

## Determinants of Cash Waqf Awareness in Indonesia: An SEM Approach

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### ABSTRACT

Economic growth has become a critical indicator to measure the welfare rate in several countries. In the Islamic economic concept, both government and society have an essential role in boosting welfare rates. Waqf fund is one of the social activities that the community could undertake to increase the welfare rate. Different from zakat, raising the waqf fund is a problem. The old waqf concept was more straightforward than the new idea of cash waqf. The lack of information about cash waqf causes a low waqf fund rate to be managed by a waqf institution. Using structural equating modeling (SEM), this study attempts to capture the significant relationship between promotion, trust to waqf institution, waqf programs, and knowledge in Indonesia. The result strongly suggests that building trust between community and waqf institutions could increase cash waqf fundraising.

Keywords: Welfare, Cash Waqf, Structural equation model, Promotion

## 1. INTRODUCTION

In Islamic perception, there are several concepts to develop social awareness in society, and one of them is implementing giving habits such as zakat, sadaqah, and waqf. Indonesia, as a country with numerous Moslem, it is altruism to become habitual social awareness. That activity has been conducted both individually or collectively by the institution. Proven by the data, in 2019, the number of zakat in Indonesia increase by almost ninety percent up to 248 Billion Rupiah from 153 Billion in 2018 (Baznas, 2019).

Even though it has the same purpose, zakat, sadaqah, and waqf have different ways to implement. Zakat is a form of worship that must be performed by a well-off

Muslim. This obligation must be issued by following specific predetermined calculations with a minimum of two and a half percent. In contrast to zakat, giving in the form of sadaqah is not limited to the state and mode of delivery. Muslims can do sadaqah at any time, both Muslim and non-Muslim. The endowment, both in zakat and sadaqah, has been proven to benefit the community. According to Mahat and Warokka (2013), zakat has a significant contribution to economic growth. Besides, the circulation of wealth given through zakat can create prosperity and sustainable development.

Furthermore, waqf or waqf means to hold or stop. According to the fiqh expert Abu Hanifah, waqf means holding back an object that legally remains the waqf property but beneficial to use together in virtue. The benefits of waqf activities are obtained by the waqf giver and the community in general. Waqf provides education, places of worship, and public facilities, which will increase economic growth (Rahman, 2009). Additionally, giving waqf to the productive sector can improve economic welfare because it can be adjusted to the real needs in society to create a direct effect (Qurrata et al., 2019)

At the Prophet Muhammad's time, people gave waqf through conventional means by granting land for mosques, building infrastructures such as schools, or social communities. The provision of waqf through these activities to date has proven to provide enormous benefits to society. Furthermore, the practice of giving waqf has shifted into another way. Waqf is no longer only offered in physical buildings or land, but now it has begun to move to keep up with the times with other forms such as cash waqf.

The main difference between cash waqf and the previous waqf is the provision of cash waqf, which refers to a cash deposit where the waqf can be used to invest in profitable business. Furthermore, the investment profits will later transfer into something more beneficial for social and religious activities.

Unfortunately, the implementation of cash waqf in Indonesia is still not optimal. Even though Indonesia is a country with a Muslim population, this community is still unfamiliar with the cash waqf concept. The waqf's receipt is proven by the Indonesian Waqf agency, which is still dominated by land parcels' granting. Furthermore, cash waqf receipts recorded in Dompot Duafa in December 2018 show that the value of cash waqf is only 10 percent compared to the acquisition of zakat, worth 2.6 billion Rupiah.

According to Komite Nasional Keuangan Syariah (KNKS) data published in 2019, waqf cash in Indonesia still has enormous potential to be extracted. The data said that Indonesia could obtain a waqf value of 217 trillion or equivalent to 3.4% of Indonesia's GDP.

