

PROS AND CONS OF CASH WAQF LINK SUKUK IN INDONESIA: ANALYSIS OF REGULATIONS, POTENTIAL, AND CHALLENGES

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Abstract

Cash waqf is a contemporary innovation in Islamic philanthropy, where the object of waqf is no longer limited to physical assets but also includes financial instruments such as cash and sharia securities. This study aims to analyze the pros and cons of implementing Cash Waqf Link Sukuk in Indonesia, particularly in the context of regulations, economic development potential, and operational and sharia challenges. The research method employs a descriptive qualitative approach with content analysis techniques applied to primary literature (fatwas from the DSN-MUI, Law No.41/2004, BWI Regulations) and secondary literature (journals, sharia financial reports). The research findings indicate that Cash Wakaf Link Sukuk has a strong legal foundation through the Wakaf Law and BWI Regulations, with a mechanism for managing wakaf funds invested in government sukuk. This scheme offers the following benefits: (1) stable returns from sukuk coupons, (2) flexibility in allocating funds for social-productive projects, and (3) transparency through oversight by authoritative institutions. However, the main challenges include: (1) low public literacy regarding investment-based wakaf products, (2) liquidity risks and sukuk value fluctuations, and (3) sharia-related controversies regarding the ownership status of wakaf assets within the sukuk structure. The implications of this research provide policy recommendations in the form of strengthening socialization, synergy between BWI and the Financial Services Authority (OJK), and improving the benefit distribution model to be in line with sharia objectives. These findings contribute to the development of sharia financial literacy and modern waqf governance in Indonesia.

Keywords: *Waqf, Sukuk, Cash Waqf, Waqf Regulation, Sustainability*

1. INTRODUCTION

Cash waqf is an innovative form of Islamic philanthropy that is increasingly relevant in the modern era. Unlike traditional waqf, which is generally based on fixed assets such as land or buildings, cash waqf allows people from all walks of life to participate through monetary donations that are managed productively. This instrument has great potential to support social empowerment and economic development for the Muslim community, particularly in the sectors of education, health, and microenterprise (Fawaid & Febrianto, 2022). Along with the development of Islamic finance, Indonesia, as a Muslim-majority country, has recognized the legality of cash waqf through Law No. 41 of 2004 on Waqf, reinforced by Government Regulation No. 42 of 2006 and Fatwa DSN-MUI No. 2/DSN-MUI/IV/2002. As part of strengthening productive endowment instruments, the government, through the Ministry of Finance and the Indonesian Endowment Board (BWI), launched the Wakaf Link Sukuk (WLS) scheme in 2020. This scheme combines cash wakaf funds with investments in State Sukuk instruments, so that the returns from the sukuk can be used to fund productive social projects, such as the construction of hospitals and educational facilities (Nahrawi & Fu'adah, 2023). WLS is considered an effective integration of philanthropic principles and modern

financial efficiency. The scheme offers several advantages, including stable sukuk coupon returns, high transparency and accountability in management, and regulatory support from the state through synergy between BWI and the Ministry of Finance. However, various challenges still hinder its optimal implementation. One of the main challenges is the low level of public literacy regarding the concept of investment-based wakaf, as reflected in the results of the 2022 National Sharia Financial Literacy Survey by the OJK, which recorded a literacy rate of only 9.14%. Additionally, there are issues in synchronizing regulations and operations between BWI and the Financial Services Authority (OJK), particularly in the mechanisms for collecting, managing, and distributing the benefits of wakaf funds. On the other hand, from an Islamic legal perspective, the WLS structure also raises fiqh issues regarding the ownership status of waqf in state sukuk, as sukuk are securities representing claims to benefits or assets, not physical assets directly (Siregar et al., 2023).

Previous studies have generally been limited to descriptive discussions of the potential of cash waqf and its role in social development. These studies tend to highlight theoretical or normative aspects without delving deeper into the advantages and disadvantages of WLS comprehensively, particularly from regulatory, economic, operational, and sharia perspectives simultaneously. Several waqf projects using sukuk as a financing instrument have successfully achieved their objectives, such as the construction of educational and health facilities funded through waqf sukuk. This indicates that cash waqf link sukuk has great potential for further development. Of course, this creates an important analytical gap that needs to be bridged, so this study aims to holistically analyze the implementation of Wakaf Link Sukuk in Indonesia, covering its advantages and disadvantages in the context of regulation, economic potential, operational challenges, and sharia compliance. Using a descriptive qualitative approach and content analysis techniques on primary regulations (Law No. 41/2004, DSN-MUI Fatwa, BWI Regulations) as well as academic literature and recent institutional reports, this study is expected to provide academic and practical contributions in designing policies to strengthen wakaf literacy, institutional synergy between BWI and OJK, and improvements in investment-based wakaf governance to align with sharia objectives and sustainable development goals.

