

# Towards The Establishment of the Cash Waqf Linked Sukuk Model for Narrowing the Income Gap in Indonesia

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**Abstract.** Poverty is a major issue that affects many countries throughout the world. Poverty and economic inequality are two major issues in Indonesia that must be addressed promptly. According to the Central Statistics Agency (BPS), the number of Indonesians still living in poverty reached 26.5 million in September 2021. As of September 2021, the Gini coefficient, which measures inequality, was 0.381, meaning there is an income gap that should be overcome. Through Cash Waqf Linked Sukuk, this project intends to develop a sharia social finance model to reduce the income gap between the rich and the poor in Indonesia. The model proposed in this study is an innovative productive waqf model involving the Ministry of Finance, the Ministry of Religion, Bank Indonesia, OJK, LKS-PWU, the Indonesian Waqf Board (BWI), and nadzir institutions in its management. The research approaches of this study are literature reviews and interviews with key persons in implementing CWLS from the Ministry of Finance, BWI, LKS PWU, and Nadzir.

**Keywords:** CWLS, empowerment, nadzir, gini ratio

## 1 Introduction

Poverty and underdevelopment are interrelated phenomena (Sen, 1999). Although the need and demand for development is evident on a global scale, many developing countries are struggling to minimize their national poverty ratios to erase the scars of being a poverty-stricken country. Although poverty is a global phenomenon In the context of Indonesia, poverty and economic inequality are two main problems that must be resolved immediately. The Central Statistics Agency (BPS) recorded that the Indonesian population still living below the poverty line as of September 2021 reached 26,5 million people. The Gini ratio as a measure of inequality as of September 2021 reached 0,381, this shows that there is still income inequality in society. According to Susenas data, the extreme poverty rate is nearly 4% or 10.86 million, which is lower than the national poverty rate based on data from the Central Statistics Agency (BPS) based on the March 2021 National Socio-Economic Survey (Susenas) of 10.14 percent or 27.54 million people, and it will be 9.71 percent or 26.50 million people in the September 2021 Susenas. According to the Poverty & Equity Brief East Asia & Pacific (2019) report, the value of US\$ 1.90 PPP in 2017 was equivalent to Rp. 10,195.6 per capita per day.

This demonstrates that 10.86 million Indonesians spend less than IDR 11,000 per day (BPS, 2022).

Indonesia is the world's fourth most populous country, with a population of around 300 million people. The country has the largest Muslim population in the world. According to government statistics, Muslims constitute 87.6% of the total population in the country (300 million). Muslims in Indonesia, more than any other religious group, are impoverished. In Indonesia, one out of every ten Muslims lives below the poverty line. Most of these deplorable conditions in society can be improved if other government policies are implemented; Muslim philanthropic waqf resources are properly managed and deployed to alleviate poverty in the community (BPS, 2022).

The Indonesian government has attempted to resolve the situation in various ways, one of which is the widely known zakat instrument. In Indonesia, the potential for Zakat is enormous. According to a BAZNAS, the potential for zakat in Indonesia is 233.8 trillion, while the national ZIS collection in 2019 through official OPZs reached 10 trillion, or 5.2 percent of the potential zakat (Bahri et al., 2020).

The potential for zakat itself currently stands at 1.8 percent of GDP, according to Sudibyoy in the Outlook for Indonesian Zakat (Baznas, 2022). The number of ZIS in Indonesia has been steadily increasing over the last nine years. This indicates that an increasing number of people are aware of their obligations to pay zakat, and that the increasing social sense of society towards one another is reflected in the payment of infaq. The main goal of zakat given to the needy and poor is to help reduce poverty in Indonesia.

In his research (Munandar, Amirullah, & Nurochani, 2020); (El Ayyubi & Saputri, 2018) in (Muttaqin & Safitri, 2020) shows that the distribution of Zakat has a significant effect on reducing poverty so that it can improve the welfare of the poor. In addition, the income gap (Ayuniyyah, Pramanik, Saad, & Irwan A, 2018); (Nurbismi & Ramli, 2018), poverty depth and poverty severity in Jakarta (Pratama, 2015); (Kasri, 2016), and the unemployment rate in Palu (Widyatama, Sabirin B, & Haq, 2020) has also decreased (Muttaqin & Safitri, 2020).

