



**ACCOUNTABILITY PRACTICE IN A *WAQF*
INSTITUTION IN INDONESIA: THE CASE OF DOMPET
DHUAFA**

BY

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ABSTRACT

This study aims to address the issue of accountability in a *waqf* institution. Specifically, the focus of this study is to shed more light on how the *Mutawalli* (*waqf* trustee) perceives and discharges accountability in managing *waqf*. In so doing, an interpretive case study in one Indonesian *waqf* institution, that is, Dompét Dhuafa, is undertaken. The data were obtained through semi-structured interviews. Other sources of data collection techniques employed along with the interviews include observations and document reviews. Furthermore, this study uses the non-profit and non-governmental organisation's accountability framework as the main conceptual lens. The framework consists of the mechanisms of accountability and holistic accountability. In addition to the accountability framework, the stakeholder salience theory is also used to understand how the *Mutawalli* shows accountability to multiple stakeholders. The findings of this study reveal that the *Mutawalli's* understanding of accountability in *waqf* is influenced by its organisational values. It appears that the belief in dual accountability – to Allah and human beings – has strengthened the *Mutawalli's* perception concerning the importance of accountability. Despite the fact that the *Mutawalli* realises the presence of asymmetries in stakeholder salience, the *Mutawalli* still manages to show accountability to all stakeholders. The *Mutawalli* believes that showing accountability to different groups of stakeholder requires different mechanisms of accountability. As such, this study concludes that the holistic accountability practised by Dompét Dhuafa is an integrative process. It not only encompasses fulfilling upward and downward accountabilities, but also involves the commitment to preserve its organisational values.

ملخص البحث

هذه الدراسة تهدف إلى مناقشة المسؤولية في المؤسسات الوقفية. على وجه التحديد، هذه الدراسة تسلط الضوء على موضوع مسؤولية المتولي (الوصي على الوقف) في إدارة الوقف من حيث تصوره لها و من حيث الممارسة أيضاً. بالقيام بذلك، قامت هذه الدراسة بدراسة حالة (Dompert Dhuafa) كأحد المؤسسات الوقفية في اندونيسيا. و قد تم جمع البيانات باستخدام المقابلات الشبه منظمة، من جانب و من جانب آخر تم جمع البيانات من خلال الملاحظة المباشرة للممارسات المتبعة في المؤسسة و أيضاً من خلال مراجعة مستندات و وثائق المؤسسة. علاوة على ذلك، تستخدم هذه الدراسة الإطار النظري للمسؤولية المستخدم في المؤسسات الغير ربحية و الحكومية كإطار نظري لهذه الدراسة. هذا الإطار المستخدم يتضمن أدوات و آليات المسؤولية و المسؤولية العامة. إضافة إلى إطار المسؤولية، تم استخدام نظرية التباين بين أصحاب المصلحة لشرح كيف يمارس المتولي المسؤولية بوجود العديد من أصحاب المصلحة. أظهرت نتائج هذه الدراسة أن مستوى مسؤولية المتولي تتأثر بالقيم المؤسسية و التنظيمية. حيث يبدو أن الاعتقاد النتائج بوجود مسؤولية مزدوجة (مسؤولية الفرد إلى الله عز وجل و مسؤولية الفرد تجاه البشر) قد عزز من إدراك و فهم المتولي لمسؤوليته في المؤسسة الوقفية. إضافة إلى ذلك أظهرت الدراسة أنه على الرغم من حقيقة أن المتولي يدرك وجود تباين من حيث الأهمية بين أصحاب المصلحة، إلا أن المتولي تمكن من ممارسة مسؤوليته تجاه جميع أصحاب المصلحة. حيث يعتقد المتولي أن إظهار المسؤولية لأصحاب المصلحة تتطلب آليات و أدوات مختلفة تختلف باختلاف أصحاب المصلحة. و تخلص هذه الدراسة إلى أن المؤسسة الوقفية تحت الدراسة (Dompert Dhuafa) تؤدي مسؤوليتها الكلية بصورة تكاملية، بحيث لا يشمل فقط الوفاء بالمسؤوليات صعوداً و هبوطاً، و لكن يشمل على القيم التنظيمية للمؤسسة الوقف.