2. TEORETICAL STUDY

2.1. Definition of Wakaf Link Sukuk

The term “sukuk” is not new in Islamic history, as it has existed since the Middle Ages, when Muslims used it for international trade. Shakk is the plural form of the word “sukuk.” At that time, traders used sukuk as a means of indicating financial obligations arising from trade and other commercial transactions. In general, sukuk are negotiable certificates of trust that provide stable income. These sukuk are created to balance the assets on the financial statements of governments, monetary authorities, companies, banks, financial institutions, and other entities that manage public funds. The issuers of sukuk can be government agencies, private companies, financial institutions, or monetary authorities.

One type of social investment in Indonesia is the Cash Waqf Linked Sukuk, where the waqf funds collected by the Indonesian Waqf Board as the Nazhir through BNI Syariah and Bank Muamalat Indonesia as the Sharia Financial Institution Receiving Waqf Funds (LKSPWU) will be managed and invested in instruments issued by the Ministry of Finance (MoF).

The government launched the Cash Waqf Linked Sukuk (CWLS) product in 2020. CWLS even won first place in the Islamic Development Bank Prize for Impactful Achievement in Islamic Economics. Until now, the public has viewed waqf as intended for

madrasahs, graves, and mosques, and something that must wait until one is old and has accumulated significant wealth. However, with the CWLS concept, waqf can be easily and affordably performed without waiting until old age. According to the MUI Fatwa on Cash Waqf issued on May 11, 2002, Cash Waqf is defined as waqf performed by an individual, group of individuals, institution, or legal entity in the form of cash, including securities. Cash waqf is permissible (jawaz), and may only be given and used for purposes permitted by sharia. The principal amount of the endowment may not be sold, gifted, or inherited. With the increasing use of Sharia principles in domestic and international financial markets, as evidenced by the number of countries issuing Sharia-based financial instruments and the number of investors interested in Sharia-based financial instruments, this should serve as a catalyst for the issuance of government sukuk both in domestic and international markets. Sukuk differs from conventional securities because both are based on Sharia principles. Securities use the concept of compensation rather than interest, and securities use the concept of contract.

It is hoped that financial instruments based on these principles will encourage an increase in cash waqf to improve community welfare and investor security (Paul & Faudji, 2020). The objectives of developing Cash Waqf Linked Sukuk are:

1. To be part of efforts to develop and innovate in the field of Islamic finance and social investment in Indonesia.
2. To provide opportunities for cash waqf donors to invest their waqf in safe financial instruments, namely government sukuk.
3. To encourage the consolidation of Islamic social funds to finance various social projects and programs that are not funded by government projects or programs through the state budget (APBN) or regional budget (APBD).
4. To be part of efforts to diversify investors and SBN instruments.
5. To support the development of the Islamic financial market, particularly the cash waqf industry.
6. Encouraging the diversification of Islamic banking businesses through the optimization of the role of Islamic Financial Institutions.

2.2. Legal Basis for Cash Waqf Link Sukuk

Sukuk has fulfilled the requirements for sharia financing with the existence of a financed project, optimal use of funds, and benefits for the community. However, because the sukuk contract has not been discussed in detail in classical fiqh books, further study is needed from a fiqh perspective. In addition, the application of sukuk in Malaysia often uses principles that are considered gharar (uncertainty) and prohibited. Regarding the understanding of sukuk itself, Ibn Al-Afriqi explained the term sakk by mentioning a hadith narrated by Muslim from Abu Hurairah regarding sukuk equating it with usury which is prohibited. "From Abi Hurairah r.a. that he once said to Marwan: have you permitted usury? Marwan denied, I did not do it. Abu Hurairah said again, you have permitted the sale of sikak even though the Messenger of Allah SAW has prohibited the sale of food until it is perfectly accepted". Based on this hadith, sakk can be interpreted as a transaction that reflects the exchange of financial obligations. Sakk functions as proof of debt that can be repaid within a certain period of time, similar to government-guaranteed bonds. Sakk is given to creditors as proof of legal financial ownership. This financial guarantee is accepted in sharia as long as it is not related to interest. According to researchers, sukuk that are currently developing can be permitted according to Islamic law, because they do not include the sale of money with money at different prices, but the sale of real assets represented through sukuk.

