



SYARAH: JOURNAL OF ISLAMIC LAW AND ECONOMICS
P-ISSN: 2302-9978 / E-ISSN: 2715-262
Volume 13, Number 1, June 2024
DOI: <https://doi.org/10.47766/syarah.v13i1.3087>

Cash Waqf Linked Sukuk: Sharia Financial Innovation for Productive Waqf Management in Indonesia

Salma Rahmani¹, Yoyok Prasetyo²,

Sunan Gunung Djati State Islamic University Bandung¹
Nusantara Islamic University²

E-mail: salmarhm112@gmail.com¹, Email: yoyok@uninus.ac.id²

Abstract: Productive waqf management in Indonesia faces challenges in innovation and optimizing the use of funds. Cash Waqf Linked Sukuk (CWLS), an innovative sharia financial instrument that integrates cash waqf with sukuk, appears as a potential solution. CWLS allows people to contribute through cash waqf which is then invested in sukuk, with the investment proceeds used for social projects such as infrastructure, health and education. This research aims to analyze the concepts, mechanisms and contracts implemented in CWLS, as well as evaluate their contribution to productive waqf management and their social impact in Indonesia. Using the literature study method, this research examines various primary and secondary data sources. The research results show that CWLS not only increases the productive use of waqf funds, but also provides a significant social impact through financing social and infrastructure projects. CWLS has proven to be an efficient solution in managing waqf and opens up new opportunities for economic empowerment of the people. However, challenges such as limited public understanding, the need for qualified human resources, and lack of digital access need to be addressed. This research concludes that CWLS has great potential to strengthen the waqf ecosystem and support sharia financial inclusion in Indonesia, with the right support from the government, sharia financial institutions and the community. Increased education and outreach efforts are needed to overcome these barriers and maximize the benefits of CWLS.

Keywords: Cash Waqf Linked Sukuk; Cash Waqf; Sukuk; Waqf Sukuk

INTRODUCTION

Indonesia has a long history in managing waqf, but still faces various challenges in its optimal use. One of the main challenges is the lack of

innovation in managing and investing waqf funds.¹ Along with the rapid development of the Islamic finance industry, various innovations continue to emerge to answer the challenges and needs of society. One of the latest innovations that is attracting attention is Cash Waqf Linked Sukuk (CWLS). CWLS is here to present a more modern and transparent mechanism for managing waqf funds. The presence of CWLS is in line with the Indonesian government's efforts to increase financial inclusion and empower the sharia economy.²

CWLS is here to offer a more modern and transparent mechanism for managing waqf funds. This innovation allows people to contribute in the form of cash waqf, which is then invested in sukuk. Sukuk investment proceeds are allocated to finance various projects that provide social benefits for society, such as education, infrastructure development and improving health services.³ In this way, CWLS not only optimizes the use of waqf funds, but also provides a significant social impact. By combining modern financial instruments and sharia principles, CWLS offers a more efficient solution in waqf management and opens up new opportunities for the economic empowerment of the community. This is in line with the Indonesian government's commitment to increasing accessibility of financial services and strengthening the sharia economy.

Indonesia, as the country with the largest Muslim population in the world, has a strategic position to lead the development of CWLS. Collaboration from various sectors, including the government, Islamic financial institutions and the general public, is crucial in realizing this potential. With the right approach, Cash Waqf Linked Sukuk can be an effective instrument in managing productive waqf and improving the welfare of the people in Indonesia. This research aims to provide in-depth insight into how Cash Waqf Linked Sukuk integrates waqf and sukuk in one innovative scheme that is in line with sharia principles. In addition, this research reviews CWLS from a fiqh perspective, compares it with other sukuk instruments, and evaluates its contribution and impact in Indonesia. By identifying challenges in implementation, it is hoped that this research can provide solutions and encourage the involvement of more parties in maximizing the potential of CWLS.

¹ Kamariah, Sukman, and Nirwana, "The Problem of Waqf in Indonesia," *Ats-Tsarwa: Journal of Islamic Economics* 1, no. 1 (2021): 52-68, <https://e-journal.stishid.ac.id/index.php/ats-tsarwah/article/view/103>.

² Khairani Isti et al., "Optimizing Cash Waqf Linked Sukuk (CWLS) Through Increasing Waqf Literacy (Study on Salman ITB Waqf)," *Al-Intaj: Journal of Sharia Economics and Banking* 9, no. 2 (2023): 191-203, <https://doi.org/http://dx.doi.org/10.29300/aij.v9i2.2460>.

³ Rahayu Riska Delta and Agustianto Moh. Andre, "Analysis of the Implementation of Cash Waqf Linked Sukuk (CWLS) Perspective of Sharia Economic Principles," *Management of Zakah and Waqf Journal (MAZAWA)* 1, No. 2 (2019), <https://doi.org/https://doi.org/10.15642/mzw.2020.1.2.145-161>.