This article, on the other hand, attempts to investigate another Islamic religious instrument, namely waqf. Now waqf is an inseparable part of Indonesia's financial system, supporting Muslims' religious and social development (Kemenag, 2017). Since 1960, when Law No. 5/1960 on Basic Agrarian Regulations (UU Reforma Agraria) was enacted, the government has established waqf as an important legal element that is regulated for the benefit of the people. Furthermore, waqf is governed by the implementing regulations of Government Regulation No.28/1977 concerning Land-Owned Waqf, which is followed by Waqf Law No.41/2004 with implementing regulations of Government Regulation No.42/2006 concerning waqf, all of which regulations are governed by the same regulations. Waqf, according to the implementation regulation, is a tool for developing Muslims' religious and social lives in order to achieve material and spiritual prosperity toward a just and prosperous society.

Unlike zakat, which has gained popularity in many countries, waqf in Indonesia is still regarded as a traditional asset with largely an unstructured distribution system. Despite the fact that there

is Badan Waqf Indonesia since 2007 to oversee this process. Based on this background, this study aims to elaborate the effect of waqf in this case CWLS on the level of poverty depth, poverty severity and gini ratio in Indonesia.

## **2 Literature Review**

### **2.1 Poverty**

Poverty is defined as a lack of sufficient income to meet basic needs such as food, clothing, and shelter. However, poverty is now a classic problem that is caused not only by the size of one's income and the fulfillment of basic needs, but also by socio-cultural, community mentality, and structural conditions. The community's inability to meet basic needs and improve conditions, as well as a lack of business opportunities, are normative measures of poverty (Rini & Sugiharti, 2017).

According to the Central Statistics Agency (BPS), poverty is defined as the inability to meet basic needs (basic need approach). Poverty is defined as an economic inability to meet basic food and non-food needs as measured by expenditure (BPS, 2022).

According to (Kuncoro, 2006) in (Kadji, 2006), among other things, the causes of poverty are inequalities in resource ownership patterns that cause inequality in the distribution of income in the community, resulting in low quality and limited resources owned by the poor. Furthermore, because of the low quality of human resources, community productivity is low, resulting in low wages.

### **2.2 Income Gap**

Income inequality is defined as a disparity in income generated by the community (Todaro in Damanik et al., 2018). The Gini coefficient index is used in Indonesia to measure income inequality (gini ratio). The Gini coefficient has a value ranging from 0 to 1. The larger the gap, the closer it is to one, and the smaller the gap, the closer it is to zero. Adelman and Morris in (Mahri et al., 2021) identified eight factors that contribute to income distribution inequality in developing countries, including high population growth, rising basic-goods prices, regional development disparities, and rising unemployment as a result of solid investment. High capital, low social movements, import substitution policies, weakening of developing-country exchange rates against developed-country exchange rates due to low export demand, and deterioration of people's handicraft industries

### **2.3 Waqaf**

The term "Waqf" or "Wact" is derived from the Arabic word "Waqafa." The word "Wakafa" means "to hold back" or "to stop" or "to remain in place" or "to stand." The words "Wakafa-Yaqufu-Waqfan" and "Habas-Yahbisu-Ordination" have the same meaning. In Arabic, the word al-Waqf has several meanings (Rohman et al., 2020). Waqf is an Islamic teaching that has existed since the time of the Prophet Muhammad. Waqf means to keep, confine, or prohibit. Waqf is the prohibition of moving, transporting, or exchanging something. Ibn Qudama defines

waqf as "bequeathing the property and dedicating the fruit". In Islamic history, the first waqf is social waqf, which is the waqf of the mosque in Quba in 622 AD. The waqf of the Nabawi mosque is the second. The main productive waqf in Islamic history is the waqf for Umar bin Khattab's date palm plantation in Khaibar (Patria Yunita, 2021).