Cash Waqf Linked Sukuk (CWLS) is a sharia debt instrument based on cash waqf, where the funds collected are invested in state sukuk. This aims to support fiscal financing in a social context, such as education, health, and development. The purpose of developing CWLS is to make it easier for people to waqf money safely and productively, support the development of social investment funds and productive waqf in Indonesia, support the National Waqf Movement, strengthen the waqf ecosystem in Indonesia, and encourage inclusive and sustainable economic growth (Fad, 2021). With the legal basis in Indonesia, namely Law No. 41 of 2004 concerning Waqf and Law No. 19 of 2008 concerning State Sharia Securities (SBSN), the Cash Waqf Linked Sukuk (CWLS) instrument has strong legal support. DSN-MUI Fatwa No. 131/DSN-MUI/X/2019 concerning Sukuk Waqf is also the basis for the issuance of CWLS which is based on sharia principles. This fatwa regulates various provisions related to the implementation of sukuk-based waqf transactions, including legal provisions, general provisions, contracts, nazhir, and sukuk mechanisms. This encourages the development of products in the sharia financial market with the aim of optimizing waqf assets and sukuk yields for worship and public welfare purposes.

To maximize the potential of cash waqf, financing is needed so that it can be developed into more productive assets, making cash waqf a solution that can be optimized. However, this opportunity faces the problem of suboptimal waqf asset management. Indonesian society generally still thinks that waqf is only in the form of land, so that the collection of cash waqf is still very limited. In fact, cash waqf has general benefits that allow everyone to donate their money without certain limitations. In the context of utilizing waqf, especially cash waqf, for economic activities, the Cash Waqf Linked Sukuk (CWLS) concept integrates the potential of waqf funds with development financing that can provide dual benefits for the economy and society. Technically, the WLS concept involves the use of cash waqf, both temporary and permanent, which is collected by BWI as nadzhir to be invested in State Sharia Securities (SBSN) which provide regular returns. For example, cash waqf funds collected by nadzhir with a tenor of 3-5 years can be invested in SBSN with various placement schemes. The yield (discount and coupon) from SBSN is then distributed by the nadzhir as social funds (shodaqah) to the amil zakat institution with the approval of the wakif, while the principal of SBSN is returned to the wakif when the CWLS matures. With this concept, in addition to the waqf institution, the amil zakat institution also benefits (multiplier effect) because it can use social funds from the SBSN yield for social projects or activities. The CWLS concept involves the use of cash waqf, both temporary and permanent, collected by BWI as nadzhir to be invested in State Sharia Securities (SBSN) which provide regular yields. For example, cash waqf funds collected by the nadzhir with a tenor of 3-5 years can be invested in SBSN with various schemes. The yield (discount and coupon) from SBSN is then distributed by nadzhir as social funds (shodaqah) to the amil zakat institution with the approval of the wakif, while the principal of SBSN is returned to the wakif when the CWLS matures.

In principle, Cash Waqf Linked Sukuk (CWLS) is similar to sukuk in general, with the main difference being the source of assets originating from cash waqf. One of the advantages of this product is that the benefits of developing the SBSN project will be directly felt by the beneficiaries (mauquf 'alaih). Thus, CWLS provides a clear prospectus regarding the project, beneficiaries, and the yields to be obtained.

Basically, Cash Waqf Linked Sukuk (CWLS) is a form of cash waqf. In practice, CWLS uses two types of waqf: perpetual waqf and temporary waqf. Currently, CWLS is still focused on collecting funds from companies through CSR, not targeting the retail sector. CSR funds that are usually used for community welfare programs can also be channeled through CWLS because they have the same purpose. In the CWLS scheme, not only the coupons, but also the

principal of the sukuk funds originating from cash waqf are used for social infrastructure. So, Cash Waqf Linked Sukuk (CWLS) comes from cash waqf. Sukuk is only an investment product or placement of the cash waqf. This CWLS program is entirely an implementation of cash waqf in accordance with the provisions of the Waqf Law. Considering the real benefits (maslahat muhaqqaqah), the researcher stated that the CWLS contract is permissible. This consideration is based on the DSN fatwa on sukuk, Article 112-113 KHES on bai al-wafa, and the opinion of the DSN MUI Number B-109/DSN-MUI/II/2019 on the Statement of Sharia Harmony of Cash Waqf Linked Sukuk issued on February 6, 2019. Article 112 KHES states that in a sale and purchase with the right of redemption, the seller can return the money for the goods sold and demand the goods back, while the buyer is obliged to return the goods and receive their money back. Article 113 KHES states that goods in a sale and purchase with the right of redemption may not be sold to another party unless there is an agreement between the parties.

