



The Evaluation of Cash Waqf Linked Sukuk (CWLS) Retail Implementation and Its Potential Effects on Socioeconomic Development

Parakende Para Vakfına Bağlı Sukuk Uygulamasının Değerlendirilmesi ve Sosyoekonomik Kalkınma Üzerindeki Potansiyel Etkileri

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ABSTRACT

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Purpose - The study aims to evaluate the potential of the CWLS Retail instrument to promote socioeconomic development in Indonesia in the Islamic social finance system.

Methodology - Qualitative descriptive approaches are used in this study to investigate government papers, scientific publications on the subject, and the outcomes of previous studies.

Findings - Indonesia expands its Islamic finance investor base, particularly among the millennial generation (Gen-Y), CWLS. Indonesia's commitment to advancing the National Waqf Movement, encouraging social investment, and growing productive waqf in Indonesia is demonstrated by the issuance of CWLS Retail. It was found that CWLS had a significant impact on the socioeconomic development of Indonesia.

Conclusion - Indonesia needs to expand its investor base and promote CWLS Retail product innovation, considering divergent opinions among scholars. CWLS Retail innovation can be further developed using various models to adjust a region's or country's social and economic structure.

Keywords: Islamic Finance, Sukuk, Cash Waqf, CWLS Retail, Sukuk Innovation

JEL Codes: A13, G10, G23

ÖZ

Amaç - Bu çalışma, İslami sosyal finans sisteminde Endonezya'da sosyoekonomik kalkınmayı teşvik etmek için CWLS Perakende aracının potansiyelini değerlendirmeyi amaçlamaktadır.

Yöntem - Bu çalışmada kamu kuruluşlarının yayınladıkları belgeleri, konuyla ilgili bilimsel makaleleri, raporları ve önceki çalışmaların sonuçlarını analiz etmek için tanımlayıcı nitel yöntem kullanılmıştır.

Bulgular - Endonezya, İslami finans yatırımcı tabanını, özellikle de Y kuşağı arasında CWLS ile genişletmektedir. Endonezya'nın Ulusal Vakıf Hareketini ilerletme, sosyal yatırımı teşvik etme ve Endonezya'da üretken vakfı geliştirme konusundaki kararlılığı, CWLS Perakende ihracı ile gösterilmiştir. Çalışmada, CWLS'nin Endonezya'nın sosyoekonomik kalkınmasında önemli bir etkisi olduğu tespit edilmiştir.

Sonuç - Endonezya'nın yatırımcı tabanını genişletmesi ve akademisyenler arasındaki farklı görüşleri de dikkate alarak CWLS Perakende ürün inovasyonunu teşvik etmesi gerekmektedir. CWLS Perakende inovasyonu, bir bölgenin veya ülkenin sosyal ve ekonomik yapısına uyum sağlamak için çeşitli modeller kullanılarak daha da geliştirilebilecektir.

Anahtar Kelimeler: İslami Finans, Sukuk, Para Vakfı, Parakende CWLS, Sukuk İnovasyonu

JEL Kodları: A13, G10, G23

1. INTRODUCTION

Sukuk is an Arabic word that translates as "صكوك", sukuk derives etymologically from the word Sakk "صك" which means document or certificate. Sukuks are shariah-compliant long-term securities issued by issuers to sukuk holders and require issuers to pay sukuk holders in the form of profit-sharing/margin/costs and repay sukuk funds upon maturity (Fasa, 2017). However, the term "Islamic bond market" does not adequately describe the highly complex financing arrangement based on the fundamental, doctrine-based principles that govern the design of the sukuk instrument (Ariff et al., 2012).

Most Sukuk are issued by Islamic countries' sovereign (State) and quasi-sovereign (Company) issuers. The emerging Islamic securitisation market has experienced significant advancements in the last two decades. These progressions can be attributed to the implementation of supportive capital market regulations, a favourable overall economic climate, and innovative financial solutions designed to adhere to Shariah principles. Among the various types of Islamic finance, Sukuk products stand out as one of the primary options, alongside synthetic loans, lease-back sales, and profit-sharing arrangements. Nevertheless, there is a pressing need for immediate structural changes to accommodate the growing interest in Islamic securitisation. These changes will enhance the Sukuk model further and create structured Islamic financial products that can offer returns comparable to traditional investments (Jobst, 2007).

The Indonesian Government's policy of expansive spending is carried out by prioritising productive spending in the infrastructure, education, and health sectors. Government spending provides a stimulus for the economy and/but cannot be fully met from state revenues (Taxes, Customs, PNB, and Grants). The consequence of the more negligible difference between state revenues and expenditures is the state budget deficit. Five international rating agencies have assigned Indonesia's debt an investment-grade or investment-grade rating¹. This demonstrates the international community's confidence in the Indonesian economy in the face of global economic uncertainty (Bank Indonesia, 2020).

Indonesia has also succeeded in issuing Green Sukuk in the international and domestic markets through the issuance of State Shariah Securities (SBSN). Indonesia is now the world's first green sukuk issuer, having received eight international awards for green sukuk and 36 international awards for state sukuk management from international institutions (SMI, 2018). Green Sukuk is a novel debt instrument that allows the government to raise money for sustainable development projects. The Green Sukuk will be used exclusively to finance green infrastructure projects (Ramadhan & Wirdayaningsih, 2020).

The Indonesian government is trying to find alternative financing solutions for the budget deficit, one of which is by issuing various debt instruments. In this case, sukuk is one of the possible Islamic financial instruments to be issued. Recently the Indonesian government issued Cash Waqf Linked Sukuk (CWLS) Retail (SWR002), hoping that the collected funds can be distributed and enjoyed directly to activities and the social sector without reducing the principal deposited. The Ministry of Finance and the Indonesian Waqf Board collaborate and formulate a strategy for raising these funds through Cash Waqf innovation Linked Sukuk retail. While waqf has enormous potential in Indonesia, it has not been managed and utilised optimally. Between 2011 and 2018, waqf realisation reached only 255 billion, although many people engage in social activities and utilise the funds. Indonesia's government continues to improve services and infrastructure to increase the number of CWLS Retail publicly accessible.

Cash Waqf Linked Sukuk (CWLS) is a financial instrument that bridges the principles of Islamic finance with philanthropy, presenting an innovative avenue for socioeconomic development within the Islamic financial ecosystem. CWLS represents a unique convergence of two fundamental concepts: Sukuk and cash waqf.

1. Sukuk: Sukuk are Islamic financial instruments that adhere to Sharia principles. They are similar to conventional bonds but are asset-backed, ensuring compliance with Islamic finance tenets. Sukuk issuances have become an ethical and Sharia-compliant investment option in global finance.
2. Cash Waqf: Waqf, in Islamic tradition, denotes endowments or charitable contributions dedicated to religious, educational, or social causes. Cash waqf is a modern manifestation where liquid assets, such as money, are set aside to generate sustainable returns for charitable purposes.

