

## The Reformation of Waqf Institution to Improve The Potential of Waqf in Indonesia

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### Abstract

*This paper will describe a plan to reform the waqf institution, including the ideal business operations, the structure of the waqf institution, and how to build confidence in the waqf agency in Indonesia. Currently, the growth of waqf has enticed the government to better administer the waqf. Due to a lack of confidence, many individuals are hesitant to pay waqf. As a result, if the government wishes to enhance waqf revenue, the waqf institution in Indonesia should be reformed. Waqf institutions may be bettered in a number of ways. To begin, create new business processes and organizational structures that separate the collection, asset management, and disbursement processes; second, create a single institution supervised by the Ministry of Finance of the Republic of Indonesia to manage endowment funds from waqf; and third, use blockchain to increase the trust of waqf institutions among society.*

**Keywords :** Waqf, Government Institution, Blockchain

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### 1. INTRODUCTION

Nowadays, the development of waqf in Indonesia rises year by year. As reported by CNBC Indonesia (2021), Sri Mulyani Indrawati, Minister of Finance of the Republic of Indonesia, said that the waqf fund saved in the National Bank had been Rp 328 Billion. Additionally, as Tempo (2021) reported, the President of Republic Indonesia, Joko Widodo, launched Cash Waqf National Program. It could become a sign that the government of the Republic of Indonesia sees the potential of waqf to finance social programs in Indonesia.

In Indonesia, several institutions manage the waqf, and the government also creates an official institution to manage waqf, namely Indonesia Waqf Agency. However, there are so many things that Indonesia Waqf can improve in managing waqf by Indonesia Waqf Agency.

If I see at the website of Indonesia Waqf Agency, the author believes that it still needs a lot of improvement. For example, when the author saw the data section on Indonesia Waqf Agency's website in

29 July 2021 (<https://www.bwi.go.id/data-wakaf/>), we could see no data showed, and it just said that the website is under construction.

### Figure 1

Picture of Indonesia Waqf Agency Website: Waqf Data Section



This condition could be a problem since Ahmad and Rusdianto (2020) noted that transparency is a vital determinant of the trust of the waqf institution. If the agency could not show the data of the waqf fund that

it manages, society's belief will decrease, and it could have a detrimental effect on the collection of waqf funds by that institution.

In this paper, I would like to describe the proposal to reform the waqf institution, including the ideal business process, the form of the waqf institution, and the way to increase the trust of the waqf agency in Indonesia.

## 2. RESEARCH METHOD

The method used in this research is qualitative and descriptive method. So, in this research, the author would describe about the problems and provide the solution of the problems. The author got the data for this research from several literatures. Thus, this research is included in qualitative literature study.

## 3. RESULT AND DISCUSSION

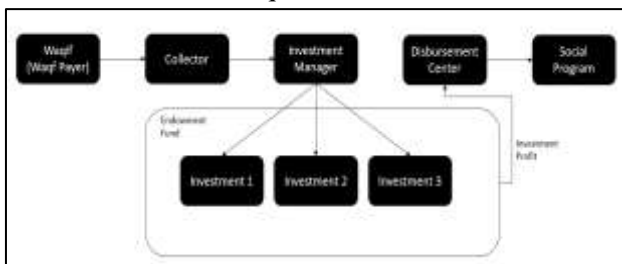
### 3.1. The Business Process of Waqf Institution

Literally, waqf is taken from the Arabic language "al-waqf," which has a meaning "retained." From fiqh science, waqf means retained the main object and use the proceeds or benefits for the benefit of Islam (Badan Wakaf Indonesia, 2006). By this definition, the object of waqf must be retained as a form of value, and we could take the benefit from the proceeds or benefit from waqf asset. So, in this section, the author would like to divide the business process of waqf institutions into two sections: the business process of cash waqf and the business process of fixed asset waqf.

The waqf institution plays as a collector, investment manager, and disbursement of revenue authority for the cash waqf. The business process could be drawn in the picture below.

**Figure 2**

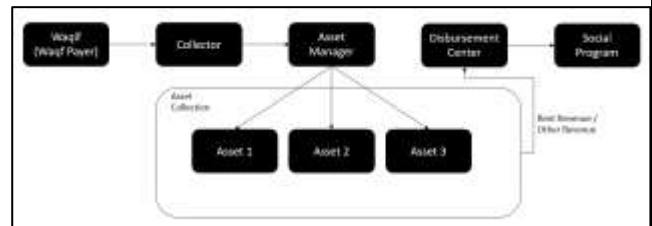
The Business Process of Cash Waqf Management in Waqf Institution



Additionally, the waqf institution could be a collector, asset management, and disbursement of revenue authority for the fixed asset waqf. The business process could be drawn in the picture below.

