

CHAPTER I

INTRODUCTION

A. Background

Waqf is one of the important instruments in social and economic development for a country, especially in countries with a majority Muslim population. Waqf is a fiscal tool with a high social impact, as it is carried out based on the intention of worship to gain Allah's pleasure. However, because waqf is sustainable and intended to be carried out over a long period of time, waqf assets must be guarded, maintained, and preserved, and they also need to be properly managed in order to maximize their benefits. Waqf has great potential to improve people's welfare, especially in Indonesia. As the country with the largest Muslim population in the world, Indonesia certainly has the capability to encourage the development of waqf. The benefits of waqf can be felt by many, especially those in need, such as the poor, orphans, and others, thereby providing welfare to the people in a sustainable manner.

In 2023, the waqf sector in Indonesia experienced remarkable growth. Waqf land in Indonesia covers 440.5 thousand locations, with a total area of 57.2 thousand hectares, according to the *Sistem Informasi Wakaf (SIWAK)* by the Ministry of Religious Affairs (Kemenag, 2022). Additionally, the waqf sector in Indonesia, particularly cash waqf, is projected to reach around 180 trillion rupiah annually. Meanwhile, the acquisition of cash waqf increased from 855 billion rupiah in 2018-2021 to

1.4 trillion rupiah, according to records from *Badan Wakaf Indonesia* (BWI, 2022, p. 6). This indicates that the waqf sector in Indonesia has enormous potential and continues to grow, which offers hope for improving the welfare of the people through the effective and efficient utilization of waqf assets.

Waqf is not specifically mentioned in the Qur'an because it is included under the concept of *infaq fi sabilillah*. Therefore, scholars have used the fundamental principles of Islamic law to explain waqf by referencing Quranic verses that discuss *infaq fi sabilillah*, including:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا أَنْفِقُوا مِنْ طَيِّبَاتِ مَا كَسَبْتُمْ وَمِمَّا أَخْرَجْنَا لَكُمْ
مِنَ الْأَرْضِ ۗ وَلَا تَيَمَّمُوا الْخَبِيثَ مِنْهُ تُنْفِقُونَ وَلَسْتُمْ بِأَجْزِيهِ إِلَّا
أَنْ تُعْمِضُوا فِيهِ ۗ وَاعْلَمُوا أَنَّ اللَّهَ عَنِي حَمِيدٌ

Meaning: “O you who have believed, spend from the good things which you have earned and from that which We have produced for you from the earth. And do not aim toward the defective, then spending [from that] while you would not take it [yourself] except with squinted eyes. And know that Allāh is self-sufficient and Praiseworthy.” (Q.S. *Al-Baqarah* (2):267).

Based on the tafsir by Ibn Katsir, in that verse, Allah SWT commands His believing servants to give in charity. According to Ibn Abbas in the interpretation by Ibn Kathir, Allah commands His servants to give in charity from some of their good (halal) property—the most favored and most loved. Allah forbids His servants from giving in charity from their bad (haram), low-quality, and undesirable wealth, because Allah is the source of all goodness, and He only accepts what is good.

مَثَلُ الَّذِينَ يُنْفِقُونَ أَمْوَالَهُمْ فِي سَبِيلِ اللَّهِ كَمَثَلِ حَبَّةٍ أَنْبَتَتْ سَبْعَ
 سَنَابِلَ فِي كُلِّ سُنْبُلَةٍ مِائَةُ حَبَّةٍ وَاللَّهُ يُضَعِفُ لِمَنْ يَشَاءُ وَاللَّهُ
 وَاسِعٌ عَلِيمٌ

Meaning: “The example of those who spend their wealth in the way of Allāh is like a seed (of grain) which grows seven spikes; in each spike is a hundred grains. And Allāh multiplies (His reward) for whom He wills. And Allāh is all-Encompassing and Knowing.” (Q.S. Al-Baqarah (2):261).

Based on the tafsir of Ibn Katsir, the verses above illustrate a parable made by Allah SWT to show the multiplication of rewards for those who spend their wealth in the way of Allah and seek His pleasure. Every good deed is multiplied from tenfold to seven hundredfold. Indeed, Allah is more encompassing than the entire universe and is all-knowing about who deserves the multiplied reward and who does not.

لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا تُحِبُّونَ وَمَا تُنْفِقُوا مِنْ شَيْءٍ فَإِنَّ
 اللَّهَ بِهِ عَلِيمٌ

Meaning: “Never will you attain the good (reward) until you spend (in the way of Allāh) from that which you love. And whatever you spend - indeed, Allāh is Knowing of it.” (Q.S. Ali Imran (3):92).

In the Tafsir of Ibn Kathir, the verse above is related to the hadith about Abu Talhah, an Ansar who was the wealthiest man in Madinah. It is stated that his most beloved property was Bairuha (a date garden) located opposite the Nabawi Mosque. Abu Talhah said to the Prophet Muhammad, ‘O Messenger of Allah, Allah SWT has mentioned in (Q.S. Ali Imran: 92) that indeed my most beloved property is this Bairuha garden. I now give this

garden in charity to seek virtue through it and as my savings in the sight of Allah SWT. I ask you, O Messenger of Allah, to use it as Allah directs you.’ The Prophet replied, ‘Masha Allah, Masha Allah, it is a valuable treasure. I have heard of it, but I think you should give it to your relatives.’ Abu Talhah responded, ‘I will do it now, O Messenger of Allah.’ He then distributed it to his relatives and his uncle’s children.

Based on the verses mentioned above, it can be concluded that Muslims are encouraged to spend their wealth for rewards and goodness, even if they are very attached to it. Additionally, Surah Al-Baqarah, verse 261 of the Qur’an, states that multiple rewards will be granted to those who spend their wealth in the cause of Allah.

In addition to the Qur’anic evidence explaining charity, there is a hadith used by scholars as a reference for the argument about waqf, namely:

... عَنْ ابْنِ عَوْنٍ عَنْ نَافِعٍ عَنْ ابْنِ عُمَرَ قَالَ أَصَابَ عُمَرُ أَرْضًا
 بِخَيْبَرَ فَقَالَ يَا رَسُولَ اللَّهِ أَصَبْتُ مَالًا بِخَيْبَرَ لَمْ أُصِبْ مَالًا قَطُّ أَنْفَسَ
 عُنْدِي مِنْهُ فَمَا تَأْمُرُنِي قَالَ إِنْ شِئْتَ حَبَسْتِ أَصْلَهَا وَتَصَدَّقْتِ بِهَا
 فَتَصَدَّقَ بِهَا عُمَرُ أَنَّهَا لَا يُبَاعُ أَصْلُهَا وَلَا يُوهَبُ وَلَا يُورَثُ تَصَدَّقَ
 بِهَا فِي الْفُقَرَاءِ وَالْقُرْبَى وَالرَّقَابِ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ
 وَالضَّيْفِ لَا جُنَاحَ عَلَيَّ مَنْ وَلِيَهَا أَنْ يَأْكُلَ مِنْهَا بِالْمَعْرُوفِ أَوْ يُطْعَمَ
 صَدِيقًا غَيْرَ مُتَمَوِّلٍ فِيهِ...

Meaning: “...from [Ibn ‘Aun] from [Nafi’] from [Ibn ‘Umar] who stated: Umar acquired plots of land in Khaibar, he asked: O Rasulallah, I got property in Khaibar, I have never gained property that pleases me like this, so what do you order me (with this property)? He answered: “if you will, hold it and give it to charity.” So, Umar spends it, without sell it, neither donated it nor inherited it. He gave it to the poor, the close and the distance a relative, fii sabilillah, Ibn sabil, and visitors. The

person securing the property is not guilty if he reasonably takes food from it or feeds friend without selling it...” (HR Tirmidzi).