## **2.4 CWLS**

In Indonesia, cash waqf The cash waqf-linked sukuk (CWLS), is the most recent application of cash waqf in Indonesia. On March 10, 2020, the Indonesian government launched it (Kemenkeu, 2022). It is a new financial instrument for financing Indonesia's Islamic economic sector that represents a perfect integration of Islamic social finance and commercial finance. The concept of cash waqf can be traced back to the second century Hijr (eighth century CE). Although the fatwa (legal ruling) of Imm Zufar (d. 158 H) is widely regarded as the most authoritative source on the permissibility of donating measurable or weighable properties, including money, as waqf (Cizakca, 2011), another account indicates that the issue of cash waqf was discussed among scholars even earlier (Kachkar, 2017).

## **3 Research Methods**

The research method employed was qualitative, with a library research approach. A literature review is a method that searches for references that are relevant to the problems discovered. The literature review describes theoretical analysis, scientific studies, references, and literature related to local people's habits, norms, and values based on field observations (Sugiyono, 2010).

Furthermore, literature research can include the study of various reference books and similar previous research results that are useful for obtaining a theoretical foundation for the problem to be studied (Sarwono, 2006). Secondary data is used, which is data sourced from existing literature or references, such as those found in scientific journals and papers, encyclopedias, literature, and other data sources related to the research topic. The analysis technique used in this research is one in which studies of data sources are studied in order to produce actual conclusions based on the research topic.

Readings and materials related to CWLS will be analyzed and collaborated with the author's views in order to form an opinion on the novelty of this topic. It is hoped that a new conceptual understanding will emerge that will benefit the larger community, particularly those involved in CWLS and Islamic economics. The goal of this study was to look into the potential of CWLS as a financing tool for the reducing poverty and income gap Indonesia. The discussion will center on the role of stakeholders, the principle of prudence, and the sharia-compliant financing model.

This study employs an interview approach, which, as defined by Moleong (2018) is a conversation with a specific goal. This conversation is conducted by two parties: the interviewer (interviewer) who asks questions and the interviewee (interviewee) who responds to the questions posed. According to Lincoln and Guba in Moleong (2018), among others, the purpose of conducting interviews is: Constructing about people, events, organizations, feelings,

motivations, demands, concerns, and others; unanimity; reconstructing past roundnesses and projecting future roundnesses. Verify, modify, and expand information obtained from other people, and check the constructs developed by the researcher.

The interview technique is a useful data collection technique in this study because the information obtained can be more in-depth because researchers can understand how the implementation of sukuk issuance has complied with sharia principles beginning with the process, product, and marketing. The information was gathered through interviews with researchers, the director of sharia financing, and their staff. The researcher used a series of questions posed to the informants to support the conduct of the interview.

## **5 Results and Discussion**

Muslims appear to continue to face challenges in sharia investment and waqf management. Because waqf is only limited by land, mosques, madrasas, and other structures, management is ineffective (Saad et al., 2016). Despite the importance and potential of waqf in Muslim socioeconomic development, the current state of waqf institutions is unsatisfactory.

### **5.1 Cash Waqf Linked Sukuk (CWLS) Potential in Indonesia**

Because of its large Muslim population, Indonesia has a relatively large potential for cash waqf. With a population of approximately 207 million people, Indonesia remains the country with the largest Muslim population. Another source of strength is the generosity of the Indonesian people. According to the World Giving Index (WGI) report from the global charity Charities Aid Foundation (CAF), Indonesia is the world's most generous country (CAF, 2021). According to the report, eight out of ten Indonesians donated money for charitable purposes in 2020 (Siswantoro, 2022).

Sukuk have been widely used as a modern Islamic investment instrument by Muslim countries. Bahrain was the first country to use sukuk and issue a fatwa in 1999. The Bahrain Islamic Finance Authority issued a fatwa allowing the government to issue *ijarah sukuk*, which are used to fund social infrastructure and government spending. This ingenuity then spreads. In relation to other Muslim countries, the National Sharia Council of the Indonesian Ulama Council (DSN-MUI) issued fatwa No. 32/DSN MUI/IX/2002 on sharia securities, stating that long-term securities may be circulated as long as they adhere to sharia principles. Sharia principles, then issuers can issue long-term sharia securities to sukuk holders, with sharia-compliant margins, fees, and profit sharing (Rahman et al., 2021).