RESEARCH METHODS

This research uses qualitative methods with a literature study approach to examine Cash Waqf Linked Sukuk (CWLS) as a new instrument in increasing the effectiveness of productive waqf in Indonesia. The primary data sources in this research are the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 131/DSN-MUI/X/2019 concerning Waqf Sukuk, Republic of Indonesia Law Number 41 of 2004 concerning Waqf, and Law No. 19 of 2008 concerning State Sharia Securities (SBSN). Meanwhile, secondary data was obtained from various sources such as academic journals, books, official government reports, and other literature relevant to this research topic.

Data collection was carried out through literature study by searching various relevant literature sources, including academic journals, books and official government reports. Data analysis was carried out using a qualitative descriptive approach, namely by identifying, summarizing and interpreting information obtained from primary and secondary data sources, then analyzed comprehensively to evaluate the concept, mechanism and implementation of CWLS in sharia contracts, comparing it with other sukuk instruments, identifying the contribution of CWLS to the sharia economy in Indonesia, as well as evaluating the challenges it faces.

RESULTS AND DISCUSSION

Concept of Waqf and Cash Endowments

The word "waqf" or "waqf" comes from Arabic, which has the root word wa-qa-fa which means to hold back or stop.⁴ Although there are differences in the interpretation of the term waqf among fiqh scholars, there is agreement that waqf means holding ownership of an object or asset (waqf asset) and utilizing the results, or maintaining its original form and providing the benefits to others. Differences of opinion among Islamic school scholars, such as Hambali, Abu Hanifah, Maliki, and Syafi'i, in defining waqf are due to the way the ulama interpret the nature of waqf. Abu Hanifah views holding onto an object as to use it for good. In the view of the Maliki School, waqf emphasizes limiting the *wakif's* right to transfer ownership of the donated property, not on eliminating that ownership. Meanwhile, from the perspective of the Shafi'i and Hambali schools, waqf emphasizes limiting the wakif's right to transfer ownership of the donated property, not on eliminating that ownership.⁵

⁴ Munawwir Ahmad Warson, *Al-Munawwir Dictionary: Most Complete Arabic-Indonesian*, 2nd ed. (Surabaya: Progressive Library, 1997), 1576.

⁵ Barkah Qodariah et al., *Fiqh of Zakat, Alms and Waqf First Edition* (Jakarta: Kencana, 2020), 209; Wahbah Az-Zuhaili, *Wa Adillatuhu Islamic Fiqh Volume 10: Children's Rights, Waqf Wills, Inheritance* (Jakarta: Gema Insani, 2011), 269-272; Qudamah Ibnu, *Al Mughni Volume 7: Discussion about: Loans, Ghasab, Syuf'ah, Musaqah, Muzara'ah, Renting, Reviving Dead Land, Waqf and Grants* (Jakarta: Pustaka Azzam, 2010), 772.

The definition of waqf according to Mundzir Qahaf, includes the concept of holding assets for an unlimited or temporary period, with the aim of utilizing them directly or indirectly, to produce sustainable benefits for good, both for general and special purposes. It was also stated that waqf is a form of charity which has great potential to be developed to provide wider benefits to society.⁶

Waqf has a number of important components that must be fulfilled to be valid. Based on standards set by *Accounting & Auditing Organization For Islamic Financial Institutions* (AAOIFI) and the provisions in Article 6 of Law No. 41 of 2004 concerning Waqf, these components include:⁷

Table1. Principles and Terms of Waqf

| No | AAOIFI | Waqf Law |
|----|----------------------|--|
| 1 | <i>Wakif</i> | <i>Wakif</i> (a legally competent person or legal entity who donates his/her property) |
| 2 | <i>Mauquf</i> | <i>Mauquf</i> (property dedicated to waqf, whether in the form of movable or immovable objects, which have economic value and can provide long-term benefits in accordance with sharia provisions) |
| 3 | <i>Mauquf 'Alaih</i> | <i>Mauquf 'Alaih</i> (beneficiaries or recipients of waqf benefits, who must meet the criteria in accordance with sharia and not conflict with the goals of worship) |
| 4 | <i>Sighat</i> | <i>Sighat</i> (the expression of the waqf pledge expressed by the wakif to the <i>nazhir</i> , either orally or in writing, with the testimony of two witnesses and in the presence of the Official who made the Waqf Pledge Deed, which explains clearly and emphatically the will and purpose of the waqf) |
| 5 | | <i>Nazir</i> (waqf manager) |
| 6 | | Time period |

Data Source: AAOFI and Waqf Law

Based on its use, waqf can be classified into two forms, namely direct waqf and productive waqf. Productive waqf is a type of waqf where the

⁶ Hanna Siti, "Share Waqf in the Perspective of Islamic Law," *Mizan; Journal of Sharia Science* 3, No. 1 (2015), <https://doi.org/https://doi.org/10.32507/mizan.v3i1.158>.