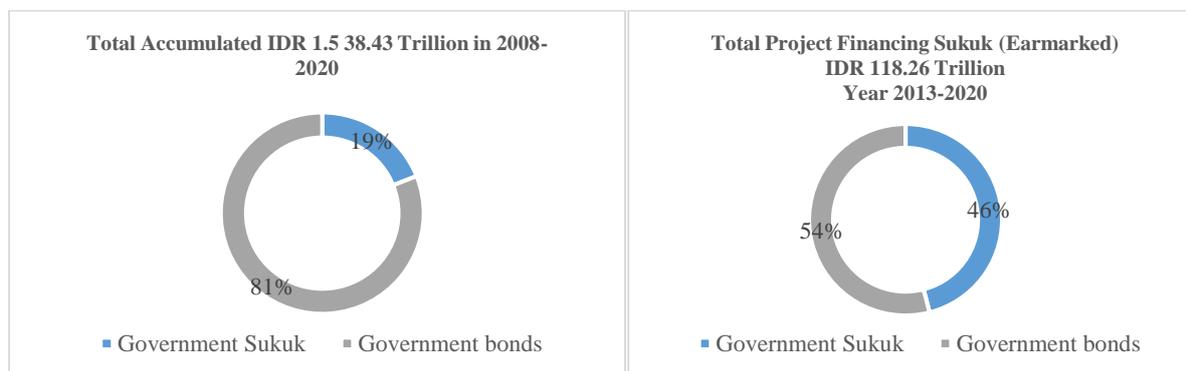
¹ Standard & Poor's, Moody's, Fitch, Rating and Investment and Japan Credit Rating Agency.

Incorporating public private partnership (PPP) models within this context underscores the collaborative aspect of CWLS initiatives. PPPs involve the partnership between public and private entities to provide public services or develop infrastructure. In the case of CWLS, integrating PPP models emphasises the potential role of government authorities and private sector organisations in nurturing the growth and effectiveness of CWLS programs. It highlights the need for a shared commitment to realise financial returns and societal benefits. This aligns with the overarching objective of CWLS, which is to channel financial resources into socially impactful ventures while adhering to Islamic financial principles.

Furthermore, referencing State-Society Synergy models within the introduction sheds light on the evolving dynamic between the state and civil society in establishing and governance CWLS programs. State-society synergy models emphasise collaborative efforts between government bodies and non-governmental organisations (NGOs) or civil society groups to address socioeconomic challenges. In the context of CWLS, this model accentuates the significance of a cooperative governance framework involving the government, charitable organisations, and the broader society. Such synergy ensures that CWLS initiatives effectively target societal needs and are guided by ethical and social considerations inherent in the principles of cash waqf.

According to the Ministry of Finance to State Sukuk contributed Rp. 1,538.43 trillion to the total accumulation of SBSN issuance from 2008 to October 2020, with Government Bond (SUN) accounting for 81 % and State Sukuk accounting for 19 %. Meanwhile, as of October 1, 2020, the outstanding State Sharia Securities (SBSN) totaled Rp.931.33 trillion, or 30% of the total, while the total financing for Sukuk (Earmarked) projects from 2013 to 2020 totaled Rp.118.26 trillion (46 %). The Retail CWLS series SWR001 is one of the instruments used. The issuance of the CWLS Retail series SWR001 demonstrates the government's commitment to advancing the National Waqf Movement, promoting social investment, and fostering the development of productive waqf in Indonesia (KEMENKEU, 2021)².

Figure 1: Role of Sukuk Negara (Government Sukuk)



Source: Ministry of Finance (KEMENKEU, 2021)

CWLS³ is currently issuing its second round of sukuk, the CWLS SWR002 series. As of 7 June 2021, the total value of SWR002 purchase orders is IDR 24,141 billion. This amount represents a 62% increase over the previous SWR001 series, which totaled Rp14,902 billion. SWR002 is the first CWLS series to be available for individual waqf online. This series sold 591 Wakif⁴ in Indonesia's provinces, with details on 588

² The footnote "Ministry of Finance, Republic of Indonesia (KEMENKEU)" refers to the government department overseeing financial matters and fiscal policies in Indonesia. It is crucial in economic policy formulation, budget planning, taxation, and overall financial management. KEMENKEU ensures efficient resource allocation, revenue collection, and spending control in line with government goals. Financial documents have been cited to attribute financial decisions to this entity, ensuring transparency and accountability in Indonesia's public finances.

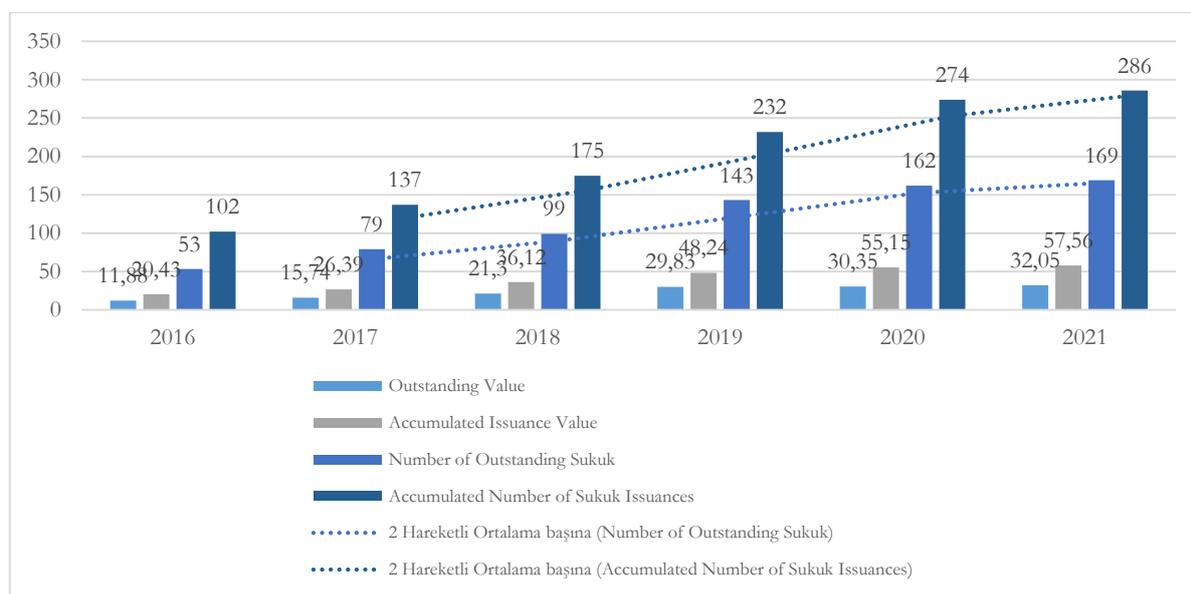
³ *Cash Waqf Linked Sukuk (CWLS) Retail are cash waqf investments in State Sukuk, the proceeds of which are distributed by Nazhir (waqf funds and activities) to fund social programs aimed at economic empowerment CWLS Retail. is managed according to Sharia principles, is free of usury (Riba), Gharar (obscurity), and Maysir (gambling), and has obtained a Sharia conformity statement from the National Sharia Council No.B-578/DSN-MUI/IX/2020 on 29 September 2020.*

⁴ A "wakif" is an individual or entity in Islamic tradition who initiates or establishes a waqf. In Islamic law, a waqf refers to an endowment or charitable trust. The wakif is the person or entity that donates specific assets, such as property, money, or other resources, with the intention that the assets are dedicated to a charitable or religious purpose. Once the waqf is established, the assets become permanently dedicated to the designated cause, and the wakif relinquishes ownership and control over them. The

individual wakif and three institutional wakif (KEMENKEU, 2021). In Indonesia, complete asset transfers are prohibited, but beneficial ownership transfers are permitted for the state-owned property.