Amanatillah & Angraini (2020) explained that in Muslim-majority countries, the sukuk instrument has great potential to become a sharia investment which able to mobilize sharia financial funds to be more productive and reach all lines. Amanatillah & Angraini (2020) said that sukuk can be a long-term financing instrument for raising investment funds for community social programs and government projects related to the community.

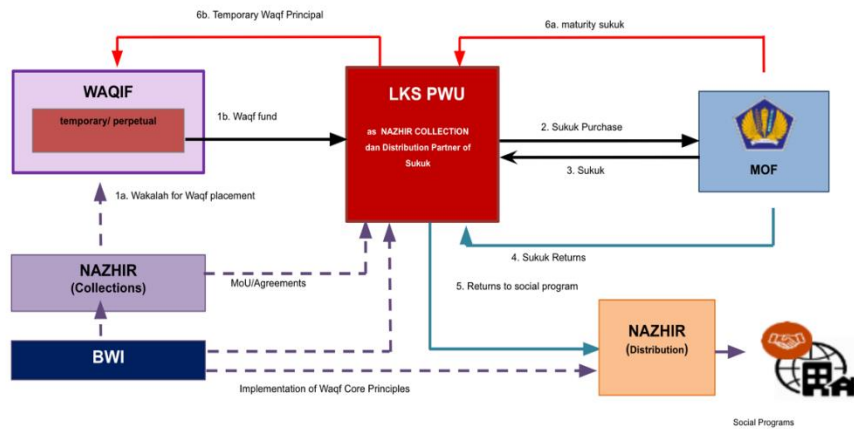
Waqf funds, on the other hand, have the potential to encourage social activities through the use of Islamic financial instruments such as sukuk. The development of CWLS or waqf-based

sukuk was then introduced as one of the Islamic financial instruments that can help accelerate national development, support people's benefit, and improve people's welfare. Amanatillah & Anggraini (2020) stated that this financing instrument is effective in reducing poverty levels or overcoming income inequality in order to improve economic welfare and meet community needs. Furthermore, the process of economically empowering low-income communities by connecting them to the business world.

The Cash Waqf Linked Sukuk (CWLS) is a modern Sukuk-Waqf innovation. The CWLS provisions are contained in the DSN-MUI fatwa No. B-816/ DSN-MUI/XI/2018, which provides a statement and statement that the CWLS issued by the government is legal according to Sharia principles. According to the fatwa, the CWLS sukuk contract is an effort to empower the number of unproductive waqf funds. The concept of cash waqf linked sukuk is still evolving in response to the development of sharia financial and investment instruments, as well as the need for the use of waqf funds.

The Indonesian government, through the Ministry of Finance, has been issued Sukuk Negara since August 2008. The total issuance per of May 2022 has reached Rp.2,075 trillion (two thousand and seventy-five trillion Rupiah). Sukuk Negara has been issued in the domestic and global markets. The government has developed many types of sukuk series such as Retail Sukuk, Hajj Fund Sukuk, Project Financing Sukuk, green Sukuk, and currently, Cash Waqf Linked Sukuk (CWLS).

The concept of CWLS is to integrate the social fund (cash waqf) and financial instrument that has been issued by the government. According to Law number 41 year 2004 regarding Waqf, cash waqf can be in permanent as well as temporary. CWLS offers the wakif to do waqf trough CWLS as temporary cash waqf as a default, but wakifs can declare if they want to have a permanent one. Here, the government as issuer ensures that these Sukuk Waqf funds are secure and productive, both permanently and temporarily. CWLS is a low-risk, risk-free instrument that is guaranteed by the government and protected by two laws: the SBSN Law and the Government Budget Law (APBBN Law). Furthermore, this CWLS is directly supervised by BWI and Ministry of Religion Fair. While productive refers to the return received from the CWLS will be directly utilized for social welfare in accordance with Islamic law.



