

Conceptualization of Waqf Marketplace Innovation Model

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ABSTRACT

As the largest and most generous Muslim country in the world, waqf has enormous potential in Indonesia. However, this potential has not been maximized for several reasons, such as minimum literacy, the lack of practitioners' skills, and the absence of collaboration from various parties to maximize the potential of waqf. These problems need to be addressed immediately so as not to hinder the development of waqf in Indonesia. Therefore, to address these issues, this study intends to conceptualize the marketplace of *nazhir* (waqf managers), *waqif* (donors), businesses, and charity institutions, which put the missing puzzle in place to create a waqf ecosystem. To achieve the purpose, this research employs a qualitative approach with a descriptive-analytical method. Data is collected through secondary data such as articles, books, conference proceedings, government reports, official website information, and other related waqf scopes. The model proposed in this study is expected to encourage waqf ecosystem development in this digital era. Furthermore, the conceptual model of this study may help the government and stakeholders in the waqf and economic sector to achieve prosperity.

Keywords: *Waqf, Marketplace, Waqf Ecosystem, Prosperity*

1.0 INTRODUCTION

Indonesia is widely known as the biggest Muslim country in the world, according to Pew Research Center (Pew Research Center, 2011). Moreover, Charities Aid Foundation (2021) has stated that Indonesia has the most generous people who commit donations in their daily lives. However, in reality, Indonesia has not reached maximum potential in terms of the waqf ecosystem. This condition is caused by the lack of waqf literacy among Muslim in Indonesia (Indonesian Waqf Board & Ministry of Religion Republic of Indonesia, 2020).

Historically, Islamic society has proven how good governance of waqf and professional waqf products can increase people's quality of life (Çizakça, 2000). Waqf can offer services needed throughout one's life from birth until death. For example, someone can get free services provided by waqf not only

when the mother gives birth, but also when the child gets medication, education, performs prayer in the mosque, gets married, and even when he encounters death and needs graveside services.

Today, Muslims are living in a world where living costs are considerably high. Education and medication annually meet an inflation of 54% from July 2001 to July 2021 (Boyington, Kerr, & Wood, 2021) and 9.8% in the past five years (Aetna International, 2021), respectively. This frustrates youngsters, who feel insecure about their financial situation, when education, medication, property, living costs and monthly bills strike them hard. This creates a vicious cycle of unfulfilled basic needs, consumptive loan application, and partial loan payment, which generates more interest. The data stated that 64 million of Indonesian people get trapped in such situations and thus face the negative impact from consumptive conventional loans (Hikam,

2021). Obviously, such trends nowadays are not in accordance with how Islam pictures this world, which is becoming "*Rahmatan lil alamin*", or giving what is good to all human beings.

In short, the declining trend of Islamic Finance can be seen by the shortage of waqf services available in Indonesia. There are a few reasons why waqf does not perform as expected. First, waqf has always been known for its enormous potential, but is stuck when it comes to implementation. Waqf practitioners are considerably limited, where it needs broad knowledge, in addition to faith in Islam, in Islamic finance, accounting, legal regulation, and also in business, data, technology, and product management.

Second, generally, waqf collection in Indonesia is relatively still low. Indonesia has big potential for both cash waqf and waqf land. The total of fundraising cash waqf from 2011 to 2018 raised only 255 billion rupiahs. It is lower than the potential that reaches to 180 trillion rupiahs (Waqf Research Team of The Fiscal Policy Agency, 2019). In addition, waqf land in Indonesia reached 435.768 land plots (4.2 million hectares) in 2016 (Indonesian Ministry of National Development Planning, 2019). However, most usage of the waqf land in Indonesia is still for mosques, schools, and the burial grounds (Siwak, 2019).