Indonesia is listed as number 3 of the top 10 holdings of global sukuk with an order of 3.1%, and Indonesia accounts for 13.5% of global sukuk (Equivalents, 2021). Indonesia has implemented project-based Sukuk through the Ministry of Finance; more than 3,000 infrastructure projects worth up to Rp118 trillion (~7.5 million in USD) have been built using project-based Sukuk. Indonesia has developed State Sharia Securities (SBSN) since 2008; the total currently stands at Rp. 1,500 trillion. As indicated previously, underlying assets play a significant role in the issuance of sukuk. All subsequent construction arising from the Sukuk issuance is contingent upon the determination of the underlying asset. The beneficial owner of the underlying asset is the holder (Pratama et al., 2020). Indonesia continues to grow its investor base of sharia-compliant instruments via retail state sukuk, including the millennial generation. CWLS becomes an attractive instrument for millennials as a result of this ease of access. Generation X controls 44.96 % of the new individual waqif or up to 265 wakif with a total nominal value of Rp. 8.64 billion, followed by Generation Y, controls 37.69 percent or 217 wakif with a total nominal value of Rp. 3.53 billion (KEMENKEU, 2021).

Figure 2: Corporate Sukuk Development



Source: (KEMENKEU, 2021)

Additionally, CWLS is an effort by the Indonesian government to promote Islamic banking diversification by optimising Islamic banking's role as a Sharia Financial Institution for Cash Waqf Recipients (LKSPWU). The existence of CWLS enables waqf to invest their cash waqf more easily in safe and productive investment instruments (DJPPR, 2020). As a Nazhir⁵, the Indonesian Waqf Agency (BWI) distributes investment returns to benefit the local economy. Among the projects are the renovation and purchase of medical devices for the Achmad Wardi Hospital's retina center, the provision of free cataract surgery to the underprivileged with a target of 2,500 patients, and the procurement of ambulances (BWI, 2021). BWI is a sponsor of this CWLS publication. To uphold its core values, the government is present as a demonstration of its commitment and involvement in the development of waqf in its broadest sense and sharia economy in its broadest sense because Nazhir will gain an easy and competitive alternative with this instrument. Returns with a low-risk profile, if not zero risks.

income or benefits generated by the waqf's assets are typically used to support various charitable, religious, educational, or social endeavors specified by the wakif when creating the waqf.

⁵ In the context of waqf, a "Nazhir" refers to the individual or entity responsible for the administration, management, and oversight of a waqf property or endowment. The Nazhir plays a vital role in ensuring that the waqf assets are utilized for the intended charitable or religious purposes and that they are well-maintained. They are entrusted with the duty to safeguard and manage the waqf assets in accordance with the stipulated terms and conditions set by the waqif (the person who donates or establishes the waqf).

The nexus between socioeconomic development and adherence to Islamic ethical principles is a salient topic meriting in-depth scholarly scrutiny. This paper investigates the impact of Cash Waqf Linked Sukuk (CWLS) in the retail sector on the multifaceted dimensions of socioeconomic development within the Indonesian context.

To achieve this research objective, the subsequent sections of this paper are meticulously structured. They unfold in the following sequence: methodology, which delineates the research approach and analytical tools employed; the literature review, which contextualises CWLS retail within the broader framework of Islamic finance, philanthropy, and socioeconomic development; the development of waqf in Indonesia, which provides historical and contemporary insights into waqf practices within the nation; findings and discussion, wherein empirical results and their implications are scrutinised; and lastly, the conclusion, which consolidates the research findings, underscores their significance and outlines potential avenues for future research endeavours.

This structured approach provides a systematic and rigorous exploration of CWLS retail's ramifications on socioeconomic development in Indonesia, aligning with the paper's overarching research goal.

2. METHODOLOGY

Qualitative descriptive approaches are used in this study to investigate government papers, scientific publications on the subject, and the outcomes of previous studies. This is applied to investigate the feasibility of implementing Cash Waqf Linked Sukuk in the retail sector. Data and obstacles from previous study results are analysed to get a consistent thread. A systematic problem formulation is used to seek solutions to examine the various influencing factors of the CWLS Retail implementation. The study aims to see how effectively CWLS Retail Instrument can promote economic growth in Indonesia in the Islamic social finance system. In pursuing a comprehensive understanding of the research objectives, this study adopts a methodological framework rooted in qualitative descriptive approaches. These approaches serve as the cornerstone of this investigation, enabling an in-depth exploration of a diverse range of information sources. The primary aim is to scrutinise and derive insights from various materials, including government documents, pertinent scientific publications, and the outcomes of prior research endeavours. This method was chosen because it can help with a more thorough assessment of whether or not Cash Waqf Linked Sukuk can be used in the retail sector (CWLS Retail).

The research process encompasses a systematic and structured examination of the data gathered from these diverse sources. Through systematically analysing these materials, the study seeks to distil recurring themes and patterns, offering a cohesive narrative that contributes to the overarching research goals.

Furthermore, this research methodology incorporates a rigorous problem formulation approach to explore potential solutions and remedies methodically. By engaging in this problem-solving framework, the study aims to dissect the intricate and multifaceted factors that influence the implementation of CWLS Retail. This analytical rigour encompasses a holistic examination of the broader contextual landscape within which CWLS Retail operates, encompassing regulatory, economic, and social dimensions.

The main goal of this study is to fully assess how well the CWLS Retail Instrument works to promote economic growth within Indonesia's Islamic social finance framework. This study uses qualitative descriptive methods and systematic problem-solving to give helpful information about the pros and cons of implementing CWLS Retail. By doing so, it contributes significantly to advancing scholarly understanding in the domain of Islamic finance within the Indonesian context.