The hadith above recounts the story of Umar bin al-Khattab, who, after acquiring land in Khaibar, asked the Prophet about it. The Prophet advised Umar to hold and manage the land so that its benefits could be directed to the beneficiaries (*mawquf* ‘*alayh*), including Muslims in general, the managers, and Umar’s family who were still in need. Following Umar, the practice of waqf was adopted by Abu Talhah, the Prophet’s companions, and his descendants, who endowed their properties, such as gardens, houses, wells, etc. Abu Isa stated that the hadith above serves as the foundational law of waqf, which is further explained in the following hadith:

... قَالَ أَبُو عِيْسَى هَذَا حَدِيثٌ حَسَنٌ صَحِيحٌ وَالْعَمَلُ عَلَى هَذَا عِنْدَ أَهْلِ الْعِلْمِ مِنْ أَصْحَابِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ وَغَيْرِهِمْ لَا نَعْلَمُ بَيْنَ الْمُتَقَدِّمِينَ مِنْهُمْ فِي ذَلِكَ اخْتِلَافًا فِي إِجَازَةِ وَقْفِ الْأَرْضِيِّينَ وَغَيْرِ ذَلِكَ...

Meaning: “...*Abu Isa said, this hadith is hasan shahih and is the basis of charity according to the experts of knowledge from the companions of the Prophet Shallallahu 'alaihi wa sallam, and we did not find any disagreement among the scholars before him about the permissibility of the waqf land and the others.*” (HR Tirmidzi).

According to Abu Isa, there is no difference of opinion among scholars regarding that hadith. Today, the hadith is used as the basis for implementing waqf in Islam.

In Indonesia, there is a specific regulation governing waqf management, which is outlined in Law No. 41 of 2004 concerning Waqf.

This law is administered by the Indonesian Waqf Agency (BWI) and the Waqf Management Agency (BPW) at the local level (Peraturan Pemerintah RI, 2004). In managing waqf, there is a Nazhir who is responsible for the implementation and maintenance of waqf assets. The role of the Nazhir is crucial for maintaining the sustainability and utilization of waqf. They are responsible for protecting waqf assets and ensuring that waqf can have a positive impact on society.

In 2023, Indonesia was once again declared the most generous country in the world. According to the World Giving Index (WGI) released by Charities Aid Foundation (CAF), Indonesia ranks first with a score of 68 points (Charities Aid Foundation, 2023). This makes Indonesia the most giving country for the sixth consecutive year. Based on the same WGI report, Indonesia's average scores were 59 percent in 2018 and 2019, then increased to 69 percent in 2020 and 2021, and in 2022, Indonesia scored 68 percent (Charities Aid Foundation, 2022, p. 8). This demonstrates that the passion of Indonesians for philanthropy remains quite high.

According to BWI, there are four pillars of waqf: the person who makes the waqf (*waqif*), the property or asset that is endowed (*mawquf*), the person who receives the benefit (*mawquf 'alayh*), and the pledge or contract (*sighah*). Based on these pillars, Nazhir is not included as a pillar of waqf. However, scholars agree that the role of the Nazhir is equally important. Therefore, the pillars of waqf should also include the waqf manager (Nazhir). As cited by Uswatun Hasanah, Asaf A.A. Fyzee argues that the

Nazhir's obligation is to do everything feasible to protect and manage the property (Rahmadi, A.A. Miftah, Samin Batubara, Sulaeman, 2023, p. 78). With the presence of a Nazhir, waqf assets can be managed and maintained, ensuring that the waqf is not wasted. That is why the role of the Nazhir is very influential in waqf; if the Nazhir performs their duties optimally, the waqf will also be maximized.

Badan Wakaf Indonesia has established a Professional Certification Institution (LSP) to provide training to Nazhir. Based on the SK of the Chairman of BNSP Number KEP.2159/BNSP/X/2012 dated October 25, 2021, LSP BWI received a license from the National Professional Certification Agency (BNSP) with the number BNSP-LSP-2015_D (Hamidiyah *et al.*, 2022, p. 28). LSP BWI is the first and only institution that provides professional competency certification for Nazhir in Indonesia. Through the services provided by LSP BWI, it can certify whether the registered Nazhir is eligible to manage waqf. This certification aims to ensure that the Nazhir has the competence and qualifications needed to carry out their duties.

Although waqf has developed well in Indonesia, it still faces several challenges in its management, such as a lack of transparency and public understanding. Therefore, it is necessary to find solutions to address these problems to improve waqf performance. One solution to enhance waqf performance is to optimize the performance of Nazhir.