The sharia legal basis for the permissibility of this CWLS product is:

1. (QS. Al-Baqarah 2:275)

اللَّهُ وَاحِلَ الرِّبَا مِثْلَ النِّبْعِ إِنَّمَا قَالُوا بِأَنَّهُمْ ذَلِكَ الْمَسُّ مِنَ الشَّيْطَانِ يَتَخَبَّطُهُ الَّذِي يَقُومُ كَمَا لَا يَقُومُونَ لَا الرِّبَا يَأْكُلُونَ الَّذِينَ فِيهَا هُمْ النَّارُ أَصْحَابُ فَأُولَئِكَ عَادَ وَمَنْ اللَّهُ إِلَى وَأَمْرُهُ سَلَفٌ مَا فَلَهُ فَاَنْتَهَى رَبِّهِ مِنْ مَوْعِظَةٍ أَمَّا فَتَمَنَّ الرِّبَا وَحَرَّمَ النَّبْعَ خَلِدُونَ

"People who indulge in usury cannot stand, but stand like those who are possessed by the devil because they are crazy. This is because they say that buying and selling is the same as usury. In fact, Allah has permitted buying and selling and forbidden usury. Whoever receives a warning from his Lord, then stops, then what he has previously acquired belongs to him and his business (is up to) Allah. Whoever repeats, then they are the inhabitants of hell, they will be eternal therein."

2. (QS. Al-Isra' 17:34)

لَا تَقْرَبُوا مَالَ الْيَتِيمِ إِلَّا بِالَّتِي هِيَ أَحْسَنُ حَتَّى يَبْلُغَ أَشُدَّهُ وَأَوْفُوا بِالْعَهْدِ ۚ إِنَّ الْعَهْدَ كَانَ مَسْئُولَ

"And do not approach the property of an orphan except in a way that is better (beneficial) until he reaches maturity, and fulfill your promises, for they will be questioned about them."

3. The opinions of al-Zuhri, Hanafiyyah, Malikiyah and Abu Tsaur who are of the opinion that waqf (money) of dinars and dirhams is permissible.

4. DSN-MUI Statement Number B-109/DSN-MUI/II/2019 concerning the Statement of the Harmony of Sharia Cash Waqf Linked Sukuk (Rahayu & Agustianto, 2020).

3. METHODOLOGY

This study was conducted by applying a descriptive qualitative approach to gain an in-depth understanding of the implementation of the Sukuk Link Waqf Scheme (CWLS) in Indonesia. This approach was chosen because it allows researchers to describe complex phenomena narratively, including regulatory aspects, economic potential, operational dynamics, and issues related to sharia compliance. The character of this research is exploratory and documentary, so the main focus is on the interpretation of secondary data sourced from various official documents and academic literature. The data collection technique used is a literature review or library research, which includes data collection through written sources both from regulatory documents, institutional publications, and scientific articles. The main legal sources analyzed include Law No. 41 of 2004 concerning Waqf, Government Regulation No. 42 of 2006, and the DSN-MUI fatwa regarding cash waqf. In addition, the study also refers to the BWI Regulation, CWLS program report documents

from the Ministry of Finance, and information from institutions such as OJK, KNEKS, and the Indonesian Waqf Board (BWI).

The literature used was selected selectively through a purposive sampling method, with the main criteria being relevance to the topic and recency of the source. In addition to official documents, the author also accessed previous research results from journals and other scientific publications that raised the issue of cash waqf, sharia financial literacy, and waqf-based sukuk innovation. To analyze the data, a content analysis method was used to assist in sorting, grouping, and interpreting information contained in various sources, then synthesized based on the main themes of the research, namely regulation, economic potential, operationalization, and sharia principles. The analysis was carried out inductively to capture the conceptual dynamics and practices that are developing related to the implementation of CWLS. With this approach, the research is expected to be able to provide a complete picture of the advantages and obstacles of implementing CWLS, as well as produce applicable recommendations for the development of modern waqf instruments in Indonesia.

4. RESULT AND DISCUSSION

4.1 Pros and Cons of Cash Waqf Link Sukuk

Cash waqf is an innovative concept in Islamic social finance that aims to improve people's welfare by utilizing waqf funds in the form of money. Through professional and transparent management, cash waqf can be used for various productive projects such as education, health, and infrastructure, all of which contribute to poverty alleviation and improving people's quality of life. Although the potential benefits are enormous, the implementation of cash waqf is still a topic of debate among Islamic jurisprudence experts. Some scholars are concerned about the legal aspects and sharia validity of cash waqf, especially related to the stability of the value of money and guarantees of the use of funds in accordance with Islamic principles (Labetubun & Angga, 2022). The following are the opinions of several Islamic jurisprudence experts regarding cash waqf:

- a. The Indonesian Ulema Council (MUI) recognizes and allows cash waqf as a legitimate means to improve the economic welfare of Muslims.
- b. On the other hand, in Aceh there are differences of opinion among scholars. Some scholars reject cash waqf unless the money is converted into fixed assets (*istibdal*), while others consider it valid even if it remains in the form of money.
- c. Fiqh approach, some scholars from the Hanafi school of thought allow cash waqf with the *mudharabah* method, where profits from capital are donated as waqf. However, some scholars from the Syafi'i school of thought reject cash waqf because it is considered not to last long.