3. LITERATURE REVIEW

The distinction between sukuk and bonds is based on the nature or purpose of the funds and the sukuk structure. Assets generate income in the case of sukuk. In contrast to conventional bonds, which banks issue, Sukuk is issued by asset sellers. The return on sukuk is the expected return, whereas the return on bonds is predetermined. Additionally, the holder of sukuk is considered the asset owner, whereas the holder of conventional bonds is considered the creditor. Concerning risk management, the primary risk in the case of sukuk is in the assets it owns, whereas the primary risk in the case of bonds is with the bond issuer. Sukuk

holders may be impacted by the costs of their assets, with higher fees resulting in lower investor profits (Ud Din, 2016).

Sukuk certificates perform the close functions as bonds and conventional securities in injecting liquidity into government and corporate reserves, mobilising market resources, and providing investors and sukuk holders with a steady income stream. There are, however, distinctions between bonds payable and sukuk. Among these, the most significant is that they rely on contracts to support financial commitments between investors and issuers to manufacture sukuk. In the event of a default on an asset-backed sukuk, investors retain most of their investment because they own an undivided share of the sukuk (Ahmed et al., 2020).

Although there are differences of opinion on waqf sukuk, based on (Negasi et al., 2018), one of the prominent view is that which allows cash waqf. He argues that practicing sukuk waqf to finance waqf projects is permissible under Sharia. Because it can be said that the issuance of sukuk waqf is allowed because it is a method of application or an extension of the practice of cash waqf. Based on this opinion, it is permissible to trade waqf sukuk in the secondary market provided that the documents written on the waqf sukuk must have the same value as those issued by state institutions or their representatives be traded and recovered under the Waqf contract.

Sukuk investing has historically been favoured by those who adhere to the Islamic financial system. As a result, the target market must be established. Sukuk have demonstrated their viability as a means of raising medium- and long-term capital from a large investor base. Sukuk's marketability in the secondary market adds to its appeal. Although less prevalent than al-Ijarah sukuk, other types of sukuk are critical in emerging markets because they enable issuers and investors to participate in significant projects such as airports, bridges, and power plants (Onagun, 2016).

Generally, the secondary sukuk Market is less attractive due to the scarcity of sukuk supply, the culture of holding back to maturity, lack of Shariah standardisation, inadequate trading platforms, low ratings of sukuk and listed securities, lack of previous sales of sukuk to retail investors, and lack of sizeable Islamic banking institutions and global. Issuance of sukuk like this will hamper the growth of the secondary sukuk market, thereby limiting the potential for sukuk profits to grow further (Musari, 2016). Although another monumental fatwa was issued by the Shariah board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the leading accounting and auditing authority for the Islamic finance industry, this fatwa approves standards for sukuk, including bond structure and securitisation (Mcmillen, 2008).

The Indonesian Ulama Council (MUI) issued a fatwa stating that cash waqf is permissible because it can only be distributed and used for permissible purposes as defined by shar'i and is guaranteed mandatory. This MUI fatwa is compiled and based on the Qur'an, Hadith, and the opinions of the Ulama. Another reason cash waqf is allowed is that it has become a commodity and has become something that can be traded through banking. Therefore, cash waqf has the same position as other objects traded (Hidayatullah, 2016). According to Komisi Fatwa MUI (2002), Waqf is a legal act of a person or group of people or legal entity that separates part of his property for worship or other public purposes by Islamic teachings. Waqf objects are all movable or immovable objects that have a durability that is not only disposable and valued according to Islamic teachings. DSN-MUI states that the contract and documents in the framework of the issuance of CWLS Retail are not contrary to sharia principles because of 3 main factors: first, the contract used in the issuance of Sukuk Wakaf (CWLS Retail) is the Wakalah Contract. Second, an asset that is used as Ushul al-Sukuk (Underlying asset) in the issuance of Sukuk Wakaf Nasyath Tijari (Business activity) in the form of State Property (BMN) and Ministry and Board Projects which is not contrary to the principles of Sharia and the third is the term of Sukuk Wakaf for 2 (two) years, with the payment of compensation periodically (DSN-MUI, 2021).

The Countries wishing to expand their sukuk market should develop their economies and maintain stable macroeconomic policies to make sukuk securities more appealing to investors. Additionally, they should foster the development of their government institutions by combating political corruption and improving the local investment climate to ensure contract viability, profit repatriation ease, minimal payment delays, and effective enforcement of the rule of law (Smaoui & Khawaja, 2017). Diversification of sukuk issuance, whether equity or debt, is critical to developing the Islamic capital market. This condition indirectly qualifies the country as a financial hub capable of offering profitable and competitive investment opportunities to investors worldwide while adhering to Sharia requirements (Yahya et al., 2012).

According to Usmani (2007), for new commercial and industrial ventures, sukuk must be issued. If the sukuk is issued to an established business, it must ensure that the sukuk holder owns the tangible assets entirely. Sukuk holders must receive company returns regardless of how much they earn after fees, including manager fees and the *mudarib's* profit share. A distinguishing effect of the development of a bond market with a sukuk component on a company's capital structure is the validation of the fact that a company's financing decisions are not only a function of the company's characteristics but also of the institutional and governance environment in which the company operates, which is both companies- and country-specific (Haron & Ibrahim, 2012).

CWLS can be used for different purposes based on its structure. Agricultural waqf structured CWLS can support farmers in Indonesia. Also, this structure can be promoted as a green sukuk model. On the other hand, different types of sukuk structures should be examined based on the country's needs (Yunita, 2021). Setyomurni and Nashirudin (2023) assert that CWLS has important potential to help recovery after COVID-19. They suggest that funds should be utilised considering society's needs, such as developing the healthcare system creating jobs or infrastructure projects. Cahyono and Hidayat (2022) emphasise the importance of the CWLS to sustainable economic development. They argue that CWLS can be an essential source to fund social projects in Indonesia and, at the same time, it is a model for the sharing economy. Also, they highlight the importance of using technology to make it feasible for potential investors of CWLS. Public literacy plays a crucial role in developing CWLS. For this reason, waqf managers must use social marketing channels to increase awareness and public literacy (Anindhita & Widana, 2022). According to Rusydiana and Avedta (2023), CWLS can serve to develop sustainable projects in Indonesia to support sustainable development goals (SDGs). Also, they discussed how many different projects can be supported if the full potential of waqfs in Indonesia is used for CWLS.

4. OVERVIEW OF THE WAQF DEVELOPMENT IN INDONESIA

The foundation's vision underscores the significant role played by Zakat and Waqf in promoting economic development, stressing the importance of coordination between government and community efforts. Waqf, which involves holding assets for charitable purposes, is a fundamental concept and is also referred to as an Islamic belief or a charitable foundation. The rise of Sharia-compliant financing options such as Waqf Linked Sukuk has been shown to contribute to economic development. Within the Islamic financial system, the waqf sector serves various segments of society. It complements poverty alleviation initiatives by providing resources for infrastructure and affordable financial support through zakat and waqf. Using zakat and waqf funds expands credit availability without elevating associated risks. Effective management of waqf assets by individuals known as "nadzir" is pivotal for development. To reinvigorate waqf institutions, adopting professional management practices and establishing funding mechanisms is essential, ultimately benefiting a broader population and enhancing the quality of these institutions through initiatives like cash waqf funds and *musharakah sukuk* (Fauzi et al., 2021).