This size of "financial investment of tomorrow" has not reached the sweet spot of industry scalability, for example in creating a feasible endowment fund. Third, success stories in waqf are still limited and not well published. For example, one of the most successful waqfs in Indonesia is made by Baitul Asyi, where all hajj participants from Aceh are eligible to get a financial allowance, which is around 5 million rupiahs each (Nasir, 2019). However, this inspiring story has not easily been duplicated to other cities, as it needs a big number of resources. Furthermore, it has not been widely known to Muslims in Indonesia.

Fourth, innovation is undeniably needed to be involved in the current situation, where most of the waqf is aimed at graveyards, mosques, and education institutions. The waqf concept is flexible and can be implemented in various programs. That is why literacy and

waqf education are imperative in order to open people's minds on waqf potential.

As waqf practitioners, the major activities are mostly divided into three groups, which are collection, management, and distribution. Therefore, this paper proposes solutions through creating novel systems in order to formulate a waqf ecosystem which is able to optimize collection, allocation, and distribution of waqf. The core innovation lies in connecting *nazhir*, *waqif*, foundation, franchise, and *mauquf alaih* based on technology, also known as waqf marketplace.

The research employs a qualitative approach with descriptive analytical method. Data is collected through secondary means such as articles, books, conference proceedings, government reports official website information, and other related waqf material. The library research method is used for searching and observing data deeply according to the specific theme based on the research. This method aims to get a temporary answer to the problem found at the beginning before the study is followed up (Habibaty, 2017). The literature review is conducted in this study in the context of waqf, Islamic finance ecosystem, marketplace, and Islamic-based contracts.

This study describes the proposed models that can link the stakeholders of the waqf ecosystem, called *Jariyah* (waqf marketplace innovation model). The more public participation on waqf, the more people can be fed, educated, and helped. This research also explains generating income through productive waqf to develop the output of waqf for beneficiaries by using the *musyarakah* contract in a sustainable way.

This research is expected to provide a model framework for policy makers and related parties so that they can use the method of waqf development that is professional, trustworthy (*amanah*), responsible and supported by the latest technological developments. This is done in order to achieve the welfare of the people by building a sustainable waqf ecosystem and having a significant impact.

2.0 WAQF DEVELOPMENT IN INDONESIA

Historically, waqf is one of the key institutions of Islamic development. Waqf is a major Islamic social finance instrument that supports socio-economic welfare. Some previous studies conclude that waqf has big potential that can solve various global issues (Çizakça, 2000; Sadeq, 2002; Ali & Kassim, 2020; Ali, Beik, Jannah, & Kassim, 2021; Sukmana, 2021). Waqf needs to be optimized to expand its benefits for public welfare. Waqf will result in the maximum benefit if waqf asset can be managed professionally and could earn people's trust.

The index of national waqf has been proposed to encourage the significant role of waqf for people and the nation. The six factors in that index are regulatory, institution, process, system, outcome, and impact (Sukmana et al., 2021). In addition, four main parties are needed in waqf management. They are regulator, *nazhir* (waqf manager), *waqif* (waqf contributors), and *mauquf 'alaih* (beneficiaries). Regulation of waqf is needed to support the *nazhir* becoming a professional waqf manager. If waqf is managed professionally, people will trust the *nazhir* and finally they will contribute to the waqf. The more waqf assets can be collected, the more benefits will be channelled to beneficiaries (Bank Indonesia, 2016).

Nazhir has the important role of managing waqf. However, 66% *nazhir* in

Indonesia is individual, while institutional is *nazhir* only 16% and 18% is legal entity *nazhir*. In addition, there are only 16% *nazhir* that work full time managing waqf (Indonesian Ministry of National Development Planning, 2019). *Nazhir* needs to be transformed from individual to institution so that waqf management can be enhanced (Huda, Rini, Mardoni, Hudori, & Anggraini, 2017).

3.0 CONCEPTUAL FUTURE ISLAMIC SOCIAL FINANCE BASED ON WAQF

Islamic economics is different from the capitalist economy which has the aim of getting as much profit as possible. Allah has said that the problem of economy is not making as much money as possible, but how to ensure that economy is distributed among humans (Q.S Al Hasyr: 7).