⁷ Hurjiman, *Waqf Law in Indonesia (An Introduction)* (Yogyakarta: Deepublish Publishers, 2018), 14-25; Hasan Sofyan and Sadi Is Muhamad, *Zakat and Waqf Law in Indonesia First Edition* (Jakarta: Kencana, 2021), 124-129; Republic of Indonesia, "RI Law Number 41 of 2004, concerning Waqf," 2004; Sulistiani Siska Lis, *Cash Waqf: Management in Islamic Law and Positive Law in Indonesia* (East Jakarta: Sinar Graphic, 2022), 38-46.

assets donated are intended for productive activities, and the results of these activities are distributed according to the waqf designation. Productive waqf can take the form of various kinds of assets, such as land, buildings, money, cash waqf certificates, shares, and so on. The aim of productive waqf is to utilize these assets productively to create added value that can be used to provide a sustainable positive impact for the benefit of the people. One form of productive waqf that is of interest to the Muslim community in Indonesia is cash waqf.⁸

The practice of "cash waqf" or *cash waqf*, which was unknown at the time of the Prophet, began to appear and be applied at the beginning of the 2nd century Hijriyah. Imam az Zuhri, one of the leading scholars, issued a fatwa recommending the use of dirham and dinar waqf to support the development of educational, da'wah and social facilities for Muslims. As time went by, cash waqf was no longer a foreign concept to Turkish society in the 15th century Hijri, but was a common and widely accepted practice. In Indonesia, cash waqf was recognized and given guidelines before there was a formal law regulating it. Through a fatwa from the MUI, the practice of cash waqf is recognized as part of the legal practice of waqf in Islam. The definition provided by the MUI emphasizes that cash waqf is not only limited to donations in the form of goods or property, but also includes donations in the form of cash.⁹

Cash waqf is a waqf instrument that involves the transfer of cash funds, which are then allocated into investments in productive economic sectors with the criteria of being sustainable, providing continuous benefits, and having economic value in accordance with sharia principles. In Islamic finance literature, this instrument is also called cash waqf (*waqf al-nuqud*), where cash is the specific object being donated.¹⁰

The legal basis for cash waqf can be found in the Koran, such as QS. Ali-Imran verse 92 or QS. Al-Baqarah verses 261-262 which promises a double reward for those who give charity in the way of Allah. Meanwhile, cash waqf in Indonesia is supported by a strong legal umbrella, namely Law No. 41 of 2004 concerning Waqf and Government Regulation No. 25 of 2018 concerning amendments to Government Regulation No. 42 of 2006 concerning the implementation of Law No. 41 of 2004¹¹, MUI Fatwa of 2002 concerning Cash Waqf, and BWI Regulation No. 1 of 2009 Guidelines for

⁸ Mushaddiq Ahmad Hamdan, Tanjung Hendri, and Hakiem Hilman, "Analysis of Productive Waqf Practices and Management (Case Study: Kilat Al-Hikmah Islamic Boarding School)," *AL-INFAQ: Journal of Islamic Economics* 12, No. 2 (2021), <https://doi.org/https://doi.org/10.32507/ajei.v12i2.725>.

⁹ Siska Lis, Cash Waqf: Management in Islamic Law and Positive Law in Indonesia, 29-31.

¹⁰ Suryadi Nanda and Yusnelly Arie, "Management of Cash Waqf in Indonesia," *Syarikat: Journal of Sharia Economic Group* 2, No. 1 (2019), [https://doi.org/https://doi.org/10.25299/syarikat.2019.vol2\(1\).3698](https://doi.org/https://doi.org/10.25299/syarikat.2019.vol2(1).3698).

¹¹ Hurjiman, *Waqf Law in Indonesia (An Introduction)*, 7-10.

the Management and Development of Mobile Waqf Assets in the Form of Cash. These positive and normative legal regulations regulate in detail regarding waqf, including cash waqf.¹²

Based on the time period, cash waqf is classified into 2 (two) categories, namely perpetual cash waqf and temporary cash waqf. Temporary cash waqf is a waqf whose waqf fund donations are handed over to be used for a certain period of time or for certain specific purposes. After reaching a certain goal or time period, the funds are no longer considered a waqf and can be used for other purposes. Meanwhile, perpetual cash waqf or what is known as permanent cash waqf, is a type of waqf where the donated funds are handed over to be used continuously without any time limit. These waqf funds are invested productively, and the investment results are used for charitable activities or sustainable social benefits. These waqf funds remain in existence and are sustainable from generation to generation, with the principle that the principal of the waqf capital must be maintained, while the investment results are used for various purposes that are beneficial to society.¹³

Sukuk: Characteristics and Types

Based on the standards issued by AAOIFI, sukuk is defined as a certificate that gives the holder rights to real assets, benefits or services, or assets related to certain investment projects or activities.¹⁴ The main characteristic of sukuk is that its structure is based on real assets, so the value of the sukuk is directly linked to the performance or yield of the underlying asset. This means that the sukuk holder has a claim on the asset and obtains income from the real returns generated by the asset. The DSN-MUI fatwa provides further guidance on the characteristics of sukuk, which include:¹⁵

- a. The issuer's business activities must be in line with sharia principles.
- b. Sukuk holders are entitled to receive investment income that has been filtered from non-halal elements.
- c. The contract used in issuing sukuk determines the type and amount of income that will be received by the sukuk holder.
- d. The process of transferring ownership of sukuk must be carried out based on the mechanism outlined in the contract.