Cash waqf, defined by the Indonesian Ulema Council (Majelis Ulama Indonesia, or MUI), involves using cash for waqf purposes by Islamic law (*syariah*) and is non-transferable. This definition aligns with the interpretation, emphasizing its distinction from property-based waqf. Cash Waqf Linked Sukuk (CWLS) is a Sharia-compliant financial tool based on cash waqf, facilitating secure investments like sovereign Sukuk bonds. In the CWLS process, individuals (*wakif*) invest a minimum of 1 million rupiah at the Sharia Financial Institution for Cash Waqf Receiving (LKSPWU). BWI manages waqf funds, directing them into State Sukuk bonds, with returns channelled through a partner (*nazir*) to support social activities and infrastructure development. Upon maturity of the Sukuk Negara, the cash repayment is returned to the waqifs, ensuring efficient utilization of cash waqf funds for economic and social development (Putri, N. A., 2021).

The development of the Indonesian waqf world is divided into three phases. First, there is the traditional phase, during which waqf is used to construct mosques, prayer rooms, and Islamic education. This means that waqf is consumptive during this phase. Second, the transition phase from more developed waqf to building a society empowered by waqf's benefits. Waqf that has developed in this manner requires more credible and even international standards for governance. Waqf has begun to grow in Indonesia; modern waqf is concerned with movable assets, such as stock waqf, deposit waqf, and securities waqf, all of which have begun to thrive. The management is then productive, using the results for *mauquf alaih* (beneficiaries). *Nazhir* should now be held to a higher standard of professionalism. If required, a *nazhir* certification is

available to ensure that the management of waqf in the future conforms to a recognised professional standard that is credible in the community. It is hoped that nazhir in Indonesia's professional phase will be more adaptable, learn a lot, and dig even if necessary to build business partners with those already professionals in business management so that their nazhir positions will continue to grow and develop. Similarly, the wider community is not limited to waqf on immovable property, such as land (KEMENKEU, 2020).

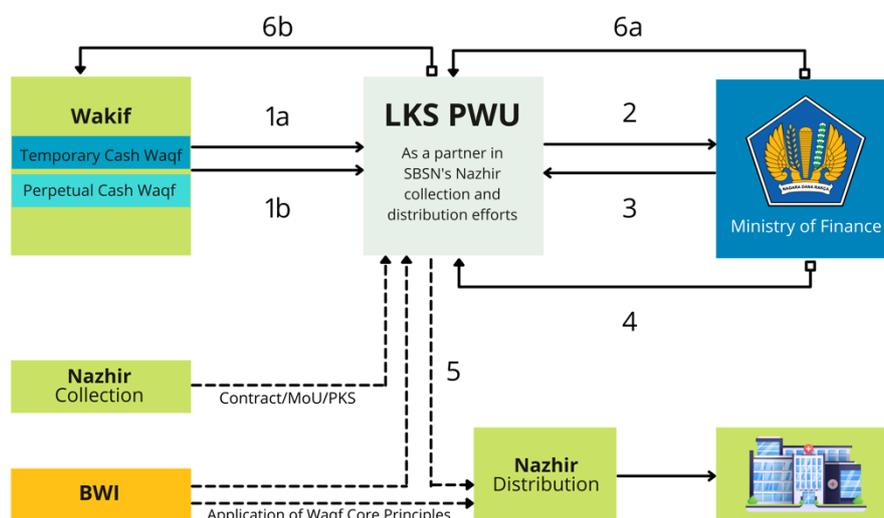
A critical issue emerges within Islamic finance, particularly in financial products like Cash Waqf Linked Sukuk (CWLS). It centres on the impact of divergent opinions and interpretations of Islamic finance principles, often voiced by Muslim scholars, on the readiness of conservative lay investors to engage with Sharia-compliant financial products. These divergent views among scholars, stemming from the complex nature of Islamic finance, lead to uncertainty among conservative lay investors, who prioritise adherence to Sharia principles. They rely on influential religious figures for guidance and may hesitate to invest in products like CWLS if these figures express reservations, even if other scholars deem them Sharia-compliant.

This divergence of opinions impedes the growth and adoption of Sharia-compliant financial instruments, limiting their reach and impact. To foster the growth of Islamic finance and products like CWLS, addressing these divergent views through dialogue, standardised Sharia compliance frameworks, and increased clarity is essential, bolstering the confidence of conservative investors.

4.1. The Cash Waqf Linked Sukuk (CWLS) Scheme

The Government of Indonesia optimises CWLS to finance social projects, including providing health facilities and infrastructure accessible to the poor in the Ahmad Wardi Eye hospital. Financing social infrastructure and social programs in the regions, developing social institutions Waqf Funds and management agency benefits funds. Hajj Finance (BPKH). Development of Corporate Social Responsibilities (CSR) funds for social activities for corporations and State-Owned Enterprises (BUMN). Utilisation of non-productive land for livestock and plantations covering 420 ha in collaboration with the philanthropic organisation Dompot Dhuáfa. Free medical services for Dhuáfa cataract surgery. They empower Micro, Small and Medium Enterprise (MSME)s and free umrah programs for Qur'an teachers in remote areas.

Figure 3: CWLS Retail Scheme



Source: (KEMENKEU, 2020)

Figure 3. Information : 1a. Waqf Fund, 1b. Waqf funds, through Mitra Nazhir Non-LKS PWU, 2. Purchase SBSN, 3. SBSN, 4. Rewards Payment, 5. Utilisation of Rewards for the development of Waqf Assets and Social Programs/Activities, 6a. Sukuk Repayment, 6b. Temporary Waqf Refund and the end of CWLS scheme is Projects that become Waqf Assets and Social Activities (Non-APBN).

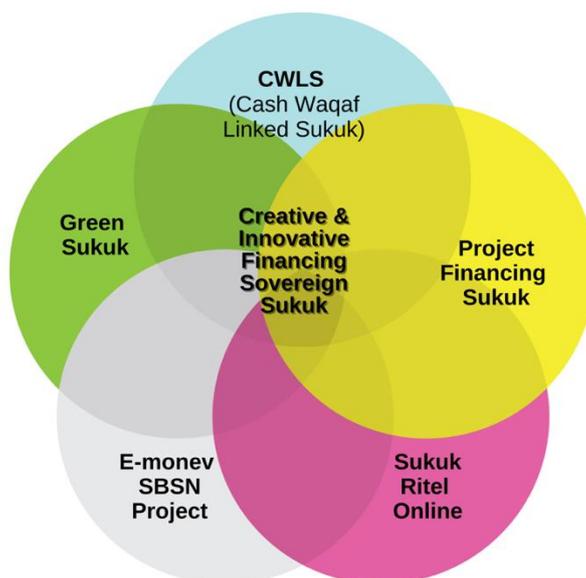
The indicative range of reward levels is submitted before the bidding/collection period and determined at the offering period's end. The list of projects and social programs/activities financed from the CWLS Yield will be determined before the CWLS collection period, prepared jointly by the Government, BWI, and LKS-PWU. Benefits are paid periodically every month to Nazhir Partners for financing programs / social activities. Nazhir is responsible for the distribution of investment proceeds by the projects and programs that have been assigned to investors through BWI and published on the BWI website.