The solution of Islam is not to print as much money as possible because fortune has been determined by Allah. So, one of the 'leading metrics' for an Islamic economy that is structured based on waqf is a low gini ratio. Islamic finance comes into action to reduce the gini ratio. The ideal period of Islamic glory that had been achieved is as in the time of Caliph Umar bin Abdul Aziz. There were no longer people who were hungry, because all needs were guaranteed by an Islamic-based economic system such as zakat, infaq, waqf, and sadaqah (Yasin, 2018). Figure 1 shows the conceptual model of Islamic social finance based on waqf in the future.

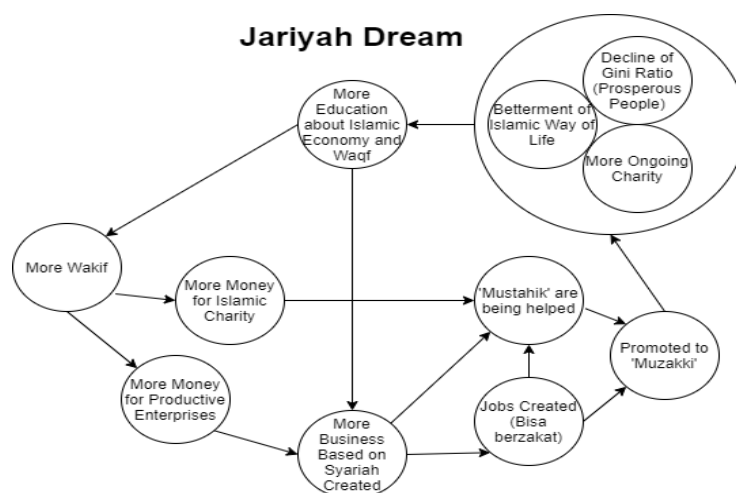


Figure 1: Conceptual model of future Islamic Social finance based on waqf

The explanation of the proposed model in Figure 1 is as follows:

1. When the people are well-educated about waqf, there will be more *waqifs* (waqf participants)
2. If there is more cash waqf, there will be more funds for charity and for developing productive waqf
3. The more productive waqf, the more shari'ah-based businesses can be created
4. If there will be more business and charity funds so the more mustahiqs (zakat receivers) will be helped. This charity fund also can upgrade the level of musatahiq to become muzakki (zakat payer) and it will open more job opportunities
5. More job opportunities will help more mustahiqs and make mustahiq become muzakki. Therefore, the level of prosperity will increase
6. After that, all goals can be formed based on the Islamic way of life, the gini ratio can be reduced, and many charities would be created

We are on a mission for the betterment of Islamic way of Life, creating a world of prosperous people, and people with on-going charity. Sustainable development will be achieved when the ecosystem of Islamic finance is implemented in the proper way.

3.1 Proposed Model: Waqf Marketplace

This paper proposes a model called a waqf marketplace, which illustrates the connection of waqif, *nazhir*, franchise, foundation, and *mauquf alaih* based on technology.

As *waqif*, the single most important thing for them is how this project can give them the highest social impact, in a massive and sustainable way, or what we call as *Impact on Investment*, instead of *Return on Investment* (ROI). Their intention is purely to get rewards from Allah, even competing with one another, by giving away their wealth for the ummah via *nazhir*. A *waqif* who registers in the waqf marketplace can get lists of waqf projects available to fund, with its justification of *Impact on Investment*. Additionally, this ecosystem will allow the *waqif* to fund not only

religious areas but also finance different goods and services needed globally, such as education, health, social care, commercial activates and basic infrastructure, besides opening jobs for the majority of people (Mohsin, 2013). One of the critical aspects is the report availability and reliability for the *waqif*, so that they are able to closely monitor the update of their preferred projects. Furthermore, waqf can also be combined with investments, so profit sharing too would be possible.