With the importance of these factors, Muslims should pay more attention to the importance of doing waqf. This study aims to determine the extent of public knowledge about cash waqf. Through this research, the researcher wants to measure the factors that influence waqf awareness in Indonesia. This research measure four indicators, namely, public knowledge about cash waqf, public trust in waqf institutions, promotions carried out by waqf institutions, and finally, the waqf program offered by waqf institutions. This research expects to provide a comprehensive explanation regarding the low value of waqf cash in Indonesia. Moreover, this research expects to provide real input on policies that must be taken by waqf institutions and the government to maximize the receipt of waqf funding in Indonesia.

## 2. LITERATURE REVIEW

Along with technological developments and the era, techniques in giving and receiving endowments have developed. The type of waqf is currently developed into cash waqf. Cash waqf is cash that is delivered directly to the institution receiving the waqf. In practice, cash waqf's receipt can be done by giving money instantly or directly to Nazir.

The provision of cash waqf managed by the waqf institution has provided many benefits to the community. Tohirin (2010) found that the top management of waqf cash can solve the difficulty of financing MSMEs in Indonesia. The tendency of MSMEs to obtain funding that can be used to develop a business can be overcome by providing cash waqf, which is managed by the waqf institution. The selection of MSMEs that receive financing, of course, must still consider the benefits that will be obtained by the wider community.

Raising funds and managing cash waqf that is not yet understood by the community, of course, is a challenge for the waqf institution. Waqf institutions must have high accountability and transparency in managing cash waqf. Waqf institutions with high credibility will tend to gain the public's trust to encourage an increase in fundraising (Thaker, 2018). Additionally, the information provided by the waqf institution will significantly affect the trust of the waqf giver. More transparent the waqf institution's information, the higher the trust in waqf funds (Shukor et al., 2015).

Several indicators to increase the amount of cash waqf in Indonesia can be analyzed more in-depth. Those factors are indicators of public knowledge of cash waqf, public trust in waqf institutions, promotions carried out by waqf institutions, and programs offered by institutions waqf.

Over time, it seems that information about the shifting form of waqf distribution has not been appropriately conveyed to all social levels. Public knowledge related to other forms of waqf distribution, namely cash waqf, is limited information. The little knowledge of the community about cash waqf, how it is collected, and how it is managed is one of the causes of the low value of waqf receipts in Indonesia. It is supported by (Handayani & Kurnia, 2015), which states that several things influence the realization of cash waqf receipts, including knowledge, public perceptions, and media information.

Promotions carried out by waqf institutions are the second indicator in receiving cash for waqf. Theoretically, the promotion has a close relationship with public knowledge. If the waqf institution routinely carries out promotions through various media, knowledge of cash waqf will gradually be fulfilled. Furthermore, clarity on the programs offered by waqf institutions in the process of managing waqf cash is expected to increase public trust in waqf institutions, so that this can increase public interest to put their funds as cash for waqf. The last indicator is public trust in waqf institutions. The prevailing hypothesis is that the more transparent the zakat management institution, the higher the public's trust to place funds in the waqf institution.

The four-variable relationships that have been mentioned above can be illustrated in the following chart:

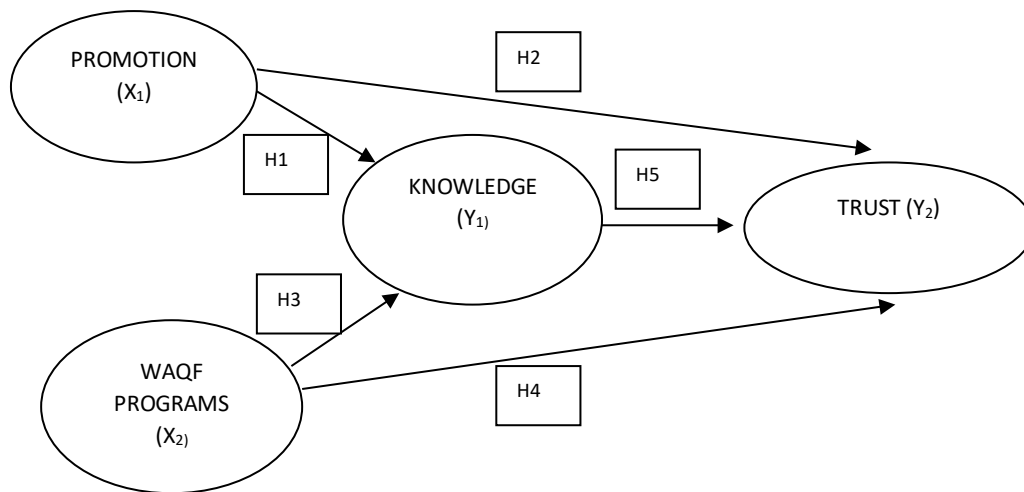


Figure 1. Conceptual Framework

### 3. METHODOLOGY

This study uses primary data as a source of information. The data were collected utilizing a questionnaire survey on Muslims in the city of Malang. The questionnaire survey consists of several sections that describe people's knowledge about cash waqf, people's perspective on waqf institutions in Indonesia, marketing or promotional activities carried out by waqf institutions in collecting cash waqf, and information about waqf programs offered by institutions. This questionnaire is addressed to both Muslims who have done cash waqf and those who have never done cash waqf. All parameters used in the questionnaire were measured on a seven-point Likert scale starting with and 1 as strongly disagree and seven as strongly agree. Structural Equation Modeling (SEM) will be used to answer research questions. This study uses four kinds of latent variables, including Knowledge, Trust, Promotion, and Waqf Programs.

### 4. RESULT AND ANALYSIS

This model uses a Structural Equation Model to prove the research hypothesis. In data processing through SEM, the accuracy of selecting indicators as measurement tools in the model can be seen through several things. First, the validity of the model can be measured through R Square. A high r Square value indicates that the model formed is good. In this analysis, it was found that almost the entire value of r Square in the model is more than 0. Furthermore, it can be concluded that the model used in this study is valid. Then, the validity can also be determined through the standardized loading factor value for each parameter. Parameters can be valid if they have a positioning factor value above 0.40 (Hair, 2010).

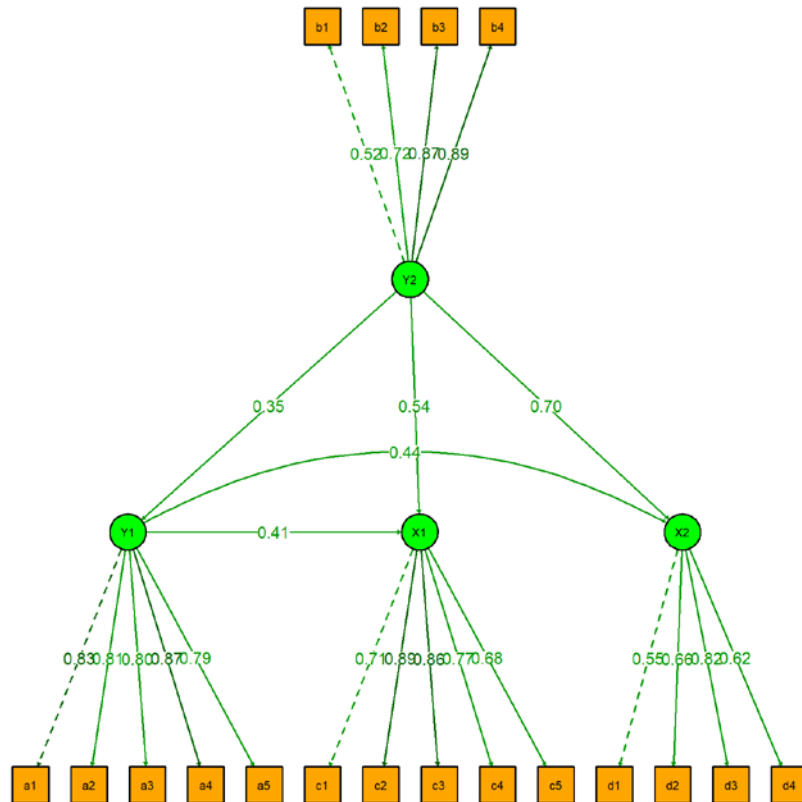


Figure 2 : Data Analysis using Structural Equation Modelling

Mathematically, the results of data processing can be presented in the following model :

$$\text{Model 1 } \hat{Y}_1 = 0,41 X_1 + 0,44X_2$$

$$\text{Model 2 } \hat{Y}_2 = 0,54 X_1 + 0,70 X_2 + 0,35 Y_1$$

Where :