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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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**ACCOUNTABILITY PRACTICE IN A *WAQF* INSTITUTION IN
INDONESIA: THE CASE OF DOMPET DHUAFA**

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To my late mother, my family and the Muslim Ummah

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LIST OF ABBREVIATIONS

BC	Before Christ
BWI	Badan Wakaf Indonesia
CDP	Corps Dakwah Pedesaan
CSR	Corporate Social Responsibility
DD	Dompot Dhuafa
DMU	Disaster Management Unit
HRD	Human Resource and Development
ID	Identification
IIUMWF	International Islamic University Malaysia Waqf Fund
IDR	Indonesian Rupiah
JICA	Japan International Agency
KPK	Komisi Pemberantasan Korupsi
LKC	Lembaga Kesehatan Cuma-Cuma
MAW	Mitchell, Agle and Wood
NGO	Non-Governmental Organisation
PBUH	Peace be Upon Him
RM	Ringgit Malaysia
SORP	Statement of Recommended Practice
TWI	Tabung Wakaf Indonesia
WFP	Wood Food Programme

GLOSSARY

Al-falah. Rewards from Allah in this world and the hereafter.

Amal saleh. Virtuous deeds.

Amanah. Trust to fulfil.

Awqaf. A plural form of *waqf*.

Hadith . A collection of the prophetic tradition.

Ibadah. Worship.

Ijma'. A consensus of Muslim scholars.

Iman. Faith

Khalifah. Vicegerent or representative of God.

Mutawalli. *Waqf* trustee.

Qadi. An Islamic judge.

Qiyas. The analogical deduction from Qur'an Hadith and *Ijma'*

Sadaqah. Optional or voluntary charity.

Tawhid. The concept of the absolute unity of God

Waqf. Islamic pious foundation. It can also be defined as an activity of giving away certain property for the confined benefit of philanthropy.

Waqfiyya. *Waqf* deed. Normally in the written form, which specifies the objective of *waqf*, the beneficiaries and the *mutawalli*.

Waqif. *Waqf* founder.

Zakat. Compulsory charity which is made annually under Islamic law on certain kinds of property.

CHAPTER ONE

INTRODUCTION

1.0. PURPOSE OF THE CHAPTER

This chapter introduces the background of the study. It begins with a brief discussion of *waqf* revitalisation in the last few years and the call for greater accountability in *awqaf* institutions which necessitates the present study. A brief introduction to *waqf* in Indonesia is highlighted followed by an elaboration of the problem statement. The research questions, methodology and the contribution of the research are also presented. Finally, this chapter concludes with the organisation of the thesis.

1.1. BACKGROUND OF THE STUDY

The last few years have witnessed the revitalisation of *waqf* (plural: *awqaf*) institutions, with Muslim communities around the world raising its importance on the agenda. There is a growing awareness concerning the need for *waqf* revival in order to create a better society. The Muslim communities have realized that *waqf* possesses the potential to be an effective system for poverty eradication by improving non-income generating activities in aspects, such as health and education, as well as increasing access to physical facilities, resources and employment (Sadeq, 2002).

Along with the revival of this historic institution, there is a call for greater accountability of the *mutawalli* (trustee) in managing *waqf* (Cajee, 2008). Accountability in *awqaf* is crucial. Being an institution that delivers social services to the community, *waqf* should demonstrate its accountability to a wide range of stakeholders. It is undoubtedly true that accountability had underpinned the success

story of *waqf* in the past, while its decline was attributed to the degradation of the *mutawalli*'s accountability (Rashid, 2008). In this sense, the importance of accountability in *waqf* is indisputable. However, accountability has discipline-specific meanings and the way it is defined and implemented will depend on the ideology, motive, and language (Sinclair, 1995). A better understanding of accountability in *awqaf*, therefore, becomes imperative. Without a good understanding of accountability, organisations are likely to fail (Frink and Klimoski, 2004).

Further, there is a lack of evidence regarding how accountability operates within the *waqf* context. Although a few attempts have been made to address the accountability issue in *waqf* (for instance Abdul Rahim, Mohamad and Yusuf, 1999; Siti Rokyah, 2005; Hisham, 2006; Maliah, Adnan and Putri, 2009; Ihsan and Shahul 2011a, and Hairul and Hisham, 2011), these studies only focused on accounting and performance. In fact, Nor Aziah (2004) argues that accounting cannot be simply taken for granted as the mechanism to achieve accountability. Similarly, Ebrahim (2003) asserts that there are other accountability mechanisms besides accounting and performance that can be used to discharge accountability to the public. Accordingly, the present study aims to address such issues and provide insights into how accountability is perceived and discharged by the *mutawalli* in managing *waqf*.

1.2. WAQF IN INDONESIA

The word *waqf* is derived from the Arabic word, *waqafa*, which literally means “to cause a thing to stop and stand still” (Cizakca, 2000, p.1). Another meaning of *waqf* is pious foundations (Barnes, 1987). Kahf (2003), however, gives an operational definition of *waqf* as:

...holding certain property and preserving it for the confined benefit of philanthropy and prohibiting any use or disposition of it outside its specific objective

In this study, the term *waqf* is used depending on the context. As such, it can refer to an “activity”, “property” or “institution” of Islamic philanthropy.