Sukuk can be issued by both the state and corporations. State sukuk, or what are called State Sharia Securities (SBSN), are issued by the

¹² Winarto Ashif Jauhar, Fageh Achmad, and Masduqie Muhammad Hamdan Ali, "The Role of Cash Waqf Linked Sukuk (CWLS) in Optimizing National Economic Recovery during the Pandemic," *Iqtishadia Journal of Sharia Economics & Banking* 8, no. 2 (2021).

¹³ Abdullah Sahid and Sobaya Soya, "Factors that Influence the Interest of Waqif Candidates in Choosing Term Waqf in Yogyakarta," *ABHATS: Ulil Albab Islamic Journal* 4, no. 1 (23M): 39-50.

¹⁴ Ikit, Jaya Rizal Alfit, and Bayumi Muhammad Rahman, *Sharia Banking and Investment* (Yogyakarta: Gava Media, 2019), 246-249.

¹⁵ Ikit, Rizal Alfit, and Muhammad Rahman, 250.

government with the aim of funding the APBN and various development projects. SBSN gives investors ownership rights to the ownership portion of the assets used as underlying sukuk, both in domestic currency (rupiah) and other currencies. In Indonesia, SBSN comes in various types, such as Islamic Fixed Rate (IFR), Foreign Currency Sukuk, Indonesian Hajj Fund Sukuk, Sharia Government Securities, Retail Sukuk, Savings Sukuk, Project Based Sukuk, and Cash Waqf Linked Sukuk (CWLS). Each type of SBSN uses different sharia contracts, such as *ijarah sale and lease back*, *ijarah al-khadamat*, or *wakalah*, to suit the characteristics and purpose of the issuance.¹⁶

Cash Waqf Linked Sukuk: Breakthroughs in Productive Waqf Management

Cash Waqf Linked Sukuk (CWLS) is a breakthrough financial instrument that combines the concept of cash waqf with sukuk, issued by the Indonesian government as part of efforts to develop productive waqf. CWLS provides an opportunity for wakifs to carry out charity in a safe and trustworthy manner. This instrument was first issued by the DJPPR of the Indonesian Ministry of Finance on March 10 2020 through a private placement aimed at companies and corporations with the SW001 series, and was expanded to include individuals and companies through CWLS Retail with the launch of the SWR001 series on October 9 2020.¹⁷

CWLS issued through the private placement method means shares are sold to selected and predetermined investors, namely institutions or institutions, with an investment period of five years. The minimum order for this instrument is IDR 50 billion. Meanwhile, retail CWLS is carried out using the bookbuilding method, where issuance is carried out openly to the public, thereby allowing individuals or small companies to purchase CWLS through designated partners such as Sharia Banks or other financial institutions. The investment period is 2 years with the minimum CWLS investment amount tending to be lower and more affordable, namely IDR 1 million and multiples thereof.¹⁸

The management of CWLS is entrusted to competent financial institutions and these instruments are issued in a social investment scheme that cannot be retransacted on the secondary market. Funds raised through CWLS are invested in productive projects that support specific social, economic, and religious goals. The results of this investment are then used

¹⁶ Soemitra Andri, *Sharia Economic Law and Muamalah Fiqh in Contemporary Financial and Business Institutions* (Jakarta: Prenada Media Group, 2019), 191.

¹⁷ Lutfi Mukhtar, Wahab Abdul, and Nasir Husni, "Application of Cash Linked Sukuk (CWLS) Instruments Based on the Maslahah Principle in BSI," *Al-Azhar Journal of Islamic Economics* 4, no. 1 (2022), <https://doi.org/https://doi.org/10.37146/ajie.v4i1.118>.

¹⁸ Mudriqoh Siti and Aziz Jamal Abdul, "Potential of Cash Waqf Linked Sukuk as a Source of Financing for National Economic Recovery during the Covid-19 Pandemic (2021-2022)," *El-Jizya: Journal of Islamic Economics* 11, no. 1 (2023): 49-70, <https://doi.org/10.24090/ej.v11i1.7545>.

to finance waqf projects and provide social benefits for the community, including in the health, education and infrastructure development sectors. The development of CWLS aims to make it easier for people to provide cash waqf safely and reliably, while contributing to the development of social investment and strengthening the waqf ecosystem in Indonesia.¹⁹

UU no. 41 of 2004 concerning Waqf and Law no. 19 of 2008 concerning SBSN provides a strong legal basis for the legality of the issuance of Cash Waqf Linked Sukuk (CWLS). Apart from that, DSN-MUI Fatwa No. 131/DSN-MUI/X/2019 concerning Waqf Sukuk stipulates the legal provisions, type of contract, *nazhir*, as well as the sukuk issuance mechanism that must be followed in CWLS transactions.