The CWLS Distribution process/collection of temporary cash waqf funds is carried out through Distribution Partners (Islamic Commercial Banks, LKS PWU). Where every party, both individual and institutional wakif, can participate as wakif. Wakif (individual/institution) submits the participation of temporary cash waqf. The nominal per unit is IDR 1 million, with a minimum investment of IDR 1 million. The function of the Distribution Partner is only in charge of collecting temporary cash waqf without underwriting obligations, and it is possible to get a fee according to the amount of the collection using the single-fee system. The Clearing and settlement process will be carried out through the BI-SSSS system after the allotment process.

4.2. CWLS and Various Innovations of Sukuk in Indonesia

The government has set several urgencies and objectives for the issuance of CWLS, including strengthening the economic capacity of Islamic finance, strengthening institutions, supporting SDGs, and finally developing social investment during and after the Covid-19 pandemic. Meanwhile, issuing CWLS Retail are as follows: 1. To assist the community in conducting safe and productive cash waqf. 2. Promote financial and social innovation in Indonesia. 3. Promote inclusive and long-term economic growth. 4. Assisting the waqf movement at the national level. 5. Contribute to the growth of social investment and productive waqf in Indonesia and strengthen the cash waqf ecosystem in the country. There are many models of sukuk in Indonesia, as we can see in Figure 4. Indonesia has published five models through the Ministry of Finance.

Figure 4: Various Innovation Sukuk in Indonesia



Source: (KEMENKEU, 2020)

1. Sukuk Waqf/CWLS are "Money Waqf" investments in SBSN, where SBSN rewards are distributed to support social activities, such as social infrastructure, a waqf asset. SBSN is repaid in full to the waqf (Temporary Waqf)
2. Green sukuk is one of the innovative products from sukuk, incorporating environmental conservation activities to demonstrate Indonesia's commitment to mitigating the effects of climate change.

3. E-Monev is an online application system designed to manage the performance of Project SBSN. It can be used for reporting, monitoring, and online completion of Project SBSN Reksus.
4. E-SBN refers to the retail sale of SBSN via an online platform aided by distribution partners (Banks, Securities Companies and Fintech)
5. Sukuk for Project Financing are SBSN issued to directly finance specific activities or projects identified in the APBN (Earmarked). The Project-Based Sukuk form is used to support productive financing.

CWLS is an innovative product from the finance ministry in collaboration with Indonesian waqf bodies in facilitating social and development activities in the broader community. Contributors from CWLS are not only Muslims but non-Muslims. This condition is increasingly interesting to investigate if it is associated with the contribution of CWLS to Indonesia's economic growth. CWLS is a novel concept that requires further development. Indonesia develops innovations to maximise the potential for waqf. Sukuk are always in high demand among investors, particularly those concerned with social issues and Islamic values. Several points should be recognised by all investors and observers of investment developments, particularly in Indonesia: global rating agencies have recorded the development of sukuk and investment in Indonesia, making it easier for businesspeople and investors to determine positions, forecast prospects, and seize opportunities in Islamic investment, particularly in CWLS instruments. Sukuk development in Indonesia can be seen in Table 1. Table 1 shows the price, yield, maturity and rating details of the sukuk issued by the Indonesian government.

Table 1: Indonesia Sukuk Indicative Price & Yield Date

Isin	Issuer	Profit Rate (%)	Profit Type	Bid Price	Ask Price	Indicative Ytm (%)	Matu rity	Maturit y Type	Ccy	S&P Rating	Moody's Rating	Min Investment Place	Country Risk	Sector
Us71567rag11	SBSN Issuing Company	3.4	Fixed	101.64	103.1	-0.51	3/29/22	At Maturity	USD	N/A	BAA2	200,000	Indonesia	Sovereign
Us71567raa41	SBSN Issuing Company	3.3	Fixed	103.33	105.28	-0.36	11/21/22	At Maturity	USD	BBB	BAA2	200,000	Indonesia	Sovereign
Us71567raj59	SBSN Issuing Company	3.7	Fixed	104.59	106.56	-0.08	3/1/23	At Maturity	USD	BBB	BAA2	200,000	Indonesia	Sovereign
Us71567rac07	Sbsn Issuing Company	4.3	Fixed	109.58	111.73	0.68	9/10/24	At Maturity	USD	N/A	BAA2	200,000	Indonesia	Sovereign
Us71567rad89	SBSN Issuing Company	4.3	Fixed	110.75	112.93	0.98	5/28/25	At Maturity	USD	BBB	BAA2	200,000	Indonesia	Sovereign
Us71567raf38	SBSN Issuing Company	4.5	Fixed	112.85	115.16	1.28	3/29/26	At Maturity	USD	BBB	BAA2	200,000	Indonesia	Sovereign
Us71567rar75	SBSN Issuing Company	1.5	Fixed	99.16	101.25	1.24	6/9/26	At Maturity	USD	BBB	BAA2	200,000	Indonesia	Sovereign
Us71567rah93	SBSN Issuing Company	4.1	Fixed	111.36	113.68	1.66	3/29/27	At Maturity	USD	N/A	BAA2	200,000	Indonesia	Sovereign
Us71567rak23	SBSN Issuing Company	4.4	Fixed	113.25	115.67	1.9	3/1/28	At Maturity	Usd	Bbb	BAA2	200,000	Indonesia	Sovereign
Us71567rat32	SBSN Issuing Company	3.5	Fixed	100.24	102.37	3.42	6/9/51	At Maturity	Usd	Bbb	BAA2	200,000	Indonesia	Sovereign

Source: (PJSC, 2021)

4.3. The Characteristic of CWLS Retail

CWLS Retail characteristics include the following: intended for individual and institutional investors (waqif), temporary waqf duration of two years with 100% return to investors (waqif), Nazhir will manage the collected waqf funds, CWLS activities have undergone due diligence by sharia principles, fixed benefits and distributed for social programs by Appointed Nazhir, minimum order IDR 1,000,000. There is no maximum number of orders. Finally, CWLS is not exchange-traded.

CWLS Retail benefits include safety, reliability, simplicity, productivity, integrity, and blessing, as CWLS Retail is managed and guaranteed directly by the state. Transparent and accountable management and utilisation of cash waqf funds, cash waqf facilities that can be used for productive purposes, and monthly rewards used to finance social and economic empowerment programs. When the SBSN matures, the principal funds will be returned to the Waqif total, while the benefits (Investment Profits) will be distributed to the social sector.

