

# Optimization of Cash Waqf Development Through Sharia Life Insurance

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## Abstract

Waqf is an Islamic social finance which is quite different in character from other Islamic social finance such as Zakat and infaq. Zakat has a consumable nature and its distribution is limited to 8 asnaf (Fakir, poor, amil, ghorim, Muallaf, fi sabilillah, Ibnushabil&Riqab). Meanwhile, waqf has a sustainable nature and its utilization is more extensive. Waqf assets need to be managed first and the results of their management are distributed to Mauqufalaih which are broader in nature according to needs. Waqf is not defined by unproductive assets only, but also productive ones. Indonesia has a great amount of unproductive waqf land. To make it productive, cash waqf is needed because in Indonesia waqf land cannot be used as collateral. One of the waqf products that is currently widely socialized is waqf through the benefits of sharia insurance. Waqf from sharia insurance is believed to play roles in raising the fund resources of cash waqf. A significant waqf fund number is needed in order to optimize and build the land to fulfill the main goal of waqf, which is to give back the ownership of an asset to Allah Almighty through an institution to for the sake of *ummah*. In Indonesia, the potential of waqf as strong tool to expand the sharia economics is believed to be high, with the majority of Muslims as many as 87% of the total population. Indonesia Waqf Board (BWI) stated that cash waqf could reach 180 trillion Rupiahs annually, although in fact, it only went up to 1,4 trillion so far. **The aim** of this article is to review further about cash waqf through sharia insurance in cash waqf and to find the methods of developing productive waqf through the benefits of sharia life insurance.

**Keywords:** Optimization, Development, Cash Waqf, Productive Waqf, Sharia Life Insurance

## Introduction

Waqf is defined as giving the ownership of our properties back to Allah Almighty for the sake of *ummah* / community. The value of waqf is not allowed to decrease, be sold or inherited (Junaidi & Asyur, 2005; Mubarak, 2008). Waqf is one of special deeds which differs it from other kind of deeds such as prayers (*shalat*), *zakat*, fasting, pilgrimage (*hajj*). While other deeds' rewards (*pahala*) is cut after a person dies, waqf's reward is continuous. This

makes it similar to the concept of 'passive income' in our daily life (Maskur & Gunawan, 2018). In a *hadith* from Abu Hurairah, Rasulullah SAW said:

إِذَا مَاتَ الْإِنْسَانُ انْقَطَعَ عَمَلُهُ إِلَّا مِنْ ثَلَاثَةٍ مِنْ صَدَقَةٍ جَارِيَةٍ وَعِلْمٍ  
يُنْتَفَعُ بِهِ وَوَلَدٍ صَالِحٍ يَدْعُو لَهُ

meaning, "When a person dies, all his deeds are cut off, except for three things: *shadaqahjariyah*, useful knowledge and pious children who pray for him." (HR.Muslim)Ulamas interpret the term *shadaqahjariyah* in the *hadith* as waqf.

Most Indonesians acknowledge waqf in the form of land or buildings such as mosque, grave, and school (*madrassa*). This builds a stigma that waqf can only be done by a wealthy person since it has to be either land or mosque (Hasanah & Susetyo, 2020; Purkon, 2022). This concept needs to be changed and updated in order for waqf to be expanded vastly. Indonesia has a great amount of unproductive waqf land scattered in about 339.462 locations with a total of 52.926,20 hectare based on qaqf information system by Indonesian's ministry of religion affairs (Ministry of Religion Affairs Indonesia, 2021).Based on Indonesian Waqf Board or also known as Badan Wakaf Indonesia (BWI), waqf potential in Indonesia is about 180 trillion annually but per March 2022, the accumulations reached 1,4 trillion from cash waqf and even the amount increased 855 billion from 2018-2022 (Indonesian Waqf Board, 2021). It such a huge number of potential source but still can't be optimilize due to many factors such as lack of citizen's awareness and literacy level about cash waqf.

Despite the great numbers, they are mostly unproductive. Indonesia as one of countries which has a significant Muslim population and it is about 229,6 million or 87% of total population, has an opportunity to help the sharia economics growth by doing waqf. A growing Muslim majority and the principle of waqf forms a solid foundation for Indonesia's journey towards sustainable development and societal prosperity, further promoting Islamic identity and its role in the global community (Ahmad et al., 2019; Astuti, 2020).

Government law no. 41 year 2004 about waqf positively affects the development of waqf in Indonesia is one of the specific regulation about waqf (Anshori, 2005). But the attempt to optimize and facilitate the waqf crowdfunding also needs help from a lot of aspects, including offering various options of waqf products such as cash waqf, waqf through *sukuk* link, and waqf through sharia life insurance (Aufa et al., 2023). Nowadays, cash waqf has been campaigned even by Indonesian president. This idea is promoted due to the importance of funding in order to build and optimize the unproductive waqf land (Presiden Republik Indonesia, 2021). Besides, cash waqf gives a great potential to help a country's economics status and also give a lot of small businesses an opportunity to expand by giving venture capital. A professionally managed waqf properties has a significant impact to help the growth of sharia economics in Indonesia.

