social and economic development activities. This process ultimately converts liquid assets into fixed assets. In other words, the use of these funds is limited to the construction or purchase of new property (Sabit 2006; Khademolhoseini 2008; Mohsin 2014). This Waqf shares model has been practised and is widely known in some countries, including Malaysia, Indonesia, Sudan, Kuwait, and the United Kingdom. The process of Waqf shares model is illustrated in Figure 3.6.



Source: adapted from Khademolhoseini (2008)

Figure 3.11: Waqf shares model

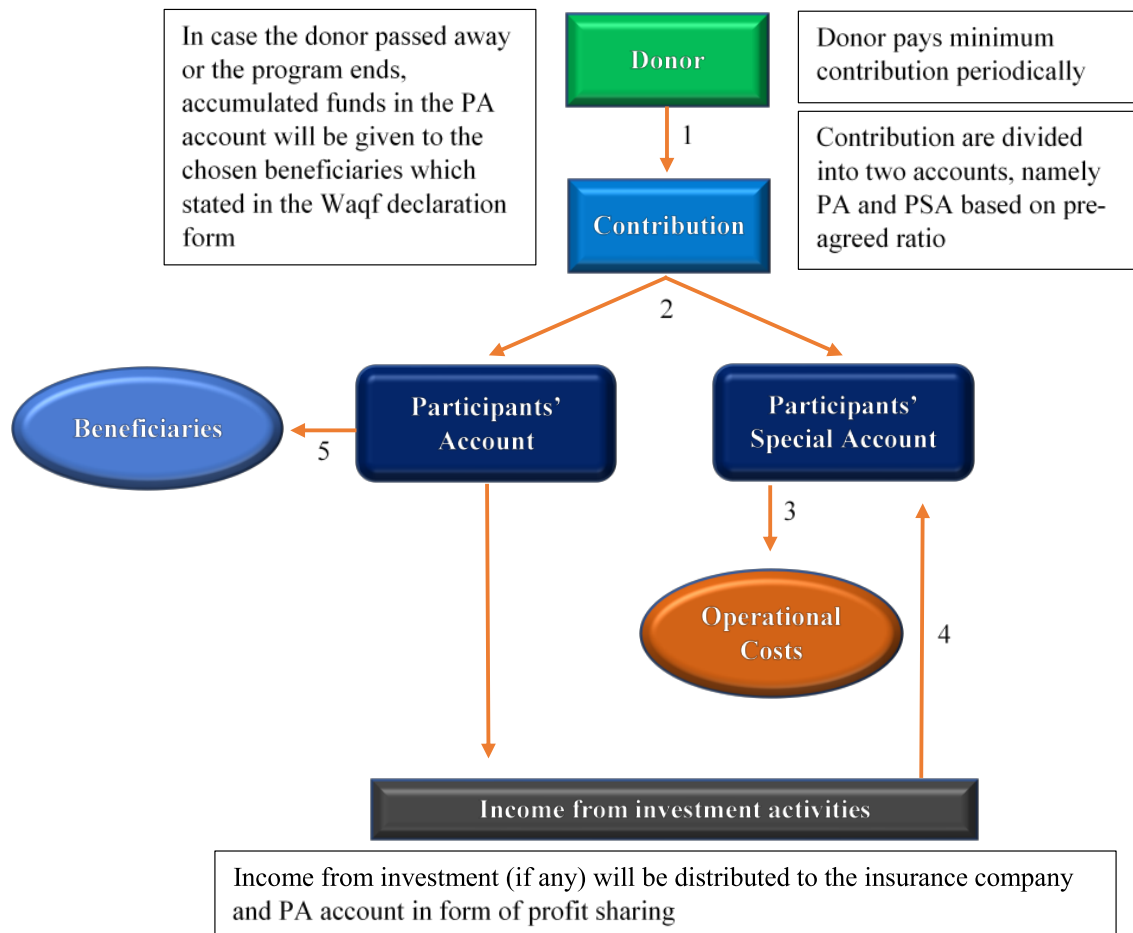
2. *Takaful* Waqf model

The *takaful* model is a public Waqf, with a similar process as Waqf shares, where the donors pay a minimum contribution periodically (for example, per month). Then the contribution is divided into two accounts, Participants Account (PA); and Participants Specific Account (PSA). The allocation between PA and PSA is based on the pre-agreed ratio specified in the *takaful* contract. Profit from investment (if any) will be distributed between *takaful* operators with PA and PSA in the form of profit-sharing agreements based on agreed proportions. If the donor/participant dies or the program ends, the amount accumulated in the PA will be paid to the beneficiaries specified by the donor in the Waqf declaration form. This model has been practised in Malaysia (Khademolhoseini 2008). The scheme of the *takaful* model is illustrated in Figure 3.7.

3. The direct and indirect model

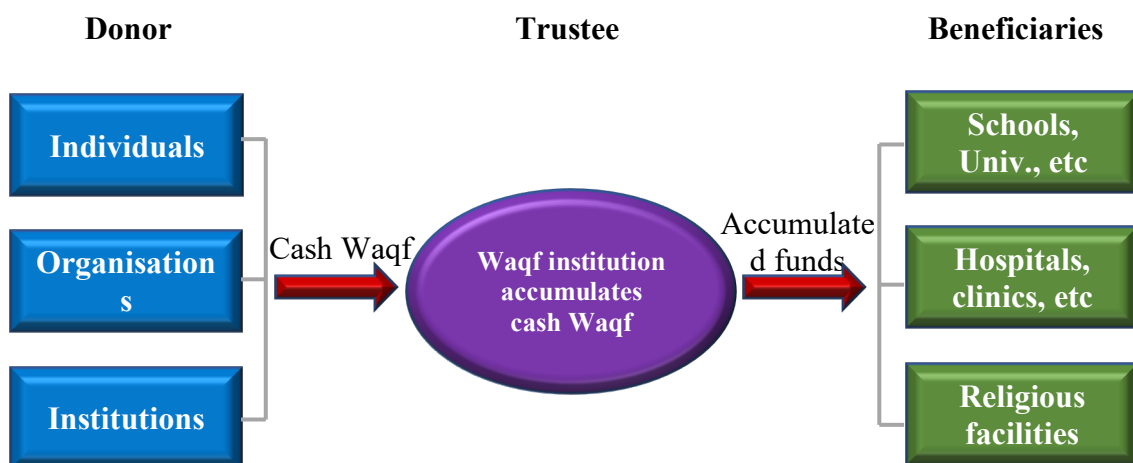
The direct model is a public endowment that begins with a contribution directly to a particular religious institution or designated institution by depositing money as cash Waqf in a bank account. The bank then invests the money under an agreement with the institution. In this case, the religious institutions act as trustees, and the income generated from the investment is then distributed for charitable purposes (Khademolhoseini 2008; Mohsin 2014). There are three parties involved in this cash Waqf, namely donor/*wakif*, trustee/*nazhir*, and beneficiaries/*mauquf'alaih*. This type of cash Waqf is divided into direct and indirect Waqf. This model has been practised in Malaysia, Singapore, Bahrain, UAE, Pakistan, India, the US, South Africa, OPEC, and ADB (Mohsin 2014). Figure 3.8 describes the process of the direct model.

The accumulated funds are distributed directly to develop or build the Waqf property to ensure the perpetuity characteristic of the direct cash Waqf. The flow of the indirect model is shown in Figure 3.9.



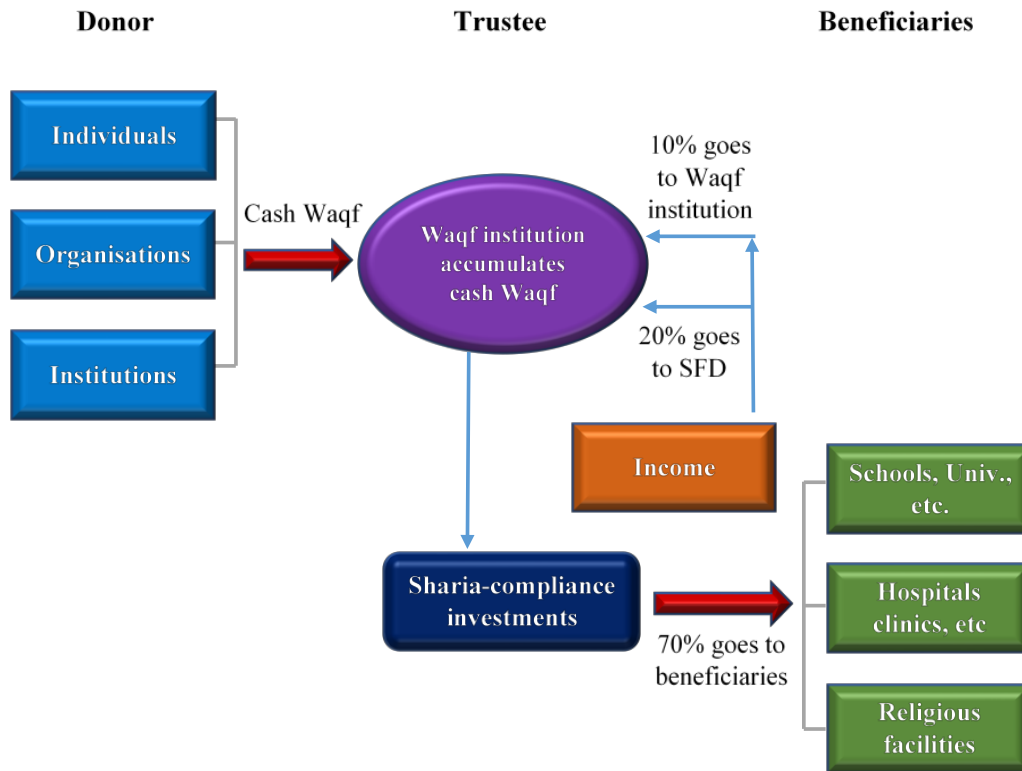
Source: adapted from Khademolhoseini (2008)

Figure 3.12: Takaful Waqf model



Source: adapted from Khademolhoseini (2008)

Figure 3.13: Direct model of Waqf



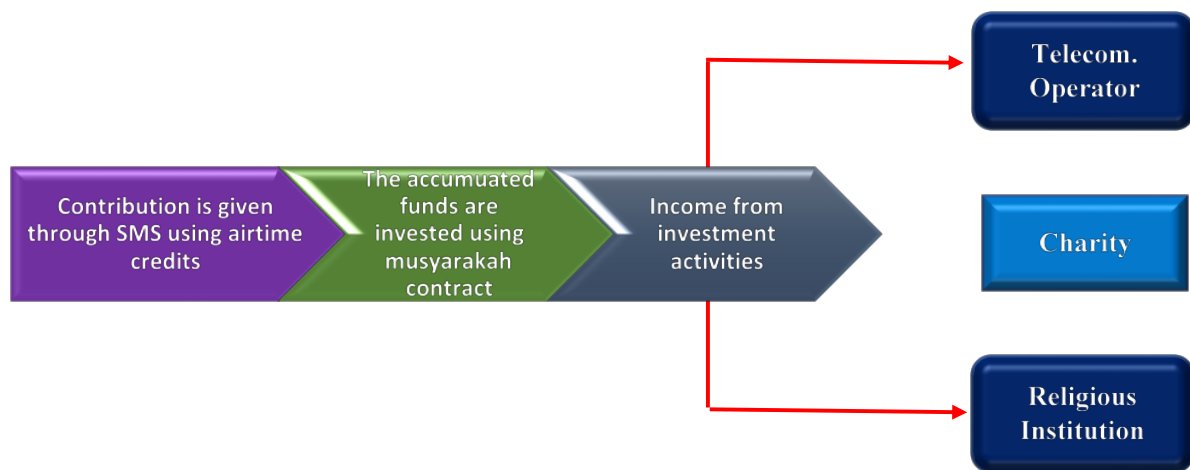
Source: adapted from Khademolhoseini (2008)

Figure 3.14: Indirect model of Waqf

To ensure the perpetuity element of this indirect model, the funds collected must be invested in projects that comply with *sharia* rules. The revenue is distributed to the beneficiaries, cover management costs, and added to capital as a self-financing device.

4. Mobile model

The process of this model starts with a donor who creates cash Waqf by sending a coded message from a cell phone to a registered religious institution. The message sent will reduce a certain amount of airtime or credit owned by the donor. Next, the amount of this airtime or credit that has been collected by the phone company will be invested using a *musharakah* contract. The revenue generated from investment is then distributed based on the agreed ratios between telecommunications companies (to cover the costs of operations) and religious institutions. This model is a public Waqf that has been practised in Malaysia and Kuwait (Khademolhoseini 2008). Figure 3.10 shows the process of the mobile model.



Source: adapted from (Khademolhoseini 2008)

Figure 3.15: The mobile model of Waqf

5. Semi-compulsory model

This public Waqf model has been implemented in Singapore. The scheme of this model started by collecting contributions from workers. In Singapore, the monthly contribution depends on the monthly gross income of the workers. The amount of income or salary deducted through an automated system is distributed through the central provident fund and MUIS (which acts as trustee). The collected funds are then used to finance charitable activities, such as building mosques and educational programs. Although this model was successful in Singapore, it was recognised that donors did not have the right to choose the beneficiaries for themselves (Khademolhoseini 2008). The scheme of this model of Waqf is shown in figure 3.11.



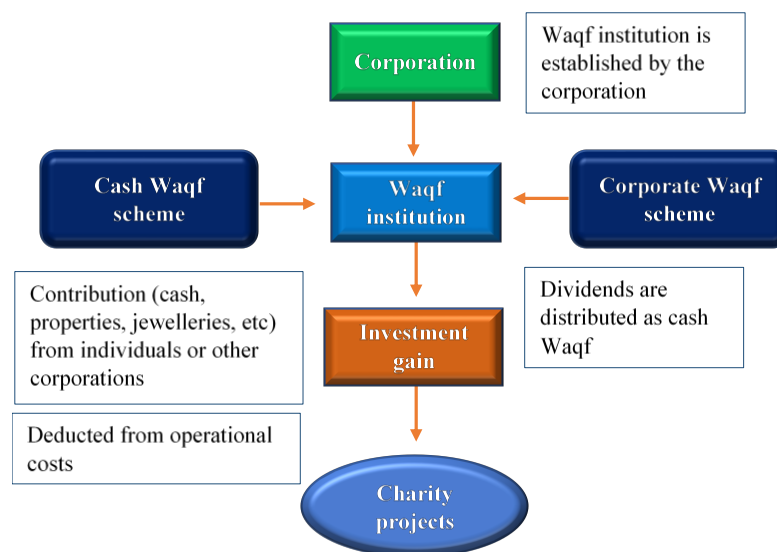
Source: adapted from Khademolhoseini (2008)

Figure 3.16: Semi-compulsory model of Waqf

6. Corporate cash Waqf model

In this model, donors are not only individuals but also corporations and organisations. This model begins when dividends are obtained, and the corporation then distributes the money

to Waqf institutions as cash Waqf. The Waqf institutions act as the trustee, manage and invest the accumulated money. After deductions for operational costs, the income generated is then allocated to finance charitable activities or projects. This model is also a public Waqf model that has been implemented in Malaysia (known as a collection of *Waqf an-Nur*), in Turkey through Sabanci Foundation, in Pakistan through the Hamdard Foundation and South Africa at the National Awqaf Foundation (Khademolhoseini 2008; Karim 2010a, b; Mohsin 2014). Figure 3.12 illustrates the corporate cash Waqf model.

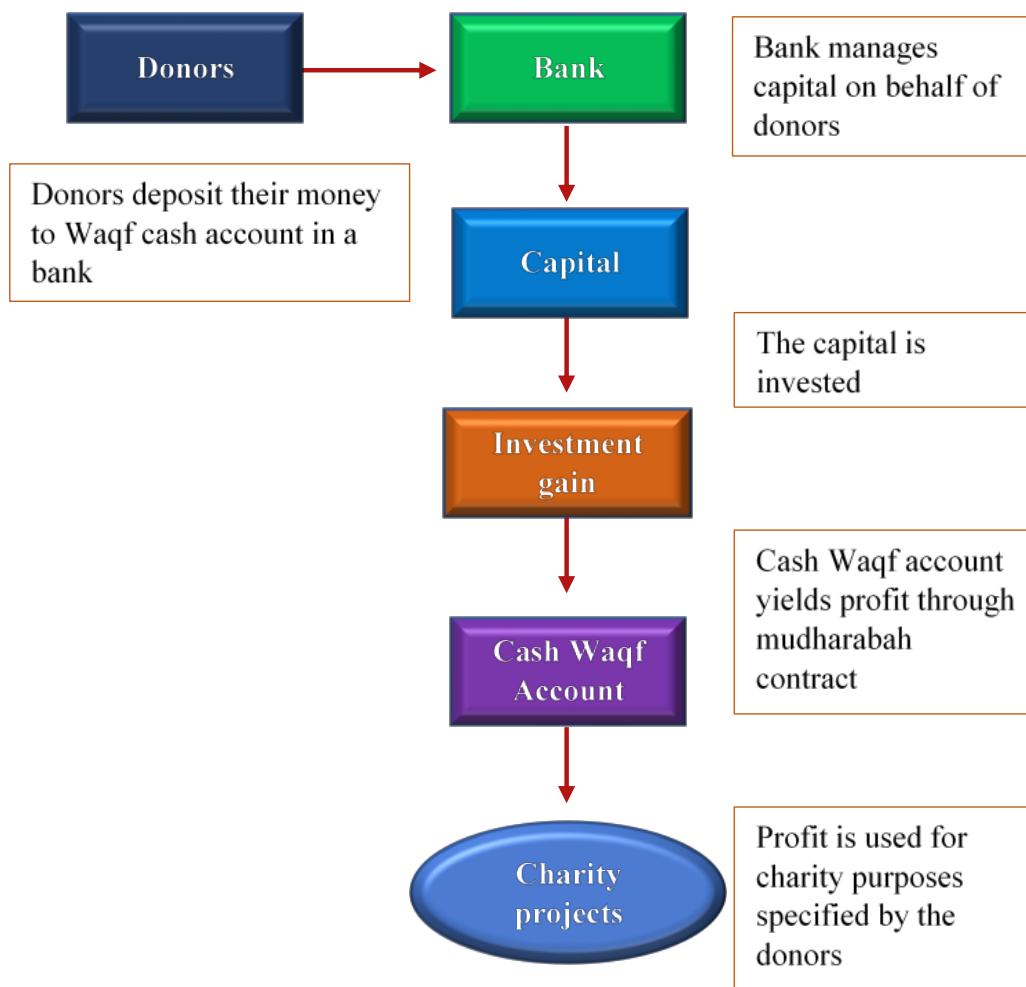


Source: adapted from Khademolhoseini (2008)

Figure 3.17: Corporate cash Waqf model

7. Deposit product model

This model has been introduced in Bangladesh in two banks, namely SIBL and Islamic Bank Bangladesh Limited. The operation of this model starts when the donor deposits money into a cash Waqf-based account at the bank. While depositing the money, the donor will be given a list of beneficiaries that can be chosen. The donor can also specify preferred beneficiaries. The bank will act as *nazhir* and invests capital through a *mudharabah* contract, and the investment gain will be distributed to charitable purposes or goals specified by the donor (Khademolhoseini 2008). The management's responsibility is to plan the types of profitable transactions and business the Waqf institution wants to explore. The model of this Waqf is described in Figure 3.13.

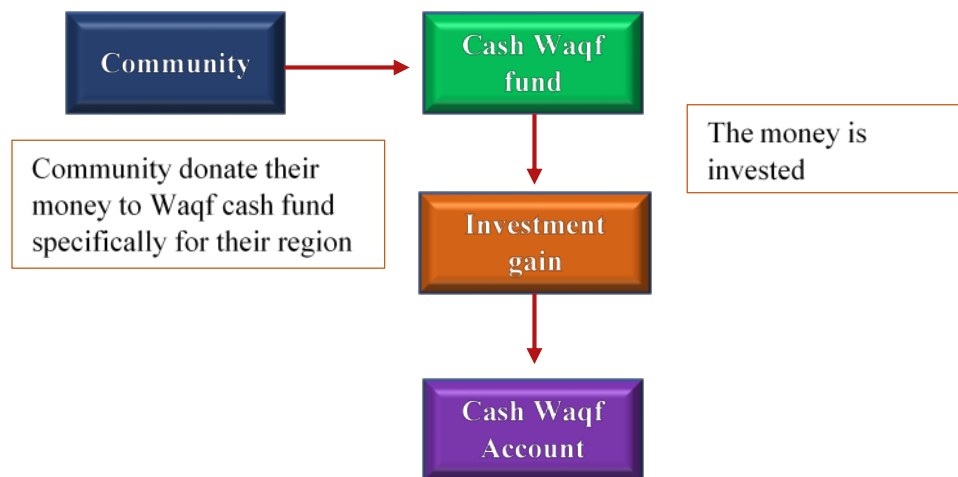


Source: adapted from Khademolhoseini (2008)

Figure 3.18: Deposit product model

8. Cooperative model

This model is a decentralised type of Waqf system that provides basic needs for each region to manage cash Waqf funds. This model begins when the community becomes the donor of cash Waqf and gives money to cash Waqf funds in their area. The chosen area will then become a trustee to manage and invest the capital, and the income from investments will be distributed for development projects in the area (Khademolhoseini 2008). This model is a public Waqf that has been used in Uzbekistan. This decentralised Waqf system was established in 1992 to provide basic needs for each district or region. The accumulated funds were used to finance religious education, health projects, and economic development projects. Figure 3.14 provides the flow of the cooperative model.

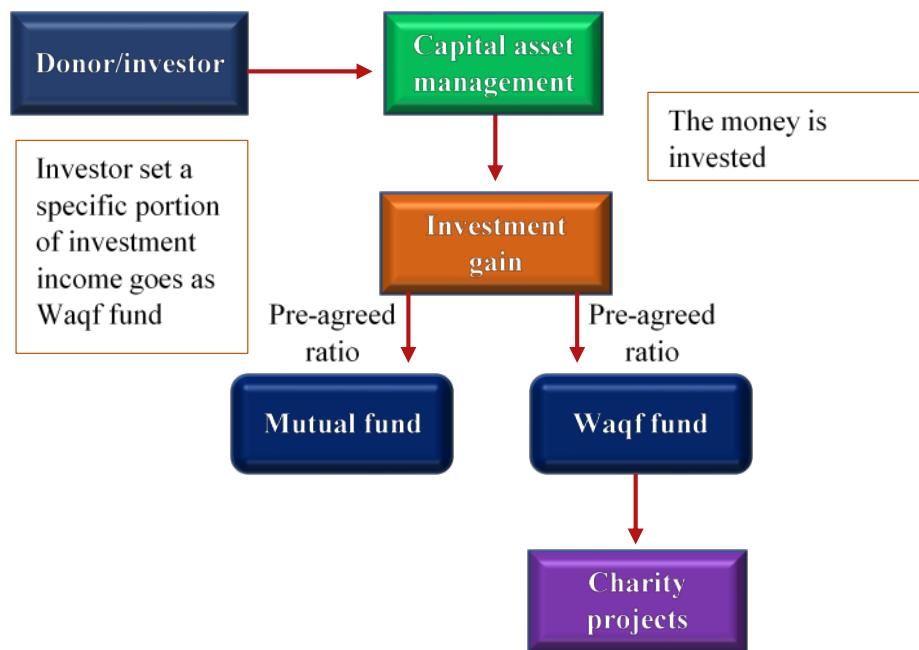


Source: adapted from Khademolhoseini (2008)

Figure 3.19: Cooperative model

9. Mutual fund model

This model is a joint Waqf that has been practised in Indonesia by several Waqf institutions, namely Dompot Dhuafa-Batasa. Dompot Dhuafa-Batasa *Sharia* Mutual Fund was established in July 2004 as a *sharia* mutual fund, which invests commonly in fixed-income returns. Batasa Capital Asset Management manages this mutual fund. The process starts when the *wakif* (founder) contributes to mutual funds and at the same time can contribute to Waqf funds. The *Wakif* determines that about 70 percent of the level of investment income is allocated to mutual funds or personal accounts and the remaining around 30 percent are allocated to Waqf funds. Investment income is distributed according to what has been decided previously (Khademolhoseini 2008). The process of the mutual fund model is illustrated in Figure 3.15.



Source: adapted from Khademolhoseini (2008)

Figure 3.20: Mutual fund model

3.13 Review of Prior Waqf Administration Studies

Many studies have been undertaken in exploring the administration of Waqf around the globe. Most of these studies (Ibrahim 2012; Khalil, Ali & Shaiban 2014; Ahmed, Omar & Ogunbado 2015; Nabi et al. 2019; Abdullah 2019) relied on the assumption of the positive contribution of the Waqf system to socio-economic development, which has been affirmed by previous research (Hodgson 1974; Islahi 1996; Cizakca 1998, 2000). Other studies have taken the issue further by investigating various aspects of Waqf administration, including the institutions, financing models, as well as accountability (Kamarubahrin and Ayedh 2018; Yumarni, Suhartini & Mulyadi 2019; Ambrose, Hassan & Hanafi 2018; Thaker & Asmy 2018). As noted by Rusydiana and Al Farisi (2016) and Rukmana (2020), the discussions in the Waqf literature in the past few years were mainly related to financial issues, economic development, governance and accountability, Waqf history, and regulation.

Waqf has historically proven to provide public goods and services through its community-driven system. During the Ottoman era, Waqf institutions played a substantial role in public services provision that was undersupplied (Mohsin 2013; Kuran 2001). In the modern era, the introduction of cash Waqf has improved the utilisation of the assets to finance public services such as health facilities, education services, and spiritual support. As the Waqf sector

operates at no cost to the government, this activity creates significant reductions in government spending. (Cizakca 2002; Mohsin 2009).

Empirically, in some countries, Waqf assets have been used as to support the public sector. Ambrose, Aslam and Hanafi (2015) interviewed Waqf government officials, Waqf scholars, and private sector representatives involved in Waqf administration. The study showed that the Waqf system is a possible solution to the unsustainable federal government debt problem in Malaysia. They suggested that the RM13 billion possible savings by the government could be used to pay down the federal debt instead of using income from tax revenue or creation of new loans. Along similar lines, the follow-up study from Ambrose, Hassan and Hanafi (2018) focused on the use of Waqf assets to support the government budget in financing the provision of public goods and mixed public goods. They argued that the return on cash Waqf investment could be used to cover 11 items in government expenditures. The model of such Waqf financing was developed through interviewing Waqf experts and academics of Islamic finance.

Another innovative study done by Alani, Algodah and Alshwaiyat (2016) highlighted that Waqf funds could be utilised to finance small projects through several financing schemes, such as Waqf shares. Waqf shares can be offered to the public at a more advanced level through the initial public offering mechanism. The main difference between Waqf shares and conventional shares is that the investors would not expect an investment gain. Instead, the investment gain is realised in the form of the benefit of the project for the community.

The studies of Ambrose, Aslam and Hanafi (2015), Ambrose, Hassan and Hanafi (2018), and Alani, Algodah and Alshwaiyat (2016) are going in the same direction, that is, proposing a Waqf financing model to support the economic outcome. The main difference is that Ambrose, Aslam and Hanafi (2015) and Ambrose, Hassan and Hanafi (2018) focused on the interactions of the government and donors. Waqf directly contributes to the state's budget so that donors surrender Waqf assets to finance the government expenditures. Meanwhile, Alani, Algodah and Alshwaiyat (2016) chose Waqf institutions and beneficiaries as the centre of the discussion. They argued that Waqf institutions should invest in the Waqf fund, from which the investment gain goes to finance social projects. In this sense, Waqf makes an indirect contribution to the state's budget through self-funding. The studies presented by both Ambrose, Aslam and Hanafi (2015) and Alani, Algodah and Alshwaiyat (2016) seemed to be preliminary studies as they did not provide further discussions on the application of the proposals. Thus, it

creates an opportunity for future study to examine the possible implementation of the Waqf system in supporting the government budget.

Although empirical evidence supports the use of Waqf assets for public services, some studies highlighted that the regulatory framework could be one of the main obstacles in doing so. Shatzmiller (2001) pointed out that the diversity in *fatwas* issued by cleric leaders regarding the transfer of ownership (from private to public) of Waqf property has led to confusion on property rights. Hence, it creates difficulties for Waqf institutions to defend the assets from other claims. Similarly, Kuran (2001) noted a shift in the view of the Waqf system in some countries such as Egypt, Morocco, Iran, and Turkey, making the system more juristic. The regulation set (e.g., establishment, assets management, and the trustee's power) stated in Waqf laws in those countries have made the system lose its flexibility. As a result, the Waqf system has become stagnant and is no longer expected to be a primary provider of public services. In another study, Kuran (2004) added another potential problem for the use of Waqf assets to finance public services. He argued that the lack of legal status as a self-governing entity made Waqf administration inconsistent and inefficient. Since the use of Waqf assets is based on the founder's stipulation, Waqf institutions are not able to modify or reallocate resources.

The studies to examine the involvement of the central government on Waqf administration were less discussed. The outcome of these studies also showed different results. Rashid (2002), whose study was performed in India, believed that managing Waqf assets should be centralised and entrusted to a council. This 'specialised' council should have the ability to plan, survey, and execute various developmental projects. The role of financial institutions in working together with the council would be vital in performing such tasks. This collaboration, in the end, should provide options for *sharia*-compliant financing models for Waqf projects. More than a decade later, Khalil, Ali and Shaiban (2014) provided a similar note about who should be responsible for managing Waqf assets. Having undertaken a comparative study of Waqf administration in Kuwait, Egypt, and Malaysia, Khalil, Ali and Shaiban (2014) found that the centralised system can be the most effective way in accelerating the development of Waqf. They later suggested that decentralising the administration of Waqf can potentially lead to inconsistency and miscoordination of the fund management, as each state has its own laws and regulations.

To some extent, the recommendations yielded from the studies of Rashid (2002) and Khalil, Ali and Shaiban (2014) are relevant to the context of Indonesia, which has 34 provinces spread out among the islands. It would be challenging for the government if each province was

given the authority to administer Waqf assets. However, the authors did not adequately address the non-technical aspects such as the integrity of the Waqf administrators. Furthermore, the centralised system of Waqf would have worked effectively in countries where the public monitoring system has been well-developed. In less-developed countries where the notion of public trust is low and a public monitoring system is absent, the centralised system of Waqf could have adverse effects.

In contrast to what has been suggested by Rashid (2002) and Khalil, Ali and Shaiban (2014), Ahmed (2013) and Ahmed, Omar and Ogunbado (2015) believed that without a solid legal framework and management system, and integrity in government agencies, a centralised Waqf administration system could be a pitfall. Ahmed (2013) surveyed 320 people to investigate the impact of public trust on Waqf authority in Uganda. The result revealed that most Muslim respondents do not trust the Waqf authority in the country as they have seen the officials not be trustworthy, accountable, and competent people. This situation is a common problem in a low-income country, where the level of corruption is high.

Departing from this view, Ahmed, Omar and Ogunbado (2015) extended the research to investigate the effect of the traditional Waqf-based financing methods on the maximisation of Waqf assets. They found that traditional Waqf financing models, such as *istibdal*, can be a powerful tool to develop Waqf properties, which were used to improve social and economic conditions. However, such a financing instrument can be effectively implemented as long as it is supported by proper management and legislation. Therefore, in Third-World countries, where the level of corruption is high and the regulation is ineffective, the traditional Waqf financing methods were not suitable due to the possibility of abuse of Waqf assets.

However, their studies were descriptive research and did not develop a proposed solution to overcome the issue. The significance of their studies could be elevated by providing further explanations on how the issue should be tackled. Hence, this gap allows future research to incorporate an explorative approach and produce recommendations on the ideal Waqf administration approach.

The issue of trust and transparency in Waqf administration has triggered more studies to examine implementation of those aspects. Hasan and Siraj (2017) developed a model of stakeholder trust in Waqf institutions to achieve sustainability in Waqf donations. They proposed six factors that influence the stakeholder trust: board benevolence, board ability, board integrity, board opportunism, communication, and accountability. Benevolence is used

as a proxy to measure whether the board members put the stakeholders' welfare above the profit-seeking motive. Ability is related to the ability of board members in fulfilling donors' expectations. Integrity refers to the perception by donors of the board members that they have complied with acceptable principles. Opportunism indicates the intention of the board members to take advantage by overriding the interests of others. Communication concerns communication between stakeholders and Waqf institutions. Accountability is often referred to through information disclosures to stakeholders. They further argued that stakeholder trust established by these factors will eventually build stakeholders' commitment to donating to Waqf institutions.

The conceptual study of Hasan and Siraj (2017) was affirmed by the research of Kassim et al. (2019), who identify internal factors that motivate donors to make regular donations. The findings of the study suggested that donors' trust is the most influential factor in persuading people to make regular donations to a Waqf institution. Other driving factors highlighted by the study are the familiarity of the donor with the Waqf institution and the perceived efficacy of the donation.

Meanwhile, Kamarubahrin and Ayedh (2018) compared and critically analysed the accountability of Waqf institutions in several states in Malaysia. They used some indicators to measure accountability, including qualitative information (e.g., governance, organisational structure, project information, and the details of the beneficiaries), quantitative information (e.g., financial statements, donations, and project cash flows), and communication (e.g., feedback communication and websites). The findings of this study suggested that Waqf institutions in most states have implemented qualitative information and communication measurements to enhance their accountability. In contrast, fewer Waqf institutions in the states have provided comprehensive quantitative information. The absence of published quantitative information tends to increase the corruption in Waqf institutions.

Transparency of Waqf institutions not only results in continuous donation, but also affects the sustainability of Waqf benefits. A study by Marziana et al. (2021) focused on examining governance and legality to improve the viability of Waqf benefits. They argued that as accountability of Waqf institutions can be achieved through disclosures of relevant information, there is a need to develop specific guidelines for reporting the results and outcome of the use of Waqf assets. Both donors and beneficiaries need to be informed about the purposes to which Waqf funds are put and how the funds are utilised to yield optimal benefits. The study also stressed the importance of implementing *sharia* good governance, instead of conventional

principles, as *sharia* governance covers the relationship with God. Thus, the aspects of integrity and transparency are given higher priority.

Prior studies have also discussed the factors that hinder Waqf development. These studies have suggested governance and legal frameworks should be the central issues in the field (Shamsiah 2010b; Siraj 2012; Alias and Cizakca 2014). Shamsiah (2010b) conducted semi-structured interviews with a range of Waqf stakeholders, including administrators, lawyers, *sharia* scholars, and financial experts, to find a coordination problem (e.g., lack of trust and vision) in governing Waqf assets. As a result, there is a lack of creativity and innovation in developing assets. She also found that there were existing gaps and inadequacies in policies and management, the legal framework, and *sharia* compliance to enhance the use of Waqf assets. She suggested that a supportive but robust legal framework is needed, as it will trigger a new financing model for Waqf assets.

The outcome of the study conducted by Shamsiah (2010b) has shown that coordination problems exist in a country with a more advanced Waqf system than in Indonesia. It is also interesting to see that a legal framework has been suggested to tackle the coordination issue in utilising Waqf assets. Nevertheless, in terms of enhancing the development of Waqf assets, Shamsiah (2010b) did not cover the views from donors and beneficiaries as the stakeholders of Waqf assets. Getting shared expectations from these people would have provided more perspectives on how Waqf assets should have been developed. Another interesting point from this study is that there was a trust issue among Waqf administrators. Meanwhile, the study from Ahmed (2013) highlighted the lack of public trust in Waqf administrators. Therefore, it is compelling for future research to focus on the interactions and coordination between public and Waqf administrators concerning the use of Waqf assets.

A study conducted by Siraj (2012) focused on the governance issue of Waqf administration in Malaysia. Through in-depth interviews with 36 senior managers and operational officers of the Waqf authority in Malaysia, Siraj (2012) found that the main challenge in the governance of Waqf administration is the capability of the Waqf institution itself. Limited administrative capacity and strategic planning by the Waqf institution can potentially lower the operational effectiveness of the Waqf system, leading to low accountability. Also, there is limited influence from the federal religious authorities on Waqf management practices, which causes coordination problems.

Extending the study of Siraj (2012), Alias and Cizakca (2014) focused on the legal structure of Waqf in Malaysia to introduce a legal framework that supports modern Waqf operation. Alias and Cizakca (2014) undertook a comparative study of Waqf foundations in Europe, the US, and Turkey to identify the characteristics of their current Waqf administration. Then a survey was launched related to the current laws and statutes of Waqf in Malaysia. The finding was interesting, as it advised the Waqf institution to legally incorporate a new administration. The legal reform should be performed to liberalise the institution as well as widen its authority. For example, they proposed that the Waqf institution should be equipped with discretionary powers and should be allowed to set fixed durations for Waqf assets.

The studies from Siraj (2012) and Alias and Cizakca (2014) have been a breakthrough in identifying driving factors for Waqf development. However, neither of these studies considered the *sharia*-compliance element of the discussion. For example, allowing a settlement duration for Waqf assets could potentially eliminate the perpetual characteristic of Waqf. Hence, these ideas should be analysed further through group discussions involving *sharia* scholars to get another view from an Islamic legal perspective.

Besides the developmental factors of Waqf administration, another topic that triggered discussion among scholars was the utilisation of Waqf assets. The central issue was not only to cover how the Waqf assets were used (output-based) but also how Waqf institutions manage the assets to give higher multiplying effects in the economy (outcome-based).

Despite some studies having explored the possible use of Waqf land (Ibrahim 2012; Ismail, Salim & Hanafiah 2015; Puspitasari 2017), many prior studies focused on the discussion of cash Waqf. For instance, Shahimi, Marzuki and Embong (2013) used a dynamic approach model to calculate the potential of cash Waqf to be used as an alternative instrument for poverty alleviation in Malaysia. The calculation was specifically focused on the effectiveness of microfinance in distributing Waqf funds. They simulated the model using assumptions, including the source of funding and mobilisation of the fund. From the model's output, they found that a Waqf fund is significant in reducing the number of poor people in the country by 50% and 500,000 job opportunities would be created, saving the government spending budget by more than RM13 billion in the next 30 years. These outputs also suggested that by channelling Waqf funds into Islamic microfinance institutions, the sustainability of the small to medium economy will be higher due to the low liquidity constraint (i.e., perpetual nature of Waqf). Also, the financing problem with high interest rates could be reduced by microfinance institutions giving benevolent loans.

The findings suggested by Shahimi, Marzuki and Embong (2013) are somewhat encouraging. The calculation, once again, supported the views on the positive contribution of Waqf assets to social and economic development. Nevertheless, it is worth noting that the impact of distributing Waqf funds through Islamic microfinance would not be that high in countries where the Islamic financial sector is smaller than the conventional (for example, Singapore and Indonesia) or in countries where the number of microfinance institutions is not significant, like Turkey.

A more current study conducted by Duasa and Thaker (2016) confirmed what has been previously suggested by Shahimi, Marzuki and Embong (2013). However, unlike Shahimi, Marzuki and Embong (2013), who discussed the supply side of microfinancing, Duasa and Thaker (2016) focused their study more on the demand side of microfinance, which is micro-enterprise. In detail, they observed the probability of micro-enterprises using cash Waqf as an alternative source of financing. The data from survey questions were analysed using structural equation modelling (SEM), and then the outputs were validated under a theory of reasoned action framework. They found that, in the absence of cash Waqf investment, micro-enterprises tend to choose internal financing for several reasons, including high interest rates and strict document and collateral requirements. They argued that a cash Waqf investment model can be a solution for micro-enterprises to improve their access to finance.

The findings highlighted by Duasa and Thaker (2016) are not surprising. Many micro-enterprises operate in rural areas and are managed in a very traditional way. For example, they still use manual handwriting to record income and expenses. They possess higher credit risk compared to contemporary small enterprises. As a result, debtors will apply higher interest rates and a complex assessment process. Despite that, it would be interesting to elaborate further on each of the arguments that underlie the selection of internal financing by micro-enterprises by adopting in-depth interviews in future research.