**Figure 3**

The Business Process of Fixed Asset Waqf Management in Waqf Institution

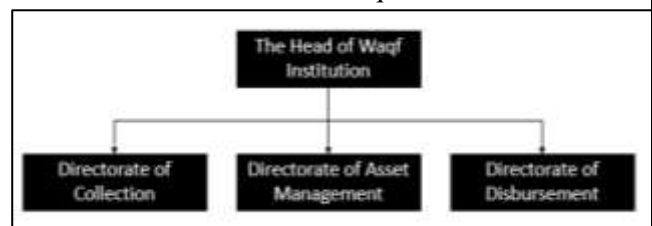


### 3.2. The Structure of Waqf Institution

Based on the business process above, the author could draw the organizational structure of the waqf institution, which must separate between the collector responsibility, the asset management responsibility, and disbursement responsibility, as could be seen below.

**Figure 4**

The Structure of Waqf Institution



### 3.3. Making One Waqf Institution in Indonesia

In Sahih Bukhari, there is a hadith that clearly explains the party responsible for collecting zakat in Indonesia and narrated Ibn Abbas as Al-Qardhawi (2011) quoted: "tell them that Allah has oblige from some of their wealth, to be given in charity. Taken from the rich to give to the poor. If they obey you in this matter, then guard the generosity of their wealth and fear the prayers of the oppressed." Ibn Hajar as quoted in Al-Qardhawi (2011) explains that the above hadith describe the government's obligation to collect fund from the society. So with this explanation, the institution that could be the collector of waqf must be a government institution.

In Indonesia, many private institutions manage waqf, like Rumah Zakat Indonesia and Dompot Dhuafa. Therefore, based on the explanation above, the collection of waqf by the private institution should be prohibited and should centralize to one institution owned by the government.

The next question is, "how is the form of waqf institution?" Ramadhan (2017) said that the Ministry of Finance must supervise the institution that manages zakah in Indonesia. The author believes the waqf

institution must be led too by the Ministry of Finance since nowadays Ministry of Finance managed the endowment fund similar to waqf Institution like Education Fund Management Agency. In addition, the revenue generated from the waqf fund could be included in the Indonesia budget, so since the Ministry of Finance has a responsibility for the government's budget, the Ministry of Finance is the proper institution that could manage the waqf. Therefore, based on the explanation above, the waqf institution could be an echelon one institution below the Ministry of Finance.

Next, since that institution will manage the collection of waqf, the investment of waqf fund, and also the expenditure of revenue from waqf fund to finance the social program, the institution must recruit the employees from another echelon one or agency below Ministry of Finance which have experiences about those responsible. The employees could be taken from Directorate General of Tax who have experiences to collect the revenue, Education Fund Management Agency who have experiences to invest endowment fund, and finally from Directorate General of Treasury who have experiences about fund disbursement.

#### **3.4. The Use of Blockchain to Increase Trust to Waqf Institution**

The waqf institution needs trust from society to make the community want to give the waqf. Ahmad and Rusdianto (2020) said that transparency is a determinant of the trust of waqf institutions and could affect the intention to provide cash waqf to waqf institutions.

Habib and Ahmad (2020) argued that the main problems of waqf institutions include a lack of data and historical records, a lack of openness and public disclosure, and poor auditing and compliance standards. The blockchain has given the Waqf institution a new lease on life. The blockchain has already demonstrated its ability to change the game. In the same way, the Waqf institution might benefit from the blockchain's innovative and practical application. Furthermore, the Waqf institution's performance and efficacy could be improved further by using smart contracts on the blockchain. Vidiati et al. (2021) argued that blockchain is ushering in a digital revolution, a sea shift in how we behave and think, and we must all be prepared. This prototype is highly effective in assisting waqf administration to be more optimum for welfare and sustainability, particularly in

emergencies like the present pandemic, when sources of money are limited.

Based on that explanation, the author believes that blockchain technology must be adapted in waqf management since it could increase the collection of waqf from society and increase the intention of the community to pay waqf.

#### **4. CONCLUSION**

To conclude, the development of waqf has attracted the government to manage the waqf more appropriately. However, many people are not interested in paying waqf due to the trust issue. So, if the government wants to increase the collection of waqf, the government should reform the waqf institution in Indonesia. There are several ways to improve waqf institutions. Firstly, making new business process and organizational structure which separate collection, asset management, and disbursement process, secondly, making one institution supervised by the Ministry of Finance of the Republic of Indonesia to manage endowment fund from waqf, and finally, using blockchain to increase the trust of waqf institution among society. If that reform could finish, the author believes that the waqf fund could be an essential factor in finance social expenditure of the government in the future and could decrease poverty in the future.

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