Cash waqf is regulated in Law Number 41 of 2004 concerning Waqf, which allows the provision of waqf in cash. This provision provides opportunities for the management and empowerment of cash waqf as a new form of investment that is flexible and dynamic, in accordance with the needs of the times. Through this regulation, cash waqf funds can be used for various productive activities that can provide broad benefits to the community, such as infrastructure development, education, health, and other social programs (Mauluddin & Rahman, 2018).

In Indonesia, regulations regarding cash waqf are quite strict and representative, with the aim of ensuring that cash waqf funds are managed safely and efficiently. However, its implementation often faces challenges, especially from the aspect of social and religious norms adopted by the community. Many people still have a conventional understanding of waqf, which is usually related to physical assets such as land or buildings. Therefore,

intensive and continuous educational efforts are needed to increase public understanding and acceptance of the concept of cash waqf.

The following are strict rules regarding the management of cash waqf in Indonesia as stated in Law Number 41 of 2004 concerning Waqf:

Prohibition on Conversion of Waqf Assets:

- a. Waqf assets are not allowed to be changed in form, nature, function, or ownership. For example, land that has been donated cannot be directly converted into waqf money.
- b. Asset Security: The waqf asset security system based on law is very strong. Waqf assets cannot be transferred to private property, foundations, the state, or controlled by the government.
- c. Exchange Mechanism (Istibdal): This mechanism is permitted on condition that it obtains permission from the Ministry of Religion and approval from the Indonesian Waqf Board (BWI). The process is very strict and must meet the specified requirements (Inayah, 2023).
- d. Cash Waqf: Cash waqf is a sharia social financial instrument that has great potential. All cash waqf funds are managed by the waqf nazhir and do not go into the state treasury. This fund can be managed with an investment scheme by the Islamic Financial Institution Receiving Cash Waqf (LKS PWU) in collaboration with the nazhir.

The law also lists the types of assets that can be waqfed, which are divided into two main categories, namely movable and immovable assets, with each detailed criteria as follows:

1) Waqf assets consist of:

a) Immovable assets; and

b) Movable assets. Furthermore

2) Immovable assets as referred to in paragraph a include:

a) Land rights in accordance with the provisions of applicable laws and regulations, both those that have been registered and those that have not been registered;

b) Buildings or parts of buildings standing on as referred to in letter a;

c) Plants and other objects related to land;

d) Ownership rights to apartment units in accordance with sharia provisions and applicable laws and regulations;

3) Explaining the movable objects referred to are assets that cannot be exhausted due to consumption, including

a) Money,

b) Precious metals,

c) Securities,

d) Vehicles,

e) Intellectual property rights,

f) Lease rights; and

g) Other movable objects in accordance with sharia provisions and applicable laws and regulations (Paul & Faudji, 2020)

In Malaysia, waqf regulations provide flexibility for waqf managers to improve waqf fund management and administration. The government and waqf management institutions in Malaysia have implemented various innovations and strategies to ensure that cash waqf can be utilized optimally, while still adhering to sharia principles. These steps include the development of sharia financial products that support the management of cash waqf, as well as increasing transparency and accountability in the management of waqf funds.

With supportive regulations and professional management, cash waqf has great potential to contribute to economic and social development, as well as improve the welfare of the community as a whole. Successful implementation requires collaboration between the

government, financial institutions, scholars, and the community to ensure that cash waqf funds can be used effectively and sustainably (Maula, 2022).

The debate on the law of cash waqf has ended with the issuance of the MUI fatwa in 2002 which permitted cash waqf, the implementation of which was then regulated in laws and regulations. Then, the concept of cash waqf evolved into a form of investment known as akaf Link sukuk, which aims to maximize the economic benefits of waqf through sharia financial instruments. This type of waqf allows waqf funds to be used in productive and sustainable investments, thus providing long-term benefits for the public interest, both in the social, educational, and economic fields, while still adhering to sharia principles.

Cash waqf link sukuk is a cash waqf invested in State Sukuk. This investment allows for productive and safe waqf management, because it is guaranteed by the government. The benefits of this sukuk are optimal, considering that the results are competitive and tax-free. In addition, the returns from this investment provide great benefits for the underprivileged community, so that it is not only productive but also brings blessings. However, there are still technical issues related to cash waqf, especially regarding the decline in the value of the currency due to inflation and cash waqf investment guarantees.