X1 = Promotions

X2 = Waqf Programs

Y1 = knowledge

Y2 = Trust

According to Figure 2, it is known that the waqf institute's promotions and programs have a significant effect on increasing people's knowledge of cash waqf. Besides, there is a relationship between promotion and program waqf on public trust in waqf institutions, while public knowledge of cash waqf does not affect public trust in cash waqf management institutions.

The promotion relationship carried out by institutional institutions with public knowledge about cash waqf tends to be low when seen from the loading factor value of 0.41. With these results, it is known that the ease of accessing information about cash waqf and increasing insight due to the promotion of the waqf institution significantly affects people's knowledge of cash waqf management. The results of this study are supported by Shukor (2015), which states that the efforts made in promoting through the media can indirectly motivate wakif to do cash waqf. The optimization of promotional activities should be carried out by waqf institutions to increase public insight into cash

waqf. The use of media in conducting promotions to obtain cash waqf is also supported by Qurrata et al. (2019).

Furthermore, the promotion has a higher validity value when associated with public trust in waqf institutions. With a loading factor value of 0.5, it can be concluded that advertising will increase public trust. Through promotional activities, the public can obtain information about waqf institutions involved in receiving cash waqf, the credibility of one waqf institution, and another that public trust in waqf institutions will slowly build and increase the number of cash waqf receipts.

The waqf program has a loading factor value that is not much different from the promotion of knowledge, which is 0.44. With this low level of significance, it is known that the information on the cash waqf management program provided by the waqf institution is still relatively low. Waqf programs proved to have a positive relationship to trust. It shows that people who want to contribute in cash waqf will pay more attention to the waqf programs. If the waqf institution could perform and arrange good cash waqf programs, this will increase people's trust in waqf institutions. In the end, this will boost the number of cash waqf. These waqf programs could be on education, Small Micro Medium Enterprises, or other sectors.

The relationship between waqf programs on trust has a very high loading factor value. It shows that the more transparent the waqf institution's work programs will increase public confidence in the waqf institution. Work programs have to the right on target, and the ability to provide benefits to the broader community will increase public confidence in giving cash waqf through waqf institutions. This study supports the results of Hyndman & McConville (2018), which states that one of the crucial indicators in maintaining public trust in waqf institutions is through transparency. Transparency or openness will also increase public satisfaction (Fard and Rostamy, 2007).

Overall, there is no significant influence on public knowledge about cash waqf on trust. The result shows that knowledge of cash waqf cannot automatically encourage people to do cash waqf. It is because cash waqf is a gift that will be managed in length. The selection of an institution responsible for handling cash waqf will be a much more important consideration before deciding to provide cash waqf. Bekkers (2003) shows that the accountability and transparency of cash waqf management will increase public trust in waqf institutions to encourage the community to provide cash waqf. The management of cash waqf, which is entirely handed over to the waqf institution, is a strong reason for the importance of trust in increasing the number of waqf receipts. The lack of transparency in the plan and implementation of the waqf program will cause a loss of public confidence in giving cash waqf, Shukor et al. (2015), Sargeant & Lee (2002).

## 5. CONCLUSION

This research provides several implications that can be used as considerations in decision making by the waqf institution. First, the waqf institution must promote the credibility of the waqf institution it manages. Second, waqf institutions must be creative and innovative in making cash waqf management programs. Third, in its management, waqf institutions need to maintain accountability and transparency in managing cash waqf because this will have a significant effect on public trust. Through survey results, it is known that trust in waqf institutions is a crucial factor in increasing the potential for cash waqf acceptance in Indonesia.

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