**Fig. 1. Retail CWLS Scheme**

Furthermore, in order to promote waqf and make it easier for people to do cash waqf, the government issued a debut Cash Waqf Linked Sukuk (CWLS) in the end of 2020, with the retail serial number SWR001. According to BWI and the Ministry of Finance regulations, CWLS is available to institutional and individual wakif (buyers) and is public or open. The issuance period is from 9 October to 20 November 2020, the collected waqf funds totaled Rp. 14.9 billion with total participant of 1,041 wakif (the person or institution who do waqf). The mechanism of issuance was an offline system through four Islamic bank distribution partners. This result size of SWR001 is relatively low if it is compared to Indonesia's extremely high waqf potential. The lack of socialization and the economic downturn are major reasons for the CWLS SW-001 series' low fundraising.

In 2021, during Ramadhan, government of Indonesia continues to issue CWLS Retail series SWR002, through a mixed platform which is online and offline and appointed 4 Islamic banks as distribution partners. The result of SWR002 increase significantly in term of size from Rp.14.9 billion to Rp.24,1 billion or increase 61,74%, while in term of wakif less then SWR001.

Putri et al. (2020) discovered a significant opportunity for the issuance of sukuk to fund the country's development projects and programs. This finding is supported by a 2018 report from the Ministry of Finance, which shows that the government issued Rp.900 trillion in Sukuk Negara over a ten-year period from 2008 to the end of 2018. This explains why the potential for CWLS in Indonesia is still very high, given the level of investor interest, and the growing use of Islamic financing and social investment in Indonesia.

According to Paul & Faudji (2020) CWLS can be one of the Islamic financial instruments that encourages the potential of waqf in Indonesia due to its convenience, low risk guarantee, sharia

compliance guarantee, and large benefit effects. Furthermore, Paul & Faudji (2020) research discovered the following barriers to the development of Cash Waqf Linked Sukuk in Indonesia:

- a. There is a lack of public awareness and knowledge about cash waqf.
- b. Public awareness of waqf management is also in its early stages, with many parties unfamiliar with waqf management institutions such as BWI.
- c. The scarcity of human resources (Human Resources) in the field of waqf, particularly competent nadzi.
- d. The available database isn't yet complete. Encourage social investment and Islamic finance consolidation.
- e. BWI has not yet fully established itself as a regulator, as Bank Indonesia and the Financial Services Authority have, because BWI should do more than just collect and manage waqf.

## **5.2 Optimizing Cash Waqf Linked Sukuk (CWLS) as a Financing Instrument for Projects and Social Programs Benefiting Muslims in Indonesia**

According to Paul & Faudji (2020), CWLS is a socially responsible investment instrument or safe social responsibility investment for Muslims. This instrument is low risk, if not risk free, and can have a large impact if properly managed. CWLS is a tool for depositing cash waqf funds on SBSN owned by the government in order to support social facility development programs. Optimizing CWLS necessitates extensive community socialization, particularly among the middle class with excess funds and an interest in Islamic finance. Socialization can begin with an understanding of the CWLS objectives, which are as follows:

- a. CWLS is an effort by the Indonesian government and waqf stakeholders to develop innovative Islamic investment and financial instruments.
- b. Assist wakif in putting their money in safe and productive Islamic financial instruments.
- c. Encourage the consolidation of social investment and Islamic finance to support government social programs, development projects, and programs.
- d. Attempts to diversify investors and state securities
- e. Contribute to the socialization and development of markets and Islamic financial instruments.
- f. Promote sharia banking business diversification by optimizing the role of the LKS-PWU

The government, in collaboration with waqf stakeholders and religious community organizations, must act as bridges and community facilitators in order for waqf to be made easily, on safe, appropriate instruments, and to have an impact on the larger community. Religious community organizations such as NU and Muhammadiyah, among others, are expected to inform the general public that cash waqf linked sukuk (CWLS) is one of the Islamic financial instruments used to fund Indonesia's Islamic economic sector.

The CWLS platform is a forum for stakeholders who are responsible for optimizing the use and management of waqf funds, namely: first, Bank Indonesia (BI) as the CWLS accelerator and the Custodian Bank or place for depositing funds; second, Bank Indonesia (BI) as the Custodian Bank or place for depositing funds; and third, Bank Indonesia (BI) as the Custodian Bank or Second, BWI acts as a regulator, leader, and nadzir, collecting productive waqf funds



and distributing them to waqf beneficiaries. Third, as SBSN issuer and fund manager, the Ministry of Finance; Fourth, Bank Syariah Indonesia and other Syariah banks have been designated as Financial Institutions.