Table 3: Comparison of CWLS Retail (Savings Sukuk) and Retail SBSN (Retail Sukuk)

Investor	Individuals and Institutions	Individual (Indonesian Citizen)	Individual (Indonesian Citizen)
	Wakif donates temporary money to Nazhir; Nazhir authorises wakif to buy CWLS Retail on behalf of Wakif (Investor)	Investors buy Savings Sukuk (ST) for and on their own behalf	Investor buys SR (Retail Sukuk) for and on behalf of himself
Proceeds	General Financing	General Financing	General Financing
Coupons/Rewards	Fixed Coupons are given to Nazhir to finance projects and non-APBN social activities	Floating with floor Coupons given to investors	fixed Coupons given to investors
Due date	CWLS Retail nominal is paid in full to investors (temporary waqf) or returned to Nazhir (perpetual waqf)	The nominal ST is paid in full to investors	SR nominal is fully paid to Investor
Legal basis	PMK Book building No.69/PMK.08/2020	PMK SBSN Ritel No.125/PMK.08/2018	PMK SBSN Ritel No.125/PMK.08/2018

Source: (KEMENKEU, 2020)

CWLS is very important tool for mobilising resources in both the public and private sectors. Sukuk can become highly competitive in the market and access the general public as an investment opportunity through sharia-compliant financial engineering (Tariq & Dar, 2007). BWI as Nazhir has created a program of activities for the CWLS SWR002 series. In education, such as through scholarship programs and assistance to Koran teachers whom COVID-19 has impacted. The health sector will be expanded to include mobile retinal and cataract screening in all Puskesmas in Banten Province. Economically, by promoting and assisting Micro, Small, and Medium-Sized Enterprises (DJPPR, 2021).

Table 4: Example of Terms and Conditions of SWR001

Issuer	Indonesian SBSN Issuing Company
Contract Type	Wakalah
Publication Date	November 10, 2020
Form	Scriptless and cannot be traded on the secondary market
Tenor	2 (Two) Years
Maturity	November 10, 2022
Minimum Order	IDR 1,000,000
Maximum Order	There is no maximum order
Nisbah/ Coupon	5.50% (Fixed Coupon), periodic payments every month and Benefits are paid periodically every month to Nazhir for social activities.
Coupon Payment Date	The 10th of every month and In the event that the 10th falls on a non-next working day without compensation. Business days are days on which payment system operations are carried out by Bank Indonesia
First Coupon Payment Date	10 December 2020 (Short Coupon)
Underlying Asset	BMN and projects/activities of ministries/agencies in the 2020 APBN
Social Programs/Activities	Jointly determined by Nazhir, LKS PWU and known by the government before the bidding period

Source: (KEMENKEU, 2020)

In this case, the Indonesian government, via the Ministry of Finance, establishes the following guidelines for investing in CWLS retail:

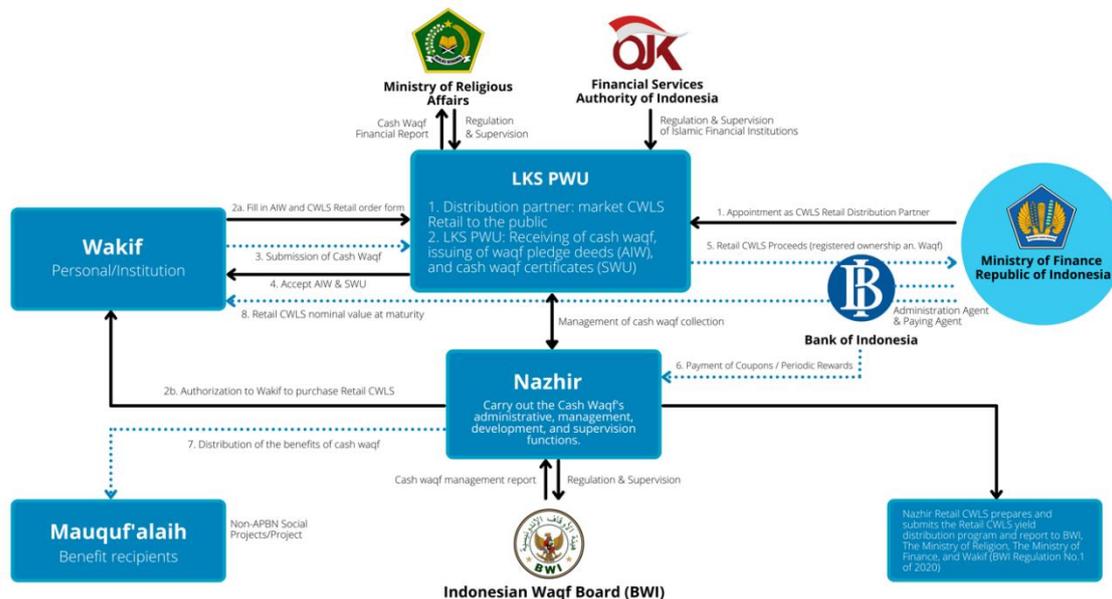
Figure 5: How to Invest Money Through the CWLS Retail Scheme



Source: (KEMENKEU, 2020)

Wakif contact/visit distribution partners, fill out waqf pledge deed and CWLS Retail order form, and deposit waqf funds. Later, the Selling Agent/Distribution Partner will make SID and SRE, record it in the SBN system of the Ministry of Finance, and finally, the Ministry of Finance will make payment of rewards/coupons to finance social programs/activities, then the nominal value at maturity.

Figure 6: The Parties' Roles in the CWLS Retail Scheme



Source: (KEMENKEU, 2020)

The Comprehensive Waqf-Linked Sukuk (CWLS) Scheme is a financial framework designed to facilitate the mobilization of funds for charitable purposes by issuing Sukuk (Islamic bonds) and managing waqf assets. It involves several key stakeholders, each playing a specific role in the scheme (Tanjung et al.,2021).