Nazhir acts as the hub of the waqf marketplace. They receive waqf assets, create *syirkah* with franchises, and give the profits to *mauquf alaih* via Islamic foundations. In a macro level, *nazhir* should have business expertise and also be distributed evenly in every area in Indonesia, so that productive waqfs can be successfully created to increase the spiritual and social welfare of the society (Suhaimi & Rahman, 2014). *Nazhir* are also the ones who own and are responsible for the projects, whether direct waqf or productive waqf. *Nazhir* needs to serve all stakeholders in a good manner to sustain the relationship, as this type of partnership in business, which is *syirkah*, requires a high level of trust from people. It is also supported by Lewis (2001) who said that a community in which such values are paramount may be marked by a high degree of trust in business dealings and financial affairs. That is why credibility, even branding, can play an important role for the success of *nazhir*.

Franchises could help the *nazhir* generate and maximize revenue. Franchises help to create productive waqfs by utilizing cash-waqf or waqf assets optimally. For example, when a *nazhir* decides to create a dental clinic, he can collaborate with a dental clinic institution to open branches in some locations with a *mudharabah* contract. Franchises will operate the business to ensure its continuity, while the net profit goes back to the *nazhir* according to the sharing profit agreement between *nazhir* and the franchise. According to the regulation of Indonesian Waqf Board (Indonesia, 2020) 10% of the net profit can go directly to *nazhir* members, and the rest directly goes to the foundation.

Literacy is important in order to educate people about *musyarakah* or *syirkah*. *Syirkah* is a collaboration carried out by two people or more related to capital, skills, or trust in a particular business by sharing profit based on the ratio (Syafe'i, 2001). While private limited type of company is seen as legal and rational, actually Islam has our own direction in order to create business ventures, which is through creating *syirkah*. Thus, enterprises need to follow the Islamic way in terms of creating shari'ah compliant business, and also need to create a legal company to be legally recognized by Indonesian government. Especially for waqf institutions, as their funds are considered as a trust, they are also expected to be transparent and accountable in financial management and reporting in line with Islamic teachings (Said, Mohamed, Sanusi, & Yusuf, 2013). Unfortunately, people in micro businesses still have limited knowledge in regards to *syirkah* creation.

Foundations in this ecosystem also need to upgrade their professionalism, especially in terms of creating impactful projects and products, as well as providing reliable reports to *nazhir*, so that the *nazhir* can pass the report on to the *waqifs* as the donors in this ecosystem. Foundations need to understand the concept of *Effective Altruism*,

which utilizes evidence and reasons in order to work on the most promising causes. Because we only have limited resources, we need to create the most impact by using our money, time, and energy. It is also confirmed by Freeman, (2019) who stated "teach men how to fish and they will know how to fish." It means that one can give fish to feed others for a day, or he can give the fishing equipment and teach them how to fish so that they can feed themselves for a lifetime.

Mauquf alaih are the end receivers of the waqf marketplace. They are the ones in need hopefully whose lives can be helped by this system. Their smiles and stories are the valuable outcomes which can be translated into measurements of impact. Ideally, the waqif should visit *mauquf alaih* in person once in a while, so that they can understand the help they are giving and how *mauquf alaih's* lives are changing due to their help.

The waqf marketplace should be developed by an institution, which has all the skills needed in order to orchestrate all the stakeholders related to this ecosystem. In addition to creating the ecosystem, the waqf marketplace institution can give consultancy and even create *syirkah* with *nazhir*, to enable waqf innovations. The proposed model is illustrated in picture below.