3.13.1 Empirical Studies on Indonesian Waqf Sector

The studies on Waqf using Indonesian data are fewer than those studying other countries, such as Malaysia and Singapore. However, a study from Masyita, Tasrif and Telaga (2005) has become an important milestone among the more current studies (Shahimi, Marzuki, and Embong 2013; Ahmed 2013; Ahmed, Omar, and Ogunbado 2015). Masyita, Tasrif and Telaga (2005) conducted a survey to examine the possibility that cash Waqf could alleviate poverty, using a dynamic model to analyse the data. The study yielded two critical findings.

First, the survey results suggested that most respondents do not believe in the government's capability and integrity in managing a huge Waqf fund. Second, most people recommended that a Waqf fund should be managed by a professional institution that can detect any potential fraud. The second finding came from the dynamic model. Using assumptions of the cash collection rate of Waqf institutions being Rp50 million per day, and the fund being invested in Islamic financial products with a yield of 25% per annum, the calculation predicted that it would take approximately 30 years to eliminate poverty in Indonesia and 57 years to improve the livelihood of Indonesians.

The first finding suggested by Masyita, Tasrif and Telaga (2005) is intriguing and can be the cornerstone for any research examining future development for the Indonesian Waqf sector. However, it is still debatable about who should manage Waqf assets and what approach is the most suitable (see Rashid (2002), Khalil, Ali and Shaiban (2014), and Ahmed, Omar and Ogunbado (2015)). For the Indonesian context, it is encouraging to launch a study to determine who should become the Waqf authority and what its scope of authority should be. However, a survey is not likely to be the most appropriate method as the future study should go deeper on the issue.

Additionally, previous studies have focused on investigating the factors that influence the development of the Waqf sector in Indonesia. Haneef, Kamil and Ayuniyyah (2017) used SWOT analysis to investigate the management of Waqf in Indonesia, with a specific focus on examining the role of IWB as the Waqf authority. The findings of the study were interesting. The independent status of IWB was identified as a strength, as well as its ability to maintain good cooperation with other related institutions. On the other hand, the study suggested that there is a lack of integration between IWB and Waqf institutions in terms of reporting compliance. The overlapping roles between IWB and the Ministry of Religious Affairs was also highlighted as an internal challenge for IWB in performing its duties. However, the scope of the study was not broad enough, and it demonstrated lack of rigorous method in gathering the primary data, as it involved only one participant from IWB.

Following the study of Haneef, Kamil and Ayuniyyah (2017), Huda et al.'s (2017) study provides a broader scope by incorporating the perspective of regulator, *nazhir*, and donors into the analysis. Using the Analytic Networking Process method, the study identified key issues in the Waqf sector and determined the priority strategies to overcome the problems. Two major issues were urgent. The first issue was related to the professionalism of the *nazhir*. It was suggested that *nazhir* has not become a dedicated profession. As a result, the person did not

have a strong commitment to manage the assets. The second problem concerned the information asymmetry regarding the regulations. The study revealed that many stakeholders were not aware of Waqf regulations, as the approved regulations were not adequately communicated.

Meanwhile, Rusydiana (2018) identified some key factors in developing cash Waqf in Indonesia by applying the interpretive structural modelling method, in which he involved experts in cash Waqf to validate the model. One of the critical factors that are a priority in developing cash Waqf is the people's trust in Waqf institutions. These institutions can build trust by implementing a transparent and accountable system. Further, the study also pointed out the importance of cooperation among the stakeholders (i.e., government, the central bank, Waqf authorities, Waqf institutions, donors, beneficiaries, Islamic financial institutions, and Islamic scholars) to develop a strategy in promoting cash Waqf. Using a different method, Rusydiana and Devi (2018) elaborated cash Waqf development in Indonesia using an analytic network process. Despite the different analytical approach, the findings are somewhat similar to Rusydiana's (2018) study that identified trust in Waqf institutions as the major issue. However, the study also revealed other critical issues in Waqf development such as unfulfilled Waqf covenants, misappropriation of Waqf funds, and weakness in managerial system.

The findings of the studies by Rusydiana (2018) and Rusydiana and Devi (2018) have suggested the importance of the connection between donors and Waqf institutions, in terms of accountability and trust and relationships among stakeholders, in improving cash Waqf. These findings may create a niche for the following study to examine the working relations between the involved actors in Waqf administration.

Ali et al. (2018) have followed a similar line to Rusydiana (2018) and Huda et al. (2017). They analysed the data from interviews and questionnaires with Waqf practitioners using the analytic network process to identify the critical aspects of Waqf administration. The determinant factors were divided into two: internal and external. The lack of competence and professionalism of *nazhir* became the main internal problem. In contrast, the lack of understanding from people about Waqf, less supportive regulation, and the role of IWB were the external key issues. These findings were consistent with the previous study by Riyadi (2009), which suggested that the administration of cash Waqf can be comprehensively performed, and the utilisation of Waqf funds can be maximised, if it is supported by professional management and appropriate investment skill. In addition to that, Yumarni, Suhartini and Mulyadi (2019) suggested that the role of *nazhir* is critical in improving

accountability of Waqf institutions. However, the evidence has shown that the selection of *nazhir* is not based on professional considerations. Instead, a *nazhir* is selected due to his standing in society.

A further investigation is needed on the outcome of the studies by Ali et al. (2018) and Riyadi (2009). A follow-up study is critical in establishing strategies for Indonesia's Waqf sector development, especially in providing solutions for the identified obstacles.

The issue of Waqf accountability has also been the focus of previous research. Ihsan et al. (2017) launched a case study on Dompot Dhuafa to investigate how Dompot Dhuafa dealt with the issue of accountability in managing Waqf assets. Using semi-structured interviews and thematic analysis, the study found that Dompot Dhuafa used financial and non-financial disclosures as the instruments to show accountability upward to the regulator and donors. Meanwhile, accountability downward to the public was implemented by providing the best possible services to the beneficiaries as an indicator of assets management effectiveness.

Previous studies also highlighted the importance of donors and beneficiaries for Waqf institutions. Huda (2011) stressed the essential contribution of donors, as well as beneficiaries, in supporting the fundraising strategies of Waqf institutions. He asserted that fundraising for Waqf institutions could be improved through extensive fund collections from donors, increasing the productivity of existing Waqf assets, and empowering the outcome of benefit distributions of the assets. The latter result indicated that beneficiaries have an indirect effect on the funding sustainability of Waqf institutions, as their satisfaction might impact the performance of the institution. To fulfil the expectations of the beneficiaries, Ihsan and Ibrahim (2011) recommended that a Waqf institution implement a procedure that is in line with its objective through good corporate governance. Using a case study of two Indonesian Waqf institutions, he found that improved Waqf governance would eventually assist a Waqf institution to focus on the expectation of the beneficiaries and the fulfillment of *sharia* requirements.

In the effort to maintain the sustainability of Waqf funding, Ahmad and Rusdianto (2020) investigated factors that affect the willingness of people to do Waqf. In conducting the study, he presumed that the people's lack of awareness in donating was the main obstacle in Waqf fundraising. By surveying 386 respondents and analysing the data using a multiple regression technique, Ahmad and Rusdianto (2020) found that knowledge, income level, social culture, and promotion are among significant factors that affect the willingness to donate.

Another finding of this study was that the availability of donation instruments is lagging behind the willingness of the public to donate.

Nevertheless, the lack of donation instruments as highlighted by Ahmad and Rusdianto (2020) is not always an issue. Berakon, Aji and Hafiz (2021) investigated the role of a digital *sharia* banking system in stimulating donations among Muslim youth. The study involved 225 participants who representing Muslim youth in Yogyakarta and Central Java provinces. Using partial least square SEM to analyse the data, the study's results suggested that the digital Waqf platform offered by Islamic banks significantly encourages the intentions of Muslim youth to donate cash Waqf. The participants found that the platform is beneficial in making the Waqf transactions easier.

The collection of Waqf funds is not only determined by the intention of donors. Utomo, Masyita and Hastuti (2020) conducted research that further investigated the relationship between Waqf institutions and Islamic financial institutions in collecting cash Waqf. The study aimed to explain why the collection of cash Waqf was under its potential by surveying 17 Islamic banks and 11 Waqf institutions. The data were analysed using partial least squares SEM to determine the coordination of the behaviour of Islamic banks and Waqf institutions. The finding suggested that the current regulation of cash Waqf discouraged Islamic banks and Waqf institutions to coordinate and provide reports to IWB. However, the relationship between these two actors and government support has a positive effect on the reporting behaviour.

3.14 Conclusion

This chapter provided discussions in the literature dealing with Waqf, and, how Waqf assets can be utilised to support public services delivery. As an Islamic TSO, Waqf has been historically proven to be one of the important institutions in promoting public services. The perpetuity characteristic of Waqf assets ensures the sustainability of its benefits in the long term. It is argued that the Waqf system could contribute to economic outcomes in many ways, including cumulative investment, sources of state financing, and wealth redistribution.

The review on the empirical literature related to Waqf administration sheds light on how other countries have reconceptualised the use of Waqf assets to maximise their potential. Many prior studies have examined the management of Waqf, including identifying factors that affect the development of Waqf, investigating Waqf governance, analysing the role of government, and exploring innovative uses of Waqf assets. Prior studies using Indonesian data

have somehow been less popular. However, most of these studies follow the same direction with research in the global context.

Despite the growing number of studies in Waqf administration, it is argued that some of the studies possess a number of drawbacks, which creates opportunity for future research. Hence, this research fills a gap by extending the scope of analysis used in some research, for example Ali et al. (2018), Rusydiana (2018), Ambrose, Aslam and Hanafi (2015), and Alani, Algodah and Alshwaiyat (2016).

Following the theoretical and empirical insights derived from chapter 2 and chapter 3, the next chapter discusses the methodological part of the research, including the research design, research process, and data analysis.

CHAPTER 4 METHODOLOGY

4.1 Introduction

Chapters 2 and 3 reviewed the theoretical and empirical literature, providing a framework for this research into improving the contribution to the Indonesian socio-economic outcome of Waqf institutions as Islamic TSOs. As outlined in this chapter, to investigate the use of Waqf assets to deliver public service, a qualitative case study approach is adopted. By using this approach, the study focuses on identifying the key factors that affect the development of the Waqf sector in Indonesia and exploring how Waqf assets have been used for delivering public services. This study also attempts to understand the relationship between government agencies and Waqf institutions in utilising Waqf assets and the perception and expectations of donors and beneficiaries on the use of those assets.

This chapter will discuss the design of the research and how the methodology was conducted for the study. The study design and research procedures broadly followed the steps suggested by Miles and Huberman (1994) and Creswell (2007). This set of research procedures were used to answer the research questions posed in chapter 1. Individual interviews, which became central to the case study methodology, were used to seek a specific opinion on a particular matter. Therefore, this study uses semi-structured interviews to gather information on the experts' and people's perceptions in Waqf administration.

Furthermore, the results of the interviews were analysed using content or thematic analysis to identify the key themes and categories that emerged. This study also used supporting data such as state budget reports, laws and regulations, and Waqf institutions' annual reports to support the analysis of the findings and enable the triangulation process (Creswell 2013; Fossey et al. 2002; Stake 2006).

4.2 Research Design

This section discusses the study's research design, as outlined in Figure 4.1, drawing linkages between the literature survey, formulation of the research questions, selection of research approach, data collection process, and data analysis. In general, this study applies a case study approach to find answers to the research questions raised. This approach is expected to provide a better understanding of how Waqf contribution to Indonesia's socio-economic development can be improved.

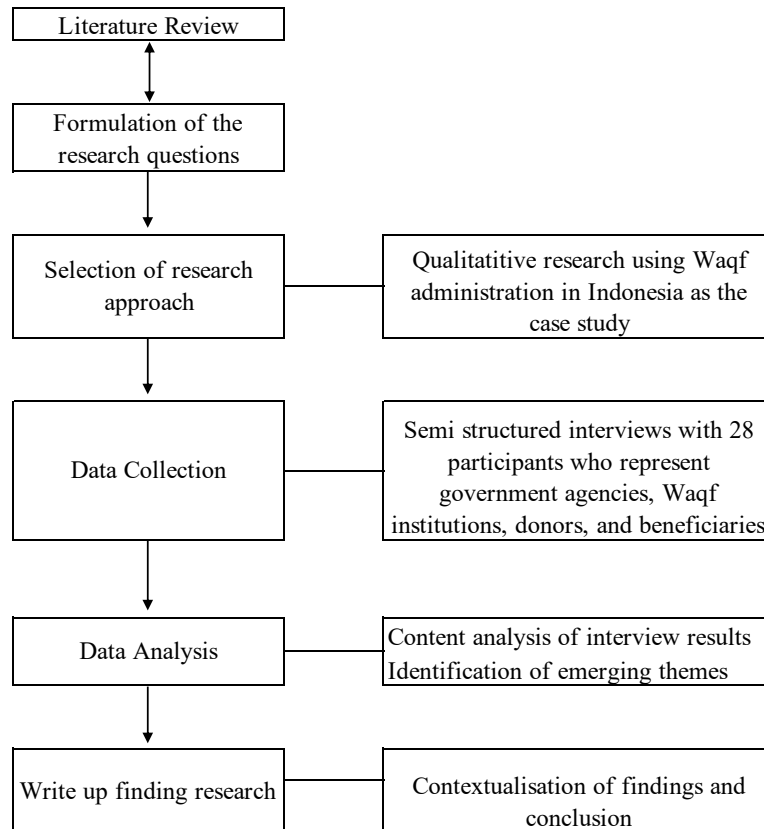


Figure 4.1: Research Design

The research questions (see chapter 1) were developed based on the literature review that mainly dealt with TSOs and Waqf development (see chapters 2 and 3). The central empirical element of this study is a case study, with the case of Waqf administration in Indonesia. The rationale of the selected method is provided in section 4.5.1. Data were collected through fieldwork, which involved semi-structured interviews with government agencies, Waqf institutions, donors, and beneficiaries. Data-collection techniques, including participant selection, sample and selection criteria, and interview questions, are discussed in sections 4.5.3 to 4.5.6. The data was transcribed and analysed using content or thematic analysis (see section 4.7) as this type of analysis enables the researcher to identify themes that emerged from the interview results. Results were then discussed and contextualised, and conclusions were drawn from the findings (see chapters 6 to 8).

4.3 Qualitative Research Paradigm

Based on the types of analysis techniques used, there are two broad research paradigms: quantitative and qualitative. Even though there is also mixed-methods research, these two types of research are the foundation of such an approach. According to Donmoyer (2008),

quantitative research is an empirical study approach to collecting, analysing, and displaying data in numerical forms rather than narratives. In comparison, Cooper and Schindler (2006) assert that quantitative research is a type of study that attempts to provide an accurate measurement of something. One main characteristic of quantitative research is that it is a value-free study. In other words, quantitative research is rigorous in applying the principles of objectivity. The objectivity is obtained using instruments that have been tested for validity and reliability.

Qualitative research is the other research approach that investigates and understands individuals or groups in the context of social or human matters. The subject of investigation in qualitative research can be human lives, experiences, behaviours, feelings and emotions, organisational functioning, cultural matters, social phenomena and interactions between nations (Corbin and Strauss 1990). The data in this type of research is built from a specific to a more general theme and usually gathered using the participants' setting. As highlighted by Williams (2007), one of the main characteristics of qualitative research is the participant's point of view, which can explain the social phenomena related to the study.

In conducting qualitative research, scholars like Miles and Huberman (1994) and Corbin and Strauss (1990) discuss various methods (such as interviewing participants, observing the phenomena, and analysing documents). Further, the researcher must be able to build a complex, holistic picture, explain the meaning of words, and report detailed views of participants. These processes must be conducted in a natural setting as the researcher does not manipulate the environment but studies things as they are (Creswell 2013). According to Eriksson and Kovalainen (2008), qualitative research enables the researcher to focus on the complexity of social phenomena and create their context. It also provides a reflective and critical view of the social world.

In terms of the types of qualitative research, literature diversely categorises them. For example, Patton (2002) offers 16 different theoretical perspectives on a qualitative study based on the disciplinary roots and foundational questions. This classification includes well-trodden aspects such as ethnography and grounded theory and some that are less frequently encountered, such as complexity theory. Ethnography is a qualitative design where the researcher describes and interprets patterns of values, behaviour, beliefs, and languages learned and adhered to by a cultural group. Ethnographic research cannot be separated from the work of anthropology because this type of approach naturally examines individuals and communities

living in certain cultural situations. Ethnography is also known as ‘Naturalistic Inquiry’ (Guba and Lincoln 1994).

Grounded theory is a research approach that is influenced by sociology. The philosophical basis of grounded theory is symbolic interaction, which comes from social psychology. The grounded theory method is used to construct an argument inductively to explain a phenomenon that cannot yet be explained through the existing theory. Such an approach is ideally used to explore the social relationships and behaviour of a group. On the other hand, instead of building theory, complexity theory is like a set of concepts, analytic and heuristic tools (Manson 2001). It combines different methods from various fields to explain certain matters.

Creswell (2007) discussed five approaches for qualitative research: narrative, phenomenology, grounded theory, ethnography, and case study. Narrative analysis is commonly used in the field of literature, history, sociology–anthropology, and education. It analyses the context of the stories told by one or two individuals. Phenomenological research differs from a narrative study in that it focuses on the meaning of lived experiences from several individuals, which are common and considered a phenomenon. Further, research using the grounded theory approach attempts to generate or discover a theory that can explain a practice or provide a framework for further research. Ethnography focuses on the whole group, and it examines a pattern or value followed by people within the group.

Similarly, Denzin and Lincoln (2018) introduce six strategies for research: ethnography, grounded theory, life and narrative approaches, participatory research, clinical research, and case study. Ethnography is a qualitative design that focuses on an entire cultural group. The researcher explains and interprets the patterns of values, beliefs, and language of a culture-sharing group by being involved in the day-to-day lives of the people and doing observations and interviews. For narrative research, the themes arise from the word ‘to narrate’, which means telling a story in detail. Narrative research focuses on the study of an individual. In the design of narrative inquiry, researchers describe and tell stories about individual lives, and gather and write stories or histories of specific personal experiences.

Clinical research is mainly related to a study of health and illness in people, using many different elements of scientific investigation. This type of research usually involves experiments or trials on the participants. It is designed to answer specific questions about possible new treatments or new ways of using existing treatments. Participatory research is a

model of study that combines theoretical and practical aspects. The design of this research focuses on the involvement of the research participants and the researcher. This type of research has a social dimension in which the researchers put themselves in an actual situation to solve a problem.

Researchers often employ single or multiple qualitative case studies to understand the social matter's complexity better. It is also used to get a critical and reflexive view of the social process, as suggested by Eriksson and Kovalainen (2008). The qualitative case study has other advantages for researchers. As noted by George and Bennett (2004), a qualitative case study supports researchers in identifying new constructs and assessing causality for occurrences within a specific case or context. It also helps researchers to apply a defined theory to new settings (Odell 2001), to analyse phenomena through empirical examination (Stake 1995), to provide a description of complex events, and to generate data based on participants' points of view (Johnson and Onwuegbuzie 2004).

Following the discussion above, this research employed a qualitative case study to answer the research questions and explore participants' perceptions of a specific issue while not making exact measurements of a problem. Investigating Waqf administration, where it involves many actors, is complex and covers the regulator, executor of the programs, donors, and beneficiaries. The perceptions of these people are subjective and based on the value they hold; hence, it meets the non-objective and non-value-free characteristics of qualitative research.

4.4 Case Study Research

One of the research designs in the qualitative method is a case study. From a historical perspective, a case study originated from clinical studies (Eckstein 2000). Case study method focuses on the in-depth study of individuals or groups, and it has become more commonly adopted in the fields of social, political, and economics research. Creswell (2013) outlined that this type of approach requires the researcher to develop an in-depth analysis of a case.

In adopting a case study method, the researcher must pay attention to the importance of creating a boundary of time and activity on the selected case. As Yin (2014) mentioned, the significance of doing an 'empirical investigation' of a phenomenon in a real-life context exists when the boundaries between phenomenon and context are not clear. Meanwhile, Dooley (2002) defined a 'bounded' case study as 'an account of an activity, event, or problem.' Similarly, Creswell (2007) described a case as 'an exploration of a bounded system' such as a

program, event, or activity. Therefore, a case study should have a boundary around the case, such as identified individuals and groups or organisations.

Some scholars (George and Bennett 2004; Yin 2014, 2011) outlined the strengths of the case study method, as summarised in Table 4.1. A case study can be used in a study that explores causal mechanisms, which allow the researcher to make an inductive observation of causality. In a more advanced use, the case study method can help the researcher model and explain the causal relations between humans and their environment. The case study method can help a researcher identify and measure the validity of an existing theoretical concept. Another strength of the case study method is that it helps the researcher to derive a new hypothesis through an in-depth analysis of data such as interviews or archival documents.

Table 4.1: Strengths of Case Study Methodology

Dimensions	Strengths
Exploring causal mechanisms	A case study helps the researcher to understand in detail how causality works in individual cases. Within a single case, it allows the researcher to see many intervening variables and make an inductive observation of any unexpected aspects of a particular causal mechanism.
Modelling and assessing complex causal relations	A case study helps the researcher explain complex causal relations, such as interactions between humans and the environment.
Conceptual validity	A case study enables the researcher to create solid conceptual validity or identify and measure variables that represent the theoretical concepts the researcher wants to investigate.
Deriving new hypotheses	A case study creates an opportunity to develop and identify new variables and hypotheses through an in-depth analysis of data. This kind of data can be gathered through, for example, archival research and interviews with respondents.

Source: George and Bennett (2004) and Yin (2011, 2014)

On the other hand, the case study method also possesses some limitations. Yin (2014) noted that a case study's most significant concern is the absence of systematic guidelines for the methodology. For example, there are no specific guidelines to develop a final report for case study research. The researcher must use their instinct and ability to produce the final product. Consequently, there is a possibility that the researcher must filter the data into what

they want to be reported. In this sense, case study analysis could suffer from external validity and ethical issues (Guba and Lincoln 1994).

The case study method could also face an issue related to generalisability. A case study is often considered to lack representativeness and rigorousness in data collection and may lead to bias due to subjectivity (Hamel 1993). The issue with generalisability is also caused by the small number of samples used in the case study method. However, Flyvbjerg (2006) mentioned that this is not always the case. He argued that generalisations made from a large sample are overrated in the context of its contribution to science. As the goal of case study is to gain the richest insight, large numbers of participants from random samples may not be the most appropriate ones.

Given the strengths and weaknesses of the case study method, this research nevertheless uses a case study as the pros outweigh the cons. The use of a case study approach in this research is beneficial in explaining and comparing participants' views on Waqf administration in Indonesia, in particular, the use of Waqf assets for providing public services. As highlighted by Lapan, Quartaroli and Riemer (2012), one of the main features of a case study is the ability to explain, describe, and compare one or several phenomena.

A case study approach has become more prevalent in the third sector or non-governmental organisations. For example, Anheier (1990) used a case study to compare the development and operations of private voluntary and non-profit organisations in Africa. He asserted that the sector plays significant roles in Third-World countries and provides services more economically than the government. Chew and Osborne (2009) used multiple case studies to identify factors that influence the strategic positioning of large charity foundations in the UK. They selected drugs care and rescue service organisations as the cases and concluded that the charitable organisations have begun to develop a long-term strategy in positioning themselves in changing external conditions. They also found that some of the TSOs' strategic positioning is distinct to what has been suggested in the literature.

Bloice and Burnett (2016) employed a case study method on an organisation called Scottish Autism to investigate the application of knowledge sharing barriers theory within TSOs. They found that such theory is not applicable in Scottish Autism. Hence, they suggested re-defining the concept of knowledge sharing barriers in the literature to fit with the TSO setting. Manville and Greatbanks (2020) launched a study in the UK social housing sector to examine the relationship between performance and organisation hybridity. They used a case

study of housing associations and found that strategic performance measurements play a pivotal role in the hybridisation of the TSOs.

Several previous studies have used a case study approach to investigate Waqf administration (Mohsin 2003; Sabit, Iman & Omar 2005; Shamsiah 2010a; Siraj 2012; Hamat 2014; Puad, Rafdi & Shahr 2014; Siraj & Karbhari 2014). Within the Indonesian context of the study, Ihsan and Ibrahim (2011) investigated good governance on Waqf foundations in Indonesia. They specifically highlight the accounting and management system by applying multiple case studies on two Waqf institutions. They found that a Waqf institution that employs Islamically committed professionals shows better efficiency, transparency, and accountability, while a Waqf institution that employs academically qualified people shows better accounting information systems. Berakon, Aji and Hafiz (2021) used a case study approach to investigate whether digital banking influences the intention to donate among Muslim youth in Yogyakarta and Central Java provinces. They found that the digital Waqf donation system encourages Muslim youth in doing cash Waqf as it makes Waqf transactions easier.

4.5 Research Procedures

This section covers the procedures used for choosing a case study and collecting data, including selecting and interviewing the participants. Data for research can be gathered from various sources, such as interviews and documents. In a case study context, as mentioned by Silverman (2004), the critical part is how to collect the data, which provides an original insight into people's experiences. An appropriate data collection method can bring a better understanding to the selected case and provide a practical answer (Flyvbjerg 2006). The procedures in conducting this research are discussed in the sections below.

4.5.1 Case Selection

Stake (1995) points out that the focus of the case study is the complexity and the nature of the case concerned. As there is no rule of thumb for case selection, selecting a case study will be problematic for a researcher. One case can specifically help the researcher to explain the real world. However, it is not primarily used to understand other cases. It focuses on gaining a better understanding of a particular phenomenon.

In selecting a case to be studied, Stake (2006) highlights some important things to be considered. First, the selected case should be relevant to the research questions. Case selection should be determined by the objectives and questions of the research. However, the researcher

should be aware of possible constraints, such as accessibility, resources, and time. Second, the selected case study should create an opportunity to learn about complexity and context. In this sense, the case study helps the researcher to understand a specific practice or practices unique to a particular context. It provides the opportunity to explore the diversity of the experiences.

This research used Waqf administration as a case study to explore how Islamic TSOs can have higher participation in the Indonesian economy development. According to Arshad and Haneef (2016), Waqf institutions and TSOs have similar characteristics in the way they are community-based and voluntary. Prior studies have stressed the importance of Waqf for social and economic development through the administration of its assets. However, it has been surprisingly neglected (for example, Cizakca 1998; Ahmed 2004; Nik Hassan 2008; Alam 2010). The selected case would help the researcher answer the research questions posed in chapter 1, specifically regarding the relationships between government agencies, Waqf institutions, donors, and beneficiaries in utilising Waqf assets. Choosing Waqf administration in Indonesia as the selected case study was based on the possible constraints such as time, cost and effort without sacrificing research credibility (Miles and Huberman 1994; Stake 2006).

4.5.2 Determining the Unit of Analysis

After selecting Waqf administration in Indonesia for the case study, the researcher needs to determine the unit of analysis to achieve the objectives of this study. The unit of analysis is fundamental for a case study, as it is considered the focus of the research. Unit of analysis of a study can be an individual (such as a person who has experienced it), a group, an event (such as an organisational change, a decision, a program), or an organisation (Berg 2001).

Waqf administration in Indonesia involves many parties. The administration itself is supervised by the IWB. In performing its duties, IWB coordinates with government agencies in terms of making regulations. To some extent, the IWB can act as a policy channelling for the government to develop Islamic finance in Indonesia. At the same time, Waqf institutions play an intermediary role in administering Waqf assets by collecting donations from the donors and distributing the benefits to the beneficiaries. Since Waqf administration has been selected as the case study, the unit of analysis in this study was the parties involved in the Waqf administration, including the government agencies, Waqf institutions, donors, and beneficiaries. The selection of the participants is further elaborated in Section 4.5.5.

4.5.3 Data Collection

Several types of data collection techniques in qualitative research were proposed by Silverman (2013). The first technique is observation. This type of data collection requires an extended period of contact between the researcher and the object of the study. Hence, the researcher would become familiar and be able to understand and capture the setting. It may also improve the participants' confidence, which allows the researcher to learn things that people are unwilling to discuss in an interview. The second technique is recording audio and video, which gives the researcher precise records of natural interactions. This approach may help the researcher to understand the complexities and dynamics of the interaction process.

The third type of data collection is field notes, which provide the details of interactions not captured by audio and video tools. In this technique, the researcher can make notes of the relevant comments and identify themes that emerge in the field. The next is a research diary, which is a reflective journal on the research process. The research diary may record the decisions made during the research, the thinking process of methodology, and hunches. The fifth type of data collection is interviews that can involve semi-structured informal talks with groups or individuals. By interviewing participants, the researcher expects to get insight into the participants' perspectives, which are commonly different.

Next, the data can also be collected through documents, which provides information on background details. This type of data collection helps the researcher have a broader understanding of the study's social and cultural context. Lastly, consultation as a type of data collection technique in qualitative research can be structured meetings and informal conversations with the participants. These activities enable the researcher to validate the comments from the participants and to develop analytic themes. This process may occur during data collection, transcription, or analysis. The types of data collection in qualitative research are summarised in Table 4.2.

Out of the above methods proposed by Silverman (2013), interviews were selected as the data collection technique in this research. The selection of such an approach reflected the objective of this study in capturing the interactions and the different perspectives of groups of participants in Waqf administration. Through interviews, the researcher could ask detailed questions on the roles and relationships between the participants, allowing the researcher to learn further about any specific answers. Additionally, this research also used supporting

documents, such as laws and regulations, annual reports, and data from the agency website to strengthen the findings, specifically triangulation purposes (Stake 2006).

Table 4.2: Types of Data Collection

Method	Features	Purpose
Observation	An extended period of contact as an observer	<ul style="list-style-type: none"> • Become familiar with the setting and local meanings • Become a familiar presence in the setting • Gain confidence of participants
Audio and video recording	The actual record of natural interactions	Understand the intricacy and flows of the interaction process
Field notes	<ul style="list-style-type: none"> • Noting own and others' comments • Details of interactions beyond pictures 	<ul style="list-style-type: none"> • Supplement audio/video data • Identify emerging themes in the field • Document thoughts and comments
Research diary	Log decisions and reflections on the research process	To report decisions made and the thinking process on methodology
Interviews	Semi-structured groups and individual interviews, plus informal chats	Gain insight into different perspectives
Documents	Background information details	Gain an understanding of broader societal and cultural contexts
Consultation	Structured meetings and informal conversations with participants during data collection, transcription and analysis	<ul style="list-style-type: none"> • Respondent validation • Develop analytic themes • Incorporate different perspectives

Source: Adapted from Silverman (2013)

Similar studies using a case study approach have also used interviews as a technique for data collection. To name a few, Shamsiah (2010a) used semi-structured interviews with various stakeholders and experts in Waqf to explore the structure of Waqf assets development and management in Singapore. Ismail, Salim and Hanafiah (2015) interviewed three officers from Waqf regulators in Malaysia to investigate the issues related to the administration and management of Waqf land. The interview approach has also been used by a more recent study conducted by Ali et al. (2018). They involved experts and practitioners in several Waqf institutions to determine the priority aspects of Waqf management in Indonesia.

4.5.4 Participants Selection

There are two most common techniques used in research regarding selecting participants: probability and non-probability selection. The bottom line of the difference between these two approaches is that the former uses random selection to create a sample. The number of appropriate sample sizes in the probabilistic technique is relatively straightforward, and it can be calculated under a statistical framework (Guest, Bunce & Johnson 2006). This technique enables the researcher to generalise the results of the study from the sample to the population. However, it is less effective to use random selection if the researcher wants to understand complex issues about human behaviour (Marshall 1996).

Unlike the probability sampling strategy, the non-probability sampling technique uses a non-random process (such as assessment from the researcher) to create a sample. It does not attempt to generalise from a sample to a population. As generalisation in a statistical sense is not the aim of qualitative research, probabilistic sampling is not justifiable in qualitative research (Merriam 2014). In addition to that, Marshall (1996) outlined theoretical and practical arguments for why a random sample is not suitable for qualitative research. First, the sample size in qualitative research tends to be small, consequently creating a significant sampling error. As a result, biases in the results are inevitable. Second, random sampling needs the whole population characteristics to be known. This prerequisite is hard to be achieved in a complex qualitative study. Third, probability sampling requires research characteristics to be normally distributed within a population to achieve a representative sample.

Meanwhile, there is no proof that values, experiences, beliefs, and attitudes that become the core of qualitative studies are typically distributed. Fourth, qualitative studies recognise that some people can provide more information and understanding for the researcher than others. Hence, choosing someone randomly and asking the questions would not be appropriate.

As described previously, this research adopts a case study approach to understanding Waqf administration's specific issues better. This study does not intend to generalise the findings to the whole population. Considering these reasons, non-probability sampling becomes the most appropriate approach for this study. Also, following suggestions from Guest, Bunce and Johnson (2006) and Saunders, Lewis and Thornhill (2007), non-probability sampling is commonly used in case study research or other field-oriented research.

In the non-random approach, a purposive selection method is selected. This selection can help gather valuable information because the chosen participants have a good

understanding and experience in the Waqf area. As Saunders, Lewis and Thornhill (2007) highlighted, using purposive selection allows the researcher to select participants that can answer the research questions. Furthermore, purposive selection technique is also used by qualitative researchers who work with small sample sizes, despite the presumption of Marshall's (1996) statement that 'quantitative researchers often fail to understand the usefulness of studying small samples.' Intensive studies on small samples will typically generate important information needed for research (Curtis et al. 2000).

Based on the rationale above, purposive selection is used in this research because of the selected case and the participants were chosen to be studied as they could give an understanding of the phenomenon in the study (Creswell 2007). There are no exact guidelines regarding the number of participants that should be selected in qualitative research. For example, Beitin (2014) advised a range of sample sizes between 2 and 10 for phenomenological research, while Creswell (2007) recommended the range of 5 to 25 participants for the same type of study. On the other hand, Kuzel (1992) gave a different recommendation of 5 to 8 interviews for a homogenous sample and 12 to 20 participants to reach a maximum variation.

While a few scholars have attempted to explain the specific range of the number of participants, some of the other scholars (Miles and Huberman 1994; Patton 2002; Flick 2009; LeCompte and Schensulm 2010) are more conservative by suggesting factors to be considered by the researcher when selecting the number of participants, including the richness of information, accessibility, and time availability. However, the bottom line is that an appropriate sample size for a qualitative study can sufficiently address the research questions and problems. (Fossey et al. 2002; Meho 2006; Marshall 1996).

Based on the arguments discussed above, the strategy to recruit participants relies on the expectations of the quality of the information to be provided, instead of a specific sample size as in quantitative research (Kuzel 1992). This approach will help to ensure that the selected participant will represent information relevant to the research topic (Morse et al. 2002). The interviewees in this research were selected based on their responsibility and roles in Waqf administration (see Table 4.3). This approach is expected to improve the quality of the information provided as suggested by Kuzel (1992).

As this research investigates Waqf administration in Indonesia, the recruitment of the participants was focused on the people or organisations that are involved in the day-to-day process of Waqf administration. These responsibilities and roles include making Waqf

regulations, managing Waqf assets, donating Waqf assets, and gaining benefits from the use of Waqf assets.

Table 4.3: Responsibilities and Roles of the Participants

Participant Groups	Roles and Responsibilities
Government agencies	Decision making: <ul style="list-style-type: none"> • Regulation formulation and general guidelines Evaluating programs: <ul style="list-style-type: none"> • Receive activity report
Waqf institutions	Implementing programs: <ul style="list-style-type: none"> • Managing Waqf assets that comply with the regulation • Programs meet the expectation of donors and beneficiaries
Donors	Evaluating programs: <ul style="list-style-type: none"> • Donate assets through Waqf institutions • Assess the programs
Beneficiaries	Sharing benefits: <ul style="list-style-type: none"> • Receive the benefits of the utilised Waqf assets Evaluating programs: <ul style="list-style-type: none"> • Provide feedback on the programs

Source: Websites of the government participants and the Indonesian Waqf Law (2004)

In Waqf administration, government agencies play decision-making roles to create regulations and guidelines for Waqf institutions. At a specific time, Waqf foundations should make a report of the programs to the regulator. As such, the government plays an evaluation function. The role of implementing programs is performed by Waqf institutions through the management of Waqf assets. Next, donors can evaluate the social activities run by the Waqf institutions and assess whether the use of the donations has met their expectations. Last, beneficiaries participate in taking the benefits of utilising Waqf assets, providing feedback on the programs, and matching them with their needs.

4.5.5 Selection Criteria and Number of Participants

As discussed previously (see Section 4.5.4 and Table 4.3), the participants were categorised into four groups: government agencies, Waqf institutions, donors, and beneficiaries. The selection criteria for each group were developed as follow:

1. Government agencies

The interviewees from this group represented their organisations. The selection of the agencies was based on the constitution and regulations that rule the tasks and

responsibilities of the organisations. According to President Republic of Indonesia's Regulation (2015), there are 38 agencies under the current presidential administration. Based on the sectoral regulations of the agencies, four government agencies are involved in the decision-making and monitoring process related to Waqf development. They are the Ministry of Religious Affairs, Ministry of Finance, Bank of Indonesia, and the Financial Services Authority. This study used those criteria and included these four agencies as the participants; hence, all possible key informants have been covered. Selecting more agencies than these four would not add any significant information to the study due to their responsibilities not being related to Waqf.

Additionally, Indonesia has a Waqf authority, called IWB, that supervises and evaluates the Waqf sector in the country. The board has also been selected as a participant in this group. Therefore, there were five agencies involved in the study.

Furthermore, since the responsibilities corresponding to Waqf administration were performed by two different directorates within the Ministry of Finance, two interviewees were selected from the ministry.

Moreover, the criteria of the respondents who represent the agencies were developed based on their position in the offices. In government agencies, the decision-making authority is typically attached to the top management. It reflects the responsibilities and the role of the interviewees within the agencies. Thus, the participants' criteria were that they should be senior managers, including deputy directors, head of department, and head of division.

2. Waqf institutions

As of October 2019, 224 cash Waqf institutions are supervised by the IWB (IWB 2019b)¹². From that group, two Waqf institutions were selected for the interviews. The selection of these institutions was based on the type and the size of the assets they manage (see Table 4.4). In other words, one Waqf institution was selected because it manages the most significant amount of cash Waqf. At the same time, another Waqf foundation was chosen because it administers the most extensive Waqf land areas.

Like the government agencies participants, participants who were interviewed from this group represented the Waqf institutions. One participant was selected from each Waqf institution, meaning that there were two persons from this group. The criterion for the

¹² Most of these Waqf institutions also manage land assets. However, there is no reference regarding the exact number of such foundations.

participants in this group was that the person must have the authority to manage Waqf assets (or act as assets or fund managers).

Table 4.4: Waqf Assets Under Management

No.	Cash		Land	
	Waqf Institutions	Assets (US\$ million)	Waqf Institutions	Assets (hectares)
1	Dompot Dhuafa	6.40	Yayasan Badan Wakaf UII	3,470.6
2	Yayasan Wakaf Bangun Nurani Bangsa	5.95	Rumah Wakaf Indonesia	2,747.5
3	Global Wakaf	5.65	Wakaf Daarul Qur'an	2,632.4
4	Wakaf Al-Azhar	3.98	Wakaf Nahdatul Ulama	2,424.8

Source: Data were processed based on the correspondence Waqf institutions' 2016 annual reports.

*) The numbers are based on the accumulation of the total assets under management as per 2016.