The details of the CWLS scheme start with the wakif (endowment giver) who hands over the waqf funds by making a deposit into the *nazhir* partner's account. After that, the wakif pronounces the waqf pledge in front of the Waqf Pledge Deed Making Officer (PPAIW). The collected funds are then temporarily placed in the *nazhir* partner's wadiah account before finally being transferred to the Indonesian Waqf Board (BWI) account at LKS-PWU. When cumulative funds reach a certain amount, such as 50 billion rupiah, BWI invests them in SBSN. SBSN produces periodic returns (coupons), which are paid by the Ministry of Finance to BWI *nazhir*. Some of these coupons are used for management costs by the *nazhir*, while the rest is channeled to develop waqf assets and public infrastructure that provides benefits to the community.²⁰

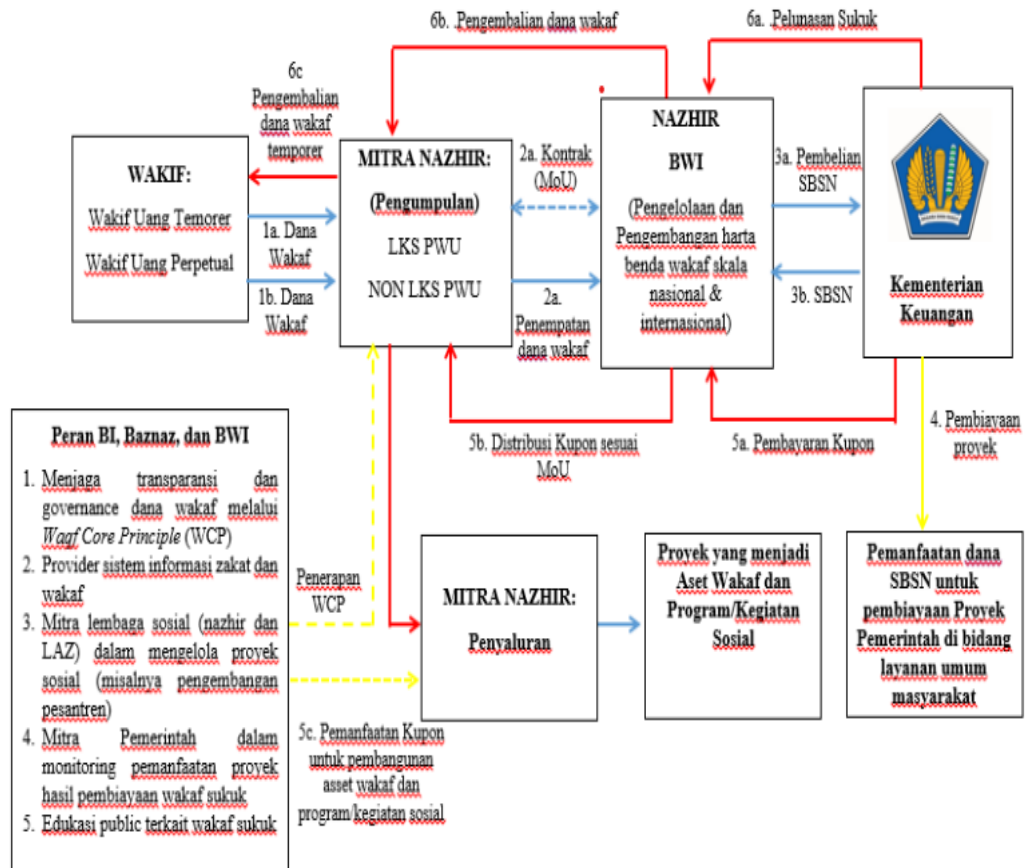
After the SBSN matures, the cash waqf funds are returned by the Ministry of Finance to BWI. BWI will then direct the *nazhir* and LKS-PWU partners to return the funds to the wakif according to the agreed time period. Throughout this process, the Ministry of Religion and the Indonesian Waqf Board have a key role in overseeing the implementation of the CWLS program in accordance with sharia principles and its social objectives. The CWLS scheme ensures that waqf funds remain productive and generate sustainable benefits for society, while maintaining their security and sustainability.²¹ More clearly, the CWLS scheme can be seen through the following illustration:²²

¹⁹ Riska Delta and Moh. Andre, "Analysis of the Implementation of Cash Waqf Linked Sukuk (CWLS) from the Perspective of Sharia Economic Principles."

²⁰ Fad Mohammad Farid, "Waqf Linked Sukuk in the Maqashid Syari'ah Perspective," *Journal of Islamic Studies and Humanities* 6, No. 1 (2021), <https://doi.org/https://doi.org/10.21580/jish.v6i1.8150>.

²¹ Mohammad Farid.