### **5.3 The Cash Waqf Linked Sukuk (CWLS) Model for Poverty Reduction in Indonesia**

Cash Waqf Linked Sukuk are a low-cost source of financing to recover from the economic impact of poverty reduction in Indonesia. Faiza (2019) discovered that Cash Waqf Linked Sukuk were an excellent new instrument for disaster recovery financing. According to Patria, the success of cash waqf linked sukuk in other countries provided a breath of fresh air for the growth of CWLS in Indonesia. In an effort to recover the economy and reduce poverty in Indonesia, CWLS can be a productive innovative tool that expands social benefits. CWLS can help with social fundraising for humanitarian causes (Rahman et al., 2021).

The pandemic hit Indonesia, causing shocks to the Indonesian economy; a number of Muslim communities were laid off by their employers; SMEs and SMEs went bankrupt due to declining consumption; and business capital was difficult to obtain due to high economic uncertainty. The Cash Waqf Linked Sukuk model in financing poverty reduction Indonesia is expected to solve the problem of mobilizing large amounts of resources while maintaining high flexibility, which is appealing to the Muslim philanthropic middle class. Furthermore, the flexibility of CWLS has met the requirements for financing the recovery of poverty reduction in Indonesia, which requires short and medium term financing.

In Islam, Cash Waqf Linked Sukuk are a low-cost source of financing to recover from the economic impact of reduce poverty In Indonesia. Faiza (2019) found that Cash Waqf Linked Sukuk were even very suitable as a new instrument for financing disaster recovery. The Sukuk Waqf development model also uses the concept of underlying assets as is the case in the issuance of sukuk. The model offered by the author is to invest in sukuk as financing for recovery from the impact of reduce poverty In Indonesia in Indonesia

Based Cash Waqf Linked Sukuk model, financing for the recovery from poverty in Indonesia can use the following mechanism:

- a. The Indonesian Waqf Board manages CWLS, which mandates Financial Institutions Recipient of Cash Waqf (LKSPWU) and nadzir partners to collect CWLS cash waqf. In this case, the government regulates it and makes it available to the public. Waqf is obtained from individuals, institutions, or organizations that manage people's funds, as well as from BWI-approved waqf.
- b. The National Economic Recovery Program (PEN) implementer provides the Ministry of Finance with social infrastructure development projects and programs to improve the welfare of people in poverty.
- c. The Ministry of Finance issues CWLS in the form of Sukuk Waqf (SW), which is made available to the public in accordance with the PEN Program Implementer's proposed social infrastructure development project for reducing poverty. Because it is devoted to waqf, this Cash waqf linked sukuk cannot be transacted, transferred, or traded under the provisions of the DSN-MUI. The underlying asset with State-Owned Goods can be used by the Ministry of Finance (BMN)

- d. CWLS cash waqf collected by LKS-PWU and nadzir partners is used by the Indonesian Waqf Board to purchase Sukuk-Waqf (SW).
- e. The Ministry of Finance transfers funds from the collection of Sukuk-Waqf (SW) to the poverty reduction Fund Management Agency, which can be appointed as amil institutions or community fund management institutions such as LAZIS, which has previously been coordinated with the PEN Program Implementer for poverty reduction programs.
- f. The Ministry of Finance issues coupons or fees for Cash waqf linked sukuk on a regular basis to nadzir (BWI) based on the tenor determined by the custodian bank.
- g. The profit sharing of the cash waqf linked sukuk coupon is then distributed by nadzir (BWI) to nadzir partners to be distributed to mawquf'alayh
- h. When the tenor of the cash waqf linked sukuk expires, the Ministry of Finance pays nadzir the entire sukuk capital (BWI). If the wakif is a perpetual waqf, the returned sukuk waqf funds are BWI's assets and can be used to purchase the next cash waqf linked sukuk. However, if the wakif is temporarily waqf, the waqf assets are returned to the wakif at maturity based on the initial nominal value.

