

THE RESPONSIBILITIES OF THE INDONESIAN WAQF BOARD (BWI) IN HANDLING INDONESIAN WAQF CASH

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ABSTRACT: *This study examines the strategic role of the Indonesian Waqf Board (BWI) in managing and growing productive waqf (Islamic waqf) in Indonesia. It focuses on enhancing governance, developing waqf instruments, and its contribution to community economic empowerment. A textbook research method was used to conduct this research. Twenty international journal articles and several relevant SINTA-accredited national sources were examined. The results show that Indonesian waqf has tremendous potential, particularly in the cash waqf sector, which reached IDR 1.4 trillion in March 2022. However, due to low public education, weak nazhir capacity, and the lack of a technology-based management system, this potential has not been fully utilized. Through guiding, certifying, and supervising nazhir and encouraging productive waqf management through innovative instruments such as Cash Waqf Linked Sukuk (CWLS), BWI plays a vital role in strengthening the national waqf ecosystem. This innovation not only maintains the value of waqf funds but also has social and economic effects for the community by financing education, health, and microeconomic empowerment. This research confirms that synergy between them. Therefore, waqf can function as a sharia economic instrument that not only serves as a form of worship but also contributes to the development and social welfare of the nation.*

Keywords: *Indonesia waqf board (BWI), cash waqf, cash waqf linked sukuk (CWLS), Islamic economy, productive waqf.*

1. INTRODUCTION

Waqf has rapidly developed in Islamic countries, including Malaysia and Indonesia. Malaysia manages waqf through structured state institutions, while Indonesia still faces issues in certification and management. Thus, comparing both systems is essential to support Indonesia's waqf law reform. (Hakimah et al., 2022)

Cash waqf is an innovative Islamic financial instrument that plays a significant role in addressing socio-economic challenges, particularly poverty. Unlike traditional waqf in the form of land or property, cash waqf offers greater flexibility and accessibility for all income levels. Although Indonesia has enormous potential in cash waqf collection, its realization remains limited due to low literacy, lack of trust, and weak managerial professionalism. When managed transparently and productively, cash waqf can serve as a sustainable funding source for education, healthcare, and community empowerment. Therefore, this study aims to review existing literature on how cash waqf contributes to poverty alleviation and social welfare improvement. (Izzah & Soemitra, 2022)

Poverty in Indonesia remains a complex issue despite its vast Muslim population and strong economic potential. *Waqf*, as an Islamic social finance instrument, offers a promising solution for sustainable development and poverty reduction. However, its management has not been fully effective, as most waqf assets are still used for non-productive purposes. This study examines the main problems in productive waqf management at PT Karya Masyarakat Mandiri (KMM) and seeks practical solutions to enhance its effectiveness and social impact. (Hakim & Nawawi, 2024)

Upaya pengentasan kemiskinan dan peningkatan kesejahteraan sosial masih menjadi fokus utama di Indonesia. Sebagai negara dengan penduduk Muslim terbesar, *wakaf* memiliki peran penting dalam memperkuat sistem ekonomi Islam. Jika dikelola secara produktif, *wakaf* dapat berkontribusi pada pemberdayaan masyarakat, pemerataan pendapatan, serta pembangunan berkelanjutan. Namun, pengelolaan wakaf di Indonesia masih banyak dilakukan secara tradisional dan kurang profesional. Karena itu, penelitian ini menekankan pentingnya peningkatan tata kelola wakaf agar potensi ekonomi dan sosialnya dapat dimaksimalkan. (Ghazali & Mamat, 2023)

2. RESEARCH METHODOLOGY

This study employed a qualitative research approach. The primary data sources were twenty articles in international journals discussing waqf management, waqf funds, and the application of sharia principles in Islamic charitable institutions. Furthermore, this study utilized secondary data from SINTA-accredited national journals that discussed the analysis of financial reports and performance of the Indonesian Waqf Board (BWI). The analytical technique employed was descriptive-comparative analysis, which involved reviewing and comparing previous research findings to identify management patterns, problems, and innovations in productive waqf practices. This method was used to highlight similarities and differences between studies, as well as shortcomings. It also ensured that the research findings could provide theoretical and practical contributions to the advancement of sharia economics through waqf instruments in Indonesia.