Waqf through sharia insurance has been regulated under *fatwa* made by The National Sharia Council of the Indonesian Ulama Council (DSN MUI) No. 106 year 2016 about waqf through insurance's benefits and investments' benefits of sharia life insurance (Indonesian Ulama Council, 2016). These products are more convenient in helping people to do waqf. There are 2 kinds of waqf products offered by sharia life insurance, which are waqf testament and investment waqf (Ibrahim et al., 2021; Faolina, 2019). The waqf properties in sharia life insurance will then be distributed to organizations which have been chosen by the insurance companies to manage the waqf properties which managed by the waqf property management institution is usually called Nazhir (Faisal, 2021).

The various ways of doing waqf through sharia life insurance provide smart solutions to support the development of cash waqf in Indonesia. Thus, a study is important to be conducted in order to prove the positive impact of waqf through sharia life insurance and also to provide more information to people how effective, optimal and fair for heirs to do waqf through sharia insurance's product. Waqif (people who donate waqf) do not only think of waqf for *'amal jariah* for themselves but also prepare a portion for heirs, in accordance with the MUI fatwa that a maximum of 45% may be donated and the remaining 55% will still be returned to the heirs (Indonesian Ulama Council, 2016). It is hoped that this waqf product will not only be an alternative waqf instrument, but also make a significant contribution to waqf fundraising in Indonesia. However, socialization and literacy needs to be held for the community so they can understand and understand the potential and benefits of this waqf product. To optimize the results, synergy and collaboration are needed which are built by all stake holders.

## **Literature Review**

### **Cash Waqf**

Cash waqf is defined as waqf conducted by an individual, a group of people, organizations, or legal entities in forms of cash or valuable securities. It is considered as a new kind of waqf. Even though the idea is still debatable, it is generally accepted and based on Islamic law, it is considered *jawaz* (acceptable). In Indonesia, cash waqf has already been validated by Indonesian Ulama Council (MUI) in their *fatwa* on 11<sup>th</sup> May 2002. Cash waqf is only allowed to be distributed and used for things in *syar'iways*. The main value of it has to be preserved carefully, and is not allowed to be sold or inherited (Mozammel et al., 2018; Khusaeri, 2015).

Another opinion says, in Islam simply waqf is defined as holding property and limiting its use to be managed and used for the benefit of a good purpose. Therefore, the power over waqf assets is no longer owned by the person who has donated his property for waqf (Aldeen et al., 2020). In Law No. 41 of 2004 it is explained that waqf is a legal act of wakif to separate and/or hand over some of his property to be used during or for a certain period of time in accordance with the interests for the purposes of worship and/or public welfare according to sharia (Indonesian Ulama Council, 2016).

Some fiqh scholars have different definitions of waqf. According to the Hanafiyah scholars, waqf is holding the material belongings of the wakif (the person who donates it) and donating its benefits to whoever it wants for benevolent purposes. According to Malikiyah scholars, waqf is making the benefits of an asset owned to be given to people who are entitled to a contract (*sigat*) within a certain period of time according to the wishes of the waqif. Meanwhile, according to Syafi'iyah interpreting waqf is holding assets that can provide benefits and eternal material objects by severing the management rights owned by wakif to be handed over to nazhir which is permitted by sharia (Abdullah, 2018). Another definition expressed by SiahKhosyia'ah that waqf is holding assets that can be utilized by maintaining the principal assets and distributing the benefits to those who are allowed to receive them (Khosyi'ah, 2010).

### **Sharia Life Insurance**

The contract's principle in sharia insurance is *takafuli* (mutual help) which is suitable what Allah Almighty stated in Qur'an *surah Al-Maida* verse 2, meaning "*And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah; indeed,*

*Allah is severe in penalty.*” Aside from creating general welfare, insurance could also give comfort and safety for the whole family because the unpredictable future risks and dangers like disasters, accidents, fire, or death, are already calculated and minimized. This also suits the Qur’an *surah Al-Imran* verse 145 where Allah Almighty said “*And it is not [possible] for one to die except by permission of Allah at a decree determined.*” The verse explains that there is no one in this world knows what the future will be except for Allah Almighty, but we have to prepare and make efforts for it (Jairin, 2020).

One of the waqf products currently being socialized is waqf through sharia insurance. Waqf through sharia insurance can be said to be a light, modern and optimal waqf product. It's light because the contribution can be adjusted according to the financial condition of the wakif. Optimal because with a relatively small nominal tabarrucontribution, it allows a waqf to be larger than the amount of the contribution. The amount of tabarru' dues is influenced by several factors such as age and duration of payment of contributions as well as health conditions to calculate risk factors or another factors such as contribution income (Ramadhani et al., 2023; Zuhadi et al., 2023)

Cash waqf through sharia insurance investment does not focus on the nominal amount but prioritizes routine payments, so that it will have a positive impact and become one of the good habits. Waqf through this sharia insurance program, the filing requirements are slightly different from filing life insurance in general. The administrative requirements for submitting life insurance in general are those who sign the application form the insured and the policyholder only. Submission of sharia life insurance for waqf is completed with a wa'ad form (wa'ad pledge) and the heirs also need to sign the waqf/wa'ad pledge approval form. This is to avoid problems and disputes in the future, because the heirs already know that their parents, in this case as waqif, have donated part of the sum insured from the benefits of their sharia insurance(Az-Zahra, 2019).