Based on the criteria above, the two selected Waqf institutions were as follows:

1. Cash Assets: Dompot Dhuafa

Dompot Dhuafa is one of the largest Waqf institutions in Indonesia in terms of the number of cash assets it manages. Besides managing other forms of donations such as *zakat* and land Waqf, it has a specialised division that deals with cash Waqf, called TWI, which was established in 2005. According to the institution's 2016 annual report, the managed cash assets are \$6.4 million. The funds were distributed into strategic sectors, including health, education, economy, and social.

2. Land Assets: Yayasan Badan Wakaf Universitas Islam Indonesia

Yayasan Badan Wakaf Universitas Islam Indonesia (YBWUII) became a well-known Waqf institution for managing its land assets. While many Waqf institutions found difficulties managing their idle land assets, YBWUII developed an international hospital

on Waqf land. Moreover, the institution also established an accredited university using Waqf assets.

3. Donors and beneficiaries

The criteria of the participants from these groups were that the person must be a donor or beneficiary of the selected Waqf institutions. Due to a large number of people in these groups, this study followed the suggestions of Miles and Huberman (1994) and Marshall (1996) in selecting participants. The selection of participants was based on the significance of information, accessibility of the participants, and time constraints of the researcher.

Given that justification, five donors were selected from each institution, resulting in ten donors to be interviewed. Similarly, five beneficiaries from each Waqf foundation were selected and interviewed, bringing a total of ten beneficiaries involved in this study.

In summary, based on the selection criteria, 28 persons were interviewed in this study. Table 4.5 shows the selection criteria and the number of participants for each group. It is worth stressing that even though the number of participants in each group is relatively small compared to the population, the information gathered was adequate to address the research questions (Miles and Huberman 1994; Marshall 1996). Also, as is the nature of most qualitative research, this study does not aim to make generalisations to the whole population (Stake 1995).

Table 4.5: Selection Criteria and Number of Participants

Groups	Selection Criteria	Number of participants	Population
Government agencies	<ul style="list-style-type: none"> Involved in decision-making and monitoring process related to Waqf administration Middle-top management who have decision-making authority in Waqf policy 	6	38*
Waqf institutions	<ul style="list-style-type: none"> Type and size of assets managed Represented cash assets and land assets Large assets under management 	2	224**
Donors	Donate assets through the selected Waqf institutions	10	N/A
Beneficiaries	Receive direct benefits from the programs provided by the selected Waqf institutions	10	N/A

*) Based on President Republic of Indonesia's Regulation (2015).

**) Based on data from IWB (2019b).

Table 4.6: Organisations and Position of the Participants

No.	Group	Institution/Organisation	Position/Roles
1.	Government Agencies	IWB	Head of Division for Nazhir Development
2.		Ministry of Finance	Deputy Director for Islamic Finance Development
3.		Ministry of Finance	Deputy Director for Regulation and Islamic Finance Law Analysis
4.		Ministry of Religious Affairs	Head of Division for Waqf Assets Advocacy
5.		Bank of Indonesia	Deputy Director for Islamic Economy Department
6.		Indonesian Financial Services Authority	Head of Islamic Capital Market Department
7.	Waqf Institutions	Dompot Dhuafa	Director for Waqf Mobilisation
8.		Yayasan Badan Wakaf UII	Head of Division for Community Development
9.	Donors	Dompot Dhuafa	Donor A #1
10.			Donor A #2
11.			Donor A #3
12.			Donor A #4
13.			Donor A #5
14.	Donors	Yayasan Badan Wakaf UII	Donor B #1
15.			Donor B #2
16.			Donor B #3
17.			Donor B #4
18.			Donor B #5
19.	Beneficiaries	Dompot Dhuafa	Beneficiaries A #1
20.			Beneficiaries A #2
21.			Beneficiaries A #3
22.			Beneficiaries A #4
23.			Beneficiaries A #5
24.	Beneficiaries	Yayasan Badan Wakaf UII	Beneficiaries B #1
25.			Beneficiaries B #2
26.			Beneficiaries B #3
27.			Beneficiaries B #4
28.			Beneficiaries B #5

4.5.6 Interviews

In this research, interviews were the primary sources for the data collected. The interviews offered essential means for analysing participants' interpretations in the case studied (Bake and Edwards 2012; Curato 2012; McCoyd and Kerson 2006). There are two widely used types of interviews: structured and semi-structured. A structured interview is a pre-planned interview in a way that the interview questions have been written down before the interview. This arrangement is effective if the researcher aims to conduct a tightly focused interview about a specified topic (Bryman and Bell 2007). Another advantage of a structured interview is that it does not take much time to do data analysis as it minimises the number of open-ended questions (Miles and Huberman 1994). Thus, the data can be analysed directly using a computer.

However, as highlighted by Dornyei (2007), the focus interview features can also create drawbacks. The tight interview schedule makes structured interviews less flexible as the interviewer must strictly follow the interview questions. The interviewer's ability to interrupt and the interviewee's freedom to give other opinions is limited. Another limitation of a structured interview is the lack of richness and details in the information gathered due to the minimum number of open-ended questions. At the same time, participants' responses are also restricted due to the closed questions.

Meanwhile, semi-structured interviews are a format of interview where the questions are prepared before the interview, but the interviewee can elaborate on a particular topic. The interview questions in the semi-structured model are open-ended questions to enable the participants to provide further explanations. Bryman and Bell (2007) mentioned that a semi-structured interview is appropriate to be used by researchers who are familiar with the topic or have an overview of the issue so that they can ask follow-up questions. Since the gathered data caused by the open-ended questions is broader than in the structured interview, data analysis would take much longer and usually cannot be analysed directly through a computer (Miles and Huberman 1994).

Considering the strengths and limitations of these types of interviews, the semi-structured approach was selected in this study as it fits with the exploratory nature of the research (Saunders, Lewis & Thornhill 2007). The semi-structured interviews enabled participants to give unrestricted opinions and views about the specialised area of Waqf with less intervention from the researcher (Neuman 2006). The interviews consist of open-ended

questions, which allowed the researcher to follow up on the questions compared with other methods like structured interviews (Silverman 2010). As Yin (2014) highlights, interviews using the semi-structured form can maintain sufficient structure and direction without limiting the flow of the discussions.

The interviews were conducted on a face-to-face basis, as this interview technique provides advantages over other data collection methods such as emails or telephone. The in-person interview is less time-consuming for the participants and maintains effective communication. It can also minimise lack of responsiveness to keep the interviewee focused on questions and on track until the session ends (Bryman & Bell 2007; Creswell 2007; Saunders, Lewis & Thornhill 2007). The interviews duration was up to 60 minutes for each interview.

As suggested by Creswell (2007) and Yin (2014), an interview protocol (i.e., Consent Form and Information to Participant) was prepared before the interviews. These forms provide guidelines for both the researcher and participants, especially in answering the interview questions. Since the data collection was conducted in Indonesia, the interviews were performed in the Indonesian language. Another rationale for using the Indonesian language for the interviews is that the understanding of written/verbal English varies among participants. By using the Indonesian language, the participants were expected to express their opinions freely.

Furthermore, with the participants' permission, the interviews were also recorded using a digital voice recorder. This equipment has been widely used in studies that use an interviewing technique for data gathering (Shamsiah 2010a; Hamat 2014) as it is instrumental in enhancing the accuracy of the transcriptions later. In addition to that, the researcher also took notes of essential keywords and points to ensure that the significant points were saved if there was noise muffling the speaker in the recordings. Participants' identity and involvement in this research will be kept confidential and anonymous.

4.5.7 The Interview Questions

The interview questions were developed based on the research objectives and questions posed in chapter 1. This set of questions should help the researcher answer the research questions and achieve the goal of the study (Morris 2018). The interview questions were developed separately for each group of participants and based on the information required. The specific questions were asked to particular people depending on their capability and knowledge (see Figure 4.2). For example, questions regarding the regulation of Waqf were asked to

government officials and Waqf administrators. In comparison, expectations about the use of Waqf assets were asked of donors and beneficiaries. Based on the above, the interview questions were categorised based on the topics as follows:

i) Background questions

In this part of the interview, general questions were asked to identify the background of the participants.

ii) Topic 1: Key factors of Waqf development in Indonesia

In this section, the interview questions attempt to identify the key factors that affect the development of Waqf in Indonesia. The questions for government officials focus on the regulation and coordination sides, while questions for Waqf officials were mostly related to the management aspects. For donors, the set of questions seeks to understand the participants' philanthropic intentions. There were no questions in this category to be asked of the beneficiaries.

iii) Topic 2: Utilisation of Waqf assets in supporting public service

In this part, the interview questions attempt to explore the use of Waqf assets and the utilisation of those assets for delivering public services. Here, participants from government agencies were given questions that focus on the government social programs that correlate with Waqf assets. Interviewees from Waqf institutions were asked about the technical aspects of Waqf assets management. For the groups of donors and beneficiaries, the questions seek to understand the participants' expectations regarding the use of Waqf assets.

iv) Topic 3: Relationship between actors in Waqf administration

The interview questions under this topic aimed to explore the relationship between government agencies (including the Waqf authority) and Waqf institutions and investigate the expectation of donors and beneficiaries about the use of Waqf assets and the government social programs.

v) Topic 4: Future directions of Waqf development

In this section, the questions attempt to explore further directions of Waqf development in Indonesia. Most of the questions were related to the participants' opinions of how Waqf administration could be improved in the future. Some of the questions were related

to the centralised administration of Waqf assets and the coherence between government and Waqf institution programs.

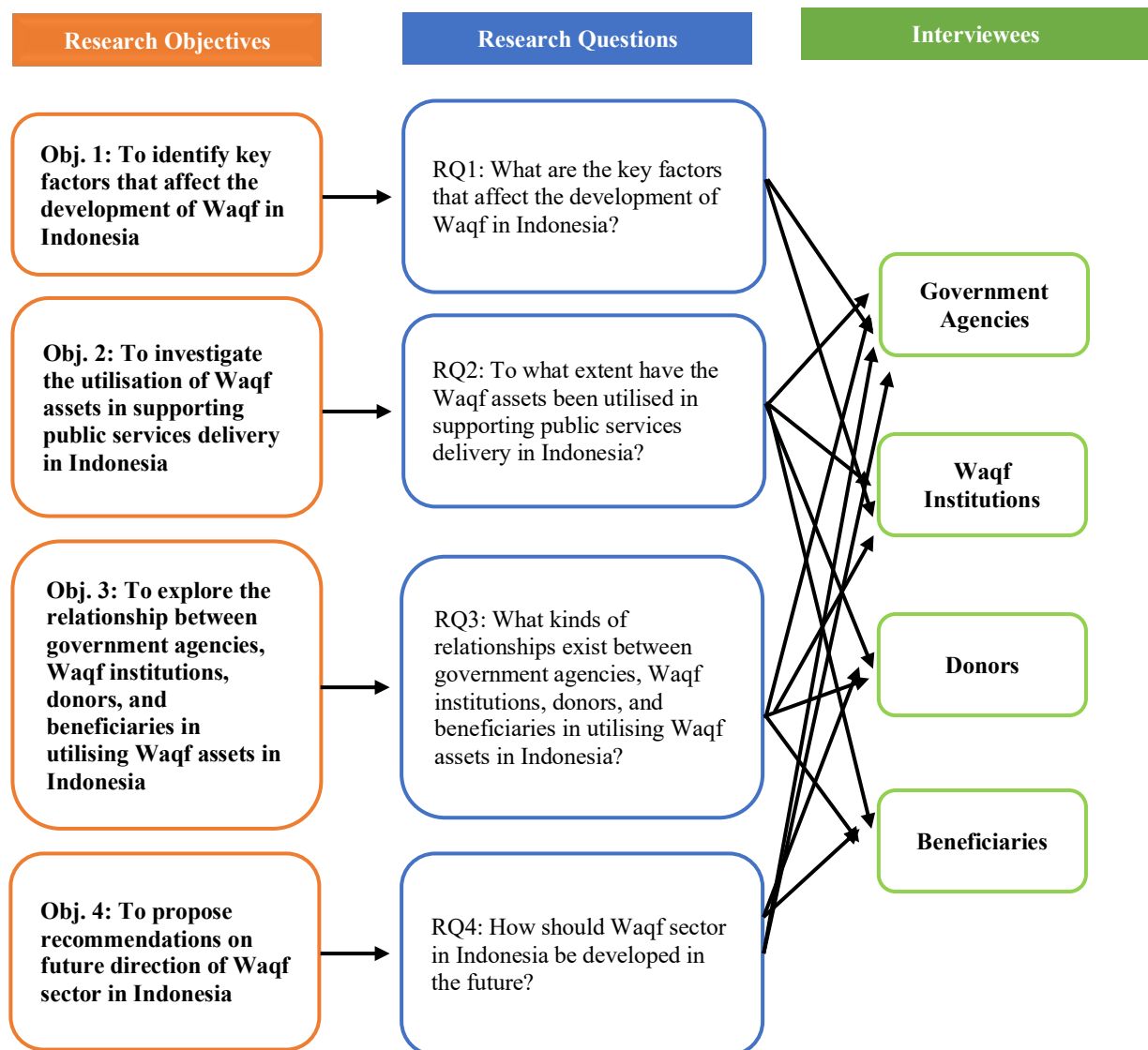


Figure 4.2: Interview Questions Map

4.6 Data Transcription and Language

Subject to the participant's agreement, each interview was recorded. The electronic recording file was transcribed into texts using Microsoft Word software. They were retained in both printed and electronic formats. All transcripts were in the Indonesian language to maintain their originality and to preserve their meaning. Where quotations from interviews are used in the thesis, they have been translated into English. This method follows the technique suggested by Nikander (2008) and Evaldsson (2005), in which the translation format is presented side-by-side within a table. Based on this approach, the original Indonesian transcripts were written

down in the left-hand column, followed by the English translation in the right-hand column. This parallel translation format enables the readers, especially international readers, to easily follow the data (Nikander 2008). This method allows the researcher to review and compare the original quotation with the translation. Thus, it is expected to improve accuracy and consistency in sense and meaning. Table 4.7 shows an example of data translation.

Table 4.7: Example of Data Translation

Indonesian	English	Sources
Kami lebih kepada melakukan kajian terkait dengan isu keuangan syariah dimana wakaf yang merupakan islamic social finance sebagai salah satu materi kajian. Tupoksi kerja kami adalah menyiapkan rekomendasi kebijakan terkait pengembangan wakaf, hal-hal yang perlu diperbaiki ke depan, koordinasi dengan berbagai pihak terkait, ikut membantu merumuskan jika ada regulasi terkait keuangan syariah yang perlu direview, direvisi kembali	We focus on doing research related to Islamic finance issues, where Waqf, as Islamic social finance, becomes one of the research materials. Our primary function is to formulate policy recommendation for the development of Waqf, including things that need to be improved, coordination with other stakeholders, and to provide assistance in reviewing and re-formulating existing regulation in Islamic finance.	Government agencies – G4
Belum sesuai Terjadi dualisme dan tumpang tindih tugas dan fungsi antara pemerintah (kemenag) dengan badan wakaf indonesia Praktik wakaf uang yang terkesan liar dan tanpa pengawasan, tidak sesuai UU, sehingga berkembang praktik wakaf melalui uang, harus diatur lebih lanjut dalam revisi UU	The direction of the development is not on the right path. There are an overlapping function and responsibility between the government, in this case, the Ministry of Religious Affairs with the Indonesian Waqf Board. The practice of cash Waqf also seemed to be scattered and uncontrolled. This issue has to be regulated clearly in the revision of the Waqf Law.	Government agencies – G2
Lembaga wakaf ini sudah banyak melakukan aksi sosial, dan spertinya sudah terencana dengan baik. Saya senang dengan program mereka yang mendirikan sekolah, rumah sakit, produktivitas perkebunan, dan hal lainnya. Hal yang lainnya itu adalah saya bisa melihat penggunaan donasi lewat laporan yang mereka buat. Bagi saya ini sangat penting, jadi saya bias berdonasi dengan tenang.	Waqf institution has many social programs, and most of them are very well-planned. I love the way they use Waqf assets to build schools, hospitals, productive farms, and other things. Another important thing is that I can monitor the use of Waqf assets through the periodic report. For me, this is essential so that I can make Waqf with a peace of mind.	Donors-DA2

4.7 Data Analysis

Analysing data is the most critical part of the research. Merriam (2014, p. 176) stresses that data analysis is how to make sense out of the data. This phase aims to find answers to the research questions. In line with that, Neuman (2006) advises that data analysis is the process of searching the patterns and relationships in data. Once the data pattern has been identified, Neuman (2006) explains, a researcher can move from the description phase into an interpretation of a phenomenon. Such explanations suggest that data analysis is about how a researcher gathers information from the collected data. Further, Yin (2014) mentions that data analysis consists of examining, categorising, tabulating, and recombining evidence to address the initial research proposition.

4.7.1 Content Analysis

In terms of analysing qualitative data, Creswell (2007) described data analysis as a procedure of preparing and organising the data for analysis, then condensing the data by applying codes and reducing it into themes, and finally discussing the results. Miles and Huberman (1994) highlighted the core of the qualitative data analysis, which is reducing the data into meaningful segments and giving names to the segments (coding), merging the codes and bringing them into broader categories or themes, and providing a comparison of the data using graphs, tables, and charts

Following the qualitative data analysis highlighted by Merriam (2014), one of the most valuable techniques in data analysis is content analysis, even though in its earliest development, content analysis was used to analyse documents. However, Krippendorff (2012) provides a broader use of content analysis in which it can be used by researchers to analyse unstructured data based on their meanings, symbols, and expressions. Content analysis is a research approach that systematically analyses the content of communication (Bryman & Bell 2007) and creates conclusive inferences out of it (Krippendorff 2004). In simpler terms, Robson (2002) defines content analysis as ‘a codified common sense’.

Like other data analysis techniques in qualitative research, content analysis has advantages and disadvantages. Content analysis has become one of the useful data reduction techniques in the field and examines patterns and trends in documents. It is a highly flexible method, which can be applied over a wide range of unstructured information, such as semi-structured interviews (Stemler 2001; Robson 2002). On the other hand, content analysis also has some disadvantages in the way that it possesses the possibility of having distortions and

missing nuances in the codes. Another downside of content analysis is that when it needs a broader context for a greater understanding of the problems, the access to get the required documents can be limited (Druckman 2005; Robson 2002).

This study used content analysis techniques to gain the information from the data, including recorded communication (i.e., transcripts of interviews), videotapes, or written documents (Krippendorff 2004; Kohlbacher 2006). Content analysis is beneficial in data reduction and can simplify complex data and provide the information in a systematic manner (Robson 2002). This feature would be very useful for codifying the interview and categorisation purposes. For instance, it is most likely that in an interview, the participant discussed many things that did not fall into the categories created. Hence, such information can be ignored. Regarding the possibility of bias and exaggeration in the information, such a problem can be tackled by the researcher's knowledge about the topic of the questions and the experience during the interview that can explain why the interviewee gave such a statement.

4.7.2 Transcribing and Codifying the Interview Results

As suggested by Miles and Huberman (1994), the researcher started the data analysis process soon after the initial data collection to give an awareness of what the data looks like. Then, following Miles and Huberman (1994), the researcher developed focused coding from the interview results to segregate one issue from another, something that Robson (2002) called 'to divide forest from the trees.'

In developing focused coding, the researcher applied procedures as follows (see Table 4.8). First, after the interview results were reviewed and the researcher noted the main ideas contained in the information from the participants, the transcripts were condensed into meaning units. In doing this, the researcher needed to ensure that the core meaning was maintained. Second, the codes were developed for the condensed units. The codes were used as descriptive labels to help the researcher to search the patterns and identify the connections between the meaning units. Third, codes relating to the same issue were then brought into a category related to the research questions. This step helped reduce the coding variation as it imposed a grouping of similar codes. The last step was to create themes, which were essentially the underlying meanings of the data. Several categories were grouped and brought into a broader theme¹³. To keep an integrated analysis, the researcher focused on the relationship and constructs between

¹³ Content analysis is also known as 'thematic analysis' or 'thematic coding'.

themes to eventually contextualise the findings with the research questions as suggested by Neuman (2006).

Table 4.8: Example of Codifying the Interview Results

Sources	Given Answers	Meaning Units	Codes	Categories	Themes
G1	The role of government agencies, in this case, IWB, is central especially in managing Waqf assets, regulating Waqf sector, as well as educating and supervising Waqf institutions.	The role of government is central in regulating, educating, and supervising Waqf	Regulator Supervisor	Government's role as regulator and supervisor	In developing Waqf sector, government plays central roles as regulator, supervisor, and facilitator.
G4	Government has a role as policymaker and regulations issuer, maintaining coordination between institutions and supervision.	To prepare appropriate regulations to become the legal framework for the Waqf operation.	Regulator Supervisor		
G6	Government has a responsibility to empower Waqf institutions by supervising their operation.	Government is supervising Waqf institutions	Supervisor	Government's role as supervisor	
G2	Government not only should act as a regulator but also as a motivator and facilitator.	Government should act as a motivator and facilitator.	Facilitator	Government's role as facilitator	

4.8 Research Credibility

It is important to note that credibility is an essential aspect of any research. In establishing credibility in this study, the researcher has implemented several steps as suggested by Guba and Lincoln (1989), Cutcliffe and McKenna (1999); Krefting (1991), and Patton (1999) as follows.

First, a rigorous data collection approach and method is vital in ensuring research credibility (Patton 1999). The data of this study was gathered from different sources, including interviews and documents from various sources. Further, the interviews involved participants from different groups (government, Waqf institutions, and local community) to gather more comprehensive information. Different data collection approaches and sources enabled triangulation, enhancing the credibility of the research study (Hastings 2012).

Second, as suggested by Cutcliffe and McKenna (1999), the credibility of the research was established through the data verification approach. This type of approach ensures the clarity of what participants mean in their statements. During the fieldwork, the researcher verified some participants through emails or telephone to obtain their confirmation regarding their comments and research findings if the interview results were ambiguous. This step ensured that I understood their meaning.

Third, research credibility was built through trustworthiness, which is mentioned by Guba and Lincoln (1989) as ‘truth value’ and ‘neutrality’. The former is achieved from the exploration and findings of the participant’s experiences (Krefting 1991), while the latter exists when there is no bias in research procedure and results (Sandelowski 2004). During the research, the researcher conducted proper research procedures as discussed in Section 4.3.

Lastly, research credibility was achieved through the variety of data formats, the length of engagement with the participants, and the level of understanding of the study context (Creswell & Miller 2000). The researcher has quite a long involvement with the study context (Waqf administration) to support the findings.

4.9 Research Ethics (HRE19-034)

This research was conducted in full compliance with the required ethical standards. The field research was carried out after it was approved by the Victoria University Human Research Ethics Committee. Access to research sites was subject to the permission of the related

authorities. Participants' identities and involvement in this research were kept confidential and anonymous. To do this, a unique code was given to the participants' comments. Moreover, before doing the interviews, an information statement and consent form was provided to the participants.

4.10 Conclusion

This chapter addressed the methodological aspects of this research. To answer the research questions raised in chapter 1, this study employed a qualitative case study method. The respondents in this study were divided into four groups: government agencies, Waqf institutions, donors, and beneficiaries. This grouping was used to obtain a comprehensive and broader perspective of Waqf administration in Indonesia. Further, the participants were those who were involved in Waqf administration. Six officials from government agencies, two representatives from Waqf institutions, ten donors, and ten beneficiaries were interviewed, which totalled 28 respondents. The participants were interviewed using semi-structured questions, which lasted up to 45 minutes for each interview.

The chapter also discussed the procedures involved in analysing the data. The data comprised results transcribed from the participants' given answers to the interview questions. The response was then categorised into a specific code and grouped into certain themes that gave an overall summary of the various respondents. Content or thematic analysis was employed to analyse the data, which was then presented in the form of tables.

CHAPTER 5 WAQF DEVELOPMENT AND ASSETS UTILISATION IN INDONESIA: RESULTS AND DISCUSSION

5.1 Introduction

The discussion on the interview results is presented in two chapters. The sections in these chapters are arranged based on the research questions posed in chapter 1. Chapter 5 presents the findings and discussion that focuses on the investigation of key development factors and Waqf assets utilisation aspects, while chapter 6 specifically discusses the results for interrelationships and future directions dimensions.

As discussed in the previous chapter, the interviewees were divided into four groups: government agencies, Waqf institutions, donors, and beneficiaries. A total of 28 participants participated in this study, comprised of six participants from government agencies, two participants from Waqf institutions, five donors and five beneficiaries of Dompot Dhuafa, and five donors and five beneficiaries from YBWUII. Specific codes were given to each participant to simplify the reporting process (see Section 5.2 for details).

The interviews were coded and analysed, then the results were tabulated. Focus coding was done separately for each question and will be discussed further in separate sections. In some parts, the discussion of the results includes direct quotes from the interviewees. There are 17 leading interview questions, of which some questions were specifically addressed to relevant groups. For example, questions regarding regulation and general policy were posed to the interviewees from government agencies, while participants from Waqf institutions were given questions related to asset utilisation.

5.2 Overview of the Participants

Before the primary questions, participants were asked to answer several general questions for identification, such as age, position in organisation, and length of service (for participants from government agencies and Waqf institutions). Each interviewee was assigned a unique code for reporting purposes. For example, a participant from the first government agency was coded as G1 (where G stands for ‘Government’), and an interviewee from the second government agency was coded as G2. Similarly, a participant from the first Waqf institution was coded as W1 (the letter W represents Waqf institution), and an official from the second Waqf institution was coded as W2. Meanwhile, donors of the first Waqf institution

were coded as DA (donor from Waqf institution A), and the beneficiaries were coded as BA (beneficiary from Waqf institution A). A similar procedure applied for donors and beneficiaries from the second Waqf institution. Table 5.1 summarises the data of the interviewees.

Table 5.1: Interviewees for The Study

	Position	Gender	Age Range	Length of Service	Code
Government Agencies					
1	Deputy Director	Male	40-49	21 years	G1
2	Head of Divison	Male	30-39	11 years	G2
3	Deputy Director	Male	40-49	13 years	G3
4	Deputy Director	Female	40-49	18 years	G4
5	Head of Department	Male	40-49	14 years	G5
6	Head of Divison	Male	40-49	5 years	G6
Waqf Institution					
7	Director	Male	60-69	7 years	W1
8	Head of Division	Male	40-49	5 years	W2
Donors					
9	Donor for Waqf institution A	Male	50-59	N/A	DA1
10	Donor for Waqf institution A	Male	40-49	N/A	DA2
11	Donor for Waqf institution A	Male	30-39	N/A	DA3
12	Donor for Waqf institution A	Male	40-49	N/A	DA4
13	Donor for Waqf institution A	Female	50-59	N/A	DA5
14	Donor for Waqf institution B	Male	40-49	N/A	DB1
15	Donor for Waqf institution B	Male	50-59	N/A	DB2
16	Donor for Waqf institution B	Female	30-39	N/A	DB3
17	Donor for Waqf institution B	Female	40-49	N/A	DB4
18	Donor for Waqf institution B	Male	50-59	N/A	DB5
Beneficiaries					
19	Beneficiaries of Waqf institution A	Male	50-59	N/A	BA1
20	Beneficiaries of Waqf institution A	Female	50-59	N/A	BA2
21	Beneficiaries of Waqf institution A	Male	50-59	N/A	BA3
22	Beneficiaries of Waqf institution A	Male	60-69	N/A	BA4
23	Beneficiaries of Waqf institution A	Male	50-59	N/A	BA5
24	Beneficiaries of Waqf institution B	Male	60-69	N/A	BB1
25	Beneficiaries of Waqf institution B	Male	50-59	N/A	BB2
26	Beneficiaries of Waqf institution B	Female	60-69	N/A	BB3
27	Beneficiaries of Waqf institution B	Male	40-49	N/A	BB4
28	Beneficiaries of Waqf institution B	Female	50-59	N/A	BB5

The interviewees from government agencies and Waqf institutions were top management and met the selection criteria established previously. The length of service of these participants varied, spanning between 5 and 21 years. This working experience indicated that the participants had been involved in Waqf administration for quite some time and, therefore, would provide relevant information on the research topic.

5.3 Detailed Background of Participants

Besides those identification questions, interviewees were asked introductory questions to provide their detailed background. This set of questions includes the interviewees' role and responsibility within the organisations and their general understanding of Waqf.

The roles and responsibilities of the government organisations are varied, depending on the tasks assigned by the sectoral laws. For example, the Financial Services Authority is responsible for developing a supportive financial environment for Waqf, and the Ministry of Religious Affairs focuses on the legal aspects of Waqf management. In contrast, IWB focuses more on the technical sides of asset administration. It is worth noting that all government agencies related to Waqf administration have been included in this study. For example, a government official explained his duties as follows:

My organisation cooperates with other government agencies and provides support to improve governance, management and database for Waqf. Besides that, this organisation also contributes to developing the international awqaf core principles, which has become the formal document of the Islamic Development Bank in Waqf area. Further, this organisation also supports the initiatives to use Waqf assets productively as a complementary instrument for development financing. The development of productive Waqf is expected to accelerate economic development and strengthen the stability of the national financial system. (G1)

He continued:

I involve in structuring and socialising the cash Waqf linked Sukuk, together with other related government agencies. The cash Waqf linked Sukuk is initially an initiative for the development of the government Sukuk, so there are more Islamic finance instruments on the market, which is good for financial deepening and stability. (G1)

Another government official provided different explanations on his duties related to Waqf administration:

This organisation is responsible for securing Waqf assets, specifically to ensure that the assets have strong legal aspects and to be complied with existing regulation. Besides such responsibility, this institution is also handling the mutation of Waqf properties as well as to resolute a dispute related to Waqf assets in the future. (G2)

He later gave a further description of his role in the organisation:

My position in this organisation has a responsibility to handle if there is a dispute on Waqf assets, especially the ownership of the assets. Sometimes I also receive complaints from people if there is a dispute on Waqf land. Usually, I do a detail checking on the legal aspects of the asset, which is disputed, starting from the historical aspects of the asset, until the validity of the documents. (G2)

On the other side, the role of participants from Waqf institutions was less heterogenous. The interviewees were responsible for collecting endowments in the form of fixed assets and money and giving promotion in the form of a seminar, talk show, or through social media and mass media advertising. They managed both Waqf assets: cash and land and have been performing this duty for more than five years (W1, W2).

All the donors who participated in this study regularly donated through Dompot Dhuafa and YBWUII, and they were selected and approached based on the information provided by those Waqf institutions. Most of the donors donated in the form of cash/money to the institutions. However, some donors for Waqf institution B gave their property to the organisation as a donation (DB2, DB5). There are two possible explanations for this: First, donating money is more convenient than giving land or property. The process of transfer of an asset from individual ownership to Waqf property might take weeks to complete. Regular donors would prefer something more convenient. Second, since Dompot Dhuafa is in the capital city, while YBWUII is at the regional level, there is a higher probability of donors to YBWUII owning land; donating a land asset would still be a common thing to do.

The age range of beneficiaries was around the retirement age range (56 to 60 years old). The level of income of the beneficiaries also varied. Though none of them earned money below the poverty level of US\$31 per capita per month¹⁴, their monthly earnings did not exceed the lower-middle-income group. The data somewhat indicated that the benefits provided by Waqf institutions reached the needy people.

When it comes to the general understanding of how Waqf system operates, both donors and beneficiaries showed limited perception about the topic. A donor mentioned that ‘I could not even differentiate between Waqf, *Sadaqah*, or any other forms of charities in Islam’ (DA2). Another donor seemed to be unfamiliar with Waqf administration, as she stated that she did not know that there are Waqf regulations and authorities (DB4). The beneficiaries showed a similar level of understanding of the same issue. They did not know about regulation, authorities, or the operation of Waqf.

5.4 Key Factors of Waqf Development in Indonesia

In this section, the interview questions attempted to explain the key factors that affect the development of Waqf in Indonesia. There were six questions asked to investigate the issue. The discussion on the results from this set of questions is provided in the following sections.

5.4.1 Result 1: General opinion on Waqf development

Table 5.2 shows the results of the first interview question. This question was initiated to obtain a general opinion regarding the development of Waqf in Indonesia, specifically whether it has been on the right track. This question was asked only to participants from government agencies and Waqf institutions. The theme raised from the participants’ answers is that the development of Waqf in Indonesia is on the right path. However, the pace is languid and far from its potential. Many aspects need to be improved to speed up the development progress. Further analysis of each coding is presented below.

There were various opinions of the participants on the first question. Table 5.3 indicates that some participants were unsatisfied with the slow development of Waqf in Indonesia. They believe that Indonesia can develop its Waqf sector, which, unfortunately, is not maximised. Further, an interviewee stated that the overlapping duties between government agencies had hindered the development of Waqf (G2).

¹⁴ The number is based on the minimum level of income per person. It is set by the Indonesian Central Bureau of Statistics (2019). The original figure was 425,250 rupiahs, equivalent to around US\$31.

Table 5.2: Results for Question 1

Question 1: What do you think about the development of Waqf in Indonesia?	
Focused Coding	
1	Slow development
2	Right direction
Theme	The development of Waqf in Indonesia is relatively slow. However, it is in the right direction.

Table 5.3: Focused Coding Number 1 for Question 1

Slow development	
G2	In my opinion, the development of waqf in our country is relatively slow compared to other countries.
G4	A number of educational institutions, Islamic boarding schools and mosques in Indonesia were supported by Waqf. This indicates that Waqf assets are tremendous but mostly in immovable property, which makes them not productive

On the other hand, some respondents mentioned that development is taking place. However, they noticed that many aspects need to be improved. These responses were understandable, as they constituted the answers of interviewees from Waqf institutions. The development of this sector would be an indicator of their performance in administering Waqf assets. Table 5.4 summarises the answers for the second focused coding.

Table 5.4: Focused Coding Number 2 for Question 1

Right direction	
G1	The development of waqf in Indonesia is now more advanced compared to 10-15 years ago. It is approaching the right direction, but still, there are some home works for the authorities.
G6	The development of Waqf is getting better because the assets have been managed productively.
W1	Waqf began to flourish in Indonesia and even became more popular because all private institutions and government fostered Waqf.
W2	Waqf has been developed in the right direction. However, we have to admit that there are many things to do to accelerate development.

5.4.1.1 Discussion on Result 1: General opinion of Waqf development

The interviewees' responses to question 1 were confirmed with the data. According to the IWB data, currently, there were 224 Waqf institutions (including 15 Islamic financial

institutions) that had obtained permits from the IWB to manage endowment funds (IWB 2019b). However, 66% of these Waqf assets administrators were individual trustees, while the other 16% were organisational trustees, and only 18% were legal entities. Additionally, only 16% of them work full-time. In terms of Waqf assets, though the collection rate is continuously increasing, it is still far from its potential. In 2016, there were 435,768 land plots, and the total areas reached 4.2 million hectares. Nevertheless, only 66% of these lands have Waqf certificates. Specifically related to the cash Waqf, from 2011–2018, Rp255 billion had been collected, far below the potential of Rp180 trillion (G4).

As mentioned by G2, the development of Waqf in Indonesia is lagging behind other countries. Several innovations in the use of Waqf assets have been introduced in Singapore, Malaysia, Saudi Arabia, and Kuwait that have not been applied in Indonesia. For example, Malaysia has introduced shares Waqf under Islamic Real Estate Investment Trusts and incorporated the *Takaful* model in Waqf management (Hasbullah and Zaidi 2015).

In comparison, in Indonesia, Waqf assets are essentially used for the existence of religious-related properties. Such endowments support many educational institutions, Islamic boarding schools and mosques in Indonesia. Around three-quarters of Waqf assets have been used to construct mosques and other religious facilities, 14% for education, 5% for funeral sites, and 6% for other uses (Ministry of Religious Affairs 2016). This allocation indicates that the use of Waqf assets is still focused on immovable property and less productive sectors.

To some extent, participants who considered that the development of the Indonesian Waqf sector has been progressing are also valid. Even though it is not as advanced as in other countries, some Waqf institutions (organisational/institutional trustees) have initiated different asset utilisation methods. Some Waqf institutions, such as YBWUII, Darussalam Gontor Modern Islamic Boarding School, and RMF, have started to utilise assets in the productive sector such as commercial properties, housings, universities, farms, and hospitals (Hosen 2016; IWB 2016). Similarly, Waqf funds have also been used by Waqf institutions (e.g., Dompot Dhuafa, YWBNNB, and Global Wakaf) to finance the productive sector such as plantations, farming, and capacity-building (Rozalinda 2015).

Therefore, from the findings, it can be synthesised that, in general, the development of Waqf sector in Indonesia is on the right path. Waqf institutions have performed several productive Waqf assets utilisations. However, many improvements are needed to catch up with more advanced countries like Malaysia, Singapore, and Kuwait.

5.4.2 Result 2: The roles of government agencies in Waqf development

There were three focused codings on the response of the interviewees of question 2 regarding the roles of the government in developing the Waqf sector. This question was asked explicitly of the participants from government agencies and Waqf institutions. As shown in Table 5.5, the participants considered the government a regulator, supervisor, and facilitator for the Waqf sector. From Table 5.6 to Table 5.8, it is important to note that there were comments from participants regarding the roles of government agencies that touched more than one aspect. This argument indicates that they believe the government should have performed multiple roles in the sector.

Table 5.5: Results for Question 2

Question 2: What is the role of government agencies in developing Waqf?	
Focused Coding	
1	Regulator
2	Supervisor
3	Facilitator
Theme	In developing Waqf sector, government plays central roles as regulator, supervisor, and facilitator.

Table 5.6 shows the response from the first focused coding. G1 highlighted the role of IWB in regulating the sector. However, the interviewees also mentioned another role of the government as a supervisor. G3 and G4 regarded the paramount role of the government as a regulator for Waqf sector. Additionally, G4 also mentioned that the government should be the focal point in maintaining coordination among institutions and performing supervision functions. W1 and W2 acknowledged the role of the government as a regulator and mentioned that the development of this sector relies heavily on regulations.

In Table 5.7, comments from G1 and G4 were included again as they touched the supervision function of the government. Further, both G1 and G4 specifically mentioned IWB as the body doing the supervision. In addition, G6 underlined that close supervision from the government is needed to empower Waqf institutions. Hence, this indicated that the performance of Waqf institutions reflects the performance of IWB.

Next, as shown in Table 5.8, other interviewees suggested the government play the role of facilitator in Waqf development, including giving technical and management supports. Among other things, G5 raised an interesting point in which he mentioned that the government

needs to think of how Waqf institutions invest their assets. In this case, the state was urged to establish various financial instruments as investment alternatives.

Table 5.6: Focused Coding Number 1 for Question 2

Regulator	
G1	In this case, the role of government agencies, BWI, is central especially in managing Waqf assets, regulating Waqf sector, and educating and supervising waqf institutions.
G3	To prepare appropriate regulations to become the legal framework for the Waqf operation.
G4	Government has a role as a policymaker and regulations issuer, maintaining coordination between institutions and supervision.
W1	Government has to be able to issue regulations that accelerate Waqf's development and not hinder it.
W2	This institution operates based on regulations made by the government, and we must comply with them.

Table 5.7: Focused Coding Number 2 for Question 2

Supervisor	
G1	In this case, the role of government agencies, BWI, is central especially in managing Waqf assets, regulating Waqf sector, and educating and supervising waqf institutions.
G4	Government has a role as a policymaker and regulations issuer, maintaining coordination between institutions and supervision.
G6	Government has a responsibility to empower Waqf institutions by supervising their operation.

Table 5.8: Focused Coding Number 3 for Question 2

Facilitator	
G2	Government not only should act as a regulator but also as a motivator and facilitator.
G5	In the context of utilising assets, the government needs to provide Waqf institutions with investment instruments so that they will have more options.
W1	The government can support Waqf institutions by providing technical and financial facilities.
W2	The government has to facilitate the management of Waqf so the institutions can carry out optimal management.