In Islam, *waqf* constitutes one of the key tools for poverty alleviation together with *zakat* (compulsory charity) and *sadaqah* (optional charity). Unlike other charities, which are expended on consumption, *waqf* is unique in the sense that the corpus of *waqf* should remain as capital. The establishment of a *waqf* is very simple, in that the declaration by the founder is considered enough to create it. *Waqf* is thus regarded as part of a Muslim’s life and the best endowment system in history (Rashid, 2008).

Waqf in Indonesia has a long history. Its origin can be traced back to the middle of the thirteenth-century, when Islam was first introduced in the country. *Waqf* had been widely practised by the kings of Islamic kingdoms in the past, such as Aceh and Mataram (Suhadi, 2002). It has been documented by the ministry of religious affairs of Indonesia that during the period of the 1500s to 1600s, there was *waqf* land in East Java (about 20,615 m²). However, there is no clear evidence as to how such land was utilized. Over time, the number of *waqf* gradually increased, but the majority of those *waqf* were dominated by land and rice fields. Later, the types of *waqf* asset diversified to mosques, religious schools and houses for orphans.

During the colonial administration, *waqf* was used by many *Ulamas* as the means to resist colonialism (Prihatna, 2005). *Waqf* properties such as Islamic boarding school (*pesantren*) were used as medium to educate the people in order to resist western influence and ideology brought by the colonialism (Gofar, 2002). As such, in order to control *waqf* activities, the Dutch government issued several *waqf* regulations.

For instance, the *Bijblad op het Staatblad* No 6196/ 1905 was a regulation, which mandated that any establishment of *waqf* should be authorized by the Dutch government (Gofar, 2002). However, none of them was really effective in regulating *waqf*. The Muslim community considered all the regulations issued by the Dutch government as strategies to restrict their religious activities. For example, in the *Bijblad op het Staatsblad* No 13390/ 1934 it was mentioned that the building of mosques and performing *Jum'ah* prayer should be authorized by the Dutch government. Based on this, the Muslim community resisted the colonial laws.

Some regulations relating to *waqf* had been introduced by the Indonesian government after independence. However, those acts were not specifically directed to *waqf* administration; rather, they included other social issues, such as marriage and heritage. It was at the end of 2004 that the specific act for *waqf*, that is, Act No 41/2004 on *Waqf* was enacted, in which there are some important matters relating to *waqf* administration, such as the roles and responsibilities of the *mutawalli*, types of *waqf* asset, the designation of *waqf* assets, as well as the establishment of the Indonesian Waqf Board, that are incorporated in the Act. Though the Waqf Act does not specifically state how the *mutawalli* should prepare accounts for their reporting, it has been helpful in enforcing the professionalism of *waqf* management in Indonesia. For instance, it has taken into consideration the main problems faced by *waqf* institutions, such as unskilled *mutawallis* (Hasanah, 2003), misuse of *waqf* assets (Al-Makassary, 2003) and the unstructured management of *waqf* institutions (Prihatna, 2005). In addition, the Act also concerns the accountability of the *mutawalli*. For example, in chapter 5 section 43 of the Act, it is stated that the *mutawalli* is responsible for managing and developing *waqf* assets in accordance with the objective of *waqf*.

The enactment of the Waqf Act in Indonesia is a reflection of a growing awareness towards *waqf* development in the country. Inasmuch as the Waqf Act provides an opportunity for the private sector to manage *waqf*, accountability becomes a crucial element in this regard. This is not only due to the fact that *waqf* is aimed at serving the society, but also because, in the future, accountability will become a necessity as there will be “competition” among *waqf* institutions to win public trust. As such, the current study will be undertaken in Indonesia given the relevance of the issue of accountability on *waqf* management in the country.

1.3. RESEARCH QUESTIONS

Some previous studies emphasized accountability as one of the means of revitalizing *awqaf* institutions (see for example Ali, 2002; Ihsan, Ayedh and Shahul, 2006; Cajee, 2008; Rashid, 2008). Despite the growing expectation for greater accountability, many *waqf* institutions today fail to take it seriously, and there have been some cases where *waqf* assets were misused and mishandled (Hisham, 2006; Ihsan and Shahul, 2011a). Ironically, Rashid (2008) indicates that the common perception about those persons who manage *waqf* assets is one associated with dishonesty, corruption and mismanagement. Rashid believes that the phenomenon of lack of accountability is due to the decline of the standard of morality. He further argues that colonization has accelerated moral degradation through the removal of shariah based norms from every aspect of a Muslim’s life.