²² Indonesian Waqf Board et al., *Annual Report Cash Waqf Linked Sukuk 2021* (Jakarta: Department of Sharia Economics and Finance - Bank Indonesia, 2022), 33.



Picture1. CWLS Scheme

In principle, there are a number of contracts used in issuing SBSN in Indonesia, including *ijarah*, *mudharabah*, *musyarakah*, *wakalah*, and *istishna*. However, in practice, the most dominant contracts used are the *ijarah* and *wakalah* contracts. The application of these contracts in CWLS can be seen in the following table:²³

Table 2. Contracts in CWLS

| Contract | Information |
|---------------|--|
| <i>Ijarah</i> | Scheme: Investors provide waqf funds to develop waqf assets (such as land, buildings or other property) productively. Then the <i>nazhir</i> will rent out the benefits of the waqf assets to parties who need them for a certain period of time. The income from the rental (<i>ujrah</i>) is then used by the <i>nazhir</i> to provide financial support to social projects such as infrastructure, health, or education. |

²³ Riska Delta and Moh. Andre, "Analysis of the Implementation of Cash Waqf Linked Sukuk (CWLS) from the Perspective of Sharia Economic Principles"; MUI National Sharia Council, "Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 131/DSN-MUI/X/2019 concerning Waqf Sukuk" (Jakarta, 2019).

| | |
|--------------------------------|--|
| | <p>Subject and Role: 'Stake (investor) as funder. <i>Mu'ajir</i> (<i>nazhir</i> or third person) as the issuer and fund manager who rents out the benefits of waqf assets.</p> <p>Rights and Obligations of the Parties: Investors who buy <i>ijarah</i> sukuk have the right to use waqf assets or gain benefits from their use. Investors are also entitled to the proceeds or income generated from the use of waqf assets. If agreed in the initial contract, investors are allowed to enter into another <i>ijarah</i> contract with another party.</p> |
| <i>Wakalah bi al-Istithmar</i> | <p>Scheme: The investor (<i>muwakkil</i>) gives authority to the <i>nazhir</i> or third party (representative), to invest and develop the waqf funds provided.</p> <p>Subject and Role: Investor (<i>muwakkil</i>) as funder. <i>Nazir</i> (deputy) as fund manager and sukuk issuer.</p> <p>Rights and Obligations of the Parties: All proceeds from the management of sukuk funds will become the rights of the <i>muwakkil</i> (mandate giver) at maturity or in accordance with the agreement in the contract. If the representative (<i>nazhir</i>) achieves investment results that exceed the predetermined profit target, then part or all of the excess investment results, according to the agreement, can become the representative's rights. Losses caused by the <i>nazhir's</i> negligence will be the <i>nazhir's</i> responsibility, including funds resulting from the development of the waqf assets that experienced the loss.</p> |

Data Source: DSN-MUI Fatwa No.131 of 2019

Differences between CWLS and Other Types of Sukuk

The Indonesian government has introduced various types of sukuk as part of its diversification of sharia-based financial instruments, including Cash Waqf Linked Sukuk (CWLS), savings sukuk, and retail sukuk. Although all of these instruments are based on sharia principles, there are significant differences in their respective objectives, structures and operational mechanisms. The differences between the three types of sukuk are as follows:²⁴

²⁴ Mulyani Rani and Setiawan Iwan, "State Retail Sukuk, a Halal Investment Instrument for Developing the Country," *Iqtisadiya: Journal of Islamic Economics* 7, no. 14 (2020); Andri, *Sharia Economic Law and Muamalah Fiqh in Contemporary Financial and Business Institutions*, 191; Napitupulu Franky, Wijaya Kartika, and Soeroto Wisudanto Mas, "Comparative Analysis of Investment in Savings Sukuk and Retail Sukuk: Approach to Characteristics, Historical Performance, Risk and Economic Impact," *Journal of Education* 6, no. 3 (2024), <https://doi.org/https://doi.org/10.31004/joe.v6i3.5693>.

Table 3. Differences between CWLS and Other Types of Sukuk

| | CWLS | Retail Sukuk | Savings Sukuk |
|-----------------|---|---|---|
| Scheme | A financial instrument that integrates cash waqf with sukuk. The collected waqf funds are allocated for the purchase of State Sharia Securities (SBSN). | Sukuk are issued by the government through the Minister of Finance of the Republic of Indonesia with smaller denominations and are aimed at retail investors. | State sukuk, issued by the government under the authority of the Ministry of Finance to fund development projects or to meet state financial needs. |
| Contract | The contracts used vary depending on the investment scheme, such as <i>mudharabah</i> , <i>ijarah</i> , <i>wakalah bi al-Istithmar</i> , or <i>musyarakah</i> . | Implementing an <i>ijarah</i> asset to be leased agreement, where the investor leases assets to the sukuk issuer and receives periodic rental payments. | The contract used in savings sukuk is <i>wakalah</i> . |
| Rewards | Investors do not receive compensation from investment returns through SBSN because profits from investments are used by <i>nazhir</i> to finance social projects. | The yield (<i>ujrah</i>) is fixed (fixed rate) and is immediately received in the same amount every month from the beginning to the end of the tenor. | Floating with floor rewards. The amount of return paid follows changes in Bank Indonesia interest rates every three months. |

Data Source: Various literature and results of the author's analysis

Based on the table above, it can be seen that Cash Waqf Linked Sukuk (CWLS) is different from savings sukuk and retail sukuk in terms of scheme, contract, management and distribution of funds, as well as returns received by investors. CWLS focuses on integrating cash waqf with sukuk for social purposes, while savings sukuk and retail sukuk are more investment-oriented with profitable returns for investors.