5.4.2.1 Discussion on Result 2: The roles of government agencies in Waqf development

The government's role as a regulator of the Waqf sector has been stipulated in the Indonesian Waqf Law and *Government Regulation No. 42 Year 2006* (some parts of which have been revised in the *Government Regulation No. 25 Year 2018*). Generally, two agencies are directly involved in regulating the sector: The Ministry of Religious Affairs and IWB. The Ministry of Religious Affairs has a substantial role as a regulator of general Waqf management. It is responsible for conducting guidance and supervision of the implementation of Waqf to realise the goals and functions of the system itself. IWB, as stipulated in Article 47 of Waqf Law, has a specific task to develop and promote Waqf sector. This agency issues regulations, called 'IWB regulation', to guide the Waqf institutions to administer and utilise Waqf assets.

The role of IWB as a supervisory body is stipulated in Article 49 of the Waqf Law. According to the Law, IWB has the following duties and authorities:

- a. to train *nazhir* in managing and developing Waqf property;
- b. to carry out management and development of national and international Waqf property;
- c. to give approval and or permission for changes in the designation and status of Waqf property;
- d. to sack and replace *nazhir*;
- e. to approve the exchange of Waqf property; and
- f. to provide advice and consideration to the government in the formulation of policies in the field of representation.

Also, the *Government Regulation No. 42 Year 2006* authorised the Ministry of Religious Affairs to maintain the supervision function. According to Article 7 of the regulation, institutional Waqf trustees must be registered to the ministry and IWB for the sake of supervision. Further, Article 56 of the regulation stipulates that the supervision of the sector is performed by the government, which can be done through annual report checking. In the case of Waqf institutions that did not fulfil their obligations, the regulations enabled the government to impose sanctions on the institutions.

Even though IWB and the Ministry of Religious Affairs issue regulations that directly affect Waqf institutions' operation, it does not mean that they do not have to coordinate with other government agencies. Other government agencies have enacted supporting regulations related to Waqf. For example, the National Land Agencies has issued *Minister Regulation No. 2 Year 2017* concerning registration of Waqf land. This regulation is aimed at speeding up the

transfer of ownership of Waqf properties, which has been a hindering factor for Waqf development.

Before the implementation of the Waqf Law, almost all the Waqf properties in Indonesia were immovable objects, such as land or buildings. This situation is also one of the reasons for the limited forms of assets utilisation. In Article 16, Waqf Law has legally acknowledged that movable assets (including cash, gold, silver, property right, and securities) can become parts of Waqf assets. The application of this system was further regulated in Article 28 to 31 of the Law. The introduction of this method increased the motivation of the founders to donate. It facilitates the mobilisation of funds from the public through a broadened scope of the base of the donors. It will be easier for people to contribute to the endowment without waiting for capital in substantial amounts. In this sense, cash Waqf increases the flexibility of an institution to utilise its assets. The collected Waqf funds are rolled out and invested by the trustee into various *halal* and productive business sectors.

Developing Waqf sector cannot be well-achieved without any supportive environment. It needs collaborative interactions with other agencies. As mentioned by the interviewees (G2, G5, W1, and W2), the government needs to facilitate this sector in many aspects. For example, the Indonesian Financial Services Authority has introduced the micro Waqf bank. This financial institution is an Islamic microfinance institution that focuses on providing access to capital for finance for the people who do not usually have access to banking services, sourcing the support from Waqf funds. Another example is the issuing by the Ministry of Finance of an Islamic investment instrument connected to the Waqf funds, called Cash Waqf linked *Sukuk*. This instrument is expected to provide investment options for Waqf institutions and increase the participation of the community in national development.

From the findings, it can be inferred that the government plays multiple roles in developing the Waqf sector. Besides acting as a regulator, it also undertook the roles of supervisor and facilitator for the sector.

5.4.3 Result 3: Waqf regulatory framework

Table 5.9 displays the focused coding for question 3. This question was specifically asked of the interviewees from government agencies because they are heavily involved in regulating the sector. There are two different responses from the interviewees, but most of them opined that the Waqf sector in Indonesia has not been well-regulated. This finding is interesting as such answers came from the regulation-makers.

Table 5.9: Results for Question 3

Question 3: Do you think that Waqf in Indonesia has been well-regulated?	
Focused Coding	
1	Well-regulated
2	Not well-regulated
Theme	There was a set of regulation in Waqf sector, yet there are still many loopholes in the implementation.

Table 5.10: Focused Coding Number 1 for Question 3

Well-regulated	
G1	The regulation framework in Waqf is already well-developed. We have the Waqf Law, government regulations, Ministerial regulations, and regulation of BWI.
G6	There have been some regulations in the Waqf sector. For example, Law No. 41 of 2004 concerning Waqf, Government Regulation No. 42 of 2006 as the implementation guidance, and there is also the regulation of the Minister of Religion no. 4 of 2009 concerning the administration of cash Waqf registration.

Table 5.11: Focused Coding Number 2 for Question 3

Not well-regulated	
G2	The regulation framework in Waqf area is not well-established and far from satisfactory. This situation is not ideal for developing Waqf in Indonesia.
G3	There are problems in the governance of Waqf, both regulations and policies. There is Waqf Law, but the institutional arrangements are not quite right.
G4	The existing regulations are far from perfect, led to a condition that is below expectation.
G5	There are sectoral regulations to support Waqf development. However, these regulations should comply with the Waqf Law, which has lasted for 15 years. Some arrangements were probably obsolete and no longer appropriate, so it needs to be reviewed.

Table 5.10 show the interviewees' response to each focused coding. Two participants agreed that the regulations in Waqf sector have been well-established. In more detail, G1 and G6 named the regulations related to Waqf administration. They argued that regulations existed

at all administration levels, starting from law, government regulation, minister regulation, and IWB regulation. These should have provided enough guidance for administering Waqf assets.

Table 5.11 shows that four participants opined that the Waqf regulatory environment has not been well-established. Most of the interviewees (G2, G3, G4, and G5) highlighted the inability of the regulations to adjust with current conditions, which therefore created many loopholes. They believed that these ‘inflexible’ regulations were counterproductive to Waqf development.

5.4.3.1 Discussion on Result 3: Waqf regulatory framework

Before the enactment of the Waqf Law, the administration of Waqf properties in Indonesia was regulated under *Government Regulation No. 28 Year 1977* concerning Waqf of land ownership. This regulation approach can be understood as, at that time, Waqf activities other than donating land were not common. Under this regulation, Waqf assets were administered in a simple way, where donors gave their land to *nazhir* or religious leaders to be utilised to benefit the people, such as by building mosques, orphanages, or funeral sites. In its development, the socio-economic potential of Waqf assets has not been maximised. The development of Waqf property in Indonesia has not improved the welfare of the people because its economic value has not been developed.

Apart from this problem, the enactment of the Waqf Law in 2004 has led to more varied and creative management of Waqf assets, including the introduction of cash Waqf. Further, the regulation also enables Waqf to be carried out institutionally, and the assets can be invested in projects that benefit the community. To follow up the mandates in the law, a set of supporting regulations were issued years later. *Government Regulation No. 42* was issued in 2006 as practical guidance for the Waqf Law, followed by the establishment of IWB in 2007. The regulation of the Minister of Religion No. 4 was then issued two years later to regulate the administration of cash Waqf registration. After the IWB was founded, many specific regulations in IWB regulation were issued to conduct technical aspects of Waqf administration, such as registration procedures. G1 and G6 specifically highlighted existing Waqf regulations. Currently, some regulations related to Waqf have been enacted. Waqf Law is the highest order regulation of them all, followed by government regulations, ministerial regulations, and regulations of the IWB. In details, some of the primary regulations in the Waqf sector are as follows:

1. *Law No. 41 Year 2004* concerning Waqf

2. *Government Regulation No. 42 Year 2006* concerning Waqf
3. *Regulation of the Ministry of Religious Affairs No. 4 Year 2009* concerning cash Waqf registration
4. *Regulation of the Ministry of Religious Affairs No. 73 Year 2013* concerning Waqf procedures
5. *IWB Regulation No. 2 Year 2010* concerning registration for cash Waqf *nazhir*
6. *IWB Regulation No. 4 Year 2010* concerning guidelines to develop Waqf assets.

Besides these formal regulations, the Indonesian Waqf sector is also influenced by other guidelines that focus on *sharia* compliance. These guidelines were issued by Majelis Ulama Indonesia (Indonesian Ulama Council), similar to MUIS in Singapore. However, unlike MUIS, the Indonesian Ulama Council is not involved directly in Waqf administration.

On the other hand, G2, G3, G4, and G5 thought that the existing regulations possessed some issues in their application. The most fundamental issue is the status of IWB itself. In Article 1 of the Waqf Law, it is stated that IWB is an independent institution apart from the government. However, to finance its operations, IWB still relies on the state budget. The government should provide financial support for IWB as it is obligated in Article 59 of the Waqf Law. Given this condition, the independence of IWB is arguable and contradicts the result of Haneef, Kamil and Ayuniyyah's (2017) study. The second issue is still related to the institutional aspect. The Waqf Law mandated IWB to be a supervisory agent of Waqf administration. At the same time, IWB acts as a Waqf institution, in which role it can collect donations from people. This is what G3 mentioned as 'problems in the governance of Waqf', and 'institutional arrangements are not quite right' (G3).

Following the issue of the status of IWB, two consequences may arise here. First, according to the Waqf Law, Waqf institution can receive fees from managing Waqf assets. The amount is capped to be 10 per cent of the total assets under management. Thus, IWB has two sources of revenue: government support and fees, making it prone to issues of transparency and accountability. Second, due to the responsibility of IWB to supervise, regulate, and develop Waqf institutions, it became a self-regulated institution. It enacts regulation for Waqf institutions, including itself, which creates a conflict of interest.

Another issue with Waqf Law is the age of the law itself. Many things have changed since the law was issued, for example, the structure of the government, socio-demographic conditions, and investment products. This issue was particularly highlighted by G5, when he

mentioned: ‘...which has lasted for 15 years. Some arrangements were probably obsolete and no longer appropriate ...’ (G5).

To sum up, the findings suggest that the Indonesian Waqf sector has been equipped with a regulatory framework, ranging from law to technical guidelines. In the implementation, however, some fundamental issues have been found. These drawbacks are slowing down the development of Waqf in Indonesia.

5.4.4 Result 4: Coordination between government-Waqf institutions

Table 5.12 shows the focused coding for question 4, which was particularly asked to government agencies and Waqf institutions. Most of the respondents thought that the agencies showed a lack of coordination in administrating Waqf assets. Nevertheless, one participant argued that the agencies have coordinated with each other (see Table 5.13 and 5.14).

Table 5.12: Results for Question 4

Question 4: Do you think that the coordination among agencies who administer Waqf in Indonesia has been well-established?	
Focused Coding	
1	The coordination runs well
2	The coordination does not run well
Theme	The administration of Waqf needs inter-agencies cooperation. However, the practice shows a lack of coordination.

Table 5.13 summarises the comment from G6, who believed that the government agencies had coordinated well with each other. He further gave an example of such cooperation, in which the government has a representative (i.e. ex-officio) in the IWB executive. They meet periodically to discuss any possible development of Waqf assets (G6).

Table 5.13: Focused Coding Number 1 for Question 4

The coordination runs well	
G6	This agency coordinated with other government offices quite often, especially in discussing the development of Waqf assets.

On the contrary, as shown in Table 5.14, other participants argued that the agencies had demonstrated a lack of coordination. Some of them highlighted the overlapping duties and responsibilities between agencies, while some others were concerned about regulation and data systems.

5.4.4.1 Discussion on Result 4: Coordination among agencies in developing Waqf sector

According to the Indonesian Waqf Law (2004), IWB may establish representative offices at the provincial or district level. The procedure to form regional IWB offices has been outlined in the *IWB Regulation No. 2 Year 2012*. According to the regulation, to establish the representative office, IWB must coordinate with the Head of Regional Office of the Ministry of Religious Affairs. The establishment proposal has to be submitted and agreed upon by the Ministry of Religious Affairs officials. Further, the organisation structure of the regional office should accommodate various representatives, including officials from the Ministry of Religious Affairs.

In this context, the coordination between the two agencies exists as mentioned by G6. However, this kind of cooperation is somewhat revocable. It is quite trivial that the coordination is only at the administrative level (i.e., procedural aspect and the organisation's structure). Some may think that the authority of the Ministry of Religious Affairs over IWB has to be related to the institutional budget system (the annual budget of IWB is still under the Ministry of Religious Affairs budget). Hence, there is an 'imbalance of power' between these agencies. Also, the administration of Waqf in Indonesia nowadays involves many agencies and is not necessarily limited to the cooperation between IWB and the Ministry of Religious Affairs. For example, the Ministry of Finance and the Financial Services Authority have a particular role in developing financial instruments for Waqf assets investments, and the central bank ensures that the payment system for Waqf runs smoothly.

Moreover, this 'limited cooperation' has created ambiguity in the supervising and regulating roles in the Waqf sector. As mentioned by G3 and G4, these responsibilities are still performed by multiple agencies, which potentially creates puzzlement in the implementation of the policies (W1 and W2) and information asymmetry on the regulation (Huda et al. 2017). Additionally, G3 and G4 highlighted the independence of IWB, specifically related to its dual roles as a regulator and operator of Waqf, which Haneef, Kamil and Ayuniyyah (2017) considered to be an internal challenge factor. As previously described in the previous section, this dualism of function could make IWB suffer from a conflict of interests. It is also essential to separate the roles and responsibilities of IWB and other government agencies. Thus, the Waqf Law should be reviewed.

Another issue in the coordination aspect of Waqf administration is the development of the Waqf database system (i.e., the data is unintegrated), as highlighted by G1. Currently, the information on land Waqf is administered by the Ministry of Religious Affairs, while IWB manages the data of cash Waqf. Given this condition, Waqf institutions must report their assets under management to more than one office, which is inefficient. This can be a possible explanation for the lack of integration between IWB and Waqf institutions highlighted by Haneef, Kamil and Ayuniyyah (2017).

Table 5.14: Focused Coding Number 2 for Question 4

The coordination does not run well	
G1	It is under-optimal due to the unintegrated data and information. The public could not access the data as it has not been well-documented.
G2	The regulatory framework in the Waqf sector unable to create a good environment for the agencies to cooperate.
G3	There is an overlapping duty in supervising and regulating Waqf sector.
G4	Multiple agencies still perform the authority in regulating Waqf sector.
G5	Coordination among government institutions has been a long issue in the country. Unsurprisingly, it happened in the Waqf sector.
W1	Sometimes Waqf institution can get confused by the regulation issued by more than one agency.
W2	The implementation of the policy could be different, and it seemed like there was no coordination among the agencies.

The next problem is the validity of the data itself, especially for the land Waqf. As the practice of land Waqf has taken place for a long time, it is hard to record the existing land assets. Besides the fact that many of the lands are in remote areas, the Waqf lands were also surrendered to religious leaders instead of institutional organisations.

To conclude, the results indicate that the interviewees believe that coordination among agencies is critical in creating a supportive environment for Waqf development. However, most of the participants noted a lack of coordination among agencies in the implementation.

5.4.5 Result 5: Obstacles in managing Waqf assets

Table 5.15 presents the focused coding for question 5. This question was specifically asked to Waqf institutions to address issues in the implementation of Waqf assets administration. Four focused codings rose from the interviews, which can be listed as the main obstacles from Waqf institutions' perspectives. The obstacles can come from internal factors such as the capacity and skill of the Waqf institution and external factors like the donors.

Table 5.15: Results for Question 5

Question 5: Do you find any obstacles in managing Waqf assets?	
Focused Coding	
1	Interest of donor
2	Financial capacity
3	Management skill
Theme	The main obstacles in managing Waqf assets are the interests of donors, financial capacity, and skill of nazhirs

Table 5.16 shows the perception of Waqf institutions on why the interest of the donor became an issue in their operation. W1 explicitly highlighted the interest of the donor to get benefit from the managed assets. He further explained that sometimes the donor wants to be the administrator of the asset and be involved in making decisions. Along the same lines as W1, W2 stated that the use of Waqf assets was controlled by the donor's will. Hence, a Waqf institution cannot utilise the asset other than in meeting the requirements set by the donor.

Table 5.16: Focused Coding Number 1 for Question 5

Interest of donor	
W1	In some cases, Waqf assets were given certain requirements. For example, in the land asset, the donor still wants to receive benefits from surrendered assets produced by <i>nazhir</i> . So not 100% of the results of the Waqf management surplus can be channelled to the beneficiaries.
W2	Waqf institution manages the assets based on the statement of the donor. This situation makes the management of Waqf assets to be less flexible.

Table 5.17 presents the comment from W1, who considers the financial capacity of a Waqf institution to be the leading issue in developing productive Waqf. Specific to land Waqf, commercial property must be built on to make the asset generate income. Unfortunately, such a project often requires sizeable financial support, which a Waqf institution lacks. Waqf institution has to get the funds from investors or implement community fundraising to deal with these constraints.

Table 5.17: Focused Coding Number 2 for Question 5

Financial capacity	
W1	Waqf assets in the form of land, a productive property must still be built above the land. Most nazhir does not have the funds to build it, so they had to find investment funds from investors or do fundraising.

Table 5.18: Focused Coding Number 3 for Question 5

Management skill	
W1	Many Waqf administrators, especially those who are individual <i>nazhir</i> , have left the assets idle because they do not know how to utilise them productively
W2	The competency of Waqf institution in developing productive Waqf asset is limited. Many of them are only asset keepers.

Table 5.18 below summarises the response from the interviewees on the third focused coding. Both interviewees highlighted the limited competency of *nazhir* in utilising Waqf assets. They argued that the limited assets management knowledge of *nazhir* had caused many idle Waqf assets. In developing productive management of Waqf assets, *nazhir* must have the capability to convert idle assets into beneficial properties. Otherwise, a Waqf institution only records and keeps the assets in an unchanging state.

5.4.5.1 Discussion on Result 5: Obstacles in managing Waqf assets

The finding on the interest of donor indicated that there is a drawback in the regulation. According to the regulation, *nazhir* can be an individual, institution, or legal entities (Indonesian Waqf Law 2004). While it is clear on the classification of an institutional Waqf administrator or legal entity, no specific limitation is applied to the individual *nazhir*. Indonesian Waqf Law (2004) allows the heirs to be the sole administrator of Waqf, including using the assets. Also, it is possible for the donor to become part of the institutional Waqf administrator. Article 11 of the Waqf Law states that a Waqf administrator can receive rewards from the management and development of Waqf assets, which amount may not exceed 10 per cent of the net gain. It can be somewhat ambiguous that a donor still receives benefit from the surrendered asset, which means that all the surpluses yielded from Waqf investment cannot be channelled to the beneficiaries (W1). On one hand, this practice opposes what have been suggested by the Shafi and Maliki schools of thought, who forbid a donor doing Waqf for himself or enjoying the benefit. On the other hand, it supports the view of Gil (1998) and Lev (2005) who believe the opposite.

From the finding, it is suggested that the tendency of a donor to be a Waqf administrator is considered an obstacle. However, Dompot Dhuafa and YBWUII are clearly dependent on donations. To deal with this issue, W1 specifically added ‘the institution established a special purpose company to accommodate donors who want to play a role in managing Waqf assets or

sit as management. The distribution of shares determined that *nazhir*'s portion must be majority'.

Under *sharia* rule, one of the characteristics of Waqf is that the use of its properties should comply with the will of the donor. This requirement sometimes makes Waqf institution less flexible in utilising Waqf assets (W2). Hence, in developing a better Waqf system, the knowledge and perception of the donor are decisive. However, many people still see Waqf as used for religious activities such as mosques, prayer rooms, educational institutions, and funerals. When this group of people donates, the Waqf institution is unable to make Waqf more productive following the mandate of the Waqf Law, which requires a *nazhir* to manage and develop the properties of Waqf. This situation is the driving factor for why Waqf land in Indonesia is mainly used for mosques and funeral sites (Ministry of Religious Affairs 2016). Therefore, the government and Waqf institutions need to educate the people about the significance of productive Waqf.

Limited financial capability, as highlighted in the findings, is a common issue faced by TSOs as a result of their reliance on donations, sponsorships, or government grants (Lyons 2001). W1 specifically raised the result of idle Waqf land. A financing model for Waqf land is an important thing that should be considered by *nazhir*. Currently, many Waqf financing models have been invented, along with the emergence of Islamic financial institutions. This situation has created a space for a *nazhir* to collaborate with Islamic financial institutions in financing Waqf land or raising funds from the public with models of cash Waqf, shares Waqf, or collective charity (please refer to Section 3.11).

There are various types of financing commonly used as funding for Waqf land (Khademolhoseini 2008)¹⁵. The first model is *murabaha*, typically a sale and purchase agreement between a financial institution and a customer for a specific type of goods at an agreed price. Financial institutions will provide the required items and sell them to customers at the agreed profit. In financing productive land Waqf, Waqf institutions can enter a *murabaha* agreement with a financial institution or bank to purchase agricultural equipment or materials needed, such as tractors, fertilisers, plant seeds. The second model is *istishna*', which makes an order for the company to produce certain goods or commodities for the buyer. The *istishna*' model allows Waqf institutions to develop the required Waqf property in conjunction with a financial institution through a contract. The financial institution or bank then makes a contract

¹⁵ These Waqf financing models have been largely discussed in Section 3.11.

with the company to fulfil the order on behalf of the financial institution. With an *istishna'*, a Waqf institution can develop productive properties on the Waqf land, such as housing, hotels, or shops.

The third financing model is *ijarah*, the contract of transfer of usufructuary rights (benefits) of an item or service within a specified time through the payment of rent or wages, without being followed by transfer of ownership of the goods themselves. In financing the Waqf land using this model, the Waqf institution permits the investors to build a property on Waqf land. Then Waqf institution rents out the building for the same period in which the fund provider owns the period. The building can be a hospital, school, office, business centre, or apartment. Waqf institution pays the rent periodically to the investor under the stipulated rental fee to cover the principal and profits desired by the investor. When the lease payment period is complete, ownership of the building is transferred from the investor to the Waqf institution.

The fourth type is *musyarakah*, in which two or more parties agree to cooperate in a particular business. According to the agreement, each party deposits its capital (both intangible assets and tangible assets) with profit-sharing in the future. Participation of each party conducting cooperation can be in the form of money, expertise or skill, ownership, equipment, or intangible assets such as goodwill or patents, reputation/good name, trust, and other items that can be valued in money. Financial institutions provide financing facilities by injecting capital into the businesses. The most common use of this contract is when a Waqf institution cooperates with financial institutions or Islamic banks in a tourism hotel investment. The Waqf institution holds the Waqf land under its management as the working capital. At the same time, those who became partners in the partnership contribute to working on the construction of the project.

The fifth financing model is *musaqat* and *muzara'ah*, suitable for agricultural use of the land. *Musaqat* is cooperation in the treatment of plants, for which the return is the proceeds obtained from these plants. The treatment includes irrigating, weeding and other business related to the plants. *Muzara'ah* is an agricultural processing collaboration between the landowner and the cultivator. The landowner gives the farmland to the cultivator to be planted and maintained in return for a specific portion (percentage) of the harvest. The following model is shares Waqf, which is proof of ownership of a company that is making a public offering in a nominal or a certain percentage. In this model, donors give all or part of their shares, and the gains of the shares are distributed to finance productive land endowments. This Waqf financing model has been practised by a business company in Malaysia, namely Johor Corporation, by

donating its shares spread in Tiram Travel, KPJ Health Care, Kulim, Johor Land, amounting to MYR100 million of the value of its shares (Khademolhoseini 2008).

The last model of Waqf land financing is cash Waqf. This model is another form of fundraising through the community. Waqf funds can be invested in both financial assets and tangible assets. Investments in financial assets are carried out in the capital market, such as shares, *Sukuk*, warrants, and options. Investment in the real sector can take the form of purchasing productive assets, developing factories, mining, and plantations. Under this scheme, donors will receive a certificate of cash Waqf that has been stipulated using the fund, for example, to build schools, hospitals, or apartments on Waqf land. In the certificate, the beneficiaries are also stated, such as orphans and poor people.

The next issue highlighted by the participants is related to the skill of *nazhir*, which Ali et al. (2018) regarded as the ‘main internal problem’ faced by the Indonesian Waqf sector. *Nazhir* is a critical element in Waqf that determines the effective use of Waqf assets. A Waqf asset must be maintained and developed to make it sustainable. A *nazhir* is obliged to administer, maintain, and develop Waqf property according to its function, purpose and designation. In addition, a *nazhir* is also obliged to monitor and protect Waqf property. Thus, the use of Waqf assets highly depends on the ability of the *nazhir*. However, the finding suggested that the selection of *nazhir* is not based on professional criteria (Yumarni, Suhartini, and Mulyadi 2019).

In many countries where Waqf is well-developed, Waqf is managed by professional *nazhir* from various educational backgrounds such as economics, finance, engineering, and management. In Indonesia, however, many Waqf assets are still managed by individual *nazhir*. Furthermore, neither the Waqf Law nor any other regulations specifically regulate the required skills or knowledge a *nazhir* should have. Article 10 of the Waqf Law requires a *nazhir* to be an Indonesian, Moslem, mature, trustworthy, healthy, and never having committed a criminal act. In Article 11, the law stipulates the responsibilities of a *nazhir*, which are: to administer Waqf assets, to manage and develop the assets based on their function and designation, to monitor and protect the assets, and to report his activity to the IWB (Indonesian Waqf Law 2004).

Ideally, a *nazhir* should be able to work professionally in managing Waqf and have capabilities as follows:

1. A *nazhir* should have a good understanding of the Waqf Law and other legislation related to the issue of Waqf. Without understanding these things, a *nazhir* will not be able to manage Waqf correctly and adequately.
2. A *nazhir* should have appropriate knowledge about *sharia* economics and *sharia* financial instruments. Waqf is one of the Islamic economic institutions that have the potential to be developed. Therefore, it is proper for *nazhir*, especially those who manage cash Waqf, to be required to understand Islamic investment.
3. A *nazhir* should have insight into the practice of Waqf in various countries (for example, the practice of Waqf administration that is carried out in Bangladesh, Turkey, Malaysia, Singapore, and elsewhere). Hence, a *nazhir* is expected to innovate in developing the assets based on best practices.
4. A *nazhir* should have access to potential donors. Ideally, Waqf administrators can access potential donors so that *nazhir* can collect enough Waqf funds.
5. A *nazhir* should be able to distribute the investment income to the beneficiaries effectively. This action includes the administration of the beneficiaries' accounts. By doing this, a Waqf administrator could track the outcome of the distributed benefits.

From the results, it can be concluded that the participants from Waqf institutions regarded donors' interests, constrained financial capability, and limited skill of the *nazhir* as the main obstacles in managing Waqf assets.

5.4.6 Result 6: Reasons for donors to donate through Waqf institution

Table 5.19 summarises the focused coding for question 6 regarding the reasons for donors to do Waqf through Waqf institutions instead of using individual *nazhir*. This question was asked only to the donors of the two Waqf institutions. In general, the interviewees felt the donation method offered by the foundations was convenient. Also, they believed that Waqf institutions could manage and distribute the donations more effectively than individual *nazhir* could.

Based on the general theme raised from the interview results, the reasons for the participants to do Waqf through a foundation is mainly driven by their experience and perception of Waqf institutions. A good experience with the payment methods has created a convenient feel for them to donate Waqf. However, this is only applicable for cash Waqf.

Additional requirements (e.g. contracts and land certificate) are needed in performing land Waqf, which often requires the donor to arrange the paperwork directly.

Table 5.19: Results for Question 6

Question 6: What makes you to donate through a Waqf institution instead of an individual nazhir?	
Focused Coding	
1	Convenience
2	Professional management
Theme	The donors surrendered their assets to Waqf institution because it is convenient, and they believe the donation can be effectively managed and distributed.

Table 5.20: Focused Coding Number 1 for Question 6

Convenience	
DA2	I can donate online
DA3	I give permission for the institution to take a specific amount from my account every month
DB1	I donate through their website
DB5	I transfer the donation to the foundation's bank account

Table 5.21: Focused Coding Number 2 for Question 6

Professional management	
DA1	They are professional Waqf administrator
DA4	Waqf institution is a legal entity, and the activity can be monitored easily
DA5	The institution is well-known for its charity projects
DB2	Waqf institution can reach more beneficiaries
DB3	I can see the Waqf projects on the website, so I know how the donation was used to
DB4	Waqf institution has a report on the use of the assets

Table 5.20 presents the comments from participants who feel that the donation methods that the Waqf institution has offered are convenient. Most of the interviewees found that they were satisfied with the online payment facility of the Waqf institution. They can donate remotely without having to go directly to the administrator's office. For a routine donor like DA2, direct debit from the donor's account can be set up periodically.

Table 5.21 shows the responses of the interviewees on the ability of the Waqf institution in managing and distributing Waqf assets to beneficiaries. Some donors (DA5, DB3, and DB4) focused on the Waqf projects that the institutions have done. They also took into account the monitoring aspects of the activity. In comparison, DB2 thinks that the donation outcome can reach a broader community if it is channelled through a Waqf institution.

5.4.6.1 Discussion on Result 6: Reasons for donors to donate through Waqf institution

The contemporary way of doing cash Waqf was primarily supported with financial technology (FinTech) by Islamic financial institutions. Fintech is an innovative service in finance that maximises the role of technology. The emergence of new technologies helped the financial institution improve the ease, speed, and flexibility of the transactions and lower financial service costs. Some large Waqf institutions have adopted the concept of FinTech through the launch of FinTech products for charitable purposes (IWB 2019a). With these innovations, donors can easily make donations.

The adoption of FinTech into Waqf would eventually improve the quality of service of Waqf foundation. This improvement is expected to provide satisfaction to donors and attract them to provide funds regularly. The results from DA2, DA3, DB1, and DB5 supported this argument, in which they highlighted the convenient way to donate through Waqf institutions. This finding suggested similar outcomes to Berakon, Aji and Hafiz (2021) who concluded that the advancement of digital banking encouraged people to do Waqf.

The utilisation of FinTech can also benefit the Waqf institution in collecting Waqf funds. The fundraising can be done more comfortably and more efficiently. Thus, Waqf institutions should carry out the digital transformation because it will help these institutions expand their outreach areas and expand the target community. Adopting technology for the ease of doing Waqf has been done in some countries like Malaysia and Kuwait, where they introduced a mobile model of Waqf financing (Khademolhoseini 2008). The driving factor of why participants chose to donate via the Waqf institution is related to their trust in the people who manage Waqf assets. Trust is an important indicator of donors' satisfaction on the service offered by Waqf institutions. High levels of trust among donors to a Waqf institution leads to lower costs for those institutions in collecting donations. DA4 and DB3 specifically highlighted accessibility in monitoring the activities of Waqf institutions to cross-checking the use of their donation (Sargeant and Sargeant 2017; Sargeant and Woodliffe 2007). Meanwhile, DA5

suggested the reputation and familiarity towards the Waqf institution as the reason underlying their donation (Trussel and Parsons 2007; Kassim et al. 2019).

Trust is built on transparency and accountability. Waqf institutions should implement good governance, which is characterised by upholding the principle of accountability (Rusydiana and Devi 2018). Implementing the principle of accountability will make donors voluntarily donate their wealth to Waqf institutions with clear and concrete programs and activities.

A lack of transparency shown by Waqf institutions could drive people to make a direct donation (e.g. to an individual *nazhir*) instead of a donation to an institution. Transparency in a Waqf institution could be achieved by providing a report on Waqf programs and activities. From a fundraising perspective, this type of information should be accessible to the trustees, donors, beneficiaries, and the public. They want to know what benefits they bring to the community (Sargeant and Sargeant 2017).

Given the discussions above, it can be inferred that donors use Waqf institutions when they donate for two main reasons. The first reason is that they find the method offered by Waqf institutions convenient. The second reason is related to their trust in Waqf institutions in using the donated assets.

5.5 Waqf Assets Utilisation in Indonesia

In this category, the questions were aimed to investigate the utilisation of Waqf assets in supporting public services delivery in Indonesia. The results are further discussed as follows.

5.5.1 Result 7: General opinion on the Waqf assets utilisation

Table 5.22 summarises the focused coding on question number 7 that asked for a general opinion on the Waqf assets utilisation. This question was asked of the participants from the group of government agencies.

From the response of the participants, two views arose. Regardless of the difference in the comments, all interviewees thought that Waqf assets had not been well-utilised by *nazhir* and were far from achieving their potential.

From Table 5.23, G2 and G4 explicitly mentioned that Waqf land was the asset that was most under-utilised. Most of the use of this asset is for religious-related purposes such as

mosques, prayer rooms, and funeral sites. Though these kinds of facilities have social value, they do not provide an economic outcome.

Table 5.22: Results for Question 7

Question 7: What do you think in general about the utilisation of Waqf assets in Indonesia?	
Focused Coding	
1	Very limited
2	Some assets have been utilised
Theme	The utilisation of Waqf assets in Indonesia is minimal and far from its potential

Table 5.23: Focused Coding Number 1 for Question 7

Very limited	
G2	Very few of the Waqf assets have been utilised. The estimated number of Waqf land in Indonesia is 435,000 points with an area of 900 million m ² . The majority of uses of these immovable assets are for worship purposes in the form of mosques, prayer rooms, and tombs.
G4	Currently, the Waqf assets have not been organised and administered in the right way. Most of the Waqf property in Indonesia is land and used as mosques, mushallas, boarding schools, and others related to worship. There are very few endowments that are managed productively.
G6	Waqf assets in Indonesia are generally idle and have not been utilised for productive things.

Table 5.24: Focused Coding Number 2 for Question 7

Some assets have been utilised	
G1	Some assets have been utilised. However, it has not to be optimal due to the factors that I have mentioned previously
G3	It is already used for productive things but needs to be improved.
G5	Some Waqf institutions have started to use Waqf assets in certain investments and projects. However, this number is still small compared to the total number of Waqf institutions in Indonesia.

Table 5.24 cites the comments of the interviewees who considered that the Waqf assets had been utilised for productive things, though there is much improvement needed. G1 linked his argument to the previous comments. To recall, G1 previously mentioned the lack of

administration governance and the unintegrated Waqf database. In comparison, G5 has acknowledged the good initiative from some Waqf institutions in utilising their Waqf assets, which other Waqf foundations should follow.

5.5.1.1 Discussion on Result 7: General opinion on the Waqf assets utilisation

G2 and G4 particularly mentioned the utilisation of Waqf land. Both G2 and G2 sought that most of Waqf properties were used as worship facilities. These views were consistent with the Ministry of Religious Affairs' (2016) data on the use of Waqf land, which reported that above 73 per cent of the Waqf land was used for mosques or other religious facilities, and only 13.3 per cent was used for educational facilities.

Unlike the cash Waqf, the endowment asset in the form of land is more challenging to manage due to lower flexibility on its utilisation. Besides the human-related factors, such as limited management knowledge of the trustee and the lack of donor's perception (see Section 5.4.5 for details), the low utilisation level of Waqf land can be caused by the inherent requirements of the asset itself. The regulations on Waqf require Waqf land to be registered to the government office. This certification policy is aimed to protect the continuity of the benefit of the asset from potential disputes in the future. For instance, a mosque built on unregistered Waqf land can be confiscated by the authority or the heirs can request the donated land to be returned to them after the price of the land increases. Nevertheless, by 2019, only 61 per cent of the total Waqf lands were registered (Ministry of Religious Affairs 2019).

Another reason Waqf land has not been utilised economically is the location and the condition of the property itself. Regardless of the large size of each lot, many Waqf lands in Indonesia are in remote villages, which are less flexible for conversion to another asset by the trustees (refer to Figure 3.2 for details). One way to utilise this type of Waqf land is to make it an agricultural site and sell the plantation products to generate revenue. Unfortunately, some of the Waqf lands are not fertile enough to be planted. This idle asset eventually creates additional maintenance cost to the Waqf institution (Rozalinda 2015).

Cooperation among stakeholders is required to accelerate the utilisation of Waqf land. For example, cooperation on information dissemination through the promotion of the certification acceleration program, preparation of documents required for the certification of Waqf land, and the implementation and evaluation of the certification program can be a way to increase the number of registered lots of Waqf land. Three parties are mainly involved in such activity: The Ministry of Religious Affairs, the National Land Agency, and Waqf

institutions. The Ministry of Religious Affairs records the unregistered Waqf land and provides the National Land Agency data. The process to record the Waqf land also requires support from Waqf institutions to actively report to the Ministry of Religious Affairs regarding the unregistered Waqf land under their administration.

On the other hand, some interviewees provided different opinions by noting that Waqf institutions have started to utilise Waqf assets for productive things (G3), such as investing in some projects (G5). These statements were supported by the fact that some Waqf institutions have started to 'break the tradition' by using Waqf assets for productive activities. In the case of utilising Waqf land, for instance, Darussalam Gontor used 185,896 hectares of Waqf land to build rice fields and 15 buildings for education and dormitories. The income created from the commercial activities was used to support educational activities (Hosen 2016; Muljawan, Sukmana & Yumanita 2016). Another example is the establishment of Raudha Building on Waqf land under the supervision of RMF inside the Jakarta Central Business District. The building was leased under a BOT scheme, and the foundation received Rp1.2 billion per year as a rental fee (IWB 2015).

Several small projects have also been done by Waqf institutions using Waqf funds. Dompot Dhuafa, through TWI, initiated the use of a Waqf fund to establish farms and plantations, and the revenues were used to provide financial support for Mansamat First High School. Meanwhile, Global Wakaf Foundation managed community-based programs using Waqf funds, for example, a cattle barn, a minimarket, and wells (Rozalinda 2015).

To sum up, the opinion from the participants for this question have suggested that even though some Waqf institutions have initiated the modern use of Waqf assets, in general, the utilisation is still minimal and below its potential.

5.5.2 Result 8: Acknowledgement of the Waqf assets potential

Table 5.25 highlights the answers to question number 8 that linked the use of Waqf assets to the public services delivery. Again, this question was asked only to the government officials. The theme derived from the interviews is that the government organisation has acknowledged using Waqf assets for public service, but it requires cooperation with other parties.

The first focused coding for the link between Waqf assets and public service delivery concerns the partial and less-coordinated practices. The answers from the interviewees are listed in Table 5.26.

Table 5.27 summarises the given answers from interviewees who believed that, in some cases, Waqf assets had been used to provide public services.

Table 5.25: Results for Question 8

Question 8: Do your organisation, or the government agencies in general, considers the use of Waqf assets for public services?	
Focused Coding	
1	Partial and requires collaboration
2	Have been used for public services
Theme	The utilisation of Waqf assets can be used to deliver public services, but it needs collaboration between parties.

5.5.2.1 Discussion on Result 8: Acknowledgement of the Waqf assets potential

The findings revealed that cooperation between institutions becomes an issue when it deals with utilising Waqf assets for supporting public services. Most of the interviewees underlined the necessity of coordination between all related parties. G1 and G5 offered a similar response as they highlighted the importance of collaboration between government institutions, Waqf institutions, scholars, and the public in maximising Waqf assets' use.

Under Najam's (2000) four Cs model, cooperation between parties can be achieved when goals and means are similar. Hence, theoretically, government institutions should cooperate with Waqf institutions and other parties since they aim for better social and economic conditions. In practice, however, that is not always the case. G2 has specifically highlighted the overlapping functions of the two institutions that were potentially hampering the cooperation. He further mentioned, 'we have some collaboration with other government institutions, but they are sub-optimal due to lack of coordination'. This answer can be the result of G3's concern about the absence of a coordination framework.

The overlapping function between IWB and the Ministry of Religious Affairs, as mentioned by G2, has been discussed in the previous section. Another critical issue raised by G3 is that there are no coordination guidelines on utilising Waqf assets. The problem has to be related to the limited scope of Waqf Law, which currently only regulates two institutions: IWB and the Ministry of Religious Affairs. As stated by G1, cooperation involves multiple authorities. Consequently, other agencies involved in Waqf development do not have a shared goal. Hence, one way to create a coordination framework in the Waqf sector is by broadening the scope of Waqf Law, which incorporated the roles and functions of other agencies.

