

**WAQF MANAGEMENT AND FUNDRAISING:
LESSONS FROM THE DEVELOPMENT OF
WAQF-BASED *PESANTRENS* IN INDONESIA**

BY

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ABSTRACT

This study aims to identify factors that contribute to the successful development of *waqf* management and fundraising structures among the *waqf*-based *pesantrens* in Indonesia. The research focuses on applying innovative *waqf* management and fundraising models in three *waqf*-based *pesantrens*, namely Pondok Gontor, Darunnajah and Tazakka. The case study approach describes the multifaceted phenomenon in the *waqf* institutions of the three *waqf*-based *pesantrens*. The primary data are obtained through semi-structured interviews, while the secondary data are collected through observations and document reviews. Both data provide important and useful insights into understanding the *waqf* management and fundraising in these *pesantrens*. In addition, content and thematic analysis are utilised in this study to scrutinise the application of the *waqf* management and fundraising models that contribute significantly to the development of *waqf* in the sampled *pesantrens*. The results suggest three factors that contribute to the success of *waqf* management and fundraising, which are an excellent organisational structure; human resources along with their organisational values (i.e., sincerity, simplicity, self-reliance, Islamic brotherhoods, freedom of mind), and; innovation and creativity in the implementation of the *waqf* management and fundraising. Furthermore, employing various models of management and fundraising has been identified as an innovative development for the perpetuity of the *waqf* and its institution. This approach also helps to achieve the objective of generating a stable revenue for the *waqf*. This study infers that the *waqf* management and fundraising models practised by the three *waqf*-based *pesantrens* are designed to reduce their dependence on donations as a revenue source. Finally, the original objectives of *waqf* are observed by the *pesantrens* in the redistribution of *waqf* revenues to various educational programmes, welfare, health, and community and economic development of these *pesantrens*.

Keywords: *Waqf*, management, fundraising, *pesantren*, institution.

ملخص البحث

تهدف هذه الدراسة إلى تحديد العوامل المساهمة في التطورات الناجحة لهيكل إدارة الأوقاف وجمع الأموال لدى مؤسسات أوقاف المعاهد الإسلامية بإندونيسيا. وتليه دراسة تطبيق النماذج المبتكرة لإدارة الأوقاف وجمع الأموال في هذه المعاهد الإسلامية. ومن ثم فإن دراسة الحالة هي أنسب طريقة لوصف الظاهرة المتعددة الأوجه في مؤسسات الأوقاف لثلاثة معاهد إسلامية. تم الحصول على البيانات الأولية من خلال المقابلات الشبه المنظمة. كما تم جمع المصادر الثانوية للبيانات من خلال ملاحظات الوثائق ومراجعتها. توفر كلتا البيانات نظرة ثاقبة مهمة ومفيدة في فهم إدارة الأوقاف وجمع الأموال لدى هذه المؤسسات. إضافة إلى استخدام تحليل المحتوى والتحليل الموضوعي في هذه الدراسة لفحص تطبيق نماذج إدارة الأوقاف وجمع الأموال العظيمة الإسهام في تطوير الأوقاف بهذه المعاهد الإسلامية. نتج عن الدراسة أن العوامل التي ساهمت في نجاح إدارة الأوقاف وجمع التبرعات هي: نسق الهيكل التنظيمي الممتاز، والموارد البشرية إلى جانب قيمها التنظيمية، والابتكارية والإبداعية في تنفيذ إدارة الأوقاف وجمع الأموال. وعلاوة على ذلك، يُعد توظيف الأنواع من نماذج إدارة الأوقاف وجمع الأموال هو التطوير الإبداعي لدوامية الأوقاف ومعاهدها الإسلامية. بحيث ينتج عن ذلك أيضًا تحقيق الاستقرار للإيرادات. خلصت هذه الدراسة أن نماذج إدارة الأوقاف وجمع الأموال التي مارستها مؤسسات الأوقاف الثلاثة تم تصميمها للحد من اعتمادها على التبرعات في إيراداتها الأساسية. والنقطة الأخيرة هي أن الإدارة القائمة على تحديد الأهداف تم توظيفها في إعادة توزيع إيراداتها الوقفية على البرامج التعليمية والرفاهة والصحة والتنمية الاجتماعية والاقتصادية في هذه المعاهد الإسلامية.