In order to remedy the phenomena of the lack of accountability in *waqf*, Rashid (2008) urges the religious orientation to the *mutawalli*. He believes that through this method, the *mutawalli*’s accountability can improve. However, as to whether Rashid’s opinion is true has not been tested empirically. It is indeed

interesting to know those factors that can actually improve the accountability. However, before giving the prescription for the improvement of accountability, it is important to understand the concept of accountability itself in the *awqaf* setting. As Sinclair (1995) said, the most essential issue with regard to accountability is its understanding. This is because, if there is no clear consensus about accountability, the means to deliver it will vary. Therefore, the focus of this study is to understand and explain the phenomena of accountability within the institution of *waqf*.

The main research question in this study is “Why is accountability important and how is it being discharged by the *mutawalli* in managing *waqf*?” From this research question, there are some specific questions that can be derived as follows:

1. Why is accountability important in managing *waqf*?
 - a. What are the factors that form the *mutawalli*'s belief about accountability?
 - b. How does the *mutawalli* perceive accountability in managing *waqf*?
2. How does the *mutawalli* discharge *waqf* accountability?
 - a. What are the driving forces for holistic accountability in managing *waqf*?
 - b. Who are considered as *waqf* stakeholders by the *mutawalli*?
 - c. What are the mechanisms used to discharge accountability to different groups of stakeholders and why does the *mutawalli* use these mechanisms?
 - d. Do stakeholder salience asymmetries exist among *waqf* stakeholders?
If yes, how does the *mutawalli* deal with the salient nature of the *waqf* stakeholders?

The above research questions are formulated based on the literature review and theoretical framework presented from chapters two to four.

1.4. RESEARCH FRAMEWORK AND METHODOLOGY

This study employs the accountability framework in non-governmental organisations as the main conceptual lens. The framework encompasses five mechanisms proposed by Ebrahim (2003) – disclosure statements and reports, performance assessment, participation, self-regulation and social auditing. In addition to these, the board of directors is also included as one of the accountability mechanisms (Holland, 2002; Stone and Ostrower, 2007). Accountability mechanisms will enable managers to deal with multiple accountabilities to various stakeholders. Since *waqf* shares some characteristics with non-profit and non-governmental organisations, accountability mechanisms are adapted to assess how the *mutawalli* discharge accountability in managing *waqf*.

The accountability framework also covers holistic accountability (O'Dwyer and Unerman, 2008). Holistic accountability believes that organisations are accountable to those stakeholders who are directly or indirectly affected by an organisation's activities. It is apparent that the way managers discharge accountability is influenced by the salient nature of stakeholders (Mitchell et al., 1997). Therefore, the stakeholder salience theory is also used in this study. The stakeholder salience theory is seen to be relevant in describing an organisation's relationships with various stakeholders (Donaldson and Preston, 1995).

This study is an interpretive case design, which implies that it relies on the researcher's interpretation and understanding. Moreover, this study uses a case study in an Indonesian *waqf* institution, that is, Dompot Dhuafa. The selection of Dompot

Dhuafa as the case study is because this institution really emphasizes the importance of accountability. It is clearly stated in its organisational profile that accountability to Allah and the stakeholders is one of the organisational principles (Dompot Dhuafa, 2010). This is actually in line with Scapens (2004) who asserts that the case selection should reflect the problem being investigated. Moreover, although this study is a single case, it is considered sufficient as it can be used to explain or challenge the existing theory (Yin, 1994).

Data is collected through various sources – in-depth interviews, observations and review of documents. This is to enable the researcher to triangulate the data and thus capture the essence of accountability within *waqf*. Furthermore, in analysing the findings, a thematic network will be employed. Using a thematic network enables the researcher to summarize key features of large data; highlighting the similarities and differences in the data (Braun and Clarke, 2006).

1.5. CONTRIBUTIONS OF THE STUDY

This study is pertinent in several respects. Firstly, this study can enrich *waqf* literature, especially in the area of the accountability of *waqf*. To the researcher's knowledge, there is a scarcity of academic research pertaining to the accountability within *waqf* institutions. Although some studies addressed accountability issues, they only focused on certain aspects of accountability. This study, therefore, scrutinizes accountability in *awqaf* in a more comprehensive manner.

Secondly, the findings of this study may help the improvement of *waqf* management. As this study focuses on accountability, which, among other things, encompasses accounting and performance, the *mutawallis* are expected to improve