CWLS contribution in Indonesia

Cash Waqf Linked Sukuk (CWLS) has made significant contributions to Indonesia in various social and economic aspects. CWLS' main contribution is to help increase social funds that can be used for various development initiatives. In addition, funds collected through CWLS are used to finance social infrastructure projects such as hospitals, schools and other public facilities, which directly benefit the wider community. CWLS also provides significant support to the State Revenue and Expenditure Budget (APBN), helping to finance the budget deficit and national priority projects. By facilitating community participation in sharia-based investments, CWLS supports financial inclusion and provides investment alternatives that are in accordance with sharia values. Furthermore, CWLS strengthens the waqf ecosystem in Indonesia by integrating cash waqf into the national financial system, encouraging wider participation of the community in waqf activities. The details of the contribution to CWLS issuance, both private placement and retail, are as follows:

- a. CWLS private placement series SW001 was issued with a value of 50.85 billion. Funds obtained from rewards and discounts are used to develop waqf assets at the Achmad Wardi Eye Hospital in Serang, Banten, through the construction of a retina and galukoma center. Every month, the rewards received from CWLS are allocated to fund free cataract operations for the poor at the hospital. Since the inauguration of the Retina and Glaucoma Center in 2020, until March 2021, this facility has served 1,927 patients who utilized medical equipment resulting from CWLS funding.²⁵
- b. In 2022, the CWLS private placement series SW002 will be issued with a value of IDR 50 billion. The proceeds from the series are allocated for the development of the Tri Dharma of Higher Education at ITS through collaboration with BWI as *nazhir*. The funds generated are prioritized for various programs such as scholarships, accelerated promotion of professorships, research innovation funding, international competitions, and others.²⁶
- c. CWLS private placement series SW003 and SW004 will be issued in 2022 with a total nominal value of IDR 200 billion. The proceeds from the two series of sukuk were allocated to support the Tri Dharma of Higher Education activities at IPB through collaboration with BWI as *nazhir*.²⁷

²⁵ Indonesian Waqf Board et al., Annual Report Cash Waqf Linked Sukuk 2021, p. 54-62.

²⁶ Directorate General of Financing and Risk Management, "Issuance of Government Sharia Securities Series SW002 on 30 June 2022 by Private Placement" (Central Jakarta, 2022), <https://www.djppr.kemenkeu.go.id/penerbitansuratberhargasyariahnegaraserisw002> on 30juni2022.

²⁷ Rahmah Fitri, "Issuance of Government Sharia Securities Series SW003 and SW004 on 6 October 2022 by Private Placement" (Central Jakarta, 2022),

- d. Retail CWLS Series SWR001 was issued for IDR 14.91 billion, involving a total of 1,041 wakifs, consisting of 1,037 individual wakifs and 4 institutional wakifs. Average CWLS orders reached 18.65 million. Distribution of investment results from this series is carried out by 7 *nazhir* and 4 distribution partners. The returns from this series are then allocated to various programs, including empowering MSMEs, educational scholarships, providing hearing aids, building mosques, empowering the agricultural economy, and other programs that support community welfare.²⁸
- e. CWLS Retail Series SWR002, with a total issuance value of IDR 24.14 billion, involving the participation of 591 wakifs. The average investment value reaches IDR 40.85 million. Distribution of investment rewards in collaboration with 6 distribution partners and 9 *nazhir*. Funds obtained from the returns are used to support various programs in the fields of education and health. In the education sector, the proceeds are used for various scholarship programs, including scholarships for poor students, teacher service, sun scholarships, undergraduate scholarships. Meanwhile, in the health sector, it is used to support Islamic boarding school clinics, and provide retina and cataract screening equipment at the Achmad Wardi Eye Hospital, and other programs.²⁹
- f. In 2022 the SWR003 Series Retail CWLS will be issued with a total value of IDR 38.253 billion, involving the participation of 688 wakifs. Orders amounting to IDR 27.38 billion came from individual wakifs, and IDR 10.87 billion from institutional wakifs. Investment returns from this series are channeled through 6 distribution partners and 10 *nazhir* to support various social programs. Among the programs supported are the Islamic boarding school-based business cluster development program, sheep and goat breeding program, solar panel installation program at the Salman ITB Mosque, medical equipment procurement program, and so on.³⁰

<https://www.djppr.kemenkeu.go.id/penerbitansuratberhargasaryariahnegaraserisw003dansw004on6oktober2022>.