الكلمات المفتاحية: الأوقاف، الإدارة، جمع الأموال، المعاهد الإسلامية، المؤسسة

APPROVAL PAGE

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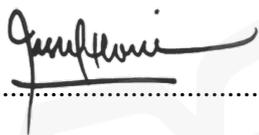
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DECLARATION

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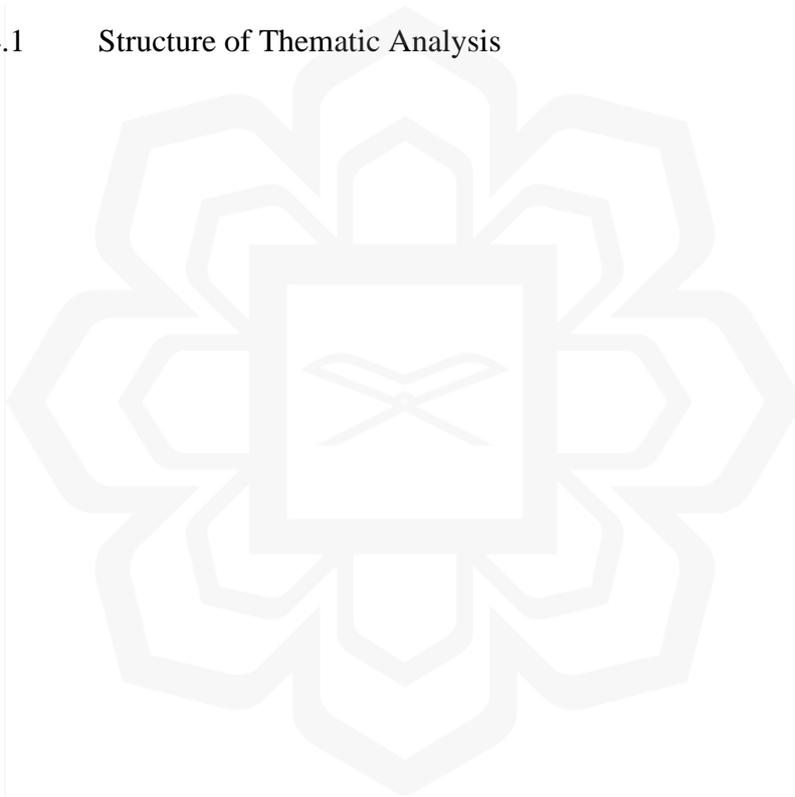
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LIST OF ABBREVIATIONS

BWI	Badan Wakaf Indonesia (Indonesian <i>Waqf</i> Board)
BI	Bank Indonesia
IRTI	Islamic Research and Training Institute
KAPF	Kuwait <i>Awqāf</i> Public Foundation
MBO	Management by Objectives
NGO	Non-governmental organisation
UI	University of Indonesia
UGM	University of Gadjah Mada
UII	Islamic University of Indonesia
UMY	University of Muhammadiyah Yogyakarta
UMM	University of Muhammadiyah Malang
UMS	University of Muhammadiyah Surakarta
UMJ	University of Muhammadiyah Jakarta
UNISULA	University of Sultan Agung Semarang
UNIDA	Islamic University of Darussalam
UNDIP	University of Diponegoro
Pbuh	Peace be upon him
PhVC	Philanthropic Venture Capital
SEWF	Social Enterprise <i>Waqf</i> Fund
VPWM	Venture Philanthropy of <i>Waqf</i> Model
VBCM	Value-Based Capital Model of <i>Waqf</i>
YPPWPM	<i>Yayasan Pemeliharaan dan Perluasan Wakaf Pondok Modern</i> (The Foundation of <i>Waqf</i> Preservation and Development of Pondok Modern)