1. **Waqif:** In the CWLS scheme, the term "Waqif" refers to the donor or contributor of funds. The Waqif is responsible for providing financial resources to support charitable initiatives and projects, which can be either temporarily or permanently committed. This contribution serves as the foundation for the scheme's activities, allowing for the creation and management of waqf assets.
2. **Ministry of Finance:** The Ministry of Finance is the Sukuk issuer within the CWLS scheme. Sukuk are Islamic financial instruments that represent ownership in certain assets or projects. In this context, the Ministry of Finance plays a crucial role in structuring and issuing Sukuk, which are subsequently made available to investors in the market. The funds raised through Sukuk issuance are used to support charitable endeavours and waqf-related initiatives.
3. **BWI (Waqf Supervisor and Nazir):** BWI stands for the Waqf Supervisor and Nazir. In the CWLS scheme, BWI is pivotal in overseeing and managing the waqf assets and funds generated through Sukuk issuance. As the Waqf Supervisor, BWI ensures that the waqf assets are managed by Islamic principles and aligned with the donors' intentions. Additionally, BWI acts as the Nazir, responsible for administering the cash waqf funds and ensuring their proper distribution to beneficiaries.
4. **LKSPWU (Islamic Financial Institution Receiving Cash Waqf):** LKSPWU represents an Islamic financial institution specializing in receiving and managing cash waqf funds. Within the CWLS scheme, this institution is a Nazir partner, collaborating with BWI to raise funds and distribute cash waqf to recipients. It is vital to efficiently channel funds toward charitable causes and ensure compliance with Islamic finance principles.
5. **BWI Partners:** BWI Partners manage waqf assets financed through the Sukuk Discount. These partners oversee and maintain the waqf assets, ensuring their growth and sustainability. Additionally, they play a role in distributing the investment proceeds from Sukuk to the beneficiaries.

The CWLS Scheme is a comprehensive framework that brings together donors (Waqif), Sukuk issuers (Ministry of Finance), Waqf Supervisors and Nazirs (BWI), Islamic financial institutions (LKSPWU), and partner entities (BWI Partners) to mobilize funds, manage waqf assets, and distribute resources for charitable purposes. This collaborative effort aims to harness Islamic finance principles to support various charitable initiatives while ensuring transparency and compliance with the principles of waqf.

Unlike the previous two sukuk issuances, the government offers a CWLS. The issuance of CWLS demonstrates the Government of Indonesia's commitment to advancing the National Waqf Movement, promoting social investment, and fostering the growth of productive waqf in Indonesia. CWLS is both a financial and social innovation as seen examples mentioned before.

CWLS is an important option and has crucial priority for humanity because it empowers solidarity and collaboration wishes instead of interest-based conventional financial options. Moreover, the CWLS option can be used more easily/quickly in Muslim communities, especially in Indonesia, because Indonesia is known for its people, who share a solid social spirit. Collaboration, synergy, and cooperation on the part of all parties are highly anticipated to realise waqf development. To develop productive waqf, the Ministry of Finance cooperates, synergises, and collaborates with various parties. As a result, the innovation contained in this Sukuk should be commended, and an evaluation and analysis study should be conducted to address some of the previous shortcomings.

5. FINDINGS AND DISCUSSION

Sukuk is a non-interest financial instrument that can finance a country's fiscal deficit through the use of tangible assets; as such, the government must incorporate sukuk into its fiscal and strategic policies (Baita & Mustafa, 2019). Determination, harmonisation and domination of sharia rules on a global scale is critical to increase transparency and investor confidence in the industry. At the moment, divergent views among scholars' complicate regulation and product offerings, eroding investor confidence. Potential investors should have access to a broader range of financial products. Islamic finance requires an international framework that is agreed upon by all countries. The framework should include standardising legal documentation to eliminate ambiguity, accelerate processes, attract investors, and expand the global investor base (Hanefah et al., 2013). Sukuk investors bear a more significant risk (liquidity risk, shariah risk, market risk, etc.) than shareholders, this leads to a decrease in demand (Mseddi & Naifar, 2013). Sukuk structure risk classification is theoretically superior to conventional risk classification schemes, as the Sharia-compliant nature of sukuk creates structural risk (Alswaidan et al., 2017).

Sukuk has grown to be one of the world's most important financial instruments. Numerous countries and businesses have substantial assets but lack the resources necessary to expand and develop their countries. They can raise capital by issuing sukuk secured by their assets. Additionally, sukuk has a solid asset base in securitised real estate and more dependable products (Kantarıcı & Eren, 2018). In this case, Indonesia chose to use CWLS Retail to raise funds for infrastructure development and social activity activation. CWLS Retail is a sukuk Innovation based on Cash Waqf (Cash Waqf), an interest-free instrument that other countries can use and adapt.

Sukuk can finance large projects due to their distinguishable characteristics, market structure, and target market. Indonesia chose to grow its investor base among millennials, who, coincidentally, have a higher level of digital financial literacy and knowledge than previous generations. As a result, the Indonesian government issues CWLS Retail based on digital technology and can be accessed online without visiting the custodian Bank. At the moment, sukuk is establishing itself as a necessary complement to the economy's financing of the real sector. Indonesia is moving swiftly in the aftermath of the success of CWSR001. Indonesia has currently issued CWSR002 to meet market demand for affordable social infrastructures such as hospitals, health facilities, education, and other public facilities.

Indonesia needs to promote CWLS innovation globally so that other countries can use it to develop sukuk products and compensate for the lack of funds for public and private social infrastructure development. Indonesia has already succeeded in publishing these products and transforming them into a solution to economic inequality through a series of success stories in their implementation, especially to the working class, and building social resources.

6. CONCLUSION

CWLS is an innovation that is still new and needs to be developed further. Indonesia creates innovations to work on the potential for waqf is not yet optimal. The sukuk market is always in high demand by investors, especially those who focus on social issues and Islamic values. This study adds to existing knowledge by establishing the relationship between Islamic financial instruments and emphasising the impact of CWLS Retail on bond market development as a significant determinant of Indonesia's financing capital structure for social and economic activities. Within the context of Cash Waqf Linked Sukuk (CWLS), there is an urgent need to reevaluate and prioritise two critical fiscal challenges: budget deficits and governmental interest payments. These challenges are expected in Indonesia but are prevalent worldwide in underdeveloped and developing countries.

Budget deficits occur when a government's expenditures surpass its revenues. Addressing budget deficits in the context of CWLS is crucial as they can restrict a government's capacity to allocate resources for essential services, infrastructure development, and social welfare programs, ultimately hindering sustainable economic growth and development in Indonesia and similar nations.

Additionally, governments often accumulate debt and must make interest payments on that debt, which can consume a substantial portion of the national budget. These high-interest payments divert resources from vital sectors such as healthcare, education, and poverty reduction. Addressing this burden can enable countries to reallocate resources for more impactful economic and social investments.

The challenges of budget deficits and high governmental interest payments are not isolated issues but pervasive fiscal concerns in many underdeveloped and developing countries. Effectively addressing these challenges is vital for promoting economic growth, social development, and fiscal stability, particularly within CWLS and Islamic finance. We draw several significant conclusions from this research based on the various aspects discussed in this paper, including the following:

1. Indonesia needs to expand its investor base and promote CWLS Retail product innovation.
2. The existence of divergent views on CWLS, particularly among Muslim scholars, is one factor impeding the growth of a more conservative lay investor base that views sharia products through the lens of the figures they admire.
3. CWLS Retail innovation can be further developed using various models to adjust a region's or country's social and economic structure.

In summary, by addressing fiscal challenges, embracing innovation, and navigating the complexities of divergent views, Indonesia and other developing countries can unlock the potential of CWLS and Islamic finance, ultimately contributing to their economic and social progress.

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