On the contrary, some interviewees recognised the use of Waqf assets in supporting the government's social program. G4 particularly highlighted the establishment of educational and health services using Waqf funds. Further, she believed that this activity would reduce the spending allocation for the government for public facilities provision (Becker & Lindsay 1994). Based on Young's (2000) supplementary and complementary model, G4 regarded the relationship between government and Waqf institutions as substitutive.

Table 5.26: Focused Coding Number 1 for Question 8

Partial and requires collaboration	
G1	The authority understands the potential of Waqf to support the economy but to realise it requires collaboration across authorities, public support, scholars, and donor's commitments.
G2	The implementation is constrained by the dualism of duties and functions between the Ministry of Religious Affairs and IWB. In addition, it is constrained by the limited budget for conducting fundamental programs.
G3	There is no clear coordination framework in utilising Waqf assets for social and economic programs.
G5	Government institutions and all related parties should work together to maximise the use of Waqf assets.

Table 5.27: Focused Coding Number 2 for Question 8

Have been used for public service	
G4	Currently, the productively managed Waqf assets have been proven to have helped the government provide public facilities. For example, from Waqf funds, educational institutions can be established, such as Islamic boarding schools and health facilities such as hospitals, community health centres, and the provision of clean water and electricity.
G6	Some Waqf institutions have used the Waqf assets in providing goods and services to the community, which will eventually improve the living standard of the people.

Additionally, G4 also talked about the specific use of cash Waqf, noting: 'For Waqf money, it can be used to help finance micro enterprises in the form of microfinance and is in line with the government's program for poverty alleviation, the achievement of the Sustainable Development Goals related to poverty, human capital, and renewable energy.' This opinion is in line with what have been suggested by previous studies (Shahimi, Marzuki, and Embong 2013; Obaidullah and Khan 2008).

Meanwhile, G6 noticed that some Waqf institutions have performed the state's role in providing public services. There is no consensus between scholars in viewing this issue. Nik Hassan (2008), Besley and Ghatak (2017) and Cheng's (2019) studies provide support for G6's opinion. However, they opposed the view of Salamon (1987) who argued that the role of government in delivering public services cannot be substituted by TSOs.

5.5.3 Result 9: Similarity of Government–Waqf institutions social programs

Following question number 8, interviewees from government agencies were also asked about social programs run by the government that are similar to the services offered by Waqf institutions. Table 5.28 lists the coded answers from the respondents on question number 9.

Table 5.28: Results for Question 9

Question 9: Based on your experiences, does the government have social programs similar to the programs run by Waqf institutions?	
Focused Coding	
1	Not as specific as Waqf
2	Many similar programs
Theme	The government has many social programs that similar to Waqf, though some are not as specific as Waqf

Table 5.29: Focused Coding Number 1 for Question 9

Not as specific as Waqf	
G2	There is no specific program like Waqf. The existing government programs are limited to the empowerment of the people through Zakat or social empowerment-based assistance.

Table 5.30: Focused Coding Number 2 for Question 9

Many similar programs	
G1 and G5	Cash Waqf Linked Sukuk, Sukuk Link Wakaf, etc.
G3	Providing social assistance and educational scholarships.
G4	Establishment of educational institutions such as schools, health facilities such as hospitals, clean water and electricity provision, and SMEs financing.
G6	Lots of programs to empowering poor people run by the Ministry of Social.

Although most interviewees agreed that the government has many programs similar to what has been done by Waqf institutions, one respondent thought that Waqf programs are very specific. In contrast, the government agenda is more generic (see Table 5.29 and Table 5.30).

Table 5.29 shows the answer from G2, who explained that there are no government social programs as specific as Waqf activities.

Table 5.30 presents the answers from participants who think that there are many similarities between government and Waqf institutions programs.

5.5.3.1 Discussion on Result 9: Similarity of Government–Waqf institutions social programs

Waqf assets should be used for a specific purpose, and it is determined by the donor's declaration (Sabit, Iman & Omar 2005). In the application, most Waqf institutions earmark the donations for various sectors. For example, in the case of cash Waqf, Dompot Dhuafa gives donors options for the donation. Before donating, a donor should choose a specific purpose for the Waqf (e.g., education, health, economy, and religion). Thus, the donation is devoted to what has been selected by the donor.

A similar specification is also applied in the allocation of government spending. The spending allocation can be classified based on sectors, such as health, education, and infrastructure (Indonesian Ministry of Finance 2019b). The difference is that the money is not earmarked to finance a specific project. Instead, it is like a large pool of funds. As such, it supports the statement from G2 that Waqf activities are more specific than the government programs.

Another possible explanation of why Waqf programs are more specific is the fact that TSOs operate in rural and regional areas, which makes them much closer to the community rather than government agencies. Hence, they are better in addressing the specific needs in the community (Liu 2017).

Even though Waqf programs are more specific than the government's, many functions overlap between them. G1 and G5 specifically highlighted the use of *Sukuk* instruments linked to Waqf funds, commonly known as Cash Waqf Linked *Sukuk*¹⁶. An example of this program

¹⁶ Cash Waqf Linked *Sukuk* is a form of social investment where the endowments fund collected by the Indonesian Waqf Board (IWB) as trustee through *sharia* financial institutions that act as Waqf money recipients (LKSPWU) will be managed and placed on the *Sukuk* Negara or SBSN instruments (Government *Sharia* Securities) issued by the Ministry of Finance for a period of 5–10 years.

is the construction and development of the retina centre at Achmad Wardi Eye Hospital, which is aimed at reducing the number of cataract cases. This hospital was financed by issuing *Sukuk* that is absorbed using endowment money (Ministry of Religious Affairs 2020). On the other hand, the government launched a program to accelerate the prevention of blindness due to cataracts. Through this program, the Ministry of Health offers free cataract operations for the patients (Indonesian Ministry of Finance 2019b).

Another example of the similarity between the government agenda and Waqf programs, as mentioned by G3, is the skill enhancement for the unemployed or jobseekers. Dompot Dhuafa utilises Waqf assets to run a program called Institut Kemandirian, which aims to improve the independence of the unemployed and the underprivileged by equipping them with skills and entrepreneurship training (Dompot Dhuafa 2020). On the other hand, the government also allocates state expenditure to assist job seekers in improving their skills through Kartu Prakerja. This program supports job seekers to enrol in training and courses (Indonesian Ministry of Finance 2019b).

This finding suggests that the government failure and public goods and services theories may be an appropriate framework in understanding why government and Waqf programs have many similarities. The findings provide evidence that the government cannot meet the demand for public services, so Waqf institutions fill the gap by offering similar programs (Corbin 1999; Gronbjerg 2002; Lecy & Van Slyke 2013; Kim 2015; Lu & Xu 2018). To some extent, the role of the government to provide public services is performed by Waqf institutions (Nik Hassan 2008). However, the evidence is still inconclusive in justifying any government dependence on Waqf institutions to perform such tasks.

5.5.4 Result 10: How Waqf assets are utilised

Turning to the application of Waqf assets utilisation, Table 5.31 shows the results of the 10th question of how the selected institution manages Waqf assets. In general, these Waqf institutions have utilised the assets for productive activities. To do that, they have a unique management team for every type of Waqf asset with strict supervision. They also cooperate with Islamic financial institutions to increase the outcome of the assets.

Based on Table 5.32, both Waqf institutions have implemented professional management on their assets. W2 highlighted the management aspect in which he specifically mentioned the focus area of his foundation in using Waqf assets. These areas include education, economy, health, Islamic empowerment, and fundraising. On the other hand, W1 has put

forward the importance of close supervision on asset management. He further explained that a professional management team was established for each type of Waqf asset in the foundation.

Table 5.31: Results for Question 10

Question 10: Would you please explain how your institution utilises Waqf assets?	
Focused Coding	
1	Professionally managed
2	Specific management team
3	Productively utilised
4	Cooperating with Islamic financial institutions
Theme	The Waqf assets have been managed professionally and used for productive things. In doing this, Waqf institutions cooperate with Islamic financial institutions.

Table 5.32: Focused Coding Number 1 for Question 10

Professionally managed	
W1	A professional team of management manages each of Waqf asset. Strict supervision is carried out in the management of commercial businesses in general.
W2	There are several programs at our foundation that are focused on several aspects, which are improving the quality of Muslim education, economic, health, social and Islamic empowerment, and optimisation of fundraising through creative and innovative programs and mutual benefits

In Table 5.33, the interviewees stated that the institutions have different management groups for every Waqf asset. These management divisions were responsible for determining the use of the assets, and they have different functions. As later noted by W2, in some cases, however, these divisions should coordinate with each other before initiating new Waqf projects.

Table 5.34 summarises the comments of the interviewees on whether the assets have been productively utilised. Without mentioning any specific social activities of the foundation, W1 asserted that Waqf assets should be used productively to create a surplus. W2 distinctly explained the projects in his institution, including schools, hospitals, and farms. He also confided that some of the projects are commercially managed. Despite that, all projects should create a positive outcome for the community and improve social wellbeing.

Table 5.33: Focused Coding Number 2 for Question 10

Specific management team	
W1	The special management team is established for every Waqf assets. These groups have their authority to determine the use of the assets.
W2	In this institution, we have several divisions with different functions. These divisions must coordinate if there is a new project financed by Waqf fund.

Table 5.34: Focused Coding Number 3 for Question 10

Productively utilised	
W1	Principally, all Waqf assets must be used productively. Because with the surplus of waqf assets distributed to the beneficiaries lies the reward of the donors.
W2	We have several projects, such as schools, hospitals, and farms. Especially for hospitals and farms, though they are commercials, they have social purposes. The profit from the operation and sales of these activities will be used to provide services for the beneficiaries.

In Table 5.35, both participants underlined the importance of cooperating with Islamic financial institutions in managing Waqf assets. W1 and W2 gave an example of the use of banking services to support digital transactions. W2 added the use of the service offered by an Islamic insurance company to protect tangible Waqf assets, such as buildings and lands.

Table 5.35: Focused Coding Number 4 for Question 10

Cooperating with Islamic financial institutions	
W1	We use banking services because we are moving to an era where cash transactions are minimal, and all are digital and cashless
W2	For the Waqf fund, we use Islamic banking services for daily transaction and fund collection as well. To protect some assets such as buildings and properties, we also use the services from an Islamic insurance company.

5.5.4.1 Discussion on Result 10: How Waqf assets are utilised

The key success of a Waqf institution in managing Waqf assets relies on how professional the people involved in the daily activities of the management (Riyadi 2009). The term ‘professional’ means that the person requires specific skills to perform the activity. Indonesian Waqf Law (2004) has regulated the requirements for a person to become a *nazhir*.

However, the requirements are related to very general things such as nationality, religion, age, and healthiness.

Instead, a *nazhir* should have expertise in a certain field to be able to develop Waqf assets. Besides mastering *sharia* knowledge, they also must understand the *muamalah fiqh* (transactions or dealings) related to Waqf. By understating economics-related subjects, such as finance, management, accounting, and Islamic economics, a *nazhir* is expected to develop assets like commercial businesses do (W1).

The practices of modern Waqf assets administration have become common in some countries. In Singapore, MUIS established Warees, a subsidiary that focuses on developing Waqf assets using a business approach such as investing in the capital market, securitising Waqf assets, and taking corporate actions (Fahrurroji 2015). Brunei has Tanmiah Agency that have particular responsibility for developing Waqf assets through investment activities in financial products (Tanmiah Agency 2018). In Malaysia, Johor Corporation Berhad launched Islamic Real Estate Investment Trust that focuses on developing Waqf assets by investing in the housing sector (Hasbullah and Zaidi 2015).

Apart from the economics skills above, a *nazhir* should understand the practice of Waqf in other countries. This ability is relevant in improving the creativity of the *nazhir* to be innovative in developing Waqf assets (W2). Access to prospective donors is also an essential thing for a *nazhir*. Networking can be built through collaboration with third parties, which is established based on mutual benefits, such as investment, opening a business entity, mobilising self-help groups, or other ways that can build productive Waqf-empowerment networks. Furthermore, W1 and W2 also mentioned that Waqf assets should be productively managed. Currently, Waqf institutions in Indonesia offer various models of productive endowments to the community, such as food Waqf, education Waqf, health Waqf, and economic Waqf (Rozalinda 2015). Food Waqf is a program offered by Waqf foundation to build food security. This program includes Waqf in plantations, wells, and livestock. Such Waqf is a classical model that was implemented in the earliest development period of Waqf. The education Waqf program is focused on building school facilities and infrastructure, such as renovating classrooms or schools and providing support for teaching and learning activities, including desks and benches, textbooks and study books.

Meanwhile, the health Waqf program was initially established due to various needs of health facilities, for example, the need for ambulance vehicles and medicines to support

hospitals and clinics in medical services for victims of humanitarian conflicts. In this sense, Waqf institutions exist to serve the heterogeneous demand in the community as posited by the government failure theory (Weisbrod 1975).

In its development, the health Waqf program is focused on hospital-building endowments. This type of endowment can be commercially managed where the results of its management are used to cross-subsidise the poor who cannot be treated because they do not have money to meet their medical needs or provide free health outreach, counselling, and free vaccinations. The most contemporary Waqf program is the economic Waqf, which usually comes in property, retail, and shares Waqf (Khademolhoseini 2008).

In addition, W1 and W2 specifically highlighted the use of financial services in managing Waqf assets. The role of Islamic financial institutions in cash Waqf activities has been acknowledged in Waqf regulations. Besides becoming an intermediary agent like conventional banks, Islamic banks should also carry out social functions, as mandated by the Law of Islamic Banking. This social responsibility can be performed by being a *Baitul Mal* institution, which receives funds from *zakat*, Waqf, alms, or other social funds. Specific to Waqf, the Waqf Law has introduced the concept of the Islamic financial institution for receiving Waqf money (Lembaga Keuangan Syariah-Penerima Wakaf Uang/LKS-PWU). An Islamic financial institution should be appointed by the Minister of Religious Affairs and registered at the IWB to be an LKS-PWU. Then this financial institution becomes authorised to receive Waqf money from donors and issue cash Waqf certificates (Indonesian Waqf Law 2004).

Furthermore, *Government Regulation No. 42 Year 2006* advises that the endowment money not go directly into the Waqf institutions. Instead, the money is deposited to an Islamic bank that obtains a licence as the LKS-PWU and has cooperated with the Waqf institution. This policy is expected to strengthen Islamic banking and ensure the security and transparency of money Waqf management. This model is very beneficial for Islamic banks because Waqf funds are zero cost funds. Unlike savings or deposits that require banks to pay a profit share to obtain customer funds, endowment funds are a source of funds that do not need profit-sharing for customers. Also, given that the period of Waqf money can last forever, the banks would benefit in terms of liquidity.

Another essential aim of the policy is that, due to the Waqf requirement that the principal fund must strive, there is a guarantee for the endowment money's eternity. The

Government Regulation No. 42 Year 2006 obliged LKS-PWU to guarantee endowment funds in the Indonesian Deposit Insurance Corporation if the management and development of endowment funds are carried out in Islamic banking. In the case in which the management of endowment funds is conducted by the non-bank financial institutions, then the endowment funds must be insured with Islamic insurance.

To optimise the use of Waqf funds, Islamic banks can also create Islamic investment products. There are two typical investment schemes for Waqf funds offered by the LKS-PWU. The first scheme is money deposit *mudharabah mutlaqah*. Under this scheme, the *nazhir* deposits Waqf money to an Islamic bank, creating a return on a deposit. This return will be given back to the *nazhir* to be channelled to the beneficiaries. The other investment product is *mudharabah muqayyadah*. Under this model, the *nazhir* deposits Waqf funds to an Islamic bank and the bank then invests the money to finance a project. The project, however, should be determined or agreed upon by the *nazhir*. The bank could get 1% of the spread as the fee.

5.5.5 Result 11: Procedures to determine Waqf beneficiaries

Table 5.36 shows the results of question 11 asked to Waqf institutions regarding how they determine beneficiaries. According to the answers, these Waqf institutions identify potential beneficiaries before they channel Waqf benefits. After that, they cross-check the data with the actual condition.

Identifying beneficiaries can be done in various ways, as explained by W1, whose foundation surveyed potential beneficiaries. W2 stressed that the potential beneficiaries who apply to the foundation to get Waqf benefits should be interviewed beforehand (see Table 5.37).

The next step is assessing the data they get from the survey or interview in relation to the actual conditions. As shown in Table 5.38, both Waqf institutions do a field visit by going to the beneficiary's home to check their daily living and economic conditions. As an additional instrument for the assessment, W1 described that the foundation also requires the potential beneficiaries to provide a letter from the council, which explains that they are poor. Also, W2 further explained that the institution also used this method as an evaluative tool, which he stated as 'to evaluate if our program has given a positive impact on them' (W2).

Table 5.36: Results for Question 11

Question 11: Do you use any criteria to determine the beneficiaries?	
Focused Coding	
1	Identifying potential beneficiaries
2	Assessing the data
Theme	Waqf institutions identify the potential beneficiaries and assessing their data before channelling Waqf benefits.

Table 5.37: Focused Coding Number 1 for Question 11

Identifying potential beneficiaries	
W1	We do this by surveying the potential beneficiary
W2	We interview the potential beneficiaries that apply for the services

Table 5.38: Focused Coding Number 2 for Question 11

Assessing the data	
W1	We came to each of their homes and saw their economic condition
W2	Sometimes we do a field survey to see the daily living of the beneficiaries

5.5.5.1 Discussion on Result 11: Procedures to determine Waqf beneficiaries

Unlike *zakat*, a type of charity in Islam with specifically targeted beneficiaries, Waqf does not limit the people who can benefit. Qahaf (2005) advises that the benefits of Waqf must be good for the people, not contain anything prohibited by *sharia* and morals, and not conflict with the applicable laws. Although they are not explicitly classified, beneficiaries have become one of the components in the Indonesian Waqf system. Initially, the beneficiaries (or the use of Waqf assets) were determined by the will of the donors. The *Government Regulation No. 25 Year 2018 Article 1* defines beneficiaries as ‘a party that has been appointed to get the benefits of the Waqf asset based on the statement of the donor which is outlined in the Waqf contract.’ This is commonly applied in Waqf where the benefit of the asset is directly distributed, such as mosques and tombs.

In its current development, the use of Waqf assets is directed based on the beneficiaries’ need. As a result, Waqf institutions tend to offer Waqf programs in which the benefits have been predetermined, for example, a program to build a hospital in a certain village. To establish such a program, a Waqf institution creates criteria for the potential beneficiaries. A Waqf

institution typically has better information about the beneficiaries' need than the government does. In this sense, determining the potential beneficiaries could improve the effectiveness of the Waqf outcome.

It is important to note that determining beneficiaries requires valid data and a rigorous process. In this case, Waqf institutions should have a reliable data collection method and system for verification of the targeted beneficiaries. Both W1 and W2 selected the potential beneficiaries before the distribution of the benefits. Further, these Waqf institutions do data cross-check by directly assessing the real condition of the beneficiaries.

Nevertheless, two main issues need to be addressed regarding the data of beneficiaries. First, the need to develop an integrated database of Waqf beneficiaries. The absence of such data creates complication in the evaluation process. Second, there may be an overlap in targeting of beneficiaries in social assistance programs run by the government and Waqf institutions. The state and Waqf foundations should coordinate in assessing the data so that the programs will be more effective.

5.6 Conclusion

This chapter has discussed the empirical findings in two aspects: key development factors and Waqf assets utilisation. The results showed mixed connection to the literature. First, the results suggested that the regulatory framework, institutional setting, coordination between agencies, integrated Waqf database, knowledge of *nazhirs*, the use of financial technology by Waqf institutions, and trust by donors in Waqf institutions are among the key factors that influence the development of the Waqf sector in Indonesia. Except for the Waqf database and donor's trust, some of the findings were similar to the results of prior empirical studies, which regarded regulation (Huda et al. 2017), institutional arrangements (Haneef, Kamil & Ayuniyyah 2017), coordination (Shamsiah 2010b), Waqf institutions' accountability (Rusydiana & Devi 2018), and *nazhir's* competence (Ali et al. 2018; Yumarni, Suhartini & Mulyadi 2019) as the significant factors.

Second, the findings revealed that the independence of the IWB is vague due to its reliance on government budget. This somewhat contradicts Haneef, Kamil and Ayuniyyah's (2017) study that considered the independence of the IWB to be its internal strength. Additionally, the finding also highlighted the overlapping roles and responsibilities between IWB and the Ministry of Religious Affairs, and the dual functions of the IWB as Waqf regulator and trustee.

Third, the findings indicated the role of government in providing public services have been performed by some Waqf institutions. Nik Hassan (2008), Besley and Ghatak (2017), and Cheng (2019) were among those who support this view, despite the critique from Salamon (1987) regarding the substitutive role. Additionally, the findings advised that the government failure and public goods and services theories (Weisbrod 1975) may be suitable in understanding why Waqf institutions offer similar social programs (Corbin 1999; Gronbjerg 2002; Lecy & Van Slyke 2013; Kim 2015; Lu & Xu 2018).

The next section will provide further discussions of the other two categories: the relationship between actors in Waqf administration and the possible future directions of Waqf sector development.

CHAPTER 6 RELATIONSHIPS IN WAQF ADMINISTRATION AND FUTURE DIRECTIONS: RESULTS AND DISCUSSION

6.1 Introduction

Following the previous chapter, this chapter presents results and discussion for other two categories: interrelationships in Waqf administration and future directions. The exploration of the interrelationships in Waqf administration in this chapter focuses on the relationships between government agencies, Waqf institutions, donors, and beneficiaries. The discussion in this category will cover the coordination between government and Waqf institutions, donors' satisfaction on the use of Waqf assets, beneficiaries' expectations of the use of Waqf assets, and possible overlapping programs between government and Waqf institutions.

The next section in this chapter will focus on the analysis of the results related to the future directions of Waqf development in Indonesia. The discussion will cover the possibility of integrating Waqf–government programs, and the possibility of the central government involvement in Waqf sector.

6.2 The Relationship in Waqf Administration

In this section, the questions aimed to explore the relationships among parties related to the utilisation of the Waqf assets for public services, including the coordination between Waqf institutions and the government agencies and the expectation of donors and beneficiaries.

6.2.1 Result 12: Coordination between Waqf institutions and government agencies

Question 12 was put to Waqf institutions to investigate their relationships with the government agencies or other Waqf foundations, specifically in utilising Waqf assets. In Table 6.1, the Waqf institutions have coordinated with the government agencies. However, it seemed that no collaboration with other Waqf institutions has taken place so far.

Table 6.2 summarises the comments of the participants on the way they coordinated with the government. W1 highlights some Waqf projects that were managed together with the government agencies as well as other vendors. In hospitals, the institution coordinated with the ministries in charge of health and social issues. On the other hand, W2 focused on the supervision and monitoring aspect of the relationship, in which he explicitly mentioned IWB and the Ministry of Religious Affairs as the coordinating agencies.

Table 6.1: Results for Question 12

Question 12: In utilising the assets, does your institution make coordination with the government agencies or other Waqf institutions?	
Focused Coding	
1	Coordinating with the government
2	Not coordinating with other Waqf institution
Theme	In utilising Waqf assets, Dompét Dhuafa and YBWUII have coordinated with the government, but not with other Waqf institutions

Table 6.2: Focused Coding Number 1 for Question 12

Coordinating with the government	
W1	There are several hospitals managed by our foundation in collaboration with government agencies and other vendors.
W2	We should coordinate with IWB and give them an update about what we are doing. Besides IWB, we also consult with the Ministry of Religious Affairs, especially for projects related to religious facilities.

In contrast (see Table 6.3), both Waqf institutions have not collaborated with other Waqf trustees in doing Waqf projects. Nevertheless, the participants were open to the possibility of working together with other institutions. Further, as advised by W2, IWB can coordinate and be a focal point among Waqf institutions in one local area so that those Waqf institutions can cooperate one to another’.

Table 6.3: Focused Coding Number 2 for Question 12

Not coordinating with other Waqf institution	
W1	However, no one has collaborated with other Waqf institutions.
W2	We have not worked together with other Waqf institutions

6.2.1.1 Discussion on Result 12: Coordination between Waqf institutions and government agencies

The response from W1, who mentioned ‘several hospitals’ indicated that the collaboration between the government and the Waqf institution had been implemented to a very limited extent, given the wide variety of projects undertaken by the institution. In addition to that, the statement of W2 confirmed that the relationship between government agencies and the Waqf institution was only at a ‘strategic’ level, such as consultation. This situation can be

understood as the Waqf system in Indonesia is not centralised, so that the government hands over the technical aspects of Waqf management to the trustees.

Another possible explanation for why Waqf institutions and government coordination is limited is that these Waqf institutions did not rely on government funding to finance their projects. It makes these institutions highly independent and less prone to conflicts of interests (Anheier 2005; Yaguai 2012; Smith & Lipsky 1993). In this sense, the fact that Dompot Dhuafa and YBWUI did not depend on government funding somewhat contradicts the hypothesis of Anheier (2005) of TSO's dependence upon government. Contrary to the suggestions of Lecy and Van Slyke (2013), the absence of government funding would not make any impact on the capacity of Waqf institutions. However, it is too premature to conclude that the relationship is one of unidirectional dependency (Yaguai 2012).

In fact, the relationship between the government and Waqf institutions is not related to funding. Since 2018, some state agencies such as the Ministry of Finance and the central bank have collaborated with the IWB (as a Waqf institution, not as supervisor) through Cash Waqf linked *Sukuk*¹⁷. Under this scheme, the collected cash Waqf was used to buy government *Sukuk*. The due-date duration of the *Sukuk* was varied, but usually between 5-10 years. The investment revenue would be used to finance Waqf programs or other social activities. Such a program reflects the productive management of Waqf assets and provides direct support to the state budget. Also, this approach is in line with the mandate of the Waqf Law, where the collected Waqf funds are invested in productive activities, and the results of the investment are channelled to the beneficiaries (Indonesian Waqf Law 2004).

Another finding revealed that there is no collaboration between Waqf institutions in utilising Waqf assets. The absence of collaboration between Waqf institutions may be caused by the nature of Waqf institutions to operate within a specific area and serve the local community. For example, in the case of Waqf land, it is difficult to make a Waqf institution in West Java collaborate with another institution based in East Java to manage Waqf land in West Java as there would be no impact on their beneficiaries. It is evident that some Waqf institutions operate in a wider scope, such as Dompot Dhuafa, Rumah Wakaf, and YWBNB. However, most Waqf trustees in Indonesia operate on a small scale and are still managed traditionally, especially the individual *nazhirs*.

¹⁷ The term 'Cash Waqf linked *Sukuk*' is different from '*Sukuk* linked Waqf'. The latter is a method that uses Waqf land or property as an underlying asset to issue *Sukuk*.

Another factor that causes difficulties for collaboration between Waqf institutions is the lack of governance on *nazhirs*. Governing *nazhirs* is not necessarily limited to their hard skills and soft skills, but also by creating synergy between *nazhirs* to optimise the idle assets. The findings suggested that Dompot Dhuafa and YBWUII are open to any possible opportunities to cooperate with other institutions in managing idle Waqf assets. However, these need to be initiated by the Waqf authority. In this case, the role of IWB is critical in providing guidelines for the partnership and coordinating each Waqf institution.

6.2.2 Result 13: Donor's expectation on the use of Waqf assets

Table 6.4 outlines the focused coding for Question 13. This question was addressed to Waqf donors to determine whether the use of the assets met their initial intention when donating. Some of the responses from the donors indicated that the social activities carried out by the Waqf institution had met their expectations. However, some others suggested that they did not have a specific expectation on how the assets were to be used.

Table 6.4: Results for Question 13

Question 13: Has the utilisation of the assets met your expectations?	
Focused Coding	
1	Met the expectation
2	No expectation
Theme	Most of the donors satisfied with the social activities performed by the institutions, though some of the donors did not have a specific expectation.

DA1 and DB1 were examples of respondents who used the information on the website or reports to match their expectations. They checked the progress or update of a program to which they donated. Meanwhile, DA3 selected the donation based on the programs offered by the institution. Then, he could choose a program that matches his intention. In comparison, DB2 believed that his expectation for the use of Waqf assets would be fulfilled as the Waqf institution has a good reputation in conducting social programs. The answers that indicated Waqf assets utilisation had met donors' expectations are listed in Table 6.5.

Even though most of the donors felt that their expectations had been fulfilled by the Waqf institution, some of the other donors realised that they did not have a specific expectation on the use of Waqf assets (see Table 6.6). They believed that Waqf was about their relationship

with the Creator and not with other humans. They expected to get rewards from the Creator, regardless of how the donation was used (DA4, DA5, DB5).

Table 6.5: Focused Coding Number 1 for Question 13

Met the expectation	
DA1	I am quite happy with the social activities conducted by this institution. Even I can see the progress of a program through its website.
DA3	The institution offered pre-determined programs, which then I selected based on my preference.
DB1	I often check the report of this institution to ensure that the donation was used correctly.
DB2	This institution has been well known for conducting many social activities. Hence, I have no doubt regarding the use of my donation.

Table 6.6: Focused Coding Number 2 for Question 13

No expectation	
DA4	I do not have a specific expectation on the use of the assets. As long as my donations are used to help poor people, I am okay.
DA5	Waqf is about doing charity to get intangible rewards. My obligation as a spiritual human being is to do good deeds. So, I do not really concern about the things after that.
DB5	What I expect from doing Waqf is the perpetuity rewards, regardless the how the institution utilises the assets.

6.2.2.1 Discussion on Result 13: Donors' expectations of the use of Waqf assets

As discussed earlier, the major factor that could determine the use of Waqf assets is the donor's will. This intention is usually stated in the Waqf contract between the donor and the *nazhir*. If a donor is willing to donate to establish schools, it is binding, and the Waqf institution cannot use the donations for any other purposes. As such, it is unlikely that the donor would feel unsatisfied with the use of the surrendered asset since *nazhir* should utilise it based on the donor's expectation.

DA1 and DB1 highlighted the monitoring system and transparency applied by Waqf institutions. They can check the use of the donations on the Waqf institutions' websites to ensure that their donation is effective (Sargeant & Woodliffe 2007; Sargeant & Sargeant 2017). This result indicated that the reporting system implemented in the institutions has successfully increased transparency and met the donors' expectation on the use of Waqf assets. In this

context, the result confirmed the studies of Hyndman (1990) and Berman and Davidson (2003), which suggested that reports that were routinely provided by charity organisations are what most donors look for.

Moreover, DA3 expressed satisfaction with the way that Waqf institutions explained the programs before taking donations. This action could make donors feel more comfortable as they do not have to think about the further use of the assets. Currently, more Waqf institutions offer pre-designed programs to donors. For example, Dompét Dhuafa offers various types of Waqf intentions before a donor does the Waqf. The options range from religious facilities, health, education, and economic developments (Dompét Dhuafa 2021). On the other hand, DB2 felt that his expectation was met because of the reputation of the Waqf institutions in using the donations, which is in line with the study of Trussel and Parsons (2007).

Furthermore, as confirmed by the interview results, some donors do not have specific expectations on using the assets (DA4, DA5, DB5). This can be understood to happen because Waqf adopts the principle of altruism, which encourages or maximises benefits for others, including all humans and living things. This result opposes Duncan's (2004) finding, which regarded the expectation of improving other people's lives as the driving factor for a donor to contribute.

Fulfilling the expectation of the donors is crucial for Waqf institutions as it will affect the amount of donations. They will repeatedly donate their funds to the institution, even positively informing others about their satisfaction with the institution (Palmer 2014). A satisfied donor will potentially become a natural fundraiser for the institutions in the longer term without being asked, appointed, or paid. To sum up, the result suggested that Waqf institutions and donors have a certain degree of inter-dependency in relation to each other.

6.2.3 Result 14: Beneficiary's satisfaction with the utilisation outcome

Following question 13, question 14 aimed to investigate whether the utilisation of Waqf assets has met the beneficiaries' expectations. This question intended to seek the effectiveness of the Waqf programs conducted by the institutions. There were two broad responses to this question. One was from the participants who were satisfied with the programs, and the other was from the people who expected other kinds of benefits. Table 6.7 summarises the answers to question 14.

Most of the participants found that the Waqf institutions utilised the Waqf assets effectively, indicated by the satisfaction with the programs offered. For example, BA3 and

BB1 felt that the program was beneficial for them in accessing better education and health services. BA1 specifically mentioned his satisfaction when the application for the scholarship was approved by the institution (see Table 6.8).

Table 6.7: Results for Question 14

Question 14: Do you expect other kinds of Waqf benefits other than what you have received?	
Focused Coding	
1	Satisfied with the programs
2	Expect other kinds of benefits
Theme	Most beneficiaries were satisfied with the outcome, and regardless some beneficiaries expect other kinds of Waqf benefits.

Table 6.8: Focused Coding Number 1 for Question 14

Satisfied with the programs	
BA1	I feel very relieved when the application was approved.
BB2 & BB3	Very thankful to the institution for the support.
BA3 & BB1	The program was very helpful.

Despite some beneficiaries feeling satisfied with the benefits they received, some participants expressed their expectation of other benefits being given by Waqf institutions. BA2 and BB5 explicitly expected other kinds of benefits, such as house renovations and cash payments. Meanwhile, BA5 hoped that the Waqf institution would build a clinic in the neighbourhood, as the hospital is quite far from the area. Table 6.9 shows comments from participants who expected other kinds of benefits.

Table 6.9: Focused Coding Number 2 for Question 14

Expect other kinds of benefits	
BA2	I hope I can get support to renovate my house
BA5	The hospital is quite far from here, so I hope a clinic was built in the area
BB5	I expect to get a cash payment from the institution

6.2.3.1 Discussion on Result 14: Beneficiary's satisfaction with the utilisation outcome

In general, the finding suggested that most of the beneficiaries were satisfied with the given Waqf outcome. The most possible explanation for this is that Waqf institutions have good knowledge of the needs of the beneficiaries and can fulfil them. Since Waqf institutions

are smaller entities compared to the state, they tend to be better at working closely with populations and can respond to the heterogeneous demand much quicker (Liu 2017). Waqf institutions are also community-based organisations that are informed by and respond to the community's needs; they focus on empowering them to strive to improve the local capacity. Because Waqf institutions often have comprehensive knowledge of the poor in a specific area, they can bring a range of perspectives and provide advice to the government on how to effectively respond to the needs of the population.

Waqf institutions are encouraged to deliver services to the public in a promised quantity. This would eventually affect the sustainability of the funding source as it provides information to donors on how the institution manages the donations to meet the expectation of beneficiaries (Huda 2011). Thus, the expectation of the donors should match how the assets were used to satisfy beneficiaries, as it would indicate the effectiveness of the assets management. In this respect, beneficiaries may influence the objective of Waqf institutions through their expectations (Ben-Ner & Van Hoomissen 1992).

On the other hand, the finding also suggested that, in some cases, Waqf institutions could not fulfil the beneficiaries' needs. Therefore, there is a need for government–Waqf institution partnerships to address beneficiaries' needs. For example, from the interview result, the government may establish a health facility in the neighbourhood where BA5 lives, or it may cover the needs of BA2 in its national housing program. Viewed this way, the government and Waqf institutions have a complementary relationship, as highlighted by Najam (2000) and Young (2000).

6.2.4 Result 15: Possible overlapping programs

Question 15 aimed to examine if there are overlapping programs conducted by the government and Waqf institutions. This question is related to question 16, which seeks to find a connection between the utilisation of Waqf assets and the government social programs. As shown in Table 6.10, two principal codes arose from the answers. Many of the beneficiaries also received benefits from the government programs, while others did not enjoy any direct benefits from the state.

The benefits of the government social program can be health and education support, such as universal health coverage and scholarships. Other types of social support are subsidy and cash transfer (see Table 6.11). In comparison, Table 6.12 indicates that few participants were not covered under government programs.

Table 6.10: Results for Question 15

Question 15: Do you receive benefits from government social programs?	
Focused Coding	
1	Received benefits
2	Did not received benefits
Theme	Most beneficiaries also received benefits from government social programs

Table 6.11: Focused Coding Number 1 for Question 15

Received benefits	
BA1, BA2, BA4, BB1, BB2, BB3, BB4	Received support from the government in the form of health and education fund support and subsidy, and cash transfer.

Table 6.12: Focused Coding Number 2 for Question 15

Did not received benefits	
BA3, BA5, BB5	Did not receive any direct benefits from the government social programs

6.2.4.1 Discussion on Result 15: Possible overlapping programs

The engagement between the state and Waqf institutions is established through similar objectives and interests. Hence, the low level of engagement between the parties may result in the misalignment of their services. Government and the Waqf institutions have similar programs on health, education, and social empowerment. For example, the government launched Kartu Indonesia Sehat to ensure people's access to health facilities. Similarly, Dompot Dhuafa and YBWUII also established health services that offer free treatment for needy people (see Figure 6.1).

Consequently, a person can get the same benefits of free health access. This argument is also supported by the interview results that revealed that most beneficiaries also get benefits from the government. In this regard, the government programs could be less effective and efficient to finance other spending.

The social programs offered by the Waqf institutions are mostly aimed at improving the quality of health and education. As highlighted by Salamon and Anheier (1999), the significance of TSOs is their ability to provide social, health, and education services. Figure

6.1 also indicated that Waqf programs are more specific and targeted compared to the government programs. Understandably, Waqf institutions have more specific programs than the government as they work closer to the community. This condition makes them better at addressing the specific needs of the beneficiaries and delivering the services.

Furthermore, the specific programs offered by Waqf institutions reflected the difference in the strategies pursued by the government and the institutions in developing the social and economic sector.

Applying the concept of the government–TSOs relationship proposed by Najam (2000) to the Waqf sector, there should be a complementary relationship between these two actors. Najam’s (2000) four Cs model suggests that a complementary relationship is when the government and Waqf institutions have the same goal, but the strategy is different. The explanation using Young’s (2000) supplementary and complementary framework yields the same conclusion. The overlapping programs between government and Waqf institutions indicate that there is a positive association between the spending of government and of Waqf institutions on these programs. Hence, the model suggests that the government and Waqf institutions should arrange a partnership as they are complementing each other.

Government	Dompot Dhuafa	YBWUII
<ul style="list-style-type: none"> • Kartu Indonesia Sehat • Kartu Indonesia Pintar • Cash transfer • Kartu prakerja • Schools and univ. in remote areas • Vocational -based courses 	<ul style="list-style-type: none"> • Health facilities (RST Dompot Dhuafa, RS Mata Ahmad Wardi, etc) • Early childhood education, scholarships 	<ul style="list-style-type: none"> • Rumah sehat baznas • Hospital facilities (RS JIH, RS UII) • Education services (kindergarten-university) • Religious facilities

Source: Indonesian Ministry of Finance (2019b, Dompot Dhuafa (2020), and YBWUII (2021)

Figure 6.1 Social Programs Run by Government and Waqf Institutions

It is worth noting that the partnership between government–Waqf institutions may have different forms to government–TSOs collaborations. In a government–TSO collaboration, the government typically supports the TSO with required resources, such as strengthening capacity and financial support. Meanwhile, TSOs are considered to have strong local partnerships, and

therefore, they can execute the government programs more effectively (Salamon 1987, 1996; Gazley & Brudney 2007; Yaguai 2012). On the other hand, the collaboration between government and Waqf institutions is slightly different. Besides having good local knowledge, these institutions also collect donations. It means that they have financial resources to perform their activities. Therefore, the coordination between the government and Waqf institutions should occur at the planning phase, rather than at the implementation stage like those with TSOs.