GLOSSARY OF TERMS

<i>Al-Mawqūf</i>	: the assets dedicated for <i>waqf</i>
<i>Awqāf</i>	: plural for <i>waqf</i>
<i>Bait al-Māl</i>	: treasury
<i>Diwān al-Ahbās</i>	: finance department of the endowment
<i>Dā'im</i>	: perpetual
<i>Fiqh</i>	: Islamic jurisprudence
<i>Fuqahā</i>	: jurists who issue opinions on various issues in the light of Al-Qur'an, <i>Sunnah</i> , <i>Ijmā'</i> and <i>Qiyās</i> and who have thereby led to the development of <i>fiqh</i>
<i>Ghayr qābil li al-taghyr</i>	: inalienable
<i>Habs</i> (pl. <i>ahbās</i>)	: another word for <i>waqf</i>
<i>Hikr</i>	: long lease or perpetual lease use for renting or leasing
<i>Hukr</i>	: exclusivity or monopoly/long lease with large advance lump sum
<i>Ijārah</i>	: contract of renting/hiring/leasing
<i>Ijāratayn</i>	: two leases/lease with dual payment
<i>Ijmā'</i>	: consensus of <i>Fuqahā</i>
<i>Infāq</i>	: dedication of a specific amount of charity
<i>Istibdāl</i>	: substitution of <i>waqf</i> property
<i>Luzūm</i>	: irrevocability
<i>Kiai</i> (pl. <i>Kiais</i>)	: a religious leader/ a leader of <i>pesantren</i>
<i>Madrasah</i>	: religious school
<i>Masjid</i>	: mosque
<i>Maddhab</i>	: a school of Islamic jurisprudence
<i>Manfa'a</i>	: benefit
<i>Manqūl</i>	: moveable
<i>Mauqūf 'Alayh</i>	: beneficiaries
<i>Nāzir</i> (pl. <i>Nāzirs</i>)	: <i>waqf</i> manager and administrator
<i>Ṣadaqa</i>	: charity
<i>Ṣadaqa jāriya</i>	: perpetual charity
<i>Santri</i> (pl. <i>Santris</i>)	: a student of <i>pesantren</i>
<i>Ṣīghah</i>	: a pronouncement
<i>Thawāb</i>	: rewards in the Hereafter
<i>Qiyās</i>	: analogical reasoning
<i>Wāqif</i>	: one who created <i>waqf</i> / a founder of <i>waqf</i>
<i>Waqf khayrī</i>	: charitable endowment/public <i>waqf</i>
<i>Waqf ahlī</i>	: family <i>waqf</i>
<i>Waqf mushtarak</i>	: a combination of <i>waqf khayrī</i> and <i>waqf ahlī</i>
<i>Waqf manāfi' al-abdān</i>	: <i>waqf</i> of individuals by contributing non-material objects such as expertise, knowledge and skills
<i>Waqf manāfi' al-a'yān</i>	: <i>waqf</i> of individuals by providing cars, equipment, machinery for a specific project (temporary time) with an endowment purpose in mind.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Waqf plays a pivotal role in providing social benefits in Muslim societies. It has developed progressively since its beginnings and has benefited Muslims by financing public expenses. It is considered one of the oldest charitable foundations in the world, traced back to Prophet Ibrahim (peace be upon him), who devoted his property in acts of charity, including the construction of the Ka‘bah (McChesney, 1995; Kahf, 2000; Zakaria, Samad, & Shafii, 2012; Stibbard et al., 2012). *Waqf* has also been one of the economic pillars of Islam since the time of Prophet Muhammad (blessings and peace be upon him), having catalysed economic development among Muslims (Tahir & Brimble, 2011). Despite there being no specific reference to *waqf* in the Qur’ān (Kahf, 2000), this institution is a tool developed by Muslims to support many essential needs that are today financed by the government, such as schools, hospitals, orphanages, graveyards, mosques, religious foundations, and other essential infrastructural facilities (Mahamood, 2006). Finally, this institution, according to Cizacka (2011), redistributes wealth. It is not a profit-seeking institution but seeks to support the general good and well-being of the entire society while seeking the reward (*thawāb*) of Allah (Almighty) in the Hereafter.