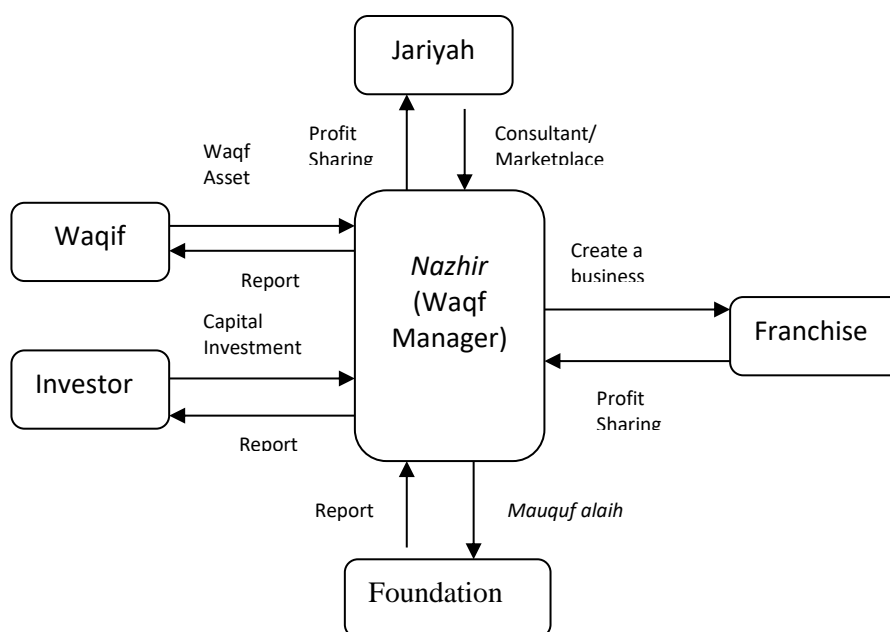


Figure 2: Waqf-Marketplace

3.2 Proposed Workflow Model for Waqf Marketplace Development

Waqf marketplace ecosystem is basically a crossroad for the supply and demand of waqf. The maximum potential will be reached if all good and strong muslims unite for the good of those in need. *Nazhir* needs to understand key

business processes to make the dream happen. The figure below explains the workflow of how the fund and waqf flow is set in order to turn the project into action.