The National Planning Agency prepares the short-term and medium-term work plans for the Indonesian government. These work plans are used as a reference in preparing the national budget and the basis for the implementation of activities to be carried out by the line ministries. In this context, the synchronisation of planning and budgeting targets set at the ministerial and national levels takes place. During these planning processes, the government needs to cooperate with Waqf institutions so that the budget planning process can be more precise and effective.

6.3 The Future Directions of Waqf administration

All the participants across the groups were asked questions 16 and 17 to explore their opinion regarding the possible developments for Waqf sector in the future.

6.3.1 Result 16: Relationship between government and Waqf programs

Question 16 was asked to see whether Waqf assets can be used to support the state programs. As shown in Table 6.13, two general comments rose from the participants. The first one is that Waqf assets can be used as a complement to government social programs. The second one is that the utilisation of Waqf assets can substitute for the role of the government in providing public goods.

Table 6.13: Results for Question 16

Question 16: Do you think Waqf assets can be utilised to support government social programs such as infrastructure, health, and education?	
Focused Coding	
1	Complementing government programs
2	Substituting government programs
Theme	Most of the government and Waqf programs complement each other, though some of them are substitutive.

Table 6.14 summarises the comments that opined that Waqf institutions and the government could serve complementary functions. G2 and G6 thought that Waqf does not limit the beneficiaries, and, therefore, it can be used as a development assistance tool for the government. However, G3 stressed that the use of Waqf assets should follow the donor's intention. An interesting comment arose from G5, who believed that Waqf assets could also support the development of the Islamic financial sector.

Table 6.14: Focused Coding Number 1 for Question 16

Complementing government programs	
G2 & G6	The essence of Waqf is perpetual and valuable to Muslims and non-Muslims. Thus, Waqf assets can be used to support government programs.
G3	Yes, as long as it is under the mandate/pledge from the donor.
G5	Besides the programs in the real sectors, Waqf can also provide support to the development of the Islamic financial sector
W1	This institution currently concentrates on health Waqf programs, namely hospitals, clinics, pharmacies, optics, and other health services.
W2	Waqf assets can be used to support government programs, direct and indirectly.
DA2, DA3, DB3, DB4, BA1, BB3	Waqf institution and government can cooperate in providing public goods

Furthermore, both Waqf institutions stated that they have projects in line with government programs. For example, W1 explained the project that focuses on providing health services, which is also included in the government agenda. Meanwhile, most donors and beneficiaries thought that Waqf institutions and government agencies could provide goods and services for the public.

In comparison, Table 6.15 shows the response that thinks Waqf assets can substitute for the government programs. G1 highlighted that Waqf assets could be utilised to finance government projects for social purposes. Meanwhile, G4 specifically mentioned that the government should focus on delivering public projects in other areas that have not been covered by Waqf institutions. Also, some beneficiaries believed that, instead of conducting projects in other areas, the government could assist where help has not been given by Waqf institutions.

6.3.1.1 Discussion on Result 16: Relationship between government and Waqf programs

The results from the interviews can be used to explain how the relationship between Waqf institutions and the government works. In line with what has been pointed out by Besley and Ghatak (2017), the interviewees believed that Waqf institutions could either be a complement or substitute to the government. The findings were in favour of the complementary model of relationship rather than the supplementary type (Young 2000).

Table 6.15: Focused Coding Number 2 for Question 16

Substituting government programs	
G1	Absolutely, because Waqf is a social fund that can finance government projects for social purposes such as mosques and schools.
G4	The programs are still scattered and not focused. The government can focus on the provision of public facilities in other areas or other programs.
BA3, BA5, BB4	The government may give support on the things that not been covered by Waqf institution

The result might also suggest a paradigm shift from seeing that economic and social development is the government's responsibility to seeing it as the responsibility of society in general. In this regard, the government may rely on Waqf institutions in providing public services. However, in some part, this finding contradicted the view of Salamon (1987), who argued that Waqf institutions could not substitute for the role of the government in providing public services. The government has special advantages that Waqf institutions do not have: the ability to impose tax regulations and overcome free-rider problems. The given answers from BA3, BA5, and BB4 underlined the support that the government can provide, such as developing a supportive regulatory framework (Salamon 1996).

Waqf assets can be utilised for both commercial and non-profit interests. Regardless, many Indonesians still understand Waqf as an infrastructure provider for religious activities, such as mosque and funeral sites. Waqf assets are allowed to be managed as a commercial investment. For example, Waqf land is built for office buildings that have units that can be rented. Income generated from leasing the office units can be used to support the programs of the TSOs, such as scholarships for students at Islamic boarding schools, or health assistance.

The role of Waqf in supporting the state budget can be implemented in several sectors. In infrastructure, Waqf can provide support in two ways: as a provider of land for infrastructure

development through land Waqf and by becoming a source of financing for infrastructure development through cash Waqf. In the education sector, Waqf land can be used to establish Islamic boarding schools. In addition, Waqf assets that are invested and generate income can be used to finance educational operations, such as teacher salaries. The role of Waqf in the health sector is the provision of land for the development of health services. However, Waqf can also play a role in operational funding costs for health services derived from the endowments' investment.

The concept of Waqf assets to be used as investment capital has been introduced in the Waqf Law. Encouragement is given for these assets (especially cash) to be invested in productive activities, and the investment returns are submitted to the beneficiaries. It is also important to note that such investment activities could collaborate with government programs to create a more significant multiplier effect.

There are various examples of the application of complementary relationships in the Waqf sector. The first example is the construction of power plants using Waqf assets, which can support the national work plan to construct 35,000 MW power plants throughout Indonesia. In this scheme, a Waqf institution becomes the power plant manager and sells the electricity produced to the National Electricity Company. Profits earned by this business activity can be used for humanitarian programs, such as operational financing for schools and free healthy homes for the poor.

Another example is the paid toll road construction. This investment can support the procurement of a 1,000 km toll road program. Besides supporting government programs, paid toll roads can provide benefits that can be a source of financing for social programs, such as paying for the salaries of doctors and teachers who serve in free clinics and schools for the poor. The third example is specifically related to the use of Waqf land. A free school for the poor can be built on Waqf land. An income stream that can finance school operations comes from the management of profitable Waqf investments. This project will encourage increased learning participation of school-age children, which is in line with the Ministry of Education program. A similar approach can also be applied to the health sector.

Another exciting aspect of Waqf assets utilisation is its role in developing the Indonesian Islamic financial sector. As mentioned by G5, Waqf assets can also be used to deepen the sector. One way to achieve this aim is by increasing the variety of Islamic financial instruments (such as deposits, Cash Waqf Linked *Sukuk*, and insurance), focusing on the

potential donors, such as customers of Islamic financial institutions and mutual fund portfolio investors. It is also essential to expand the role of specific entities such as Waqf consultants and investment managers in the Waqf system and strengthen the role of Islamic financial institutions in the management of cash Waqf.

6.3.2 Result 17: Possible centralised Waqf management

Question 17 was asked of all participants, to examine their notion of the possibility of the government controlling the management of Waqf assets. There were pros and cons among the participants regarding this issue (see Table 6.16). The opinions among government officials were also split. Most of the participants from the government agencies agreed on the centralised approach. However, G1 and G4 were among those who were against the concept.

Table 6.16: Results for Question 17

Question 17: In your opinion, should a government institution take over the administration of Waqf assets?	
Focused Coding	
1	Managed by the central government
2	Not managed by the central government
Theme	The government shall not involve directly in managing Waqf, but it is expected to provide support.

Different reasons underlie the argument of why Waqf should be managed centrally (see Table 6.17). G6 notably mentioned that it would be better if IWB became the central institution in managing Waqf assets. In the meantime, G2 conditionally agreed with the scheme, in which he stated that the government might take over the basic administrative things such as legal and data. G3 and G5 thought, along a similar line, that the government may establish a special purpose institution to manage Waqf assets.

Table 6.17: Focused Coding Number 1 for Question 17

Managed by the central government	
G2	But only for basic administrative matters such as legal provision, security and regulatory aspects, as well as data.
G6	It is better if IWB manages the Waqf centrally.
G3 & G5	The government can establish a special purpose agency to manage Waqf

In contrast, which is not surprising, both Waqf institutions expressed disagreement with the idea. W1 seemed to be unsure about the capability of the government agencies in managing

Waqf assets (see Table 6.18). W2 expressed his disagreement by using a historical argument that many Waqf institutions have managed Waqf assets for decades. Their existence would be in question if the government took over the management of the assets. Similarly, G1 and G4 sought for IWB and other Waqf institutions to be empowered by collaboration and support instead of taking over their roles. Interestingly, none of the donors and beneficiaries has trust in government agencies. They highlighted the lack of competency and integrity of the government agencies as the reason for their disagreement.

Table 6.18: Focused Coding Number 2 for Question 17

Not managed by the government	
G1	What is needed now is a collaboration between stakeholders, support from the stakeholders, and increasing literacy of Waqf to the public
G4	Improving the roles and responsibilities of BWI to become the main <i>Nazhir</i> without eliminating the existence of other Waqf institutions
W1	The government is still considered unable to manage Waqf assets professionally. Also, in the scope of a state, the value of Waqf assets is relatively insignificant
W2	I do not think that Waqf administration should be carried out by the government. We have a lot of Waqf institutions spread all over the country, and many of them have been administering Waqf for decades.
DA1, DA2, DA4, DB1, DB2, DB3, BA2, BA3, BA4, BA5, BB1, BB4, BB5	Lack of competency and integrity of the government agencies

6.3.2.1 Discussion on Result 17: Possible centralised Waqf management

The level of government involvement in Waqf administration and how Waqf is administered is still debatable. Rashid (2002) and Khalil, Ali and Shaiban (2014) were among those who believed that Waqf should be managed centrally. They argued that decentralised Waqf administration could potentially cause inconsistency and miscoordination of the fund management. As noted by Kamarubahrin and Ayedh (2018), some countries like Syria, Egypt, and Turkey are fully nationalising their Waqf.

On the contrary, Ahmed (2013), Ahmed, Omar and Ogunbado (2015), and Masyita, Tasrif and Telaga (2005) did not support the view, as they identified a potential issue related

to the public trust in the capacity and integrity of the central government in managing Waqf assets. They asserted that managing huge Waqf assets requires proper management and legislative supports.

Despite the difference, the implementation of Waqf management from some best-practice countries has indicated the low-level central government involvement within the sector. In Kuwait, a country that has a well-developed system, Waqf is administered by a management company called KAPF. Though it is outside the government, KAPF still coordinates with the governmental bodies for most of the Waqf projects. In Malaysia, the authority to manage Waqf assets is given to each state. The central government does not have any authority to manage Waqf properties but rather acts as a planning coordinator and supervises the sector.

To some extent, less interference by the government will improve the trust of the community in Waqf. In minority Muslim countries like Singapore, India, and the Philippines, Waqf institutions are more like NGOs (Kamarubahrin and Ayedh 2018). As a result, they are required to be transparent to the state and the public. As a result, higher transparency of these institutions will lead to a higher trust from the donors.

It is also worth noting that, historically, the state's involvement in the management of Waqf was mainly driven by the mismanagement and corruption perpetrated by the judges and individual *nazhir*. Hence, in 1826, the Ottoman Empire shifted the administration of Waqf to the government (Ihsan & Ayedh 2015). A similar situation has also occurred in Turkey, causing the government to issue a law. There were complaints from the public about the negative attitudes of *nazhir* and the damage they did to the Waqf assets (Qahaf 2005). Nevertheless, the results from the interviews suggested different responses. Many participants (DA1, DA2, DA4, DB1, DB2, DB3, BA2, BA3, BA4, BA5, BB1, BB4, BB5) did not believe in the integrity capability of the government institutions. These perceptions confirmed the studies done by Ahmed (2013), Ahmed, Omar and Ogunbado (2015), and Masyita, Tasrif and Telaga (2005) where public trust in the Waqf authority, proper management, and legislation are critical in developing Waqf.

One alternative way to achieve the perfect combination of the 'centralist-decentralist' approach was highlighted by G4. There are many individual and institutional *nazhirs* in the country. The comment was similar to the answer provided by W2, who thought that the experience of those *nazhirs* in managing Waqf should not be neglected. Shifting the role of

administering Waqf would be counterproductive to their existence. Rather, strengthening the role of IWB as the main *nazhir* can be a win-win solution. To achieve that condition, IWB must pursue innovation in Waqf products and take up collaboration projects with both individual and institutional *nazhirs*. Other than those, IWB should also periodically do the data collection to have accurate data and to coordinate the potential of Waqf nationally. Most important of all, the segregation of IWB roles as a *nazhir* and supervisor and the separation of the responsibilities between IWB and the Ministry of Religious Affairs should come first.

6.4 Conclusion

This chapter continued the discussion on the empirical findings of two categories: inter-relationships in Waqf administration and future directions of Waqf development. The finding on the relationship between government and Waqf institutions suggested that there is a need to arrange a partnership between these parties in delivering public services. On one hand, the finding did not support the hypothesis of Anheier (2005) and Lecy and Van Slyke (2013), who posited that TSOs have a degree of dependence on government funding. Dompot Dhuafa and YBWUII displayed that they are financially independent from the government. Nevertheless, it needs further investigation before it can be claimed that the interdependence relationship is unidirectional (Yaguai 2012).

On the other hand, the similarities between government and Waqf institutions programs indicated that they are pursuing the same goal using different strategies, which Najam (2000) regarded it as a complementary relationship. Meanwhile, the overlapping social programs implied the positive association between Waqf institutions' spending and government expenditure. Thus, it also suggests a complementary relationship under Young's (2000) model.

It is argued that maintaining donors' expectations and beneficiaries' satisfaction is important for Waqf institutions in ensuring their funding sustainability (Huda 2011; Liu 2017). The result of the relationship between Waqf institutions and donors highlighted that donors' expectations were fulfilled by Waqf institutions through providing periodic reports on the use of Waqf donations (Hyndman 1990; Berman & Davidson 2003). This enables donors to double-check the use of Waqf assets and match it with their expectations (Sargeant & Woodliffe 2007; Sargeant & Sargeant 2017). In contrast, some donors do not have specific expectations about the use of Waqf assets, which contradicts Duncan's (2004) study.

Turning to the relationship between Waqf institutions and beneficiaries, the finding implied that most of the beneficiaries' expectations were fulfilled due to Waqf institutions'

ability to address the community's needs, which it is contended has become an advantage for Waqf institutions when compared to the government (Liu 2017). Meanwhile, the unsatisfied beneficiaries stress the urgency for creating government–Waqf institutions partnerships in order to fill the gaps in delivering the services.

The findings related to the possible future directions for Waqf development indicated that Waqf assets can be used to complement government social programs, despite, in some cases, the assets being substitutive (Besley & Ghatak 2017). Waqf assets can be used to provide indirect support to the government budget, and, to some extent, they can reduce the participation of the government in the economy (Nik Hassan 2008).

The finding on the involvement of the central government in Waqf administration suggested that government should not be directly involved in Waqf administration due to the lack of public trust. Therefore, the role of IWB as a single Waqf administrator should be strengthened by improving its authority and capability. This finding confirmed previous studies from Ahmed (2013), Ahmed, Omar and Ogunbado (2015), and Masyita, Tasrif and Telaga (2005), which suggested that the government should not take over the management of Waqf assets, for competency and integrity reasons.

Given what has been discussed in chapters 5 and 6, the following chapter will contextualise the findings and propose possible recommendations for improving Waqf administration to achieve a better economic outcome. The next chapter will also address the research questions of this study.

CHAPTER 7 CONTEXTUALISING THE FINDINGS: PROPOSED FUTURE DIRECTIONS OF WAQF FOR INDONESIA

7.1 Introduction

Chapters 5 and 6 have provided and discussed the results from the interviews. In this chapter, the findings are contextualised to the real world. Using the findings, this chapter aims to propose recommendations for future directions of Waqf development in Indonesia. This chapter also provides a summary of answers to the research questions based on the findings.

7.2 Recommendation on Findings

According to the interview results, this study revealed some significant findings that can be used to propose recommendations for the development of Waqf in Indonesia. Some of the findings have shown similarities, even though they came from different interview questions. Therefore, this section is presented in thematic order to establish coherence in the flow of the discussion.

7.2.1 Reviewing Legal Provisions

The findings revealed that the implementation of the current Waqf Law had created loopholes in Waqf administration (see Table 5.9). Consequently, the development of this sector is limited. The findings suggested the need to review institutional arrangements in the regulation (see Table 5.11). Based on the discussions in chapter 5, three significant topics were highlighted: the role of government agencies, the role of IWB, and the role of Islamic financial institutions. The summary of the recommendations regarding the legal framework is shown in Table 7.1.

a. The role of other agencies

The current Waqf Law mainly regulates the role of the Ministry of Religious Affairs and IWB (see Section 5.4.4). The former plays a role in providing guidance and supervision of the implementation of Waqf, while the latter plays an essential part in developing and promoting Waqf. In fact, the current development of Waqf required collaboration from other agencies such as the central bank, the Financial Services Authority, the Ministry of Finance, and the National Land Agency. Islamic banks are an essential part in the process of cash Waqf management as they become custodial agents for the collected Waqf funds. In this sense, the

central bank plays a critical role in ensuring the reliability of the Waqf payment system so that the Waqf funds can flow smoothly.

Furthermore, the Financial Services Authority plays an important role in terms of enacting supportive regulation for the banks to collect Waqf funds and tailoring financial instruments for the Waqf fund to be invested. Besides, the Financial Services Authority also plays a significant role in developing Islamic micro-financial institutions or micro Waqf banks that become channelling agents for Waqf funds to empower micro-enterprises (see Section 5.4.2.1). Meanwhile, the Ministry of Finance, together with the central bank plays a key role in maximising the utilisation of Waqf funds by developing an investment option through cash-Waqf linked *Sukuk* (see Section 6.2.1.1). In the case of land Waqf management, the National Land Agency plays a major part in accelerating the ownership transfer of land Waqf by issuing *Minister Regulation No. 2 Year 2017* concerning registration of Waqf land (see Sections 5.4.2.1 and 5.5.1.1).

Table 7.1: Recommendation for Legal Framework

No.	Issue	Current Regulation	Recommendation for Revision
1.	Role of other agencies	Mainly regulate the role of the Ministry of Religious Affairs and IWB	To include the role of other agencies, such as the central bank, financial services authority, the Ministry of Finance, and the National Land Agency
2.	Role of IWB	<ul style="list-style-type: none"> Overlapping responsibilities with the Ministry of Religious Affairs Dual role of IWB as a regulator and <i>nazhir</i> 	<ul style="list-style-type: none"> Refocusing the role of IWB as the sole Waqf authority by separating its role from the Ministry of Religious Affairs Remove the function of IWB as a <i>nazhir</i> and its authority to collect Waqf fund
3.	Role of financial institutions	Only Islamic banks are allowed to receive cash Waqf	To include the non-Islamic banks as recipient agents for cash Waqf donations

Another issue related to the management of Waqf property is that the endowment assets were used to support social programs instead of commercial and investment activities as in Malaysia, Singapore, or Kuwait. Revising the law by incorporating the roles of other agencies

related to financial and economic sectors would be necessary to improve the effectiveness of Waqf assets management.

b. The role of IWB

The role of IWB has become a critical issue in the Waqf Law that the participants often raised (e.g., Tables 5.6 and 5.7). One problem is related to the overlapping responsibilities with the Ministry of Religious Affairs, while the other issue is regarding the role of IWB as a regulator and *nazhir* in the sector (see Section 5.4.4.1). The current Waqf Law has not created a clear demarcation on these responsibilities and, at the same time, enables the ‘conflicting’ functions of IWB.

There are two possible alternative solutions for these problems. The first option is by refocusing IWB and the Ministry of Religious Affairs by establishing a clear separation of their responsibilities. The IWB may focus on managing the assets and the Ministry of Religious Affairs would act as the regulator, which issues regulations and supervises the sector. It is also important to note that in segregating the roles and responsibilities in the Waqf sector, the lawmakers should consider highlighting the roles of other agencies as discussed in the previous section.

The second option, which is more straightforward but also politically challenging, is to strengthen the role and function of IWB as the sole administrator of Waqf. This can be done by shifting the responsibilities of the Ministry of Religious Affairs to the IWB. However, at the same time, the authority of IWB to receive Waqf donations should be practically removed. In this way, IWB will become the regulator and supervisor of the Waqf sector that is in charge of recording all donations of Waqf in the country and ratifying, regulating, and supervising all *nazhir*.

In addition, strengthening the role of IWB should also be performed with the improvement of its governance. The separation of obligations between its role as regulator and supervisor and its role as Waqf manager should be clear to ensure effective and efficient supervision. It is also essential to make structural changes by streamlining the organisational structure and improving the recruitment process of its members.

c. Role of financial institutions

In addition to the reconsideration of the roles of the state and Waqf authority, the revision of the Waqf Law should also consider incorporating financial institutions’ roles. As discussed in the previous chapter, two Waqf institutions cooperated with Islamic financial institutions to

facilitate donation methods (see Table 5.35). At this stage, the presence of these business entities is critical in supporting the fundraising activities of Waqf institutions.

Some may think that Waqf institutions must use the service of Islamic financial institutions due to Waqf coming from an Islamic concept. However, it is worth considering that financial institutions are not necessarily limited to Islamic financial institutions in their fundraising strategies. It is evident that the size of Islamic finance in Indonesia has been left behind by the conventional industries. The spread of Islamic bank offices is not as much as the conventional branches. Thus, the revised law should allow conventional banks to receive Waqf donations to widen the scope of potential donors.

To cope with the *sharia*-compliance issue, a non-Islamic bank can act as a recipient agent for the donation. The collected funds are directly transferred to the Islamic bank, referred by the Waqf institution without any settlement period.

7.2.2 Improving the Knowledge of *Nazhirs* and Donors

Besides fundamental matters such as the legal framework, the findings also highlighted two ‘human-related’ issues regarding the development of Waqf assets (see Tables 5.16 and 5.18) as follows:

a. Professional *nazhirs*

As a trustee for Waqf assets, a *nazhir* has the authority to take all actions related to managing Waqf assets subject to the conditions determined by donors and the prevailing rules. Hence, the quality of human resources becomes the main factor for those Waqf trustees in developing the assets. In managing Waqf properties, a *nazhir* should be professional and act based on modern management principles.

Some standards may be required to develop the professional characteristic of a *nazhir*. First, a *nazhir* should have the expertise to be able to meet their responsibilities. These skills and expertise are typically acquired from education, training, and experience gained over a period of time. Second, a high moral commitment is needed for a *nazhir* to be professional. The ethical aspect is substantial in carrying out a social service type of job. Third, as a *nazhir* is expected to do a full-time job and to have a high commitment to his or her work, the remuneration system of the profession is also an important factor to be considered.

As discussed in chapter 5, the Waqf Law has determined those standards. However, the paradigm shift in the management of Waqf assets requires additional technical capacity in a

nazhir. For instance, in developing Waqf funds, a *nazhir* should have appropriate knowledge of financial management and investment. Other soft skills like leadership, vision, and human relations are also decisive.

Given the significant role of a *nazhir*, the government or Waqf authority can support the Waqf institutions as suggested by Anheier (2005). In providing the support, the authority may consider some strategic ways as follows:

- i) Establishing formal or informal education services for potential *nazhirs* to improve literacy and skills of the *nazhirs*. Upon completion, they shall receive certification as proof of their achievements so that the output can be used as a standardisation. The education facilities can be established jointly by related institutions such as IWB, the Ministry of Religious Affairs, and Waqf institutions. An increase in Waqf training and literacy will also support the role of *nazhirs* in educating the public.
- ii) Increasing incentives and providing living allowances or other facilities for the *nazhir* to take the work as their primary job. According to Rozalinda (2015), only 16% of *nazhir* work full-time, while the other 84% work part-time. They do their primary jobs, such as civil servants or farmers. Furthermore, only 8% of *nazhir* admitted to receiving a salary. Of those who received salaries, 82% stated that the wages they received were inadequate. These figures illustrated that the profession of *nazhir* is not an expected profession in society. Consequently, there has been a low commitment from the *nazhirs* in developing Waqf assets.

b. Knowledge of donors

Besides the management skills of the *nazhir*, the findings highlighted that the knowledge of donors was also a critical aspect in improving the productivity of Waqf assets. The utilisation of such assets is bound by the will of the donors (usually happens in immovable Waqf property such as land or building). Hence, it reduces the *nazhir*'s flexibility in utilising the assets. Another issue related to the donors is the tendency of donors to get involved in the management structure or to enjoy the benefit. This situation could potentially disrupt the management process, especially for institutional *nazhir*.

These problematic matters should be addressed by improving the knowledge of donors through an educational program about Waqf. On the one hand, developing Waqf literacy can be considered as a fundraising strategy to increase potential donors. On the other hand, sufficient literacy of donors should also improve their understanding and awareness of the use

of Waqf assets. Therefore, improved Waqf literacy will encourage donors to make more ‘purposeful’ donations. As the findings suggested, for some people, Waqf has meaning only as a manifestation of a good deed, without concern for benefits derived from the donations (see Table 6.6).

The role of *nazhir* as the leader in collecting Waqf assets is decisive in improving the knowledge of the donors. Before donating, *nazhir* may provide information to the Waqf donors and persuade them about how the assets could be used. To achieve this, *nazhir* should be equipped with appropriate knowledge and inter-relational skills. The process of improving donors’ knowledge requires a partnership between state and Waqf institutions. In this stage, the government could step in by providing training for individual and institutional *nazhirs*.

7.2.3 Developing Waqf Database

An effective Waqf assets utilisation requires an integrated Waqf database. The absence of such a database has left the Waqf assets utilisation strategy in Indonesia scattered. The development of a national Waqf database could also make Waqf assets management more transparent and accountable. The summary of the proposed Waqf database system is highlighted in Figure 6.1.

Currently, Waqf data are administered by IWB and the Ministry of Religious Affairs. Both institutions have different Waqf data, are not regularly updated, and are difficult for the public to access. To tackle the issue Waqf data should be integrated and be administered only by one authority. All registered Waqf institutions should implement a reporting system to the IWB on Waqf assets, both in land and cash, under their management.

As an instrument of developing strategy and decision-making, Waqf data should contain comprehensive information, including Waqf institutions, Waqf assets, donors, and beneficiaries. Data related to Waqf institutions or individual *nazhirs* could provide a real figure of certified and uncertified *nazhirs*. This information should encourage all Waqf administrators in Indonesia to register. Additional data regarding the educational and experience background of any person who manages Waqf assets should also be required to design a pattern of effective supervision and a systematic skills development for the *nazhirs*.

Next, a complete and accurate database related to Waqf assets (especially immovable properties) is important to mapping the scattered Waqf assets. Data in this category should cover all the Waqf assets under management, both utilised and unutilised. Specific information such as location of the land and surrounding business activities can be key factors in

determining the best use of such assets. For example, land Waqf in a residential neighbourhood would be best used for social facilities, while land Waqf surrounded by commercial buildings can be utilised to develop commercial properties. Hence, such information can optimise the utilisation of the assets.

Furthermore, data and information about donors and beneficiaries should also be developed. Information about donors becomes important in calculating the potential collection of donations and designing an effective fundraising strategy. Specific to the data of beneficiaries, the absence of such data can create a deadweight loss in Waqf benefit disbursement. Misinformation regarding Waqf beneficiaries could lead to uneven distribution and overlapping of the recipients of the benefits as revealed in the findings (see Section 6.2.4).

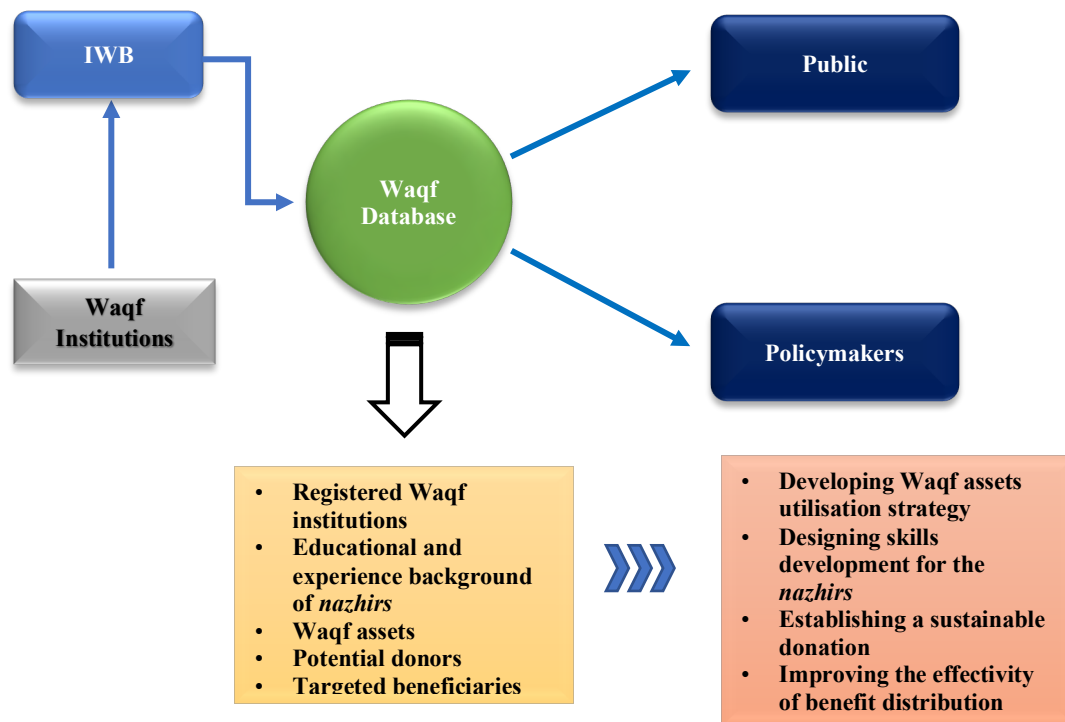


Figure 7.1: Proposed Integrated Waqf Database System

Moreover, the access of information to the public should also be considered by the authority regarding this Waqf data. Given the importance of the data as a decision-making tool in socio-economic development, the data should be accessible to the Waqf policymakers besides the IWB, such as the Ministry of Religious Affairs, the Ministry of Finance, the National Land Agency, the central bank, and the Financial Services Authority.

7.2.4 Aligning the Social Programs

To maximise the potential of the use of Waqf assets in public services delivery, the government, together with Waqf institutions and the Waqf authority, need to align their activities with each other. The findings showed that the government had acknowledged the potential of Waqf in supporting public programs. However, they are not linked to each other (see Sections 5.5.2 for the details). The finding also suggested that the relationship between the government and Waqf institutions is complementary (refer to Table 6.13). Many government programs have similarities to Waqf, though the purpose and target of the programs are more generic (see Table 5.29).

The related line ministries typically conduct the government social programs. For example, the Ministry of Health coordinates the universal health coverage program. Meanwhile, developing schools and other educational institutions is the responsibility of the Ministry of Education. The Ministry of Public Works and Public Housing makes provision for housing and basic infrastructure.

The lack of activity coordination between Waqf institutions and the government has led to ineffective distribution. The results in chapter 6 affirmed that there is an overlapping distribution of benefits, indicated by the overlapping target of beneficiaries in the distribution of social assistance run by the government and Waqf institutions (see Section 6.24).

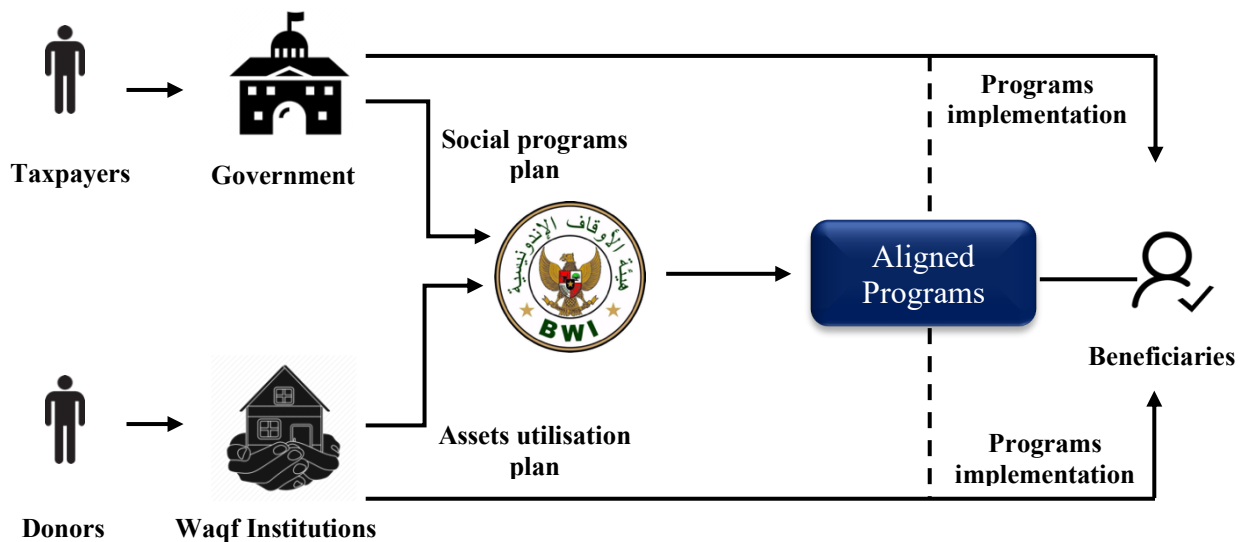


Figure 7.2: Proposed Workflow of Social Programs Alignment

Given the issues above, it is essential to align the social programs between Waqf institutions and the government to reduce overlap and duplication. To ensure the execution, it

is essential to assign an institution as a focal point to implement and monitor the process. In this case, IWB can be the central point to streamline the programs that potentially overlap and can act as an inter-agency information-sharing centre. A workflow plan between government ministries, IWB, and Waqf institutions should be constructed to deliver a consistent process. The proposed workflow of the process is illustrated in Figure 6.2.

The government collects money from taxpayers and uses it to finance public services provision. Similarly, Waqf institutions receive donations from Waqf founders and use the assets for social activities. Both government and Waqf institutions develop a plan to use the assets and submit their work plan to the IWB. Then, the IWB will streamline the work plans and come up with the aligned programs, so that no programs will overlap each other. The government and Waqf institutions then execute the streamlined programs to provide an outcome for beneficiaries.

7.2.5 Establishing Waqf Coordination Framework

The relationship among parties involved in Waqf administration has been a central issue in this research (please refer to Section 6.2). It is argued that the lack of coordination between the government agencies, Waqf authority, and Waqf institutions has been the primary source of all other significant issues such as the absence of Waqf data, overlapped tasks and responsibilities, and redundancies in social programs. As the findings suggested, minimal collaboration exists between government, the Waqf authority, Waqf institutions, donors, and beneficiaries (see Table 6.1). Therefore, the administration of Waqf needs inter-agencies cooperation.

Given such conditions, Indonesia should establish a solid inter-agencies coordination framework to achieve a coherent and integrated policy for Waqf development. The development of the Waqf sector should be viewed as state policy instead of through narrow sectoral perspectives. Hence, all stakeholders involved in Waqf administration would work together and ensure proper implementation of the decisions made within the sector.

Considering the number of parties involved, establishing an inter-agencies coordination framework for Waqf development could be quite challenging. Tasks and responsibilities are widely distributed to several ministries or authorities. Authorities attached to the agencies have built sectoral egos, which often create resistances and hinder policy integration between agencies. Nevertheless, in the context of the public sector, coordination should not be viewed as eliminating the autonomy and control of agencies. Instead, the coordination framework

should be seen as an interactive process in which all parties work together in complementary roles.

Two significant factors should be considered when developing a coordination strategy. The first one is to determine the model of the framework: whether it is a top-down or bottom-up approach. Since Waqf development should be implemented at a national level, the government has to set its strategy and establish central priorities. Then, the related stakeholders implement the strategy and priorities with action. Therefore, in this case, a top-down coordination model is more suitable.

Even though the starting point of a top-down approach is an authoritative decision, it is important to stress that the collaboration among the actors is decisive. At this point, a communication and information-sharing agreement should be established so that each party can exchange information and provide an update about any issues and how to solve them within its domain. Therefore, regular information-sharing should be built upon a reliable and accepted form of communication.

Furthermore, collaboration work among the actors could also help find a consensus regarding the achievement of the common goal set by those at the top. It may provide a sense of interdependence and mutual interest among the parties in reaching complementary policies or actions.

The second crucial aspect in establishing a coordination framework is the structure of horizontal coordination. This step also includes the appointment of a coordinator within the framework. Bakvis and Juillet (2004) outlined several forms of organisational structure in the context of horizontal coordination. First, informal networking among various organisations is a form of coordination structure that was initially developed by the people in different organisations who have common objectives, share them among their colleagues, and eventually generate networks. Informal coordination can bypass a complicated bureaucratic procedure such as hierarchical organisation. As a result, it becomes a more effective problem-solving mechanism than the formal structure (Peters 2002).

The second strategy to establish horizontal coordination is to develop inter-departmental committees. This approach has been widely used in enhancing coordination at the horizontal level. However, Peters (2002) noted that new ideas are unlikely to happen when facing a highly complicated problem as they may rely on their existing policy or solution. The third coordination approach is the establishment of task forces or working groups. Typically,

the group is ad hoc, meaning that it works for a specified period and is expected to produce recommendations or new policies. However, this method is often unsuccessful in its implementation due to the lack of clarity around the existence of the task team and its limitation in time (Peters 2002).

The fourth approach constitutes higher-level coordination to cross-sectoral issues, with the establishment of a central agency. According to Ansell (2000), the existence of this agency is crucial considering its role as the representation of the government and its responsibility to adopt integrated policy strategies. Moreover, this agency can also act as a hub for private and public sectors involved in community goods and services provision and planning. The development of a central agency can also be a solution for the 'hard to decide' problems faced by inter-departmental committees. As Bakvis and Juillet (2004) mentioned, a central agency with authority attached to it is needed to solve issues among competing interests or when the stakeholders cannot make autonomous decisions. Similar to that, Chang (2004) advised that a state needs a legitimate and powerful agency to supervise and coordinate the activities among stakeholders and resolve any potential conflicts.

The fifth and most substantial horizontal coordination structural model is to establish a coordination agency within the government's office. This approach has been adopted in several countries with different governance systems, such as presidential or monarchy. The governmental leader directly steers this institutional option and, as a result, has a strong legitimacy.

Given the options of horizontal coordination structures above, this study proposes that the coordination framework in the Indonesian Waqf sector is established based on the combination of the fourth and fifth approaches. That is, a central agency with a strong authority like such a coordination unit. Several reasons underlie this argument. First, as Bakvis and Juillet (2004) mentioned, no single approach or institutional arrangement is sufficient to encourage inter-agencies coordination, and therefore, it requires a combination of approaches. Second, Indonesia has already established a central agency for developing the Waqf sector. As has been stated in the Waqf Law, IWB acts as a national coordinating agency for the Waqf sector. Hence, there is no urgency to create a new unit of coordination. Instead, strengthening the role of IWB is more viable. Third, the development of Waqf has involved many stakeholders and cross-sectoral issues. This brings a need to formulate Waqf policies and development strategies that represent and integrate the interests of all stakeholders. The feature of a central agency enables this mission to be achieved.

The fourth reason this approach is suitable to be implemented in the Waqf sector is because a central agency plays an important role in planning public services delivery. IWB can be a pivot point that connects informal stakeholders such as donors and beneficiaries with formal actors like Waqf institutions, ministries, or other authorities in utilising Waqf assets for public services. Finally, the establishment of a central agency to coordinate Waqf sector has been implemented in several countries and has been proven to succeed in developing the sector. To name a few, Kuwait has the KAPF, Singapore established MUIS, and India has its Central Waqf Council.