Waqf has undergone substantial progression, stagnation, and regression (Cizacka, 2000; Siraj, 2012). The colonisation of Muslim nations after the Second World War greatly undermined the importance of the *waqf* system in Muslim societies. The stagnation of the *waqf* system was much more pertinent during the 19th

and 20th centuries, as modern Western states became more powerful and less tolerant of opposing organisations, including *waqf* (Stibbard & Bromley, 2012). However, historically, *waqf* has contributed considerably to human civilisation in Muslim societies, above and beyond ordinary charity (Hoexter, 1998). According to Mahamood et al. (2015), *waqf* is considered a pious donation and is related to the religious awareness of the charity. In short, it has contributed significantly to solidifying religious practices, developing knowledge, improving education, as well as a diffusing culture within Muslim societies (Siraj, 2012; Mahamood & Rahman, 2015).

Makdisi (1981, p.28), in his book “*The Rise of Colleges: Institutions of Learning in Islam and the West*”, notes that, in the Abbasid period, several learning institutions such as masjids, masjid-colleges, and *madrasahs* in the Muslim world (Baghdad, Egypt, Morocco, Syria, etc.) were based on *waqf* as a charitable trust. Every learning institution was independent due to its endowment (*waqf*). *Awqāf* have been the main source of income, and sometimes the only source of revenue, for most *madrasahs* and religious educational institutions. It is an indication that *waqf* has benefited a significant number of educational institutions of which some remain in existence. Realising the contribution of *waqf* to education, Al-Heety (2002, cited in Mahamood & Rahman, 2015) and others stated that “without *waqf*, it probably would not have been possible to have any schools (*madrasahs*) in Muslim countries” (p.432).

Indonesia’s institutions for religious education (*madrasahs* or *pesantrens*¹) before and after independence were established mostly through the *waqf* (endowment)

¹ A *pesantren* is a religious boarding school where students reside and study under the direction of a teacher known as *kiai*. Dhofier (1980) highlights that the word “*pesantren*” is derived from the word *santri* with the prefix *pe* and suffix *an*. Its literal meaning is “the place of *santri*”. It is considered that the meaning of the word “*santri*” is religious teacher. The word “*santri*” is now commonly used to refer to a student of a *pesantren* which is derived from the Tamil word *santiri*. On the other hand, Berg

system. According to Hassim (2007), these institutions provide “the formal disciplinary study of Islam and play an important role in reforming religious education through their modern approaches in Indonesia” (pp. 223-227). Hence, a considerable number of *waqf*-based *pesantrens* have been established and continually support academic programmes and activities (mainly well-being services). Nevertheless, their upkeep is sometimes neglected by the tasked authorities.

At present, there is a growing number of *pesantrens* established under the *waqf* system in Indonesia. In 2012, the Ministry of Religious Affairs of Indonesia registered around 27,230 *pesantrens* of which 78.6% were located in Java, and nearly half were based on *waqf*.² The most well-known examples are the *pesantren* of Darussalam Gontor in East Java,³ Tazakka in Central Java,⁴ and Darunnajah in Jakarta⁵. The concept of *waqf*-based *pesantren* has positively affected the development of the Islamic education system in Indonesia. These *pesantrens* have been sustained by *awqāf* funds since the day they were founded. Also, their *waqf* fund serves a variety of purposes, such as construction, maintenance, and payment of salaries and stipends to staff members. The funds are also used to provide various facilities to accommodate the needs of students, teachers, and staff, as well as visitors. These facilities include classrooms, student dormitories, health centres, kitchens, guest houses, libraries,

(1932) argues that the word *santri* is a corruption of the Indian word *shastri* which means the man who knows the (Hindu) holy books, a scripture scholar (p. 257). The word *shastri* is derived from *shastra* meaning scriptural, religious, or scientific texts (Chaturvedi and Tiwari, 1970, p.627). In Java, the term “*pesantren*” and “*pondok*” are widely used interchangeably. Similar institutions are called “*penyantren*” in Madura, “*surau*” in West Sumatra, and *rangkang meunasah* or *dajah* in Aceh.