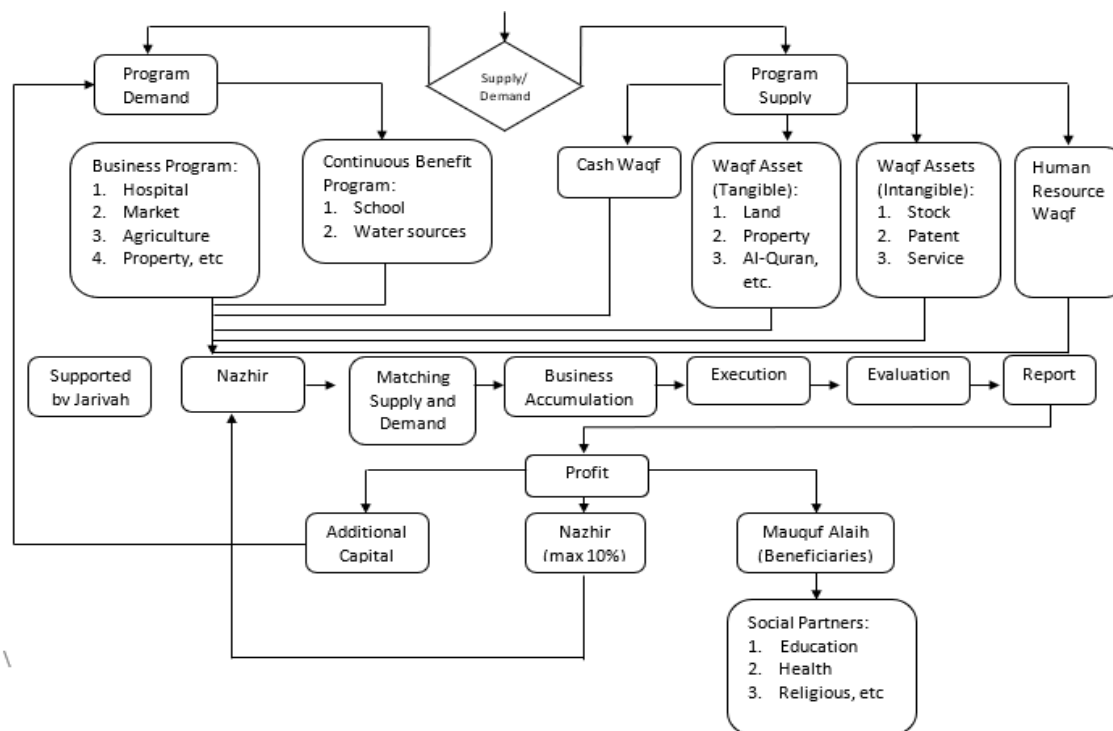


Figure 3: Proposed Workflow Model for Waqf Marketplace Development

Nazhirs are responsible to manage both sides of the system, which are the supply side and the demand side. Both are equally important to implement the waqf marketplace idea. For the supply side, there are many types of waqf, namely cash-waqf, tangible waqf, intangible waqf, and resource waqf. Cash waqf and waqf via cash are basically when the *nazhir* successfully collects liquid waqf funds to be used directly as an endowment fund, or to be turned into business projects. Tangible waqf has a lot of forms, such as land, building, copies of quran, and vehicles, while intangible waqf can be in the form of stocks. Even volunteering can be categorized as human resource waqf. *Nazhir* also needs to decide whether they are open to temporary waqf or not, so they can plan the

projects accordingly. *Nazhir* also has the important responsibility of ensuring that the waqf capital is not decreasing. In addition, as a start the *nazhir* can entertain two kinds of waqif, who are retail *waqif* and institutional waqif.

On the other hand, the *nazhir* is also responsible to create waqf demand, which consists of direct waqf or social waqf and productive waqf. Social waqf is where the waqf project goes directly to *mauquf alaih*, such as an education center or mosque (Hamber & Haneef, 2017). Subsequently, productive waqf can be produced by creating dental clinics, hospitals, traditional or modern markets, property, agriculture, franchising, investments, even venture capital initiatives.

When both supply and demand are realised, the *nazhir* can create a financial plan, roadmap, and project management initiatives. Next, execution, evaluation, and reports are the core activities which are done by *nazhir*. In the end, when profit is generated, such flow can be put into three categories, which are forwarded to *mauquf alaih*, as profit share for *nazhir*, and also for increasing capital when needed. *Mauquf alaih* can take the form of foundations in order to help the country in the fields of education, religion, economy, technology, social welfare, environment, and health. Under the waqf ecosystem, it is clear that emphasis is on economic development of the Muslim community, in addition to fulfilling religious duties and responsibility for the welfare of the Muslim community (Suhaimi & Rahman, 2014), as well as the development of the waqf institution itself (Laallam, Kassim, Engku Ali, & Saiti, 2020).

4.0 CONCLUSION

Overall, Indonesia undeniably has enormous potential in terms of waqf impact. However, such potential has not yet been utilised as there are challenges pertaining to literacy, shortage of success stories, and the lack of skills in the practitioners. This paper conceptualizes improvement of three of the major waqf challenges, which are collection, management, and distribution, by creating a waqf marketplace based on technology. Therefore, there will be a strong network between *waqif*, *nazhir*, franchises, foundations, and *mauquf alaih*. Hopefully, by the creation of waqf marketplace and ease in regulations, Indonesia can play a role in the betterment of Islamic way of life, create a world of prosperity, and support people to have ongoing charity via maximizing the waqf concept.

The mode proposed in the study is expected to encourage the waqf ecosystem development in this digital era. The synergy between all stakeholders and parties is needed to accelerate the waqf ecosystem development. This research provides a conceptual model that can help the government, waqf stakeholders and the

economic sector achieve prosperity. However, this research is still limited to the proposed model and has not been empirically validated. Therefore, future research is needed employing more comprehensive and in-depth studies along with Focus Group Discussion with the waqf stakeholders to develop and implement this model.

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