3. RESULTS AND DISCUSSION

Definition and Legal Basis of Waqf

Waqf, derived from the Arabic word "waqafa," means to stop or retain something forever. Under Islamic law, the term generally refers to the voluntary dedication of certain assets for religious, humanitarian, or social purposes. Waqf is irrevocable and permanent once established. (Susamto et al., 2024) Keeping wealth intact (not exhausted) and utilizing the proceeds continuously for charitable purposes in accordance with Islamic law is known as waqf. (Ghazali & Mamat, 2023) Waqf is an important financial tool that is an essential part of the Islamic economic system. (Nugraha et al., 2022)

In Islamic law, waqf is defined as the retention of ownership of material objects for the purpose of charity or benefit. Scholars differ on the definition of waqf in Islamic jurisprudence books. In some studies, these differences influence the resulting laws. According to the Waqf Law, "Waqf is a legal act by a waqf party who entrusts his wealth to separate and/or hand over a portion of his wealth to be used forever or for a certain

period according to his interests for the purposes of worship and/or public welfare according to sharia." Nadzir, or waqf administrators, are not permitted to directly donate cash. However, the proceeds from waqf management can be utilized. According to Article 5 of the Waqf Law, "Waqf functions to realize the potential and economic benefits of waqf assets for the benefit of worship and to advance public welfare." The purpose of waqf is to provide benefits to assets managed by those entitled to them according to Islamic law.(Sulistiawati et al., 2023)

Waqf means "the ownership and maintenance of certain assets for social use, established with the aim of preventing the use of waqf beyond its intended purpose." However, Abu Bakar Jabir Al-Jazairi defines waqf as the retention of property so that it cannot be inherited, sold, donated, or the proceeds donated to the waqf recipients. From an economic perspective, waqf means transferring funds (or other assets) from the necessities of life to be invested in productive assets so that individuals and groups of recipients can enjoy the future benefits.(Tumirin et al., 2020) the most important legal basis for waqf is found in the Quran and Hadith, namely:

1. Qur'an Surah Al-Baqarah, verse 262, which means:
"Those who spend their wealth in the way of Allah, then do not follow up their giving with reminders of their generosity or cause harm—their reward is with their Lord. On them is no fear, nor shall they grieve."
2. Qur'an Surah Al-Baqarah, verse 267, which means:
"O you who believe! Spend of the good things you have earned and of what We have produced for you from the earth. And do not choose the evil and spend of it, while you do not take it except with a squint. And know that Allah is Rich, Praiseworthy."
3. Qur'an Surah Ali-Imran verse 92, which means:
"You will never achieve perfect grace until you spend some of the wealth you love. And whatever you spend, verily Allah is All-Knowing."
4. Qur'an Surah Al-Hajj verse 77, which means:
"O you who believe! Bow, prostrate, worship your Lord, and do good deeds so that you will be successful." The Qur'an mentions waqf law in general, whereas in the Hadith, there are more specific and general explanations.
5. The hadiths which form the second basis for the shari'a of waqf are the hadiths relating to almsgiving, such as: From Abu Hurairah r.a., Rasulullah SAW said: "When a human (son of Adam) dies, then his deeds are cut off except for three things, namely almsgiving, useful knowledge, and pious children who pray for him." (HR. Muslim).(Vic & Praptono, 2023)

According to Law Number 41 of 2004 on Waqf, waqf is a legal act of the wakif (the party who makes the waqf) to separate and/or handover a part of his property to be used for worship or for general welfare in accordance with sharia for a certain period of time or forever.(Mujahidah, 2024) Based on Law Number 41 of 2004 concerning Waqf, the Indonesian Waqf Board (BWI) is a state institution established to support the development and advancement of waqf in Indonesia. The establishment of BWI is not intended to take over the duties and responsibilities of nazhir (Islamic trustees) in managing existing waqf assets, but rather to serve as a supervisory and supervisory institution for nazhir (Islamic trustees).