² In 1997 the Ministry of Religious Affairs of Indonesia had only recorded around 4,196 *pesantrens* in Indonesia. More details see “Analisis Statistik Pendidikan 2011/2012” in www.pendis.kemenag.go.id accessed on 1st April 2017.

³ Founded in 1926, the number of current students is 26,319 with 3115 teachers.

⁴ Founded in 2012 and currently has 700 students with 140 teachers.

⁵ Founded in 1974 and presently has 11,926 students with 1200 teachers.

cafeterias, bookstores, and grocery and stationery shops (Huda, 2012). The *kiais*⁶ and their selected teachers are responsible for the religious endowment (*awqāf*) and the efforts of accomplishing the objective of these deeds. They act like *nāzirs* (trustees) but at the same time are the beneficiaries of the *waqf* institution (Acharya & Dimson, 2007). Accordingly, the *waqf* is managed properly to convince the Indonesian Muslim societies to continue to support the *pesantrens*. This can be gauged from the annual reports of these *pesantrens*. As an example, Darussalam Gontor has 30 business units that can generate income of more than IDR30 billion (USD3 million) per year. At the same time, its *waqf* land is growing to 9,214,433.50 square miles, spread across several provinces in Indonesia (Wardun, 2015). Its counterpart, Darunnajah, has recorded 6,293,503 square miles of *waqf* land and 90 business units located in many regions of Indonesia. Although there is no precise number to quantify the value of Darunnajah's *waqf* land, its estimated value is up to IDR1.6 trillion (USD1.6 billion) (Republika, 2015; Buletin Darunnajah, 2015). As a new *pesantren*, Tazakka has been able to capitalise *waqf* funds of about IDR4 billion (USD400,000.00) per year, and this amount is increasing steadily year to year (Ahsanta, 2015). In short, through *waqf* funds and assets, these *pesantrens* are less reliant on any single source of government funding.

According to Mu'allim (2015), these *waqf*-based *pesantrens* are influenced by the *waqf* system of Al-Azhar University in Egypt, which is considered the most popular example of a *waqf* educational institution. Al-Azhar has continued to operate since its establishment in 970 CE during the Fatimid dynasty (969-1171 CE) until the present time. The extensive revenue derived from *waqf* assets and funds help Al-

⁶ The term *kiai* refers to the title given by the community to a Muslim scholar who has his own *pesantren*, and teaches classical Islamic texts to his students. As a Muslim scholar who has deep knowledge of Islam, he is authorised to bear the title '*ulama*' (Dhofier, 1980).

Azhar University in providing free education for local and international students, including the provision for accommodation, allowances, stipends, and salaries for teachers and staff (Mahamood & Rahman, 2015). At the higher education level, *waqf*-based educational institutions are not limited to Al-Azhar in Egypt, but there are many institutions in Indonesia supported by *waqf* assets and funds, such as the Islamic University of Indonesia (UII), the University of Muhammadiyah in many provinces of Indonesia (UMY, UMM, UMJ, UMS, and others), and University of Sultan Agung Semarang (UNISULA). However, there are limited studies and published works regarding the performance of *waqf*-based educational institutions in Indonesia and other countries (Abubakar, 2005; Huda, 2012; Mahamood & Rahman, 2015).

Although the number of new *waqf* institutions in Indonesia is growing rapidly,⁷ the challenge remains as to how best to mobilise and manage their resources to develop Islamic academic institutions, economic development, and help conserve the vast liquid assets from being lost in the never-ending circle of charity that in the long-run create dependency, and achieve neither economic nor community development.