²⁸ Directorate General of Financing and Risk Management, "Retail CWLS series SWR001 Remains Attractive to Investors in the Midst of Pandemic Conditions" (Central Jakarta, 2020), <https://www.djppr.kemenkeu.go.id/cwlsritelseriswr001tetapdiminatiinvestorditengahpandemi>.

²⁹ Directorate General of Financing and Risk Management, "Retail CWLS Series SWR002 Brings Blessings to the Ummah Economy" (Central Jakarta, 2021), <https://www.djppr.kemenkeu.go.id/cwlsritelseriswr002mengalirkanberkahuntukEkonomiummah>.

³⁰ Directorate General of Financing and Risk Management, "Community's Interest in Waqf Is Increasing, SWR003 Successfully Achieved the Largest Order Results Throughout the Issuance of Retail CWLS" (Central Jakarta, 2022), <https://www.djppr.kemenkeu.go.id/minatkumpulanberwakafbesarinbesar,swr003>.

- g. Retail CWLS Series SWR004 will be issued in 2023 with a total value of IDR 112,563 billion, involving 709 wakifs. This order consists of IDR 24.323 billion from individual wakifs and IDR 88.240 billion from institutional wakifs. In the process of publishing this series, the government collaborated with 7 distribution partners and 8 *nazhir*. The investment results from this series are used to develop and finance two main programs, namely the Empowerment of Farmers and Breeders, and the Tridharma Supporting Activities for Higher Education, accompanied by various accompanying programs that support them.³¹

Challenges of CWLS Implementation in Indonesia

Even though Cash Waqf Linked Sukuk (CWLS) promises great potential in encouraging productive waqf in Indonesia, its implementation is not without obstacles. One of the main challenges is the lack of public understanding of the concept and benefits of CWLS. Many individuals are still unfamiliar with this instrument, so they are reluctant to participate. This is exacerbated by the complexity of CWLS which requires a deep understanding of sharia, financial and investment principles. Therefore, comprehensive socialization and education are crucial. The government, sharia financial institutions and religious organizations need to work together to provide clear and easy-to-understand information to the wider public. Through various communication channels, such as seminars, workshops, mass media, and digital platforms, the public needs to be educated about the benefits, risks, and how to participate in CWLS.

The availability of competent human resources (HR) in the field of sharia finance is also an obstacle effective and efficient management of CWLS requires special expertise in sharia law, sharia accounting, investment management and risk management. Therefore, increasing the capacity and understanding of professionals in the Islamic finance sector is very important. The government and related institutions need to organize training, certification and sustainable professional development programs to improve HR competency in this field. Apart from that, cooperation with universities and other educational institutions also needs to be increased to produce graduates who are ready to contribute to the development of CWLS.

Another challenge that is no less important is the absence of an integrated digital system to manage waqf information. In the current digital era, transparency and accountability are the main demands in waqf management. The public needs to have easy access to information

³¹ Rahmah Fitri, "Public Interest in Waqf Is Growing, SWR004 Successfully Achieved the Largest Order Results Throughout the Issuance of Retail Waqf Sukuk" (Central Jakarta, 2023), <https://www.djppr.kemenkeu.go.id/kphasilpenjualanswr004>.

regarding waqf fund management, including CWLS. Therefore, developing a digital system that can provide real-time information regarding the development of waqf projects, financial reports and the resulting social impacts is very important. This system must be able to guarantee transparency, accountability and easy access for all related parties.

Furthermore, implementing CWLS requires strong collaboration between various stakeholders. The government, as a regulator and facilitator, needs to create a legal and regulatory framework that supports the development of CWLS. LKS and BWI, as managers and developers of CWLS funds, need to ensure compliance with sharia principles and good governance. Religious organizations, as strategic partners, need to play a role in outreach and education to the community. The private sector, as a supporter, can contribute to developing infrastructure and technology to support CWLS implementation. The synergy between these various parties will create an ecosystem that is conducive to the growth and sustainability of CWLS.

It is important to note that these challenges are not insurmountable barriers. With the right efforts and commitment from all parties concerned Through massive outreach, increasing human resource capacity, developing digital systems, and close collaboration, CWLS can be a catalyst for sharia economic growth and provide broad benefits for society, especially in financing social projects and sustainable infrastructure development.

CONCLUSION

Cash Waqf Linked Sukuk(CWLS) is an effective sharia financial innovation for managing productive waqf in Indonesia. CWLS not only offers a safe and reliable way for people to donate cash, but also provides broad social benefits through financing infrastructure projects and social services such as education and health. With strong legal support and the use of various sharia contracts, CWLS strengthens the waqf ecosystem in Indonesia and supports sharia financial inclusion. Despite facing challenges such as limited public understanding, the need for qualified human resources, and lack of digital access, CWLS still shows great potential in strengthening the waqf ecosystem and supporting sharia financial inclusion in Indonesia.

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