In Indonesia, the collection of cash waqf has shown a significant increase in recent years. This is in line with the existence of the Indonesian Waqf Board (BWI) as an official institution with special authority to manage and develop waqf at the national level. One

innovation in cash waqf management that is considered effective is the Cash Waqf Linked Sukuk (CWLS) financing model. CWLS is a sharia-compliant financial instrument that utilizes cash waqf funds managed by BWI and then invests them in government Sukuk (Islamic bonds) issued by the Ministry of Finance through a private placement mechanism. This model not only maintains the integrity of waqf funds but also contributes to financing national development and empowering the community's economy. (Bahri, 2023)

Forms Of Wakaf

Currently, waqf is not only limited to permanent assets such as land, but also includes movable and immovable assets such as intellectual property. Under Indonesia's Law No. 41 of 2004 and Government Regulation No. 42 of 2006, IPRs such as copyrights, patents, and trademarks can serve as waqf assets. This study identifies two main forms of IPR waqf. The first is a full transfer of economic rights from the *wakif* to the *nazir*, who then manages or licenses the IPR and uses the proceeds for social welfare. The second is a temporary waqf conducted through licensing or franchising. In licensing, the *nazir* manages the IPR without paying royalties, while in franchising, the *nazir* operates under the *wakif's* business system. IPR waqf represents a modern form of productive waqf with high economic potential and social benefit. Therefore, more detailed regulations are needed to ensure its effective and sustainable implementation. (Niswah, 2022)

Waqf plays a vital role in promoting social and economic welfare. Beyond religious purposes, it supports education, healthcare, and public infrastructure. In modern contexts, waqf can take the form of productive assets like land and buildings, *cash waqf* for business and social ventures, and financial innovations such as *waqf sukuk*. These forms collectively aim to achieve economic equality and sustainable poverty reduction. (Shehu U.R. Aliyu, 2022) The common forms of waqf in Indonesia are for mosques, Islamic schools, and graves (3M). Rooted in local custom (*'urf*), these practices were later integrated into Islamic law and formalized under Law No. 41 of 2004. Indonesian waqf reflects the blend of religious devotion and the community's spirit of cooperation. (Yumarni et al., 2021)

A widely applied modern form of waqf today is cash waqf, which allows individuals to endow money rather than physical assets. The funds are managed productively by *nazir* through halal investments such as Cash Waqf Linked Sukuk (CWLS). In Indonesia, the Indonesian Waqf Board (BWI) oversees the management and allocates the returns to social, educational, and health programs. In contrast, Malaysia's Waqf Foundation (YWM) operates a more structured system where collection and distribution are tailored to specific goals such as education, healthcare, clean water, and mosque development. Hence, applicable forms of waqf now extend beyond land to include monetary endowments managed professionally for community welfare. (Rafita et al., 2023)

Waqf plays a significant role in empowering Muslim communities, particularly through productive and modern forms of endowment. In Malaysia, the practice has evolved from traditional assets like land and buildings to modern waqf models such as cash waqf, corporate waqf, and educational waqf. Cash waqf funds small businesses, housing, and social programs, while corporate waqf involves collaboration between waqf institutions and private companies to develop high-value assets. With effective management, these

forms of waqf serve as sustainable tools for both economic and social development. (Yani, 2023)

Cash waqf is a contemporary and effective form of waqf for improving the economy and alleviating poverty. Halal investments and instruments such as Cash Waqf Linked Sukuk (CWLS) ensure effective fund management. Cash waqf can improve community welfare through professional and transparent management. According to Izzah and Soemitra (2022), land waqf in Indonesia and Malaysia is based on Islamic law reinforced by government regulations. Malaysia manages waqf more professionally through official institutions, while Indonesia faces legal and management issues. Therefore, Indonesian land waqf law must be amended to increase transparency and effectiveness. Hakimah et al. (2022)

