

Conference Paper

The Role of Waqf in Social Development

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Abstract

The purpose of this article is to explore waqf in practice by understanding the concept-history-issues of waqf. This study uses secondary data from books, journal, proceedings, and government rules. It was found that waqf could be the effective instrument to support social development. It has a social function for poverty alleviation, encourages entrepreneurship, and improves education. For waqf institution, administration and comprehensive rule are significant for their sustainability.

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1. Introduction

The Waqf has the nature of being an endowment with the benefits obtained indefinitely. This article aims to show the role of waqf in improving the social conditions of the community. This article is divided into 3 parts. First, describes the use of waqf historically. Second, identify issues related to the benefits of waqf for social purposes. Third, is a synthesis of the findings obtained to form waqf structures.

2. Method

To identified issues, this study used secondary data from literature. We describe the concept-history of waqf and the issues of waqf for social function in Indonesia. A clear structure of waqf for social is synthesized from analysis and literature review.

2.1. Concept-history of waqf

Waqf is a form of charitable charity in Islam. Waqf or awqaf (plural) means holding assets and preserving them for certain benefits with certain terms and conditions in use. From an economic standpoint, (Ambrose, Hassan, & Hanafi, 2018) stated that waqf is an

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attempt to divert funds and other resources from consumption needs into investments in the form of productive assets that provide income in the future.

Unlike shadaqa, waqf objects cannot be sold, inherited, or given as gifts. This characteristic by (Mohsin, 2013) termed that waqfs are irrevocability and permanence. Irrevocability means that the waqf object is permanent, cannot be sold, inherited or awarded. Permanence means that the waqf object must be entirely (full), not destroyed and stopped intentionally. However, this provision is not rigid in its application. Waqfs that are temporary are permissible if the benefactor states that the purpose of the waqf is temporary (Kahf, 2014). In this statement, Ambrose et al. (2018) provides an example that waqf can be in the form of shares, bonds, sukuk, and the benefits of these financial instruments on condition that they are consistent with sharia business activities. But if the purpose is unknown or not clearly stated, then according to fiqh, waqf must be reserved for the poor (Kahf, 2014). Then the purpose of waqf must be known with certainty to eliminate doubts about the use of waqfs.

Ambrose et al. (2018) explained that the history of waqf in the form of goods has been widely carried out, since the existence of the Prophet Muhammad who changed the property of Mukhayriq into waqfs to finance defense. Uthman ibn Affan who bought a well as a source of water for all his citizens for free in Medina. During the Umayyad period, the number of waqf properties increased and was used mostly for educational purposes through the construction of schools and libraries, teacher salaries, and scholarships for students. In the Abbasid period, waqfs were used to improve health, education, agriculture, housing, animal preservation, marriage, pharmacy, and new doctor training services. This phenomenon shows that the waqf structure is flexible. During the Ayyubid period, the adoption of waqf grew larger and reached its peak during the Ottoman Empire. Waqf is used for education, fruitfulness, store distribution, city defense, free water, and the creation of job opportunities. Income from waqfs equals one third of total annual income. So it is not surprising that waqf is classified as a treasury fund after tax.

In the mid-19th century, the waqf system began to collapse for three reasons. First, political reasons. France and Russia intervened in the internal politics of the Ottoman Empire and excessive pressure from European banking to change the waqf system from decentralized and autonomous to centralized systems. Centralized Waqf immediately causes the growth of material exploitation and corruption. Second, structural weaknesses in the use of waqf. Waqf is considered not capable enough to adapt to industrialization. Third, cash waqf is more used for consumptive financing so that the profits are small. This loan is classified as a usury transaction.

History shows that waqfs have experienced glory, but due to the lack of wisdom in the distribution of waqf, the waqf collapses. This shows that the use of the waqf system is still possible to be revitalized by taking into account the excess benefits obtained and the sharia provisions.

2.2. Issues of waqf for social function

The application of waqf in Indonesia is still lacking. Educational institutions funded by waqf, one example is Pondok Pesantren Gontor, East Java. Waqf at this lodge has had a significant influence on people's lives from all sides, namely education, economy, social, and culture. The implementation of this waqf makes the people involved become independent and responsible.

Other autonomous institutions that have practiced waqf are Dompot Dhuafa Republika. This institution provides medical services with permanent facilities for the poor for free for 24 hours.

2.3. Cash waqf

Community empowerment is easier to use cash waqf. Cash waqf is easier to process than movable or immovable waqf (such as schools and hospitals). In addition, cash waqf can be done by various groups. A person can do a cash waqf of Rp. 100,000. The Waqf can be collected together and managed productively and responsibly. The number of Muslims in Indonesia is the biggest asset to raise funds and develop waqf funds.

In the cash waqf management system, it is almost similar to waqf of movable goods (Arif, 2012). The nominal value of the money invested must not be reduced and the return on investment is allocated to Nazir (maximum 10%) and public welfare (minimum 90%). At present, Islamic banks partner with Nazhir in the management of waqf funds.

Cash Waqf has a double effect. The explanation is as follows. Investment returns to the community (*mauquf 'alaih*) of 90% are allocated to two sectors, economic and non-economic (social and education). Waqf results for the economic sector are cash funds that can be used for additional modes of increasing productivity. Indirectly increasing productivity will also increase national development.

Whereas the distribution of waqf for the non-economic sector will improve human quality that is able to contribute to national welfare. In addition, other non-economic sector waqf such as consumptive distribution can increase people's purchasing power which has an impact on national spending.

From the description above, cash waqf has a dual effect on the economy that will directly and indirectly affect the improvement of people's welfare. The greater the amount of cash waqf, the greater the opportunity for the Indonesian people to prosperity.

Donna (2007) states that cash waqf can also be used through financial institutions with muamalah transactions. The transaction can be in the form of mudharabah and ijarah. Profits from profit sharing and rent can be used for other productive purposes or consumption of the poor. Mudharabah is a cooperative scheme, one of the parties contributes funds and other parties as the management of waqf funds. Whereas ijarah is the transfer of the benefits of an item within a certain time with rent payment. Waqf funds can be used to facilitate poor communities to have the benefit of productive goods for their daily needs.

2.4. Productive waqf

One example of productive waqf is the waqf in the form of land. In general, land waqf is used for social and worship purposes, such as land used for mosques. Al-hadi (2009) describes that land waqf in the form of a mosque that is not produced will be a burden for the mosque management. Mosque financing needs such as electricity, water, PAM, and maintenance costs cannot be met if you only rely on charity boxes every month. Mosque financing can only be fulfilled around 30-40% of the total needs. As a result, the mosque only functions as a place of worship and the study of children. This condition limits the role of mosques for the benefit of Islam.

Mosques need to be empowered to be able to fulfill their social functions, such as participating in Islamic education, benefiting orphans around, and most importantly being able to pay for operational needs every month. One way is to empower the land in accordance with the Islamic economy, by offering of productive land investments. Waqf land, in addition to mosques, can also be for productive investments such as for Islamic hospitals, Islamic financial institutions, mini markets, or other services. Economic benefits obtained reach 200-300% compared to the initial conditions of land without productivity. The productive waqf land is finally able to provide benefits to the surrounding environment. In addition to being able to pay off monthly operational needs, the proceeds from the land waqf can be used for other indictments, the provision of scholarships, poor compensation, and the provision of small business capital.

3. Conclusion

The application of waqf is one form of individual social responsibility toward society. Waqf potential with the largest Muslim population is a supplementary source of income other than tax. Waqf could be in the form of cash, movable goods, or immovable. Both require professionalism in its management so that it can have an impact on community welfare and national development.

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