Every coupon yield on cash waqf linked sukuk paid by the government must be donated back to mawquf'alayh affected by poverty in the form of production equipment, capital financing, empowerment of affected communities, development of Muslim economic and business areas, courses, and other Shari'a-compliant and beneficial activities. In order to remain compliant with sharia provisions, the Indonesian Waqf Board (BWI) acts as a supervisor for the management of CWLS, in collaboration with the National Sharia Council (DSN). The Indonesian Waqf Board (BWI) is also in charge of coordinating and supervising nadzir partners' distribution of funds to mawquf'alayh.

The Ministry of Finance and the PEN Program Implementer, as well as institutions appointed to manage funds under the supervision of independent state institutions, such as the Development and Finance Supervisory Agency (BPKP), play a role on the government side. BWI, as the mandate holder, may use a maximum of 10% of the yield of waqf benefits from sukuk for operational purposes; the remainder is used and distributed to mawquf'alayh.

Attempts to rebuild the Muslim economy for reducing poverty CWLS fees can be used in Indonesia. This model is classified into three types: the revolving fund or qard al-hasan model, the in-kind model, and the mudharabah model. Article 8 of the Regulation of the Minister of Finance of the Republic of Indonesia Number 139/PMK.08/2018 states that the purchase of SBSN through a private placement mechanism for social investment schemes must be at least Rp. 50,000,000,000.00 for each series in the CWLS Private placement series. In this instrument, the wakalah contract is used, and the yield received by BWI as nadzir waqf is 6.51 percent with a rate of at least 5 percent per annum, which will be paid on the 10th of every month and channeled to mawquf 'alaih through BWI partners. The three models mentioned above have been widely used by BWI partners; the use of CWLS fees is a renewal innovation.

The explanation and mechanism are as follows: The qard al-hasan contract is a model that provides revolving capital in the form of capital loans to people who own SME or MSME businesses or will access capital. Post-covid-19, public consumption is expected to rise, necessitating increased access to capital. Contractual revolving business capital loan Qard al-

Hasan takes the form of a loan with a clear and concrete purpose, either to restart or expand a business. Borrowers are only required to repay the loan and are not required to share profits. However, if the recipient's business suffers a loss, the recipient is not required to return the capital. Because there is a possibility that CWLS fees will not be returned in this model, accuracy in financing distribution is required to ensure that it is on target. According to Huda (2019) research discovered that by utilizing CSR funds from banks, this model was able to improve the economy of SMEs in Surakarta..

In-kind model, this model utilizes CWLS fees as a form of providing Islamic philanthropic funds to purchase production equipment needed by waqf beneficiaries (mauq̣f 'alaih). Indra et al. (2020) found that this model was effectively used by the Baznas of West Kalimantan Province in distributing zakat to mustahik and cash waqf. The purchase of production equipment can be in the form of machines or places of business for SMEs and MSMEs, it can also be in the form of initial capital for Muslim community workers who have been laid off.

The mudharabah model, the CWLS fee can be re-managed with the mudharabah model, not much different from the first capital option, beneficiaries who have used the capital funds for entrepreneurship are required to return the capital that has been borrowed accompanied by a profit-sharing calculation if they are profitable. However, if you experience a loss, you only return the capital that has been managed.

#### **5.4 CWLS Beneficiaries**

The government issued the debut of CWLS through a private placement with the serial number SW001 at the size of RP50,84 billion in March 2020. For serial SW001, BWI acted as an investor as well as a nadzir. The return, given by the government is at a discount as well as a coupon. The yield for 5 years tenor was 6.125% and the coupon was 5% per annum, meaning that the discount was received by BWI as an investor on the day of placement as much as 1.125% and the coupon of 5% p.a. will be received monthly until the maturity date. The return or benefit of SW001 is utilized for supporting to build Retina Center of Achmad Wardi Hospital, Serang Banten, including procurement of medical equipment and Ambulance. Furthermore, the return of SW001 which is in coupon format that is received monthly is used to provide free surgery for poor cataract patient of about 2500 patient (BWI, 2020).