Furthermore, it is important to note that the central agency should be equipped with sufficient authority and power to perform the coordination function. As Bakvis and Juillet (2004) and Chang (2004) have suggested, a solid and legitimate authority needs to be embedded in the agency to make decisions and resolve any potential conflicts. As the coordination framework involves government ministries and state agencies, authority should be given by the leader, the president of the Republic of Indonesia. Besides providing a powerful authority, this step will also give a sense of a representation of the state in the Waqf sector.

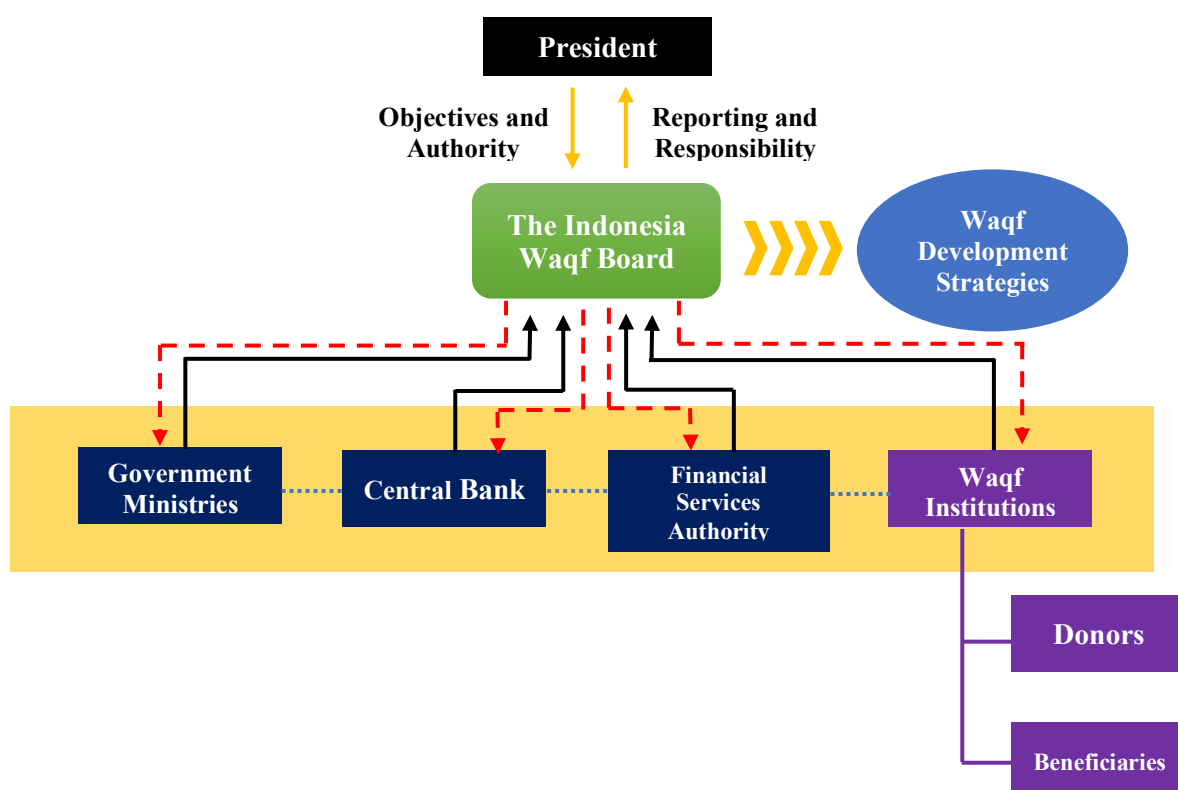


Figure 7.3: Proposed Waqf Coordination Framework

Figure 7.3 summarises the coordination framework proposed in this study. The president, as the highest political leader in the country, sets the general objectives of Waqf development. Along with the general targets, the president also gives authority and power to IWB to act as a central agency in coordinating the stakeholders. It is worth stressing that even though there are many stakeholders involved in the Waqf sector, only several stakeholders are shown in the scheme due to the scope of this study. According to their roles and responsibility, the red dashed line represents the sub-objectives distributed by IWB to the government ministries (the Ministry of Religious Affairs, the Ministry of Finance, and the National Land Agency), the central bank, the Financial Services Authority, and Waqf institutions. The yellow-shaded box is the area where every party coordinate with one another. In this area, openness and exchange of information takes place, and interdependence relationships among parties exist. The parties assigned in the dark blue boxes relate to the public sector, while the purple boxes represent the non-public sector. Therefore, as a central agency, IWB should be able to be a hub for public and non-public and trigger collaboration between these sectors.

Each party formulates Waqf policy derived from the sub-objectives given by the IWB and based on their sectoral responsibilities. For example, the Ministry of Religious Affairs and the National Land Agency are concerned with the development of land Waqf, the Ministry of Finance and the central bank focus on the development of Cash Waqf Link *Sukuk*, and the Financial Services Authority has a specific task to develop financial instruments for the Waqf fund to invest.

Next, after all parties finished formulating policy on a specific issue, they develop their sectoral policies and submit them to the IWB. In IWB, the policies are reviewed and integrated to produce systematic Waqf development strategies. IWB is directly responsible to the president and submits a periodic report of the work outcome.

7.2.6 Integrating Waqf Programs into the Government's Work Plan

This study aims to improve the contribution of Waqf sector to Indonesian social and economic development. One way to achieve that is by incorporating the Waqf sector into the government's annual work plan. By doing this, TSOs like Waqf institutions will have a more significant contribution to the public services delivery.

The government should realise that improving the community's welfare does not solely rely on their social programs. Instead, the state needs collaboration with Waqf institutions due to their interdependence (Yaguai 2012). This argument stands for several reasons. First, even

though the government has acknowledged the Waqf sector's potential in supporting social development, the implementation is still scattered. Second, the finding suggested that the government and Waqf programs are correlative to each other. The relationship between the government and Waqf institutions is complementary (see Section 6.3.1). The third reason is that the government needs support from Waqf institutions to implement the social programs effectively, and vice versa. Based on what has emerged in the findings, the social assistance offered by the government is not as specific as Waqf, for example, in terms of targeted beneficiaries. On the other hand, the specific social activities given by Waqf institutions tend to create gaps in the community (Anheier 2005).

Another critical aspect suggested by the findings is that the government should not directly be involved in Waqf administration (see Table 6.18). Thus, the government could contribute to issuing supportive regulation or working together with the Waqf authority at a very strategic level. One way to achieve this is by integrating the activities plan of Waqf into the government's work plan. This work plan is basically a development plan at a national scale issued annually and used as the baseline to formulate the state budget and a guideline for the government agencies to budget and execute their programs.

The business process of planning and financing government programs is illustrated in Figure 7.4¹⁸. The president of the Republic of Indonesia, as chief of the government, set the strategic development priorities for the nation. This is the short-term decision that is made annually and based on the medium-term development plan. These objectives are processed by two ministries, the National Development Planning Agency that produces the annual government work plan, and the Ministry of Finance, which issues macroeconomic and fiscal policies. Next, these products are then translated into the annual state budget used to finance the government agencies to implement their programs based on the work plan.

¹⁸ The illustration aims to give a basic grasp of the flow; hence, it is presented as simply as possible. The real process involves many technical and political processes, including trilateral meetings and consultations with the parliament.

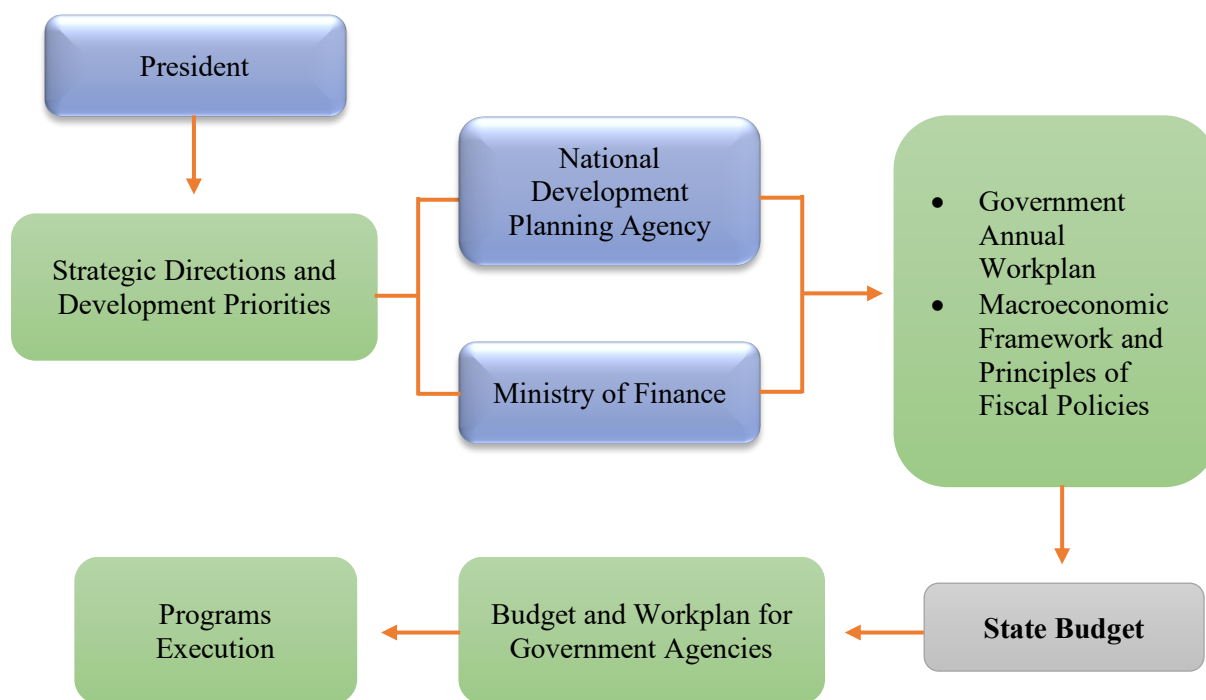


Figure 7.4: Government Planning and Budgeting Process

Source: Adapted from *Law No. 17 Year 2003*, *Law No. 25 Year 2004*, and *Presidential Regulation No. 40 Year 2006*.

Integrating Waqf into the annual government work plan can be done by inducing Waqf activities into the planning process. Figure 7.5 shows the proposed Waqf-integrated budget planning process. The clear difference between this model and the typical work plan process is the involvement of the Waqf authority in defining the strategic mission set by the state. In this case, Waqf authority should have the data of Waqf programs from all *nazhirs*. Thus, the harmonisation of the programs took place before the issuance of the government's annual work plan and budget framework. As a result, the formulated stated budget has filtered out the programs that Waqf institutions will conduct. In the end, the government ministries and Waqf institutions shall execute their social programs with less probability of duplications.

Integrating Waqf into the government's annual work plan will result in less duplication in the programs executed by the line ministries. As a result, the effectiveness and efficiency of the planned programs should increase. Also, considering the use of Waqf assets in the government work plan will create less burden on the budget as the community is self-fulfilling their needs. Less spending creates a more significant fiscal space, and therefore, the

government can use the allocated money and focus on other priority areas. Last but not least, the contribution of Waqf system to the Indonesian economy will also improve.

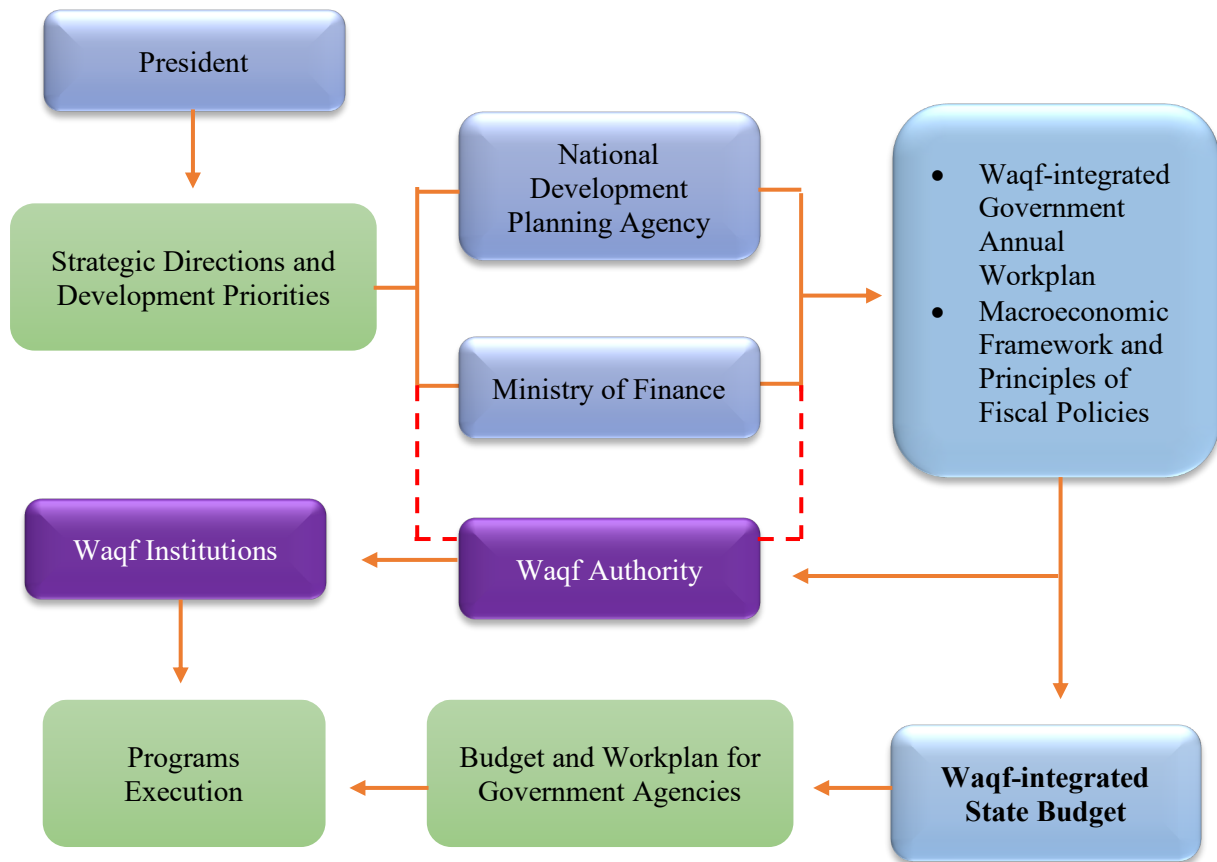


Figure 7.5: Proposed Waqf-integrated Government Planning and Budgeting Process

7.3 Addressing Research Questions

As discussed in chapter 1, this research posed four research questions. The answers to these questions come from empirical findings derived from interviews with participants. These questions were addressed in chapters 5 and 6, and can be summarised as follows:

Research Question 1: What are the key factors that affect the development of Waqf in Indonesia?

The first research question relates to the factors that hamper the development of Waqf sector in Indonesia. This question was addressed in chapter 5 where the identification of the key factors in Waqf development was discussed.

The findings suggested that the development of the Waqf sector in Indonesia is below its potential. There are several factors that hinder its development. The first hindering factor is the Waqf regulatory environment. Despite the evidence that some regulations have been

provided to regulate the Waqf sector, many loopholes were found within the laws (see Section 5.4.3). One of the major regulatory drawbacks is the status of IWB. As an independent institution outside the government (Article 1 of the Waqf Law), IWB still relies on the government budget to finance its operation (Article 59 of the Waqf Law). In this sense, the independence of IWB could be debatable. Another important regulatory issue related to the status of IWB is the institutional arrangement of the board. Waqf law enables IWB to have dual roles as supervisor and *nazhir*, which potentially creates a conflict of interest.

The second factor that is slowing down the development of the Waqf sector in Indonesia is the lack of coordination shown by agencies that administer Waqf assets. This issue is mainly driven by the overlapping functions and responsibilities between agencies. The most notable coordination problem occurred between IWB and the Ministry of Religious Affairs, which eventually created ambiguity in the supervising and regulating roles in the Waqf sector. For example, the responsibility to manage Waqf data is still performed by these two institutions. The Ministry of Religious Affairs is responsible for managing the data of land Waqf, while IWB administers the data of cash Waqf.

From the perspective of Waqf institutions, the interests of donors, limited financial capacity of Waqf institutions, and the limited skill of *nazhirs* become the main obstacles in managing Waqf assets. The interest of donors on the surrendered assets makes Waqf institutions less flexible in innovating in assets utilisation, since Waqf requires that the use of the asset should comply with the will of the donor. Meanwhile, limited financial capacity has reduced the capability of Waqf institutions in utilising the assets. As a result, many lots of Waqf land are idle. Additionally, the limited skills of *nazhirs* can also leave Waqf assets under-utilised and not sustainable. A *nazhir* without appropriate management skills will only be an asset-keeper rather than being as an asset-manager.

The last factor that adversely impacts the development of the Waqf sector in Indonesia is the absence of an integrated Waqf database. Currently, IWB and the Ministry of Religious Affairs manage separate Waqf data. These problems make the utilisation of Waqf assets scattered and limited.

Beside the factors that slow down Waqf development as mentioned above, the findings also highlighted the roles of government agencies and donors' trust on Waqf institutions as the other driving factors. It is suggested that the government should act as a regulator, supervisor, and facilitator in the sector. In this sense, the government's responsibility in providing

supportive regulations and supervising the sector becomes critical. However, to ensure that the role is performed effectively, it requires collaboration among government agencies. On the other hand, it also can be inferred from the findings that offering a convenient way to donate and building people's trust in Waqf institutions could affect the choice of a donor to do Waqf through an institutional trustee rather than an individual *nazhir*. This aspect would eventually trigger a donation and ensure a sustainable fundraising activity.

Research Question 2: To what extent have the Waqf assets been utilised in supporting public services delivery?

The answers to this question have been presented in chapter 5. According to the findings, the utilisation of Waqf assets is very minimal and below their potential. One of the main reasons for this under-utilisation is because most of the Waqf assets in Indonesia are in the form of land. This type of asset is less flexible to manage compared to cash assets. Also, the economic value of land Waqf is highly dependent on its location. However, there is evidence that some Waqf institutions have started to initiate small projects using Waqf assets. For example, Dompot Dhuafa, through TWI, used cash Waqf to develop farms and plantations, as the sources to finance Mansamat First High School. YBWUII utilised a number of lands Waqf to build Jogja International Hospital, UII Hospital, and some education facilities in several areas in Yogyakarta.

Regarding the integration of Waqf assets into the public sector, the government has acknowledged the potential of Waqf assets to be used to improve public services delivery. However, collaboration between government institutions, Waqf institutions and communities is required to maximise the use of Waqf assets. Theoretically, under Najam's (2000) four Cs framework, cooperation will be achieved when there is a similar goal and means. Yet, in practice, no clear coordination guideline has been established. As a result, there is no shared goal between the parties.

Additionally, there are many similar programs between the government and Waqf institutions. At this point, Waqf institutions play a role in providing public services to fulfil the needs of the community. As suggested by Weisbrod (1975), TSOs fill the gap left by the government that is unable to meet the demand of the public, and so it is with Waqf institutions.

From the perspective of two Waqf institutions, Waqf assets were managed by establishing a specific management team that was responsible for each Waqf project. Several community projects have been initiated by Dompot Dhuafa and YBWUII, such as schools,

hospitals, and farms. In supporting the use of Waqf assets for public services, Dompot Dhuafa and YBWUII also cooperate with Islamic financial institutions, like banks and insurance companies, for example, for pooling and channelling the Waqf fund and insuring the land assets.

Regarding the effectiveness in utilising Waqf assets for the public, Dompot Dhuafa and YBWUII created criteria for beneficiaries. The identification is performed by implementing a rigorous data collection and verification method to determine beneficiaries. As there is a possibility of overlapping data of beneficiaries between the government and Waqf institutions, it is necessary for these two parties to coordinate in the data assessment.

Research Question 3: What kinds of relationships exist between government agencies, Waqf institutions, donors, and beneficiaries in utilising Waqf assets in Indonesia?

The answers to the third research question were discussed in chapter 5. It is suggested that Waqf institutions have consulted with government agencies in utilising Waqf assets. As Waqf system in Indonesia is not centralised, the technical aspect of asset management comes under the authority of Waqf institutions. This kind of working relationship makes these Waqf institutions more independent and less vulnerable from conflicts of interest (Smith & Lipsky 1993; Anheier 2005; Yaguai 2012).

In addition, as reputable Waqf institutions, Dompot Dhuafa and YBWUII have good fundraising management. This advantage makes them financially independent of the government support. This evidence contradicts Lecy and Van Slyke (2013) who suggested that TSOs depend on government funding to maintain their capacity. In this sense, the interdependence relationship between Waqf institutions and government is unidirectional (Yaguai 2012). Meanwhile, Dompot Dhuafa and YBWUII have never collaborated with other Waqf institutions. This is due to the nature of Waqf institutions that operate and serve a specific area.

Regarding the relationship between donors and Waqf institutions, it can be concluded that donors' expectations for the use of their donations were fulfilled by Dompot Dhuafa and YBWUII, even though some donors did not have specific expectations for the use of Waqf assets. The donors were satisfied with the reporting system implemented by Dompot Dhuafa and YBWUII, as it increased transparency. This is what Hyndman (1990) and Berman and Davidson (2003) considered to be 'what most donors looked for'. On the other hand, it is also important for Waqf institutions to maintain the satisfaction of their donors since these people

may become natural fundraisers for Waqf. Hence, there is an interdependence between donors and Waqf institutions.

Turning to the relationship between beneficiaries and Waqf institutions, it is suggested that Dompot Dhuafa and YBWUII have good knowledge about the needs of their beneficiaries. This supports Liu's (2017) suggestion that TSOs tend to have a better ability to work closely with community. This argument relies on the evidence that most beneficiaries were satisfied with the outcome of the Waqf projects, which could be one indicator of the effectiveness of the asset management done by Dompot Dhuafa and YBWUII. In turn, it will positively impact on the sustainability of funding resources, as the expectation of the donors match the expectations of the beneficiaries.

Research Question 4: How should the Waqf sector in Indonesia be developed in the future?

The answers to this research question have been presented in chapters 5 and 6. The findings revealed that, due to the working relationship between the government and Waqf institutions being built upon the same goals and interests, similarity of the social and economic development programs run by the government and Waqf institutions becomes inevitable. It is suggested that the services provided by Waqf institutions, and the government can be complementary or substitutive. However, to some extent the findings contradicted the proposition of Salamon (1987) who stated that TSOs cannot substitute for the role of government in providing goods and services for the public. Consequently, there is a possibility of overlapping in the programs and beneficiaries. Hence, there should be an alignment done between government and Waqf programs.

The involvement of the government in the Indonesian Waqf sector is also an important factor to be considered. The central issue here is the lack of public trust in the government's capacity and integrity. It is also advised that the low level of central government involvement in the Waqf sector has become best practice in several countries, such as Kuwait and Malaysia. In these countries, the central government does not have authority to manage Waqf assets. This evidence has indicated that the government should not be directly involved in managing Waqf assets. Instead, the position of IWB as a sole Waqf authority should be strengthened. This can be achieved by waiving the role of IWB as a *nazhir* and separating the shared responsibility with the Ministry of Religious Affairs. In this context, the Ministry of Religious Affairs should not be involved directly in the management of Waqf assets. Instead, it should provide general regulation for the sector, such as laws or government regulation.

The Waqf sector in Indonesia could be developed by applying several critical steps as follows. First, review the Waqf Law, with specific focus on reshaping the function of IWB as a supervisory body with a role to provide clear guidance on a coordination framework in the revision. It is also important to include the role of other agencies, such as the central bank, Financial Services Authority, the Ministry of Finance, and the National Land Agency. Second, improve the skills of *nazhir* by providing training or establishing a certification system. Being on the front line in the Waqf administration system, a *nazhir* should be equipped with essential skills such as financial management, leadership, and human relations. These skills can be acquired from the education and training system with certification. This approach will improve the ability of a *nazhir* to apply a better fundraising strategy and to enhance public awareness of Waqf. This method is expected to equip a *nazhir* to act as an investment manager for Waqf assets.

Third, develop a Waqf database that integrates data of Waqf institutions, Waqf assets, donors, and beneficiaries. Data about Waqf institutions will improve the number of registered *nazhirs* and develop an effective supervision system. Data about Waqf assets will be useful in mapping the scattered Waqf assets and developing strategies for assets management. Data of donors and beneficiaries will be beneficial in designing a better fundraising strategy and effective outcome distribution. The development of such a database is expected to make Waqf management in Indonesia more transparent and accountable.

Finally, align the programs run by Waqf institutions with the government programs to reduce duplication and overlap. In doing so, it is critical to establish a Waqf coordination framework between government agencies, the Waqf authority, and Waqf institutions. The coordination scheme can be an information-sharing centre among these parties. It is also important to appoint IWB as the coordinator of the agencies in the context of Waqf development. Additionally, the contribution of the Waqf sector to the national economy can be improved by incorporating Waqf institutions' work plans into the government planning and budgeting process.

7.4 Conclusion

At the very beginning, this chapter provided several policy recommendations that the authority can implement concerning the future development of Waqf in Indonesia. As highlighted in this chapter, some regulation aspects in the Waqf Law should be reviewed,

including the roles of IWB, other agencies, and financial institutions in the Waqf administration framework.

This chapter has also argued that the knowledge of *nazhirs* and donors is a human-related issue that it is fundamental to address. It is suggested that having professional *nazhirs* will eventually lead to a higher Waqf literacy among the donors. Improving the knowledge of *nazhir* and donors, the government can provide support by establishing formal and informal education, increasing incentives, and enhancing Waqf literacy. Another recommendation proposed in the chapter is the development of a Waqf database. The chapter has stressed the importance of an integrated Waqf database in improving the effectiveness of Waqf assets utilisation. It provides better information for the authority to develop strategies and make decisions in the area.

The coordination and integration between actors involved in the Waqf administration were the central discussion in the previous chapter. This chapter has provided three specific recommendations related to the issues. First, social programs conducted by Waqf institutions and government agencies should be aligned. This step is significant in reducing duplications and overlapping between social programs. Second, establish a coordination framework that performs a top-down management and central agency approach. The bottom line of this recommendation is to strengthen the role of IWB as the Waqf authority that coordinates other actors in Waqf administration.

Third, integrate Waqf programs into the government's work plan. The proposed policy aims to improve the contribution of Waqf to socio-economic development strategy and, at the same time, reduce the direct involvement of the government in Waqf administration. In the last section, this chapter has also addressed the research questions posed in chapter 1. The outlined answers to research questions were based on the findings provided in chapter 5.

In the next chapter, a summary of this study will be presented, including the overview of the research, review of the main findings, research contributions, and research limitations.

CHAPTER 8 CONCLUSION

8.1 Introduction

The previous chapter proposed several recommendations to speed up Waqf development and improve Waqf contributions in Indonesia. The research focused on identifying key developmental factors, investigating the use of Waqf assets in supporting public services delivery, exploring the relationships in Waqf administration, and proposing future directions of Waqf development in Indonesia. In this final chapter, the research is reviewed and summarised. This chapter also encompasses the limitations of this study and provides recommendations for future research.

8.2 Overview of the Research

Chapter 1 provided the background and rationale of this study, including the objectives and research questions. The contemporary three-sectors model of the economy suggested the existence of TSOs outside the government and private sectors. This sector plays a substantial part in public goods and services provision for the community. Laying outside the government and private sectors, the third sector acts as a complementary agent to achieve a specific development agenda. Additionally, unlike private or market sectors, TSOs offer sustainable support in the long run. Given that in developing economies the involvement of the private sector in development projects and the provision of public services has increased, the possibility of government and market failures is still a shadow. Hence, this type of collaboration is not viable for an extended period.

In the Islamic economic system, the concept of the third sector has been known for centuries in the form of Waqf. Historically, Waqf system has been used to support social and economic development by the Muslim community in the past. Waqf assets were used for public purposes, such as to build roads and other social facilities. Besides its collective nature and community-driven status, Waqf has a perpetual characteristic that can give sustainable benefits to society. Moreover, the broad coverage of the Waqf system enables it to provide benefits for all religions, which eventually helps achieve an equal distribution of economic outcomes. As a result, the social and economic gap within the community can be reduced.

As the most populous Muslim country, Indonesia can rely on the Waqf sector in supporting its social and economic development programs. The ability of Waqf institutions to

provide public goods and services could help the Indonesian government tackle the problem of budget constraint in financing its strategic sectors. At this stage, the Waqf sector is considered a complementary institution for the government to improve social welfare.

Many studies have suggested the importance of developing and reconceptualising the Waqf sector. Most of them focused on the innovation aspect for developing Waqf assets, and many others discussed improving the governance aspects. Very few of these studies incorporated the inter-relation approach. Investigating dependency among players is substantial as an effort to improve the effectiveness of Waqf assets utilisation.

Apart from that discrepancy, this research explores the possible future development of Waqf administration in Indonesia by investigating the relationship between parties that participate in managing and utilising Waqf assets to promote a social and economic program. In doing so, four research objectives were determined: to identify key developmental factors of the Waqf sector in Indonesia, to investigate the level of Waqf assets utilisation, to investigate the relationship between actors involved in Waqf administration, and to propose future directions of Waqf development.

Chapter 2 reviewed topics related to the role of TSOs as socio-economic development agents. To provide readers with an initial understanding of the third sector, the discussion in this chapter began with the meaning, concepts, and importance of the third sector. Despite the disagreement between American scholars (e.g., Etzioni 1973; Salamon and Anheier 1997) and European academics (for example, Pestoff 2005; Evers 1995) regarding the definition of the sector, they all follow the same vein in determining that the third sector is distinct from the government and private sectors, which are identified by their unique characteristics.

Generally speaking, the third sector is an independent sector that exists to fill the gap left by the government and private sectors, specifically in public goods and services provision. Moreover, it has been empirically confirmed that the third sector gives contributions to the socio-economy in the form of social services, health care, education, and culture (see Salamon and Anheier 1999; Windrum 2014; Bell et al. 2015; Vergara, Gruis & Van der Flier 2019; Newbigging et al. 2020).

Next, the discussion in the chapter continued on the role of institutions within the sector, known as TSOs, as agents for social and economic development. As mentioned previously, TSOs exist to respond to the government's failure in fulfilling goods and services to its people. One of the most significant causes for this is that the demand among the community is

heterogeneous; therefore, the state prefers to provide services for the majority groups (Weisbrod 1975, 1988) and priority programs (Van Slyke 2003; Gazley 2008). TSOs are more likely to meet the heterogeneous demand due to their flexibility and geographic advantages. As a result, the government relies more on TSOs in delivering public goods and services.

Despite the increased reliance of the government on the TSOs, it is argued that TSOs are not substituting the role of the state in delivering public goods and services (Salamon 1987). Instead, the relationship between the state and the TSOs is complementary, and they could collaborate on a specific program (Najam 2000; Young 2000). The state can support TSOs in some strategic areas, including resources, accountability, and skills of the employees. TSOs can usually respond to social issues much quicker than the government (Salamon 1996). However, Anheier (2005) suggested that hidden risks are faced by the sectors. Financial support given by the government may potentially create conflict, especially when the priorities are not the same. When this happens, the organisations' autonomy and flexibility might be gone, and they may become politically driven.

Besides being politically driven, TSOs can also be influenced by religious factors. In this type of TSO, religious teachings or spiritual traditions are among the key factors driving the organisations' mission and activities (Martens 2002). In the past few years, religious-based TSOs have flourished due to large numbers of believers and members around the globe and the presence of religious actors in political and public life (Berger 2003). However, Kallman et al. (2016) highlighted that religious identity attached to a TSO could be rigid in its activities. It may be sensitive only to a particular group that matches their background, which eventually creates inequality of resource distribution.

Additionally, chapter 2 discusses TSOs under Islamic views and in the Indonesian context. This is expected to provide an initial gateway for the readers about Waqf in Indonesia. There are obligatory and voluntary philanthropy activities in Islam. *Zakat* or almsgiving is mandatory philanthropy, while *Infraq*, *Sadaqah*, *Wasiyya*, and Waqf are among the voluntary types. Waqf is a wealth-sharing mechanism with other persons (Abd Rahman 2009). Waqf has perpetuity characteristics, meaning that the physical source of the surrendered assets should remain unchanged. Thus, Waqf typically applies to non-perishable properties whose benefits and usufruct can be extracted without consuming the property itself.

In terms of the existence of TSOs in Indonesia, in the country, TSOs were built upon cooperation, consensus, and participation of the members in making decisions. Most of these

TSOs are active in supporting advocacy and community development agendas. There are six types of TSOs based on their legal entities: foundation, association, cooperative, labour union, mass organisation, and educational, legal entity (Radyati 2006). Religious TSOs are also known in Indonesia. They usually focus on philanthropic activities; some examples are Dompet Dhuafa Foundation, RZ Indonesia, and other Waqf institutions that rely on Islamic beliefs. There are also non-Muslim philanthropic organisations such as Lembaga Daya Darma that manages funds from Catholic churches, and Yuda Puniakerti that collects donations from Hindu temples (Alawiyah 2013).

Chapter 3 focused on the practical aspects of Waqf administration. Following the discussion in chapter 2, the first few sections in the chapter review the conceptual aspects of Waqf. Despite the various concepts of Waqf suggested by some scholars, it is believed that Waqf property should no longer belong to the owner. As a result, the donor can no longer make a legal act on the property because it has been mandated to the Waqf institution as a trustee. With the separation of ownership of the Waqf assets from the original owner, the responsibility of the maintenance and all obligations of Waqf assets are turned over to the Waqf institution.

In Indonesia, Waqf is regulated by the Waqf Law. In the Law, Waqf is defined as ‘assets that have long-term durability and long-term benefits and have economic value according to the *sharia* law’. Further, this Law knows two types of Waqf assets: immovable and movable. The immovable assets comprise land rights, buildings that stand on the land, plant and other objects related to the land, ownership rights to apartment units, and other immovable assets by the provisions of *sharia* law and regulations. Meanwhile, the movable assets are money, gold/silver, securities, vehicles, intellectual property rights, lease rights, and other movable assets by the provisions of *sharia* law and regulations.

There are three main characteristics of Waqf agreed upon by the scholars. First, irrevocability, meaning that after the asset is donated, it becomes a Waqf asset and cannot be returned to the donor. Second, perpetuity, meaning that after the Waqf declaration is made, Waqf is binding automatically and is valid until the Day of Judgement. Third, inalienability, meaning that after the declaration is made and is valid by Islamic law, the asset of Waqf is free from the donor’s ownership. The Waqf asset cannot be divided or transferred, either by the donor, the Waqf institution or by their heirs to take it through inheritance (Sabit, Iman & Omar 2005).

In terms of contribution to the economy, it is suggested that Waqf plays an important function in the economy of Muslims (Islahi 1996; Cizakca 1998). Waqf combines saving and investment as it diverts resources of an individual or society at large from the current period and invests them into productive assets that generate revenues for future use. On a more macro level, Waqf also plays a substantial role in supporting the government budget. Cizakca (2000) points out that the Waqf system could assist a nation's economic goal of a fairer income distribution. Waqf system is important in achieving the effective distribution of income and wealth. The simplest explanation for this is that the donations made by the rich people through Waqf institutions are used for public purposes; Thus, Waqf creates a positive impact on the redistribution of wealth (Nik Hassan 2008).

Next, the chapter explored the administration of Waqf in Indonesia and some other countries such as Singapore, Malaysia, Pakistan, Turkey, and Kuwait. It is found that Waqf assets are commonly administered by a single authority, even though the degree and scope of authority are varied. For example, in Malaysia, Waqf administration is performed by each council. This indicated a decentralised system of Waqf administration. Conversely, Kuwait adopted a centralised system by utilising a single agency to manage Waqf throughout the country. Indonesia also uses a single authority approach, where the IWB is appointed as a sole Waqf authority.

There are various kinds of Waqf financing models. Initially, there are five methods of traditional Waqf financing models as suggested by Qahaf (2005). However, the vast development in Waqf literature has introduced many additional Waqf financing techniques. These contemporary financing models can be categorised into three groups: debt-based financing, equity-based financing, and self-financing (Sabit, Iman & Omar 2005; Karim 2010a, b).

The last section in the chapter reviewed empirical studies that have been undertaken related to the topic of the thesis. Many studies have confirmed the positive contribution of Waqf to the economy (see: Hodgson 1974; Islahi 1996; Cizakca 1998, 2000). However, most of the discussion in Waqf literature during the past few years was related to financial and economic development, Waqf governance and accountability, Waqf history, and laws (Rukmana 2020). For example, some prior studies have discussed the importance of a regulatory framework in developing Waqf sector (Shamsiah 2010b; Siraj 2012; Alias & Cizakca 2014), while some others (Ibrahim 2012; Ismail, Salim & Hanafiah 2015; Puspitasari

2017; Shahimi, Marzuki & Embong 2013; Duasa & Thaker 2016) have focused in the efforts to enhance the utilisation of Waqf assets.

The study on the Indonesian Waqf sector, however, is lagging. Some studies were undertaken to explore the causes that make the Indonesian Waqf sector underdeveloped (Rusydiana 2018; Ali et al. 2018; Riyadi 2009). Limited studies have been done to examine the relationships among actors in utilising Waqf assets for socio-economic development, despite some research having explored the relationship between government and non-profit organisations in performing social activities (Smith & Lipsky 1993; Anheier 2005; Yaguai 2012; Lecy & Van Slyke 2013).

Chapter 4 discussed methodological aspects used in this research, specifically how the study was designed to answer research questions. A qualitative case study approach was selected as the foundation of the research as it explored the non-objective and non-value-free perception of the involved actors in Waqf administration. Furthermore, this research used Waqf administration as a case study to explore the Islamic TSO's contribution to socio-economic development. According to Arshad and Haneef (2016), Waqf institutions and TSOs have similar characteristics in the way that they are community-based and voluntary.

The chapter examined the data collection method, including the selection of participants. The interview was selected as the method for data collection to capture interactions and different points of view from participants. Next, based on the research questions derived from research objectives, 17 interview questions were developed for four groups of participants: government agencies, Waqf institutions, donors, and beneficiaries. Twenty-eight participants were involved in the study, comprising six participants from government agencies, two participants from Waqf institutions, ten donors, and ten beneficiaries.

Another important subject discussed in Chapter 4 was data analysis. Content or thematic analysis was used in this research to analyse the interview results due to its high flexibility in examining patterns of unstructured information, such as semi-structured interviews (Stemler 2001; Robson 2002). A set of focus coding from the interview results was developed to segregate one issue from another, bringing them into a broader theme. By doing so, the researcher was able to search the pattern within the qualitative data set and make inferences out of it (Krippendorff 2004).

8.3 Review of the Main Findings

This study yielded several important findings, which were discussed in chapters 5 and 6, and this section highlights some of the most significant results. First, the study found that the lack of coordination among actors involved in Waqf administration has created multiple issues in the development of the Waqf sector. As discussed in chapter 5, the absence of collaborative working between the parties has made the Waqf assets under-utilised, and they have not achieved the expected outcomes. The implementation is suboptimal due to a lack of collaboration between government agencies, Waqf authority, and other parties involved. Interestingly, the results suggested that the roles of IWB as Waqf authority might be insignificant because of similar functions with the Ministry of Religious Affairs and also a dualism in its function. For the latter issue, two following consequences may arise: IWB may have a problem of transparency and accountability due to its source of revenue, and it may create a high level of conflict of interest.

Second, the research discovered that, besides technical aspects, human factors such as knowledge of *nazhirs* and donors also play essential parts in developing the Waqf sector. Contemporary Waqf assets utilisation requires appropriate technical skills from *nazhirs* in managing Waqf properties. The skill may include financial management and investment knowledge or other related soft skills like leadership, vision, and human relations. Additionally, the will from the donors will affect the flexibility of *nazhirs* in being able to utilise the assets. Thus, it is important to improve Waqf literacy among existing or potential donors.