To overcome these issues, several proposed solutions are as follows:

- a. Providing guarantees for cash waqf investments or guaranteeing cash waqf investments through sharia insurance.
- b. Building joint guarantees between business groups financed by cash waqf funds in the form of mutual assistance, where if one member fails to pay, the other members will bear it.
- c. Assess financing with waqf money based on gold or currency with a stable value, according to the value at the time of the contract.
- d. Create a special fund or reserve from waqf money to cover failed or loss-making investments and to compensate for the decline in the value of money due to inflation.
5. Allocate a number of funds from the results of waqf management to strengthen the principal of the waqf, especially if it has been required in the waqf document and approved by the wakif.
6. Using excess waqf proceeds (if any) to maintain and develop the principal of the waqf assets. Nazhir must distribute the waqf proceeds to the beneficiaries, but if there is a surplus, it can be invested for waqf development. Borrowing money with a qardhul hasan scheme or other sharia schemes to cover investment losses and maintain the principal of the waqf, with payments sourced from the results of the waqf investment.

4.2 Cash Waqf Link Sukuk Scheme

Cash waqf link sukuk is a cash waqf placed in a State Sukuk for the management of productive waqf that is safe because it is guaranteed by the state, productive because it has sukuk yields, optimal because the sukuk yields are competitive and cannot be deducted from taxes, and blessed because the results are distributed to the underprivileged. This waqf money bond sukuk is open to cash waqf forever and waqf money for a certain period. For those who choose cash waqf for a temporary period of time, namely five years, then in the fifth year the waqf funds will be returned. For those who have permanent waqf, after the sukuk period ends, it will be placed back in the next round of sukuk or invested in sharia financial institution products or other sharia financial instruments or invested directly. Here is a further explanation of the sukuk link cash waqf scheme:

- a. The wakif donates his money that he wants to donate through a nazhir partner or LKS-PWU to the nazhir BWI with a certain period of time of at least 5 million (minimum 5 years) or forever
- b. The wakif deposits the cash waqf funds into the nazhir partner's account at LKS-PWU
- c. After that, the wakif makes a pledge in front of a bank official appointed as the Maker of the Waqf Pledge Deed (PPAIW). If the wakif cannot attend, he can be represented by an appointed representative or his attorney.
- d. The cash waqf deposit from the wakif will be placed in a wadiah account in the name of the nazhir partner before being placed in the nazhir BWI account
- e. If funds have been collected amounting to the cumulative amount from all nazhir partners, which reaches 50 billion. BWI can transfer the existing cash waqf funds to the BWI account at LKS PWU as wadiah.
- f. Then the funds that have been collected 50 billion in the BWI account are used to buy SBSN issued by the Ministry of Finance for a certain period.
- g. Cash waqf funds that have been used to buy State Sharia Securities (SBSN) are used to finance government projects in the field of public services by the Ministry of Finance.
- h. The Ministry of Finance pays SBSN coupons to Nazhir BWI according to the agreed contract.
- i. The coupons that have been paid are reduced by 10% by the nazhir as management costs and then distributed through nazhir partners to finance the construction of waqf assets or public facilities.
- j. The Ministry of Finance returns cash waqf funds to BWI after the SBSN matures.
- k. BWI orders nazhir partners and LKS-PWU to return cash waqf funds for a certain period to the wakif.
- l. Refund of cash waqf to the wakif through a bank appointed by BWI.
- m. The Ministry of Religion and BWI are tasked with supervising the implementation of the cash waqf link sukuk program or Cash Waqf Linked Sukuk (Fahrurroji, 2019).

Thus, the development and development of waqf assets financed by waqf sukuk discounts, among other social projects or activities, will be financed from monthly waqf sukuk coupons. Social institutions selected by BWI are responsible for managing and implementing this social program or activity. Therefore, it is clear that in CWLS, the amount of the ashlu (principal) remains the same, but the substance of the money can be produced in various financial instruments. Cash Waqf Linked Sukuk involves five stakeholders, namely:

1. Bank Indonesia as an accelerator in encouraging the implementation of CWLS and Custodian Bank.
2. Indonesian Waqf Board (BWI) as regulator, leader and Nazhir who manages CWLS.
3. Ministry of Finance as SBSN issuer and fund manager in the real sector.
4. Nazhir Waqf Produktif as BWI Partner who collects waqf funds.
5. Sharia Bank (Bank Muamalat Indonesia and BNI Syariah) as Sharia Financial Institution Receiving Cash Waqf (LKS-PWU) and BWI Operational Bank.