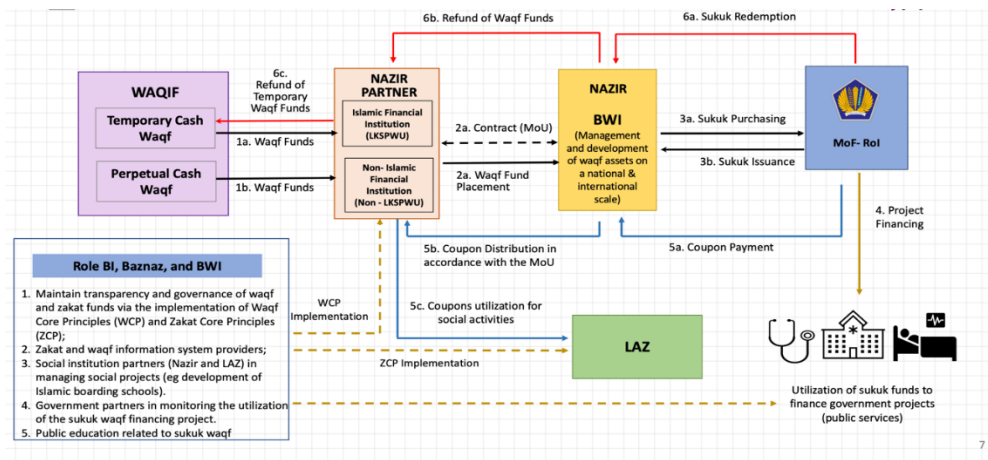


Fig. 2. CWLS Scheme

In Lampung the Gapsera Sejahtera Mandiri farmer group's rice seed breeding program has been in operation since 2019. Farmers who have not benefited from the BSM Village program from the BSM National Education Center in Rejo Asri Village, Seputih Raman District, Lampung Regency Middle are being involved. In 2020, the rice seed captive farming business did not operate for a single planting season. Each captive farmer receives Rp. 500,000.00 in business capital assistance for captive cultivation farming, which is equivalent to Rp. 2,000,000.00 per hectare (BSMU, 2021).

BWI has distributed profits to the Ummah benefit program in the form of scholarships for ITS students affected by Covid 19 Rp. 75,403,872,- 2. Community Benefit Program in the form of Completion of RSI Construction Nyai Ageng Pinatih Gresik is with YARSIS. Rp. 75,403,872,- 3. Mobile Screening Program in the form of an Ophthalmoscope Procurement of Rp. 31.365.178,- (BWI, 2021).

## 5 Conclusion

From the results of the research that the authors get, the authors can conclude that the Cash Waqf Linked Sukuk (CWLS) is an alternative investment and financing instrument based on sustainable sharia principles in Indonesia. Cash waqf linked sukuk offer bright prospects and open new opportunities for future Islamic finance innovation. As an Islamic financial instrument, CWLS has the potential to be a source of financing for reduce poverty. This instrument is very suitable because it has high flexibility, is attractive to the Muslim philanthropic middle class, and CWLS fulfills the prerequisites for financing for the poor and small entrepreneur which requires short and medium term financing. The CWLS model as a source of financing recovery requires coordination between the Indonesian Waqf Board, regulators, the Ministry of Finance, the PEN Program Implementer and organizations or agencies managing community funds to manage cash waqf funds. The proceeds from the sukuk can be used as an accelerator for SMEs and SMEs for capital financing.

Charity and philanthropic endowments facilitate wealth redistribution in a more efficient and effective manner than the public and private sectors' redistributive tools and mechanisms. Philanthropy has multiple connections to poverty. Permanent philanthropic endowments can be critical for economies in meeting long-term poverty alleviation objectives. Indonesia, is a develop country, is home to a big number and size of Muslim of (Waqf) potension. If properly managed and utilized, these endowments could be a catalyst for significant socioeconomic change for the country's largest religious majority (Abdullah, 2020) .

The challenge for CWLS is to persuade people to participate by encouraging Nazir to submit a proper report as part of good corporate governance. BWI, as the regulator, has provided a report standard, but it must be s s socialized to Nazir. CWLS can also be used to bridge a gap in wakif's trust in Nazir. So there is hope that CWLS will become a boost for increasing income for mauqf alaih and an instrument for the wealthy to share wealth with the poor through productive waqf.

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