Optimal performance of the Nazhir can influence every aspect of waqf management, and the results obtained. In terms of waqf collection, the Nazhir plays an important role in encouraging and facilitating the process. By providing appropriate information and knowledge, the Nazhir can educate the public about the importance of waqf and how to participate, thereby increasing the amount of collected waqf. Regarding management, a competent and professional Nazhir ensures that waqf assets are utilized and managed in the most effective and efficient manner. Additionally, the Nazhir's ability to plan and implement management strategies ensures that waqf assets are used according to the objectives specified by the waqif. The performance of the Nazhir also impacts distribution. A skilled Nazhir ensures that waqf benefits are distributed fairly and equitably. After distribution, the Nazhir can assess community needs and ensure that the distribution aligns with those needs. Therefore, optimal Nazhir performance significantly enhances effectiveness and efficiency in collection, management, and distribution, thereby contributing to the achievement of waqf's goal to provide maximum benefits to the community.

According to Dharma (2010, p. 78), Indicators used to measure employee performance are based on four aspects: understanding knowledge, skill, staffing, and behavior. These four aspects are also considered when evaluating the performance of Nazhir in waqf management. First, in terms of understanding knowledge, Nazhir are required to have knowledge related to waqf principles and regulations, as

well as their duties and responsibilities, to ensure that they perform their duties correctly and in accordance with the law and ethics. Second, regarding skill, this measures the level of Nazhir's proficiency in managing waqf, including both the collection of waqf assets and their distribution. Third, staffing indicators assess the level at which Nazhir can work professionally and effectively, which includes communication skills, efficient management of time and resources, etc. Fourth, behavior indicators are also crucial in measuring the performance of a Nazhir, focusing on their responsibility in carrying out their duties and their ethical behavior during their duties.

According to Noordin *et al.* (2017, p. 927), measurement models for evaluating Nazhir performance include inputs, outputs, and results. Inputs refer to the resources used in managing waqf, outputs are the goods or services produced from waqf, and results are the long-term impacts of outputs on the external environment in terms of benefits to stakeholders. Hamidiyah *et al.* (2022, p. 32), determined that performance indicators include waqf collection as input, waqf asset management as output, and benefit distribution as outcome.

In this regard, certification has a significant impact on optimizing Nazhir performance. Nazhir certification is an official recognition given to Nazhir after undergoing testing and being declared to meet certain requirements established by LSP BWI. Through this certification process, the Nazhir will participate in in-depth training and learning related to waqf

principles, regulations, and the tasks to be performed. This helps the Nazhir understand waqf and their responsibilities more effectively. Additionally, certification involves the development of practical skills required in waqf management, such as asset management, finance, and project management. Developing these skills enables the Nazhir to optimize their performance while fulfilling their duties. Certification also sets competency standards that Nazhir must meet. By obtaining certification, the Nazhir is recognized as having fulfilled these standards and possessing the necessary abilities to be a competent Nazhir. This certification instills confidence and trust in related parties, indicating that the Nazhir can perform their duties effectively, thereby increasing professionalism and optimizing performance in waqf management. According to research by Hamidiyah *et al.* (2022, p. 40), Nazhir competency certification positively influences Nazhir performance, as evidenced by improvements in waqf collection, management, distribution, and reporting in waqf administration.