The Role Of The Indonesian Waqf Board (BWI) In Waqf Management

The Indonesian Waqf Board (BWI) is based in Jakarta and, if necessary, can appoint representatives at the provincial, district, or city levels. In the process of appointing representatives, BWI consults with local governments to ensure that the representatives align with the social conditions and needs of the local community. The appointment of 22 Islamic banks as recipients of cash waqf deposits (LKS-PWU), which have experience in managing cash waqf and are supported by a network of service offices located throughout Indonesia, gives the Indonesian Waqf Board (BWI) a great opportunity to optimize and develop the potential of cash waqf revenues in Indonesia.

However, this possibility still faces several obstacles, such as a lack of public awareness of cash waqf instruments and a lack of effective promotion of the waqf mechanism. According to Law No. 41 of 2004 on Waqf, specifically Article 48, the Indonesian Waqf Board functions as an institution responsible for developing and advancing the national waqf. The regulation also states that the Indonesian Waqf Board is an independent institution, autonomous in carrying out its duties and functions without interference from other parties.

However, the management of cash waqf in Indonesia still faces various obstacles. One major problem is the low level of public understanding of the regulations and mechanisms for cash waqf. Historically, public understanding of waqf has been very limited and conventional, often associated with land or buildings used for worship, such as mosques and graves. This view reinforces the assumption that waqf can only be made for immovable property. In line with this, Nadratuzzaman Nosen stated that the majority of Indonesians still hold traditional views of waqf, thus requiring broader education and outreach efforts to help the public understand the concept of productive waqf, including cash waqf. (Fauziah & Hidayati, 2021)

To ensure faster public acceptance of cash waqf, intensive outreach efforts are needed from the authorities, particularly institutions involved in waqf management. This is crucial considering that cash waqf is a relatively new concept in Indonesia, with most people and waqf institutions still lacking a comprehensive understanding of its mechanisms and benefits. To date, land waqf remains the most popular and widely recognized form of waqf among Muslims. This situation has resulted in the public's paradigm regarding waqf remaining traditional and limited to immovable assets.

Therefore, collaboration between various waqf management institutions is necessary to introduce and broaden public understanding of cash waqf as a form of productive waqf.

Furthermore, to maximize the potential of cash waqf, which is still relatively new and unknown, waqf institutions need to develop specific strategies for public outreach and education. This strategy is expected to build public trust in cash waqf management and accelerate its acceptance and implementation within Indonesia's sharia economic system. To increase public awareness of the existence and potential of cash waqf, various strategic steps are needed to introduce this concept to those who are unfamiliar with its benefits. Promotion and socialization efforts for cash waqf can be conducted through several educational and persuasive approaches.

In general, there are three main approaches that can be implemented to support the successful management of cash waqf:

1. A religious approach, emphasizing spiritual values and the promised rewards for the waqif (donor of the waqf), thereby fostering religious motivation for waqf.
2. A social approach, demonstrating the positive impact of cash waqf on improving community welfare, such as economic empowerment, education, and other social activities.
3. A rational or empirical approach, providing concrete evidence and examples of successful productive waqf management, to increase public trust and encourage participation in the cash waqf program. (Surip, 2013)

As an institution officially regulated by Law Number 41 of 2004 concerning Waqf, the Indonesian Waqf Board (BWI) plays a very strategic role in developing waqf potential in Indonesia. As an independent and professional institution, the BWI actively maintains, supervises, and develops the national waqf ecosystem. BWI's main duties include:

1. Providing advice and guidance to nazirs (Islamic trustees),
2. Managing and developing waqf assets both nationally and internationally, and
3. Approving changes in the status and allocation of waqf assets in accordance with applicable laws and regulations.