In this regard, it can be seen that mismanaged *waqf* is becoming an obstacle to development (Kahf, 1998; Kuran, 2001). Since *waqf* properties cannot be sold, they are likely to fall into abandonment and damage, thus undermining the financial stability of the social services that rely on them. As a result, many *waqf* properties which were previously used for productive income-generating activities have been transformed into religious and social activities such as mosques, graveyards,

⁷ Based on data from the Indonesian *Waqf* Board (BWI), more than 300 *waqf* institutions have registered with the government authority, and this number is constantly increasing year to year (www.bwi.or.id, accessed on 1st December 2021).

orphanages, and religious schools. Consequently, the mismanaged assets for these activities have affected the attitudes of both the *wāqifs* (donors) as well as managers (*nāzirs*) of *waqf* properties towards all forms of *waqf*. Also, according to Karim (2012), “a lack of innovative instruments in financing the development of *waqf* and a rigid regulatory framework to generate yields from *waqf* assets and funds have hampered the growth of *waqf*” (p.3).⁸ Inadequate legal provisions, poor information system, lack of trained administrator and manager of *waqf*, and deficient financial resources are the main obstacles in developing *waqf* assets (Mohammad, 2008). As a result, the institutions are incompetent in securing as well as increasing the collection of *waqf* assets, and ensuring the effectiveness of its benefactors.

Finally, *waqf*-based *pesantrens* like Darussalam Gontor, Tazakka, and Darunnajah as non-profit institutions still need money for their operating educational costs and to fund programmes and activities that benefit the society. Factually, since the day they were established, these *pesantrens* have depended on *waqf* and financial support from various sectors (i.e., business and cooperation) which become an integral part of the funding for their expenses and the fulfilment of their institutional vision (Wardun, 2015; Ahsanta, 2015; Buletin Darunnajah, 2015). In addition, generating income from *waqf* requires innovative management and fundraising of *waqf* for the *pesantrens*. It is a way to multiply their *waqf* base, as well as an, alternative technique of developing *waqf* on a global basis. The next step in the expansion of the *waqf* horizon is to produce new patterns as the new frontier in developing *waqf* assets and funds. Research on these issues is needed to understand how *awqāf* are managed and developed in these *pesantrens*. However, since online or printed works do not provide a comprehensive study of *waqf* management and fundraising in *pesantrens*, a case stu-

⁸ See also Kahf (1998) and Kuran (2004).

dy approach of numerous *waqf*-based *pasantrens* needs to be undertaken. The present research aims at exploring these issues in detail.

1.2 STATEMENT OF THE PROBLEMS

Historically, *waqf* has contributed significantly to the well-being and educational development of Muslim societies. It has been a successful and exemplary model for funding and sustaining Islamic educational institutions, such as universities, schools, *madrasahs*, and other public services such that some of these institutions continue to operate today.⁹ Nowadays, however, Muslim societies expect that many *awqāf* institutions should take over more responsibilities to meet the current social and educational problems. *Awqāf* institutions today face many challenges. These challenges include how to mobilise and manage their resources to improve Islamic educational institutions and help preserve the vast liquid assets from being lost in the never-ending circle of charity. Evidence suggests that considerable figures of *waqf* assets and *awqāf* institutions are mismanaged and many suffer from the lack of funds to generate the productive use of *waqf* assets (Hasan & Shahid, 2010).

In Indonesia, *waqf* management is legalised by several regulations. Based on the *waqf* regulation (*Waqf* Act number 41, 2004, article 9), the *nāzir* of *waqf* in this country consists of individuals, organisations, and legal entities. However, assuming the obstacles of the *waqf* development, the *nāzirs* are encouraged in the form of an organisation or an institution. Institutional *nāzir* is preferred for the reason that it has many sections that pay attention to many matters, such as finance, marketing, legal, and additional personnel can be organised to handle the detailed features of the *waqf* issues. Presently, 303 *waqf* institutions have gained approvals from the *Waqf* Board of

⁹ The *waqf*-based Islamic educational institutions, for example, are Al-Azhar University in Egypt and Al-Zaytuna University in Tunis.