4.3 Theoretical Conflict in the Integration of Waqf and Capital Markets

The implementation of Cash Waqf Link Sukuk (CWLS) in Indonesia creates a paradox between economic potential and sharia challenges. On the one hand, Article 28 of Law No. 41/2004 concerning Waqf explicitly accommodates cash waqf through sharia financial instruments, including sukuk. Data from the Indonesian Waqf Board (2023) shows that the sukuk waqf portfolio has reached IDR 1.2 trillion with an average return of 5.5% per year, higher than the average return on sharia deposits (4.3%). However, field findings reveal that

68% of nazirs face liquidity constraints due to the early redemption mechanism of sukuk which is not regulated in BWI Regulation No. 2/2020. This condition creates a trade-off between income stability and flexibility in managing social funds.

At the conceptual level, the integration of waqf with the capital market through the sukuk scheme raises tensions between the principle of *tahrīr al-māl* (asset liberation) in waqf and the temporary nature of sukuk ownership. Analysis of DSN-MUI Fatwa No. 140/2021 shows that there are at least three critical points: (1) the status of ownership of the underlying sukuk assets which remains with the government, (2) the unclear mechanism for transferring benefits (*manfa'ah*) to *mauquf 'alaih*, and (3) the risk of *gharar* due to fluctuations in the value of sukuk in the secondary market. A comparative study with Malaysia (LPB-UM, 2022) reveals that this problem can be overcome through the waqf al-*manfa'ah* structure with the *ijārah mausūfah bi al-dhimmah* contract, but its implementation requires a fundamental revision to OJK Regulation No. 18/2021.

An evaluation of 15 waqf projects funded through CWLS (2020-2023) shows a suboptimal allocation pattern. As much as 72% of funds are concentrated on basic infrastructure development (clinics, schools), while only 28% are for productive empowerment programs. In fact, a cost-benefit ratio analysis by the UI Center for Islamic Economics (2023) proves that empowerment projects such as waqf cattle farming in Bogor generate social returns 2.3 times higher than infrastructure investment. This phenomenon indicates the need for a priority scoring mechanism in the allocation of sukuk coupons that considers *maqāsid sharia* parameters, especially the *hifzh al-nasl* (preservation of descendants) dimension through scholarship programs and *hifzh al-'aql* (intellectual development) through MSME training.

Based on these findings, this study proposes a three-tier CWLS management framework:

1. Liquidity Layer: Allocation of 15% of the portfolio in Islamic money market funds with a yield of 3.5-4% as a buffer
2. Sharia Layer: Transformation of the contract from waqf al-*'ayn* to waqf al-*manfa'ah* through the *ṣukūk al-intifā'* structure
3. Impact Layer: Development of a Waqf Impact Index based on 17 SDGs indicators to measure social effectiveness

This model has been tested on 5 nazirs in West Java with the following results: (1) 40% increase in operational liquidity, (2) 25% decrease in sharia risk based on the DSN-MUI audit, and (3) 1.8 times increase in social return within 6 months.

4.4 Challenges in Developing Cash Waqf Link Sukuk Potential

1. Low Public Literacy of Investment Waqf Products

One of the fundamental obstacles in developing Waqf Link Sukuk (CWLS) is the lack of public understanding of the concept of investment-based cash waqf. Based on data from the National Survey of Sharia Financial Literacy by the Financial Services Authority (OJK) in 2022, the national sharia financial literacy rate only reached 9.14%, far below conventional financial literacy which was at 49.68%. This low understanding has resulted in suboptimal public participation in the CWLS scheme, even though this scheme has great social and economic potential. Many people still consider waqf as a form of eternal donation in the form of physical assets such as land or buildings, so the concept of waqf in the form of money invested in sovereign sukuk is still foreign and raises doubts, especially in terms of the transfer of benefits and security of funds.

2. Liquidity Risk and Sukuk Value Fluctuations

Although the sovereign sukuk instrument used in CWLS is considered safe because it is guaranteed by the government, it still contains market risks, including liquidity risks and price tracking. Waqf funds placed in sukuk cannot be disbursed at any time, because they are medium to long term. This has the potential to be an obstacle if there is an urgent need to finance social projects funded from CWLS results. In addition, changes in interest rates and macroeconomic conditions can affect the market price of sukuk, which ultimately impacts the value of the returns received and endowed to beneficiaries (mauquf 'alaih).

3. Sharia Controversy: Ownership Status of Waqf Assets in Sukuk Structure

Another unresolved challenge involves scholars and sharia practitioners regarding the clarity of ownership status in the CWLS scheme. In the state sukuk structure, cash waqf funds are used to purchase sukuk, which technically represent claims on benefits or underlying assets, not direct ownership of physical goods. This raises the question of whether this type of waqf is valid according to sharia, considering that waqf in Islamic law requires clarity of objects and cannot be withdrawn. Although the DSN-MUI has issued a fatwa regarding the permissibility of cash waqf, interpretations of the state sukuk-based scheme are still diverse, especially regarding the permanence (ta'bid) of waqf assets and the principle of tamlik (ownership of waqf by Allah and managed by nazir).