In addition, BWI also acts as a partner to the government in its capacity as a regulator and facilitator. Through this role, BWI is committed to creating a productive and sustainable waqf ecosystem by improving the managerial skills, accountability, and professionalism of waqf managers. In practice, BWI conducts various training and mentoring programs for nazirs to enhance their capacity in waqf asset management. Examples of productive waqf implementations developed include the use of waqf land for agricultural activities, property rentals, and the development of community-based micro-enterprises. This model is expected to strengthen the role of waqf as an instrument for empowering the community's economy and improving social welfare.

Furthermore, the Indonesian Waqf Board (BWI) also collaborates with Islamic financial institutions to provide financing to waqf-based businesses with potential for profit. This collaboration aims to encourage the creation of productive waqf that not only maintains the value of waqf assets but also provides sustainable economic benefits. Through productive management, waqf can have a significant social impact, including creating new jobs, assisting the poor, and providing scholarships to underprivileged students. Thus, waqf plays a vital role in supporting equitable welfare and improving the quality of life for the community.

However, the implementation of waqf management in Indonesia still faces several structural and social challenges. These include the lack of certification for waqf lands, which can hinder legal and administrative management, and low public awareness of the economic and social potential of waqf. Therefore, intensive efforts are needed in the socialization, education, and administration of waqf to strengthen the foundation of more professional and productive waqf management. (Midu et al., 2024) The Indonesian Waqf Board (BWI) is expected to ensure efficient, transparent, and productive management of waqf assets, ensuring that the results of this management can provide significant benefits to the community in terms of social empowerment, economic growth, and the development of public infrastructure. Through its development function, BWI also plays a strategic role in managing and developing waqf assets.

The Indonesian Waqf Board (BWI) has greater capacity and authority to manage and develop waqf assets than other waqf management institutions. Ideally, BWI should be able to manage large-scale waqf assets professionally and effectively, thus serving as a model for productive waqf management for other waqf institutions under its supervision. However, in reality, the cash waqf funds collected by BWI are not used for this purpose. The waqf tradition has been known since the time of the Prophet Muhammad (peace be upon him), and it continues to be an important instrument in Islamic teachings to promote social welfare and economic empowerment. The BWI arises from the needs of the Indonesian Muslim community, who want to implement waqf teachings in a more structured manner, in accordance with Islamic law and national law. (Andrini, 2023)

As the country with the largest Muslim population in the world, the Indonesian Waqf Board (BWI) has enormous potential for collecting cash waqf. Based on data as of March 2022, the total cash waqf funds collected reached approximately IDR 1.4 trillion, a significant increase compared to the IDR 855 billion collected between 2018 and 2021. This significant potential demonstrates that waqf in Indonesia can play a significant role as an instrument for national development, economic empowerment, and poverty alleviation. With a large Muslim population and growing awareness of Islamic philanthropy, waqf has a strategic opportunity to become a key driver of Sharia-compliant economic growth. Historically, waqf management in Indonesia can be divided into three main periods:

1. The traditional period, when waqf was managed simply and limited to socio-religious functions.
2. The semi-professional period, marked by efforts to improve management and basic regulations related to waqf management.
3. Professional period, where waqf begins to be managed with a modern approach, based on the principles of accountability, transparency and productivity, so that the results can provide a wider economic impact for society. (Hakim & Nawawi, 2024)

4. CONCLUSION

The Indonesian Waqf Board (BWI) is responsible for developing and overseeing waqf management in Indonesia, ensuring its professional and productive operations. Despite the significant potential for waqf funds in Indonesia, which is expected to reach IDR 1.4 trillion by March 2022, waqf fund utilization remains very low due to low waqf

literacy rates, limited nazhir capacity, and a lack of innovation in fund management. By offering coaching and certification programs, BWI strives to maximize this potential, BWI, Islamic financial institutions, the government, and the community must work together to strengthen the waqf ecosystem. With professional management based on maqasid sharia, waqf has the potential to become a strategic instrument in achieving social welfare and sustainable economic growth in Indonesia.

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