Third, the study observed that the strategy of Waqf assets utilisation in the country is scattered because of the lack of an integrated Waqf database. Some Waqf data are managed by IWB, while the Ministry of Religious Affairs maintains some others. Ideally, as a decision-making tool, Waqf data should contain comprehensive information, including Waqf institutions, Waqf assets, donors, and beneficiaries. Moreover, it is important to note that the data should be accessible to other related government agencies and the public as part of information openness.

Fourth, the finding suggested that the relationship between the government and Waqf institutions is complementary. Many government programs have similarities to Waqf, though the purpose and target of the programs are more generic. However, the thesis revealed that the lack of systematised work between government and Waqf institutions has resulted in overlapping social programs performed by these two groups. Although the government has

acknowledged the potential of Waqf in supporting public programs, they are not linked to each other.

Following the findings, several recommendations for future directions for the Waqf sector have been specifically proposed in chapter 6. These include: first, the recommendation for reviewing the Waqf Law. The revision should cover several issues, including the role of IWB, the guidelines for a coordination framework, and the introduction of other government agencies and financial institutions into the Waqf business process.

Second, the issue related to the improvement of knowledge of *nazhirs* and donors could be tackled by providing support for Waqf institutions through the establishment of formal and informal education services, standard certification, and promoting an incentives system. Additionally, *nazhirs* should be equipped with appropriate knowledge and inter-relation skills. As the front-liners in collecting Waqf assets, *nazhirs* may provide information to the Waqf donors and persuade them about what the assets could be used for.

Third, the study also proposed the establishment of a Waqf-integrated database system. A complete and accurate database is decisive to mapping the scattered Waqf assets. This should cover at least the information of all Waqf assets under management, location, surrounding business activities, and the use of such properties. Data and information about donors and beneficiaries should also be established and integrated within the system. Information about donors becomes important to calculate the potential collection of donations and design an effective fundraising strategy.

Fourth, the research recommends several strategies to improve the contribution of Waqf to the economy. Waqf programs should be aligned with social programs run by the government so that the overlap and duplication in programs can be reduced. IWB can be the focal point to streamlining the programs that may potentially overlap and to act as an inter-agency information-sharing centre. The collaborative work in the Waqf sector should be performed under a clear guideline of coordination flow. Hence, it is important to establish a Waqf coordination framework with a central agency equipped with sufficient authority and power as a coordination unit. Ultimately, promoting the utilisation of Waqf assets to support socio-economic development in Indonesia could be done through the integration of Waqf programs into the government's annual work plan. That is, introducing Waqf activities into the annual budget planning process. Prior to issuing the government annual work plan and budget framework, the harmonisation between the Waqf and government programs would take place.

The expected result would be less duplication in the government work plan, which may create more fiscal space. The government would spend less on the programs run by the Waqf sector and can reallocate money to focus on other priority areas.

8.4 Research Limitations

This study poses some limitations for several reasons. First, and most fundamentally, the number of participants is small, and the results of this study cannot be generalised to the population due to the nature of a case study. The case study was selected because this research concentrated on the investigation of a case, which is Waqf administration. As such, a large sampling number became less relevant.

Second, administering Waqf assets is a quite complex process that involves the interactions of many actors. This research involved only four parties: government agencies, Waqf institutions, donors, and beneficiaries. Some parties that play substantial roles in the Waqf sector, such as Waqf scholars, Waqf practitioners, and Islamic financial institutions, were not covered due to the limitation of time and budget.

Third, the selection of two Waqf institutions in the study seemed insufficient, especially if the number is compared to the total number of Waqf institutions operating in Indonesia. It would be challenging to take a random sample representing Waqf institutions in Indonesia as a whole. Therefore, the result of this study is not aimed at making a generalisation nor to represent all Waqf institutions in the country.

Fourth, the future directions of Waqf proposed in this study have not considered the *sharia*-compliance aspects. This occurred due to the focus of this study that attempted to propose recommendations at a strategic level. This also highlighted the importance of including Islamic scholars' perspectives in the analysis.

8.5 Suggestions for Future Research

The study involved a limited number of actors engaged in Waqf administration. Hence, this research could be extended by involving more actors in the analysis, such as Islamic financial institutions and Waqf scholars. By doing so, future research will have a broader scope and, therefore, a more comprehensive result.

Furthermore, a future study may also focus on the viability of the recommendations proposed in this research. One example is that it may worthy to consider the feasibility of the revision of the Waqf Law from a social and political point of view. Another example is that

future research may analyse the impact of the integration of a government–Waqf institutions annual work plan from the state administration laws framework.

Although the trend of cash waqf contributions has been developed over time, its capacity to remain viable in COVID 19 is left unexplored. Empirical investigations documented in terms of the linkages between cash Waqf and the support it might provide in tackling the pandemic would be interesting.

Lastly, this study may use the case of other Muslim countries with significant Waqf assets and promote the Waqf sector to boost economic development. In addition, there are opportunities also to extend this study to other non-Islamic-based voluntary sectors. This approach can be applied to non-Muslim countries keen to improve their third sector contribution to social and economic development.

INFORMATION TO PARTICIPANTS INVOLVED IN RESEARCH

You are invited to participate

You are invited to participate in a research project entitled Improving The Contributions of Indonesian Third Sector to Socio-Economic Development: The Case of Waqf Administration

This project is being conducted by a student researcher Berry Sugarman as part of a PhD study at Victoria University under the supervision of Dr Guneratne Wickremasinghe and Dr Syed Haider from the Victoria University Business School.

Project explanation

This research attempts to explore the use of Waqf asset to promote socio-economic development in Indonesia by exploring Waqf administration practices through investigating the roles of government agencies and Waqf institutions. Further, this study also investigates the level of Waqf asset utilisation in Indonesia, including current practices and future directions. This study involves participants from government agencies, Waqf institutions, donors and beneficiaries.

What will I be asked to do?

The participant will be interviewed using a semi-structured questionnaire
The interview will last up to 1 hour and will be recorded and transcribed with the participant's consent

What will I gain from participating?

There are no particular benefits to the participants; however, the information gained from participants can be a valuable source in explaining the development of Waqf in Indonesia and the utilisation of its asset. Further, the information can be used to develop better Waqf administration for Indonesia.

How will the information I give be used?

The information gained from interviewing participants will be used in explaining the development of Waqf in Indonesia and the utilisation level of its asset.

What are the potential risks of participating in this project?

The participants may feel discomfort during interview
Some information may be confidential or create discomfort to others
Confidentiality of the participants cannot be guaranteed as participants may be identified from their comments

How will this project be conducted?

The project uses Waqf administration in Indonesia as a case study. The primary data is obtained through interviewing participants which come from Government agencies, Waqf institutions, donors and beneficiaries. The data will be analysed using content analysis techniques with NVivo software.

Who is conducting the study?

Victoria University Business School
300 Flinders Street, Melbourne
Tel: +61 3 9919 6100

Chief Investigator:

Dr Guneratne Wickremasinghe
Senior Lecturer in Finance and Financial Services
Email: Guneratne.Wickremasinghe@vu.edu.au
Tel: +61 3 9919 1477

Researcher:

Berry Sugarman
PhD Candidate, VU Business School
1. Email: berry.sugarman@live.vu.edu.au
2. Tel: +61 424 530 204

Any queries about your participation in this project may be directed to the Chief Investigator listed above. If you have any queries or complaints about the way you have been treated, you may contact the Ethics Secretary, Victoria University Human Research Ethics Committee, Office for Research, Victoria University, PO Box 14428, Melbourne, VIC, 8001, email researchethics@vu.edu.au or phone (03) 9919 4781 or 4461.

PEMBERITAHUAN KEPADA PESERTA YANG TERLIBAT DALAM PENELITIAN

Bapak/Ibu diundang untuk berpartisipasi

Bapak/Ibu diundang untuk berpartisipasi dalam proyek penelitian yang berjudul: Improving The Contributions of Indonesian Third Sector to Socio-Economic Development: The Case of Waqf Administration.

Proyek penelitian ini sedang dilaksanakan oleh seorang mahasiswa peneliti bernama Berry Sugarman sebagai bagian dari studi PhD di Victoria University di bawah bimbingan Dr Guneratne Wickremasinghe dan Dr Syed Haider dari Victoria University Business School/Fakultas Bisnis Victoria University.

Penjelasan Proyek

Penelitian ini bertujuan untuk menjelaskan penggunaan aset wakaf dalam mendukung pembangunan sosial dan ekonomi di Indonesia dengan mengkaji praktik administrasi wakaf serta menginvestigasi peran pemerintah dan lembaga wakaf.

Selanjutnya, penelitian ini juga bertujuan untuk menginvestigasi tingkat pemanfaatan aset wakaf di Indonesia, termasuk kondisi saat ini dan arah ke depan. Penelitian ini melibatkan peserta dari lembaga pemerintah, lembaga wakaf, donor dan penerima manfaat.

Apa yang akan saya lakukan?

Setiap peserta akan diwawancara dengan format pertanyaan semi terstruktur

Wawancara akan berlangsung sampai dengan 1 jam dan akan direkam dan dicatat setelah mendapatkan persetujuan peserta

Apa yang akan saya dapatkan dengan berpartisipasi?

Tidak ada manfaat khusus bagi peserta, akan tetapi, informasi yang diberikan oleh peserta akan menjadi sumber yang berharga dalam menjelaskan perkembangan wakaf di Indonesia dan pemanfaatan aset wakaf. Lebih jauh, informasi tersebut dapat digunakan untuk mengembangkan administrasi wakaf yang lebih baik di Indonesia.

Bagaimana Informasi yang saya berikan akan digunakan?

Informasi yang didapatkan dari mewawancarai peserta akan digunakan untuk menjelaskan perkembangan wakaf di Indonesia dan pemanfaatan aset wakaf tersebut.

Apa potensi resiko dengan keikutsertaan saya dalam proyek penelitian ini?

Peserta mungkin merasa tidak nyaman selama proses wawancara berlangsung.

Beberapa informasi yang disampaikan mungkin bersifat rahasia atau sensitif bagi pihak lain.

Kerahasiaan tidak dapat dijamin karena terdapat risiko identitas peserta dapat diketahui berdasarkan komentar yang mereka berikan.

Bagaimana proyek penelitian ini akan dilaksanakan?

Proyek ini menggunakan administrasi wakaf di Indonesia sebagai studi kasus. Data primer diperoleh dari hasil wawancara dengan peserta yang berasal dari lembaga pemerintah, lembaga wakaf, donor dan penerima manfaat. Data hasil wawancara selanjutnya akan dianalisis menggunakan analisis konten dengan bantuan perangkat lunak NVivo.

Siapa yang akan melaksanakan penelitian ini?

Victoria University Business School
300 Flinders Street, Melbourne
Telepon: +61 3 9919 6100

Peneliti Utama:

Dr Guneratne Wickremasinghe
Dosen Senior mata kuliah Keuangan dan Jasa Keuangan
Email: Guneratne.Wickremasinghe@vu.edu.au
Telepon: +61 3 9919 1477

Mahasiswa Peneliti:

Berry Sugarman
Kandidat PhD, VU Business School
3. Email: berry.sugarman@live.vu.edu.au
4. Telepon: +61 424 530 204

Semua pertanyaan terkait dengan keikutsertaan Bapak/Ibu dalam proyek penelitian ini dapat dialamatkan kepada Peneliti Utama sebagaimana tersebut di atas.

Sekiranya Bapak/Ibu mempunyai pertanyaan atau keberatan dengan cara Bapak/Ibu diperlakukan, Bapak/Ibu dapat menghubungi Sekretaris Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 email researchethics@vu.edu.au atau telepon (03) 9919 4781 atau 4461.

APPENDIX C: RESEARCH ETHICS APPROVAL

From: quest.noreply@vu.edu.au
To: guneratne.wickremasinghe@vu.edu.au
Cc: [Berry Sugarman](#); Syed.Haider@vu.edu.au
Subject: Quest Ethics Notification - Application Process Finalised - Application Approved
Date: Friday, 10 May 2019 11:03:34 AM

Dear DR GUNERATNE WICKREMASINGHE,

Your ethics application has been formally reviewed and finalised.

- » Application ID: HRE19-034
- » Chief Investigator: DR GUNERATNE WICKREMASINGHE
- » Other Investigators: MR Berry Sugarman, DR SYED HAIDER
- » Application Title: Waqf in Indonesia: The Development and Future Directions
- » Form Version: 13-07

The application has been accepted and deemed to meet the requirements of the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007)' by the Victoria University Human Research Ethics Committee. Approval has been granted for two (2) years from the approval date; 10/05/2019.

Continued approval of this research project by the Victoria University Human Research Ethics Committee (VUHREC) is conditional upon the provision of a report within 12 months of the above approval date or upon the completion of the project (if earlier). A report proforma may be downloaded from the Office for Research website at: <http://research.vu.edu.au/hrec.php>.

Please note that the Human Research Ethics Committee must be informed of the following: any changes to the approved research protocol, project timelines, any serious events or adverse and/or unforeseen events that may affect continued ethical acceptability of the project. In these unlikely events, researchers must immediately cease all data collection until the Committee has approved the changes. Researchers are also reminded of the need to notify the approving HREC of changes to personnel in research projects via a request for a minor amendment. It should also be noted that it is the Chief Investigators' responsibility to ensure the research project is conducted in line with the recommendations outlined in the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007).'

On behalf of the Committee, I wish you all the best for the conduct of the project.

Secretary, Human Research Ethics Committee
Phone: 9919 4781 or 9919 4461
Email: researchethics@vu.edu.au

This is an automated email from an unattended email address. Do not reply to this address.

APPENDIX D: CONSENT FORM (ENGLISH VERSION)

CONSENT FORM FOR PARTICIPANTS INVOLVED IN RESEARCH

INFORMATION TO PARTICIPANTS:

We would like to invite you to be a part of a study on waqf development and future direction in Indonesia. This study aims to explain the use of Waqf assets to promote socio-economic development in Indonesia by exploring Waqf administration practices through investigating the roles of government agencies and Waqf institutions. Further, this study also investigates the level of Waqf assets utilisation in Indonesia, including current practices and future directions. This study involves participants from government agencies, waqf institutions, donors and beneficiaries.

CERTIFICATION BY PARTICIPANT

I, (participant's name)
of (participant's suburb)

certify that I am at least 18 years old* and that I am voluntarily giving my consent to participate in the study: Waqf in Indonesia: The Development and Future Directions conducted under the supervision of Dr Guneratne Wickremasinghe at Victoria University.

I certify that the objectives of the study, together with any risks and safeguards associated with the procedures to be carried out in the research, have been fully explained to me by:

Berry Sugarman

and that I freely consent to participating in the below-mentioned procedures:

- A semi-structured interview that lasts up to 1 hour which will be recorded and transcribed.
- Confidentiality cannot be guaranteed as there is a risk that participants could be identified from their comments.
- I have also been explained that I have the right to remain anonymous.

I certify that I have the opportunity to have any questions answered and that I understand that I can withdraw from this study at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential.

Signed:

Date:

Any queries about your participation in this project may be directed to the Chief Investigator of the project, Dr Guneratne Wickremasinghe on +61 3 9919 1477 or Guneratne.Wickremasinghe@vu.edu.au

If you have any queries or complaints about the way you have been treated, you may contact the Ethics Secretary, Victoria University Human Research Ethics Committee, Office for Research, Victoria University, PO Box 14428, Melbourne, VIC, 8001, email Researchethics@vu.edu.au or phone +61 3 9919 4781 or 4461.

APPENDIX E: CONSENT FORM (INDONESIAN VERSION)

FORMULIR PERSETUJUAN UNTUK PESERTA YANG TERLIBAT DALAM PENELITIAN

PEMBERITAHUAN KEPADA PESERTA:

Kami mengundang Bapak/Ibu untuk berpartisipasi dalam penelitian tentang arah pengembangan wakaf di Indonesia. Penelitian ini bertujuan untuk menjelaskan penggunaan aset wakaf dalam mendukung pembangunan sosial dan ekonomi di Indonesia dengan mengkaji praktik administrasi wakaf serta menginvestigasi peran pemerintah dan lembaga wakaf.

Selanjutnya, penelitian ini juga bertujuan untuk menginvestigasi tingkat pemanfaatan aset wakaf di Indonesia, termasuk kondisi saat ini dan arah ke depan. Penelitian ini melibatkan peserta dari lembaga pemerintah, lembaga wakaf, donor dan penerima manfaat.

PERNYATAAN PESERTA

Saya, (nama peserta)
dari (domisili peserta)

Menyatakan bahwa umur saya lebih dari 18 tahun * dan saya memberikan persetujuan untuk berpartisipasi secara sukarela dalam studi: Waqf in Indonesia: The Development and Future Directions/Wakaf di Indonesia: Perkembangan dan Arah Kebijakan yang sedang dilaksanakan di Victoria University oleh: Dr. Guneratne Wickremasinghe, sebagai peneliti utama.

Saya menyatakan bahwa tujuan penelitian ini dan segala resiko dan perlindungan terkait dengan wawancara ini telah dijelaskan sepenuhnya kepada saya oleh

Berry Sugarman

dan saya dengan sukarela menyetujui keikutsertaan saya dengan prosedur sebagai berikut:

- Wawancara dengan format semi terstruktur akan berlangsung sampai dengan 1 jam dan akan direkam dan dicatat.
- Kerahasiaan tidak dapat dijamin karena terdapat risiko identitas peserta dapat diketahui berdasarkan komentar yang mereka berikan.
- Saya juga telah dijelaskan bahwa saya memiliki hak untuk dirahasiakan identitasnya.

Saya menyatakan bahwa saya memiliki kesempatan untuk menjawab pertanyaan dan saya mengerti bahwa saya dapat menarik diri dari kepesertaan di penelitian ini setiap saat dan hal tersebut tidak akan membahayakan saya.

Saya juga diberitahukan bahwa informasi yang saya berikan akan terjaga kerahasiaannya.

Tanda tangan:

Tanggal:

Setiap pertanyaan terkait dengan keikutsertaan Bapak/Ibu di dalam proyek penelitian ini dapat ditujukan kepada peneliti utama

Dr Guneratne Wickremasinghe

+61 3 9919 1477 atau Guneratne.Wickremasinghe@vu.edu.au

Sekiranya Bapak/Ibu mempunyai pertanyaan atau keberatan dengan cara Bapak/Ibu diperlakukan, Bapak/Ibu dapat menghubungi Sekretaris Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001, surel Researchethics@vu.edu.au atau telepon +61 3 9919 4781 atau 4461.

APPENDIX F: INTERVIEW QUESTIONS (ENGLISH VERSION)

Interviewee Group

Government Agencies

Date	:	
Location	:	
Length of interview	:	
Name	:	
Gender	:	
Age	:	
Organization	:	
Position	:	
Length of service	:	

A. Introducing questions

1. Would you tell me about your organization and the responsibility related to Waqf administration in Indonesia?
2. Would you provide more details regarding your position in the organization and your duties related to Waqf?

B. Factors affecting the development of Waqf in Indonesia

3. In general, what do you think about the development of Waqf in Indonesia?
 - Would you think that the Waqf development in Indonesia is on the right direction? Why/why not? Do you have any examples to support your argument?
 - In your point of view, what is the role of government agencies in developing Waqf in Indonesia?
4. Do you think that Waqf in Indonesia has been well-regulated? Why/why not?
 - If not, what aspects of regulation do you think need to be improved? Why?
5. Do you think that the coordination among agencies who administer Waqf in Indonesia has been well-established? Why/why not?

C. Utilisation of Waqf assets

6. What do you think in general about the utilisation of Waqf assets in Indonesia?
 - Have the assets been used in productive portfolios?

7. Do you or your organization acknowledges the potential of Waqf assets in promoting socio-economic development?
 - Has your organisation, or the government agencies in general, considered the use of Waqf assets to develop social programs? Could you say more about this?
8. Based on your experiences, does the government have social programs similar to the programs run by Waqf institutions? Can you give any examples of such programs?

D. Policy Direction for Waqf

9. Do you think Waqf assets can be utilised to support government social programs such as infrastructure, health, and education? Why/why not?
10. In your opinion, should a government institution take over the administration of Waqf assets? That is, Waqf assets centrally managed by the government. Why/why not?

E. Closing questions

11. Do you have any other comments on the areas we have discussed?
 - Is there anything I have overlooked?

F. Summary

To summarise, we have discussed the development of Waqf in Indonesia, the utilisation of Waqf assets, and the policy direction as well.

Lastly, thank you for sparing your valuable time to do this interview.

Interviewee Group

Waqf Institutions

Date	:	
Location	:	
Length of interview	:	
Name	:	
Gender	:	
Age	:	
Organization	:	
Position	:	
Length of service	:	

A. Introducing questions

1. Would you tell me about your institution and the responsibility related to managing Waqf assets?
 - How long your institution has been managing Waqf assets?
 - What types of assets do your institution manage?
2. Would you provide more details regarding your position and duties within the institution?

B. Factors affecting the development of Waqf in Indonesia

3. In general, what do you think about the development of Waqf in Indonesia?
 - Do you think that the Waqf development in Indonesia is on the right direction? Why/why not? Do you have any examples to support your argument?
 - What do you think about the role of Waqf institutions in developing Waqf in Indonesia?
4. Do you find any obstacles in managing Waqf assets?
 - If any, why do you consider it as an obstacle?
 - What has your institution done to overcome such obstacles?

C. Utilisation of Waqf assets

5. Would you please explain how your institution utilises Waqf assets?
 - How do you keep and maintain the assets?
 - How do you determine the use of the assets?

- Have the assets been used in productive portfolios? Why/why not?
 - Do you use the services of a financial institution(s) in managing Waqf assets? Why/why not?
6. Do you use any criteria to determine the beneficiaries?
- If yes, what are the criteria?
7. In utilising the assets, does your institution make coordination with the government agencies or other Waqf institutions?

D. Policy Direction for Waqf

8. Do you think Waqf assets can be utilised to support government social programs such as infrastructure, health, and education? Why/why not?
9. In your opinion, should a government institution take over the administration of Waqf assets? That is, Waqf assets centrally managed by the government. Why/why not?

E. Closing questions

10. Do you have any other comments on the areas we have discussed?
- Is there anything I have overlooked?

F. Summary

To summarise, we have discussed the development of Waqf in Indonesia, the utilisation of Waqf assets, and the policy direction as well.

Lastly, thank you for sparing your valuable time to do this interview.

Interviewee Group

Waqf Donors

Date	:	
Location	:	
Length of interview	:	
Name	:	
Gender	:	
Age	:	
Donors of	:	

A. Introducing questions

1. Do you make Waqf donations regularly? How often?
 - What types of Waqf assets do you donate?
2. In general, what do you know about the operation of Waqf institutions in Indonesia?
 - Are you familiar with Waqf regulation, the role of Waqf authorities, Waqf institutions and types of Waqf?

B. Factors affecting the development of Waqf in Indonesia

3. What motivates you to donate?
4. What makes you to donate through a Waqf institution instead of individual *nazhir*?
 - Do you donate only through Dompot Dhuafa/Yayasan Badan Wakaf Universitas Islam Indonesia? Why/why not?

C. Utilisation of Waqf assets

5. What are your expectations for the utilisation of Waqf assets?
 - Has the utilisation of the assets met your expectations?

D. Policy Direction for Waqf

6. Do you think Waqf assets can be utilised to support government social programs such as infrastructure, health, and education? Why/why not?
7. In your opinion, should a government institution take over the administration of Waqf assets? That is, Waqf assets centrally managed by the government. Why/why not?

E. Closing questions

8. Do you have any other comments on the areas we have discussed?
- Is there anything I have overlooked?

F. Summary

To summarise, we have discussed the development of Waqf in Indonesia, the utilisation of Waqf assets, and the policy direction as well.

Lastly, thank you for sparing your valuable time to do this interview.

Interviewee Group**Waqf Beneficiaries**

Date	:	
Location	:	
Length of interview	:	
Name	:	
Gender	:	
Age	:	
Beneficiaries of	:	

A. Introducing questions

1. Would you tell me about your background (e.g. job, level of income, household consumption)?
2. In general, what do you know about the operation of Waqf institutions in Indonesia?
 - Are you familiar with Waqf regulation, the role of Waqf authorities, Waqf institutions and types of Waqf?

B. Utilisation of Waqf assets

3. How do you receive the benefits of the Waqf?
 - Is it given by the Waqf institution? Or do you approach them to get benefits?
 - Do you receive benefits only from Dompot Dhuafa/Yayasan Badan Wakaf Universitas Islam Indonesia, other Waqf institutions or individual donors?
4. What kind of benefits do you receive? (e.g. cash payments, religious facilities, health services, education facilities)
5. Do you expect other kinds of Waqf benefits other than what you have receive?
6. Do you receive benefits from government social programs?
 - If yes, what kind of benefits do you receive?

C. Policy Direction for Waqf

7. Do you think the benefits of Waqf assets can support social programs provided by the government?
8. Do you think it would be better if the government took control of the distribution of the benefits of Waqf assets?

D. Closing questions

9. Do you have any other comments on the areas we have discussed?
- Is there anything I have overlooked?

E. Summary

To summarise, we have discussed the development of Waqf in Indonesia, the utilisation of Waqf assets, and the policy direction as well.

Lastly, thank you for sparing your valuable time to do this interview.

APPENDIX G: INTERVIEW QUESTIONS (INDONESIAN VERSION)

Grup Peserta

Lembaga Pemerintah

Tanggal	:	
Lokasi	:	
Durasi wawancara	:	
Nama	:	
Jenis Kelamin	:	
Umur	:	
Organisasi	:	
Posisi	:	
Masa kerja	:	

A. Pertanyaan pendahuluan

1. Dapatkah Bapak/Ibu menceritakan tentang unit Bapak/Ibu berikut dengan tanggung jawab yang terkait dengan administrasi wakaf?
2. Dapatkah Bapak/Ibu memberikan gambaran detil mengenai posisi Bapak/Ibu dalam unit ini dan tugas yang Bapak/Ibu lakukan terkait dengan wakaf?

B. Faktor-faktor yang mempengaruhi perkembangan wakaf di Indonesia

3. Secara umum, bagaimana pendapat Bapak/Ibu mengenai perkembangan wakaf di Indonesia?
 - Apakah arah perkembangannya telah sesuai? Mengapa? Dapatkah Bapak/Ibu memberikan contoh?
 - Dalam pandangan Bapak/Ibu, apa peranan lembaga pemerintah dalam mengembangkan wakaf di Indonesia?
4. Apakah menurut Bapak/Ibu wakaf di Indonesia sudah diatur dengan baik? Mengapa?
 - Jika belum, aspek regulasi apa yang menurut Bapak/Ibu perlu diperbaiki? Mengapa?
5. Apakah menurut Bapak/Ibu koordinasi antar lembaga pemerintah dalam mengadministrasi wakaf di Indonesia sudah berjalan dengan baik? Mengapa?

C. Pemanfaatan aset wakaf

6. Apa pandangan Bapak/Ibu secara umum mengenai pemanfaatan aset wakaf di Indonesia?
 - Apakah aset wakaf sudah dimanfaatkan untuk hal-hal yang produktif
7. Apakah unit Bapak/Ibu memahami potensi wakaf aset dalam mendukung penmbangunan sosial dan ekonomi?
 - Apakah unit Bapak/Ibu, atau lembaga pemerintah pada umumnya, telah mempertimbangkan penggunaan aset wakaf untuk mengembangkan program sosial?
8. Berdasarkan pengalaman Bapak/Ibu, apakah pemerintah memiliki program sosial yang mirip dengan program yang dijalankan oleh lembaga wakaf? Bisa diberikan contoh?

D. Arah kebijakan wakaf

9. Apakah aset wakaf dapat dimanfaatkan untuk mendukung program sosial pemerintah seperti infrastruktur, kesehatan dan Pendidikan? Mengapa?
10. Menurut pendapat Bapak/Ibu, apakah sebaiknya sebuah lembaga pemerintah mengambilalih administrasi aset wakaf? Dengan kata lain, administrasi wakaf dilakukan tersentralisasi oleh pemerintah.

E. Pertanyaan penutup

11. Apakah Bapak/Ibu masih memiliki pendapat lain?
 - Adakah hal yang kita lewatkan?

F. Kesimpulan

Untuk disimpulkan, kita telah mendiskusikan pengembagna wakaf di Indonesia, pemanfaatan aset wakaf dan juga arah kebijakannya. Terakhir, kami mengucapkan terima kasih atas waktu yang telah diluangkan.

Grup Peserta

Lembaga Wakaf

Tanggal	:	
Lokasi	:	
Durasi wawancara	:	
Nama	:	
Jenis Kelamin	:	
Umur	:	
Organisasi	:	
Posisi	:	
Masa kerja	:	

A. Pertanyaan pendahuluan

1. Dapatkah Bapak/Ibu menceritakan tentang lembaga Bapak/Ibu berikut dengan tanggung jawab yang terkait dengan administrasi wakaf?
 - Sudah berapa lama lembaga ini mengelola aset wakaf?
 - Jenis aset wakaf apa yang dikelola oleh lembaga ini?
2. Dapatkah Bapak/Ibu memberikan gambaran detail mengenai posisi Bapak/Ibu dalam lembaga ini dan tugas yang Bapak/Ibu lakukan?

B. Faktor-faktor yang mempengaruhi perkembangan wakaf di Indonesia

3. Secara umum, bagaimana pendapat Bapak/Ibu mengenai perkembangan wakaf di Indonesia?
 - Apakah arah perkembangannya telah sesuai? Mengapa? Dapatkah Bapak/Ibu memberikan contoh?
 - Dalam pandangan Bapak/Ibu, apa peranan lembaga wakaf dalam mengembangkan wakaf di Indonesia?
4. Apakah Bapak/Ibu menemukan kendala dalam mengelola aset wakaf?
 - Jika ada, mengapa hal tersebut menjadi kendala?
 - Apa yang telah dilakukan lembaga ini dalam mengatasi kendala tersebut?

C. Pemanfaatan aset wakaf

5. Bagaimana lembaga ini mengelola aset wakaf?

- Bagaimana menjaga aset tersebut?
 - Bagaimana menentukan cara penggunaan aset?
 - Apakah aset tersebut telah digunakan untuk hal yang produktif? Mengapa?
 - Apakah lembaga ini menggunakan jasa lembaga keuangan dalam mengelola aset wakaf? Mengapa?
6. Apakah ada kriteria khusus untuk menentukan penerima manfaat?
- Jika iya, apa kriteria yang digunakan?
7. Dalam memanfaatkan aset wakaf, apakah lembaga ini berkoordinasi dengan lembaga pemerintah atau lembaga wakaf yang lain?

D. Arah kebijakan wakaf

8. Apakah aset wakaf dapat dimanfaatkan untuk mendukung program sosial pemerintah seperti infrastruktur, kesehatan dan Pendidikan? Mengapa?
9. Menurut pendapat Bapak/Ibu, apakah sebaiknya sebuah lembaga pemerintah mengambilalih administrasi aset wakaf? Dengan kata lain, administrasi wakaf dilakukan tersentralisasi oleh pemerintah.

E. Pertanyaan penutup

10. Apakah Bapak/Ibu masih memiliki pendapat lain?
- Adakah hal yang kita lewatkan?

F. Kesimpulan

Untuk disimpulkan, kita telah mendiskusikan pengembagna wakaf di Indonesia, pemanfaatan aset wakaf dan juga arah kebijakannya. Terakhir, kami mengucapkan terima kasih atas waktu yang telah diluangkan.

Grup Peserta

Donor

Tanggal	:	
Lokasi	:	
Durasi wawancara	:	
Nama	:	
Jenis Kelamin	:	
Usia	:	
Donor ke lembaga	:	

A. Pertanyaan pendahuluan

1. Apakah Bapak/Ibu melakukan donasi secara rutin? Seberapa rutin?
 - Jenis aset wakaf apa yang didonasikan?
2. Secara umum, apakah yang Bapak/Ibu ketahui mengenai operasional lembaga wakaf di Indonesia?
 - Apakah Bapak/Ibu paham dengan peraturan wakaf, peran otoritas wakaf dan jenis-jenis wakaf

B. Faktor-faktor yang mempengaruhi perkembangan wakaf di Indonesia

3. Apa yang mendorong Bapak/Ibu untuk berdonasi?
4. Apa yang membuat Bapak/Ibu memilih berdonasi melalui lembaga wakaf?
 - Apakah Bapak/Ibu berdonasi melalui Dompot Dhuafa/Yayasan Badan Wakaf Universitas Islam Indonesia? Mengapa?

C. Pemanfaatan aset wakaf

5. Apa harapan Bapak/Ibu terkait dengan pemanfaatan aset wakaf?
 - Apakah penggunaan aset wakaf yang dilakukan oleh lembaga wakaf telah memenuhi harapan tersebut?
6. Apakah aset wakaf harus diinvestasikan ke dalam portofolio yang produktif
 - Apakah lembaga wakaf memiliki kemampuan yang cukup untuk mengelola portofolio keuangan?

D. Arah kebijakan wakaf

7. Apakah aset wakaf dapat dimanfaatkan untuk mendukung program sosial pemerintah seperti infrastruktur, kesehatan dan Pendidikan? Mengapa?

8. Menurut pendapat Bapak/Ibu, apakah sebaiknya sebuah lembaga pemerintah mengambilalih administrasi aset wakaf? Dengan kata lain, administrasi wakaf dilakukan tersentralisasi oleh pemerintah.

E. Pertanyaan penutup

9. Apakah Bapak/Ibu masih memiliki pendapat lain?
 - Adakah hal yang kita lewatkan?

F. Kesimpulan

Untuk disimpulkan, kita telah mendiskusikan pengembagna wakaf di Indonesia, pemanfaatan aset wakaf dan juga arah kebijakannya. Terakhir, kami mengucapkan terima kasih atas waktu yang telah diluangkan.

Grup Peserta

Penerima Manfaat

Tanggal	:	
Lokasi	:	
Durasi wawancara	:	
Nama	:	
Jenis Kelamin	:	
Usia	:	
Penerima manfaat dari lembaga	:	

A. Pertanyaan pendahuluan

1. Bisakah Bapak/Ibu menceritakan latar belakangnya?
2. Secara umum, apakah yang Bapak/Ibu ketahui mengenai operasional lembaga wakaf di Indonesia?
 - Apakah Bapak/Ibu paham dengan peraturan wakaf, peran otoritas wakaf dan jenis-jenis wakaf

B. Pemanfaatan aset wakaf

3. Bagaimana Bapak/Ibu memperoleh manfaat dari penggunaan aset wakaf?
 - Apakah manfaat tersebut diberikan oleh lembaga wakaf? Atau Bapak/Ibu melakukan pendekatan ke lembaga tersebut?
 - Apakah Bapak/Ibu menerima manfaat hanya dari Dompet Dhuafa/Yayasan Badan Wakaf Universitas Islam Indonesia, atau lembaga wakaf lain? Atau dari donor perorangan?
4. Jenis manfaat apa yang diperoleh?
5. Apakah Bapak/Ibu mengharapkan jenis manfaat yang lain
6. Apakah Bapak/Ibu menerima manfaat dari program sosial pemerintah?
 - Jika iya, jenis manfaat apa yang didapatkan?

D. Arah kebijakan wakaf

7. Apakah aset wakaf dapat dimanfaatkan untuk mendukung program sosial pemerintah seperti infrastruktur, kesehatan dan Pendidikan? Mengapa?

8. Menurut pendapat Bapak/Ibu, apakah sebaiknya sebuah lembaga pemerintah mengambilalih administrasi aset wakaf? Dengan kata lain, administrasi wakaf dilakukan tersentralisasi oleh pemerintah.

E. Pertanyaan penutup

9. Apakah Bapak/Ibu masih memiliki pendapat lain?
 - Adakah hal yang kita lewatkan?

F. Kesimpulan

Untuk disimpulkan, kita telah mendiskusikan pengembagna wakaf di Indonesia, pemanfaatan aset wakaf dan juga arah kebijakannya. Terakhir, kami mengucapkan terima kasih atas waktu yang telah diluangkan.

APPENDIX H: LAND WAQF IN INDONESIA

No	Nama Wilayah	Jumlah	Luas [Ha]	Sudah Sertifikat		Belum Sertifikat	
				Jumlah	Luas [Ha]	Jumlah	Luas [Ha]
1.	<u>ACEH</u>	16.085	8.696,97	7.831	1.045,07	8.254	7.651,90
2.	<u>SUMATERA UTARA</u>	11.216	7.753,97	6.499	806,57	4.717	6.947,40
3.	<u>SUMATERA BARAT</u>	5.317	617,36	3.667	391,10	1.650	226,27
4.	<u>RIAU</u>	8.146	2.098,00	2.816	457,64	5.330	1.640,36
5.	<u>JAMBI</u>	6.472	1.034,65	3.569	456,12	2.903	578,53
6.	<u>SUMATERA SELATAN</u>	3.972	945,06	1.964	147,03	2.008	798,03
7.	<u>BENGKULU</u>	2.294	408,69	1.643	235,17	651	173,52
8.	<u>LAMPUNG</u>	13.189	5.674,75	7.491	2.836,99	5.698	2.837,76
9.	<u>KEP. BANGKA BELITUNG</u>	1.196	270,70	792	182,00	404	88,70
10.	<u>KEPULAUAN RIAU</u>	1.519	283,65	498	67,32	1.021	216,33
11.	<u>D K I JAKARTA</u>	6.734	271,98	4.102	158,27	2.632	113,71
12.	<u>JAWA BARAT</u>	75.335	5.443,19	39.810	2.271,98	35.525	3.171,21
13.	<u>JAWA TENGAH</u>	102.184	5.228,30	74.024	3.707,22	28.160	1.521,09
14.	<u>D I YOGYAKARTA</u>	10.273	366,06	9.257	326,90	1.016	39,16
15.	<u>JAWA TIMUR</u>	68.481	4.493,89	35.489	2.285,44	32.992	2.208,45
16.	<u>BANTEN</u>	15.472	1.077,50	8.585	553,19	6.887	524,31
17.	<u>BALI</u>	1.458	212,61	1.319	188,33	139	24,28
18.	<u>NUSA TENGGARA BARAT</u>	9.531	1.517,16	6.061	980,59	3.470	536,57
19.	<u>NUSA TENGGARA TIMUR</u>	1.307	335,26	985	209,90	322	125,36
20.	<u>KALIMANTAN BARAT</u>	2.895	576,24	1.603	251,22	1.292	325,02
21.	<u>KALIMANTAN TENGAH</u>	3.062	616,71	1.856	342,93	1.206	273,78
22.	<u>KALIMANTAN SELATAN</u>	8.257	988,43	7.272	834,96	985	153,48
23.	<u>KALIMANTAN TIMUR</u>	2.599	633,01	1.256	198,40	1.343	434,61
24.	<u>KALIMANTAN UTARA</u>	454	134,50	164	94,73	290	39,77
25.	<u>SULAWESI UTARA</u>	775	102,78	344	34,40	431	68,37
26.	<u>SULAWESI TENGAH</u>	2.229	902,52	1.413	141,26	816	761,26
27.	<u>SULAWESI SELATAN</u>	7.176	910,79	4.441	363,67	2.735	547,12
28.	<u>SULAWESI TENGGARA</u>	1.108	110,58	827	71,37	281	39,21
29.	<u>GORONTALO</u>	1.907	389,66	958	275,23	949	114,43
30.	<u>SULAWESI BARAT</u>	2.958	441,92	990	121,47	1.968	320,45
31.	<u>MALUKU</u>	469	121,36	213	38,96	256	82,39
32.	<u>MALUKU UTARA</u>	313	46,72	225	25,37	88	21,35
33.	<u>PAPUA</u>	287	59,97	141	19,28	146	40,69
34.	<u>PAPUA BARAT</u>	50	20,17	35	6,19	15	13,98
Jumlah		394.720	52.785,08	238.140	20.126,24	156.580	32.658,84

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