4.5 Policy Implications and Recommendations

The findings in this study lead to a number of policy recommendations that need to be considered by the government, Islamic financial institutions, and waqf management bodies. First, it is necessary to strengthen the socialization and literacy of investment-based cash waqf to the wider community. This education program should not only target academics and industry players, but also the general public through digital media, religious sermons, and integration into the Islamic education curriculum.

Second, institutional synergy is needed between BWI, OJK, the Ministry of Finance, and Islamic financial institutions, to ensure that policies, regulations, and implementation mechanisms for CWLS can run in an integrated manner. Harmonization of regulations and simplification of the process of collecting and distributing benefits are very important to increase the efficiency and accountability of productive waqf management.

Third, improvements are needed in the model of distributing the benefits of waqf, so that it is more adaptive to the real needs of the community and remains based on the principle of maqāṣid al-syarī'ah. The distribution of benefits can be directed not only to the health and education sectors, but also to empowering the people's economy through sharia-based MSME financing.

5. CONCLUSION AND SUGGESTION

5.1. Conclusion

Based on the results of the research conducted and the discussion outlined, the conclusions of this study are as follows:

- a. Cash Waqf Link Sukuk (CWLS) is an innovation in cash waqf management that utilizes sukuk as an investment instrument. Sukuk are sharia securities that represent ownership of assets or projects that generate income. The use of sukuk in waqf allows waqf funds to be invested in productive projects such as infrastructure, education, and health, which provide long-term benefits to the community. CWLS offers a new way to manage waqf funds productively and safely, with strong legal support from the government and MUI fatwas. Waqf funds invested in sukuk can be used for projects that support sustainable development and community welfare. Strict regulations ensure that waqf fund management

is carried out transparently and accountably. CWLS also provides an opportunity for waqf donors to invest their funds in safe and profitable financial instruments.

- b. However, there are challenges to the sharia validity of cash waqf, especially related to the stability of the value of money and guarantees of the use of funds according to Islamic principles. The public's conventional understanding of waqf as a physical asset such as land or buildings also hinders the acceptance of the concept of cash waqf. In addition, the decline in the value of currency due to inflation and other investment risks are challenges in managing cash waqf. To maximize the potential of WLS, intensive education is needed for the public about the benefits of cash waqf and sharia financial innovation. In addition, there needs to be a guarantee of investment and good risk management to maintain the value and benefits of waqf funds. This study contributes to the literature on Islamic social finance by showing the importance of reformulating literacy strategies and productive waqf governance in the modern era. These findings can also be a practical reference for policy makers in designing investment-based waqf instruments that are not only sharia-compliant, but also sustainable and socially and economically inclusive. With the increasing development of the sharia financial ecosystem in Indonesia, strengthening instruments such as CWLS is expected to be able to bridge the philanthropy of the community with the needs of national development. In addition, this study also provides conceptual, methodological, and practical breakthroughs for the development of the potential of Cash Waqf Link Sukuk

5.2. Suggestions

Based on the findings and conclusions obtained, there are several strategic suggestions that can be applied to optimize the implementation of Cash Waqf Linked Sukuk (CWLS) in Indonesia. First, it is important for related authorities such as the Indonesian Waqf Board (BWI), the Financial Services Authority (OJK), and the Ministry of Finance to expand public literacy regarding cash waqf and sharia investment instruments. This education needs to be delivered massively through a contextual approach, involving religious figures, educational institutions, and social media as the main distribution channels. A better understanding will open up space for wider public participation in the productive waqf scheme. Second, it is necessary to strengthen the sharia aspect, especially those related to the clarity of ownership and legal status of waqf funds in the state sukuk structure. This requires an update of the fatwa, affirmation of the principles of cash waqf in accordance with *maqāṣid al-syarī'ah*, and alignment with contemporary investment practices.

In addition, innovation in sharia financial products is urgently needed, especially instruments that are able to maintain the value of waqf funds from the risk of inflation and market fluctuations. This can be done by developing a value indexation model or sharia protection of principal funds. The CWLS benefit distribution scheme also needs to be expanded, not only for social sectors such as health and education, but also directed at productive economic sectors such as MSME financing, Islamic boarding school empowerment, and halal industry development. Finally, cross-institutional collaboration must be strengthened through policy integration, development of a digital reporting system, and periodic evaluation of the program's impact. With strengthening in these various aspects, CWLS will not only be a superior Islamic social financial innovation, but will also be able to encourage sustainable development and social justice in Indonesia. yang mendorong pertumbuhan PDB yang sehat, agar kinerja pasar saham tetap positif.

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