With the existence of waqf products through sharia insurance, this adds to the variety of choices in waqf and makes it easier for the public to waqf in the form of good benefits from insurance products and investments in sharia insurance (Alam & Hidayati, 2020). The collection of waqf funds through sharia insurance is expected to be able to contribute significantly to participating in the development of productive waqf so that in the future it can become a strengthening of the sharia economy, one of which is overcoming socio-economic challenges in Indonesia.

## Discussion

Tabarru' contributions in this case are like cost of insurance (COI) Waqf through sharia insurance can be said to be modern because apart from waqf at the same time it also provides inheritance for the family, or if when it turns out that the wakif dies there is still a debt, then part of the sum insured can be used to pay off the debt. Thus the wakif does not burden the family he leaves behind. As in the word of Allah, Quran, An Nissa verse 9.



Which means, "And let fear Allah those who, if they leave behind them weak children, they are worried about their (welfare). Therefore, let them fear Allah and let them say the right words” (QS. An-Nisa: 9).

Two waqf options are prepared through sharia insurance products, the first is waqf. Waqf will is a waqf plan by legally bequeathing a portion of asset ownership in this case in the form of sum insurance as stated earlier with a maximum of 45% of the sum insured. The second is waqf from investments, namely waqf that uses investment funds paid by the wakif to the insurance company every time the wakif makes a contribution/premium or tabarru payment (Ahmed et al., 2016; Faolina, 2019).

The trend of Islamic insurance is developing quite well and rapidly in Indonesia, previous studies have shown that the number of owners of sharia life insurance has reached. If provider can properly maximize the potential of this trend, including increasing the number of wakif and crowdfunding, then greater benefits will be created for the ummah, especially for mauqfalah.

Sharia insurance is the right choice in optimizing cash waqf and its development. The sum insured from Islamic insurance has several types ranging from small to large, but the great thing is, usually the sum insured is greater even though the contribution paid is small. The benefits received from Islamic insurance are fairly fair. Given the MUI fatwa which states that the maximum amount of contributions that can be used as cash waqf is 45% and the remaining 55% belongs to the heirs. This can also lighten the burden on the heirs if the wakif who pays the premium has debts to other parties and can be more beneficial if the wakif has no debts because the remaining contributions from the wakif will belong to the heirs.

This can be done by persuading customers to donate or use cash waqf products with the aim of always protecting the family and after life protection because no one knows when the customer will leave and leave the family. Therefore, sharia insurance needs to prepare innovative products for customers so they can contribute more to the development of productive waqf in Indonesia, one of which is cash waqf through sharia life insurance.

Customers are also expected to be able to contribute more to the development of this productive waqf with the various benefits mentioned above, one of which is after life protection where the best charity is when someone dies but what has been donated is still useful for those living in the world and protection for families left behind when something unexpected comes.

As mentioned above, The potential for cash waqf in Indonesia is very high and is even estimated to reach 180 trillion per year, but in reality the income and waqf collected is still low. To increase the acquisition of waqf fundraising, cash waqf products are needed that can be an option and make it easier for people to donate. Due to the huge potential of cash waqf through sharia insurance life, The lack of knowledge and literations has become one of the factors which plays role in the lack of waqf expansion in Indonesia. Waqf in Indonesians' community is still limited to mosque, grave, and school (*madrassa*).

## **Conclusions**

The potential of cash waqfin Indonesia is huge. This is supported by the Muslim population in Indonesia reaching 87% so that it can be said that Indonesia is one of the biggest Muslim population in the world. Besides, according to the 2020 population census, productive age in Indonesia reaches 70%, meaning that Indonesia has a demographic bonus. But in fact, the collection and the development of cash waqf in Indonesia is still low. According to several previous studies, there are several obstacles, including low literacy and lack of outreach regarding waqf. In addition, innovative and optimal products are needed so that people can have more variety of waqf instruments. One of the waqf products currently being actively introduced is waqf using the benefits of sharia insurance. In accordance with the MUI fatwa

that a maximum of 45% of the sum insured can be donated and the remaining 55% remains the right of the heirs. Thus, in addition to being able to give waqf, wakif (people who do waqf) still provide benefits for the family left behind. This is in accordance with Surah AnNisa verse 9.

Apart from insurance benefits (sum insured), waqif can also use waqf and periodic investment from regular premium payments. It is hoped that waqf through the benefits of sharia insurance can contribute significantly to the development of cash waqf in Indonesia. Nevertheless, massive socialization is needed, synergy and stakeholder collaboration is needed so that people are more familiar with the existence of other instruments in waqf so that it makes it easier for people who want to give waqf optimally both for waqif and for families.

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