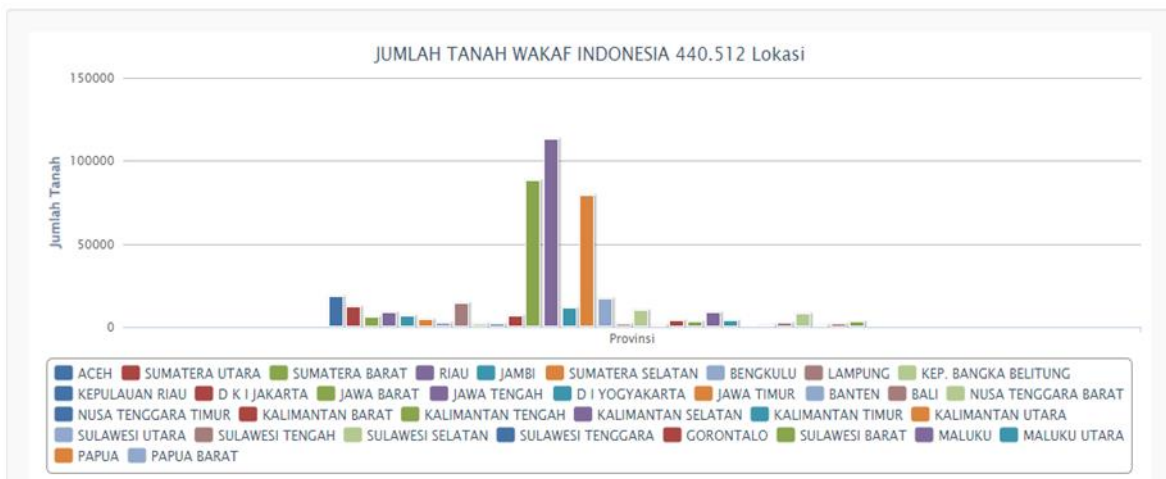
In this study, the author chose Nazhir Muhammadiyah in Central Java because most of them have been certified. Nazhir Wakaf Muhammadiyah plays a crucial role in managing and developing waqf assets within the Muhammadiyah organization, one of the largest Islamic entities in Indonesia. Nazhir, as individuals or institutions responsible for managing waqf, ensure that these assets, such as land, buildings, and other properties, are used optimally for the benefit of society in line with Islamic principles. Muhammadiyah has a structured waqf management system,

governed by specific guidelines and religious rulings, which help standardize the management practices across its branches. The legal foundation for waqf management in Muhammadiyah is based on a fatwa issued at the 32nd Muktamar in Purwokerto, Banyumas, in July 1953. This fatwa serves as the operational guide, ensuring waqf is managed uniformly and efficiently within the organization.

Nazhir Wakaf Muhammadiyah has several key responsibilities, including safeguarding and maintaining waqf assets, developing and optimizing them for maximum societal benefit, ensuring transparency in their management, and regularly reporting on asset development to stakeholders. Muhammadiyah has also initiated various efforts to modernize its waqf management practices, such as integrating digital tools to improve transparency and the inventory of waqf assets. Additionally, the organization is exploring modern investment models like sukuk (Islamic bonds) and waqf stocks to enhance the financial sustainability of waqf properties.

Central Java is one of the provinces in Indonesia where the majority of the population adheres to Islam. According to records from the Directorate General of Population and Civil Registration (*Dukcapil*) of the Ministry of Home Affairs, the Muslim population in Central Java totals 36,77 million people, or 97,26 percent of its total population of approximately 37,78 million as of August 2022 (Karo, 2022, p. 1). This demographic provides a significant opportunity for the community to utilize

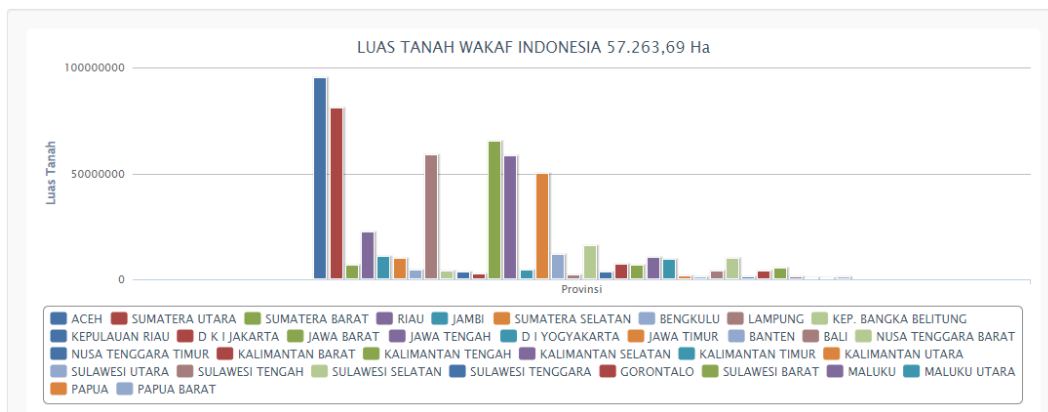
waqf as an instrument for improving the economy and common welfare in Central Java. Data from the Ministry of Religion's Waqf Information System (2022) can be seen as follows:



Source: Kemenag (2022)

FIGURE 1.1.
The Amount of Indonesian Waqf Land

Based on the data above, the amount of waqf land in Indonesia has reached 440,512 thousand locations. The data indicates that Central Java is the province with the most waqf land locations compared to other provinces, with 112,834 thousand locations.



Source: Kemenag (2022)

FIGURE 1.2.
Indonesia's Waqf Land Area

The data above show that the area of waqf land in Indonesia reaches 57,263.69 acres. Although Central Java has the largest number of waqf land locations, it is recorded as the 5th largest province, with a waqf land area of 58.2 million square meters. Aceh is the province with the largest waqf land area, totaling 95 million square meters.

Based on this data, it can be concluded that Central Java has significant potential for waqf development, both in terms of the number of locations and the area of waqf land, in supporting economic development and community welfare. With increasing awareness, professional management, optimal utilization, and support from the government, waqf can continue to grow and provide significant benefits to the people of Central Java. Based on the description provided above, the researcher is interested in conducting a study titled “The Analysis of Nazhir Performance: A Case Study of Nazhir Muhammadiyah Central Java.”

B. Research Questions

Based on the background described above, the problem formulation of this research is as follows:

1. How education affects the performance of Nazhir Muhammadiyah in Central Java?
2. How crowdfunding affects the performance of Nazhir Muhammadiyah in Central Java?

3. How does investment affect the performance of Nazhir Muhammadiyah in Central Java?
4. How distribution affects the performance of Nazhir Muhammadiyah in Central Java?
5. How supervision and compliance affect the performance of Nazhir Muhammadiyah in Central Java?

C. Research Objectives

Based on the formulation of the existing problems, the objectives of this study are as follows:

1. To analyze the effect of education on the performance of Nazhir Muhammadiyah in Central Java.
2. To analyze the effect of crowdfunding on the performance of Nazhir Muhammadiyah in Central Java.
3. Analyzing the effect of investment on the performance of Nazhir Muhammadiyah in Central Java.
4. To analyze the effect of distribution on the performance of Nazhir Muhammadiyah in Central Java.
5. To analyze the effect of supervision and compliance on the performance of Nazhir Muhammadiyah in Central Java.

D. Research Benefits

This research has significant benefits in several sectors, both theoretically and practically, as well as in decision and policymaking. It can

contribute to the theoretical understanding of the role of certification in improving the performance of Nazhir in waqf management. The results of the study can serve as a basis for expanding knowledge and deepening the understanding of the topic. Additionally, this research can identify knowledge gaps regarding the importance of certification in enhancing the knowledge, skills, and professionalism of Nazhir, and provide direction for further research in the same or related fields.

For the researcher, this study serves to fulfill the final project requirement, namely the thesis, as a prerequisite for obtaining a bachelor's degree in the IPIEF study program at the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta. Additionally, this research may also be useful for other researchers interested in the topic of waqf management and the optimization of Nazhir performance. Thus, it can serve as a basis or reference for future studies.

Meanwhile, this research will be useful for waqf managers, both for the Nazhir itself and for the waqf management institution. For Nazhir, the research can serve as a reference to improve competence and effectiveness in managing waqf by highlighting the importance of certification in optimizing their performance. For waqf management institutions, this research can be used as a reference to formulate better policies and strategies in waqf management, both at the central institution and at regional branch institutions. For government officials and regulators, this research can assist

those responsible for supervising and regulating waqf management in developing policies that support the optimization of Nazhir performance.

This research can also provide a solid foundation for better and more informed decision-making or policy formulation in the waqf sector. It may lead to policy development and initiatives that encourage Nazhir certification programs to enhance the efficiency and transparency of waqf management practices. Thus, this research can contribute to planning more effective and sustainable policies.