

IMPLEMENTATION OF RISK MANAGEMENT IN WAQF MANAGEMENT INSTITUTIONS

Ika Darma Yuni^{1*}
Fadhillah Insani²
Sugianto³

*^{1, 2, 3}Universitas Islam Negeri Sumatera Utara

*¹email: fadhillahinsani@gmail.com

Abstract: Waqf core principle is a standardization of waqf regulations used by waqf management institutions to minimize risks that will occur. This research aims to discuss risk management in waqf management institutions. The research method used is qualitative with literature study. The results of this research are risk management in managing productive waqf, namely collection risk, risk of problems with waqf assets provisions and reserves, transaction risk with related parties other than recipients, country and transfer risk, market risk, risk of loss of assets and reputation, income/profit risk.

Keywords: Waqf, Risk management, Waqf Core Principle

Introduction

In Islam, waqf is a form of worship that has an important socio-economic pattern. According to classical Islamic history, waqf has played a very significant role in improving the welfare of Muslims, both in the fields of education, health services, social services and public interests, religious activities, the development of science and Islamic civilization in general. Indonesia is a Muslim country that has a lot of waqf land.(Utama, 2009).

Waqf is one of the economic tools used in Islam, apart from zakat, infaq and alms. Waqf is an important tool to provide more authority to society. In addition, waqf is a religious and social tool that has made a significant contribution to the history of Muslim society. Over the centuries, the reliability of the waqf function has been proven and able to survive.

The function of waqf as a provider of basic needs for the welfare of the people is considered very important considering that the existence of waqf has been around for a long time. Based on its objectives, waqf assets provide priorities that include components of kinship between Muslims (ukhuwah Islamiyah), compassion for others (ihsan), and devotion to fellow human beings in the world.(Syaifullah & Idrus, 2019).

Organizations must strive to carry out good management, just like non-profit organizations. Risk management is very important due to the widespread misappropriation of funds and lack of transparency regarding ZIS funds.(Mustofa, 2022).

Waqf, in addition to other Islamic financial instruments, such as zakat, if managed productively can be used to improve people's living standards. This means that waqf can be a source of funding from the people for the people for religious, social and economic purposes. For this reason, understanding of the function of waqf needs to be socialized and become a collective movement from all levels of society in order to improve the economy of the people.

Based on this, according to Hashmi, the ideal management of waqf institutions resembles corporate management. In waqf management, the key role lies in the existence of the nazir, a solid work team to maximize the expected waqf results. If waqf is managed professionally, then it will

become a potential Islamic institution. Therefore, waqf management must be based on company operational standards.(Rozalinda, 2012).

In essence, waqf institutions must start managing their risks, starting from setting risk management goals and strategies, identifying risks, measuring risks, mitigating risks, and monitoring and reporting on the implementation of risk management. Based on the background of the problem above, this article will examine how investment risk is managed in waqf management institutions.

Literature Review

Waqf

Linguistically, the word "*waqf*" comes from the word "*waqafa*", a synonym for the word "*habasa*" which means to stop, stay in place, or hold back. The word "*al-waqf*" is the masdar (gerund) form of the expression "*waqfu al-syai*", which means to hold back something. The word "*waqf*" is synonymous with the word "*al-habs*". The sentence "*habistu abbisu habsan*" and the sentence "*abbastu ubbisu abbaasan*", the meaning is "*waqaftu (restrain)*".

Scholars differ in their opinions regarding the definition of waqf in terms of words. Although the term waqf is used to refer to the legal act of disposing of personal property or assets for religious and community purposes, the meaning of waqf varies depending on which school of thought a Muslim adheres to.

Waqf is a legal act of wakif to grant ownership rights to certain objects that are eternal in nature to other people (individuals) or organizations/institutions so that they can be used for worship in accordance with Islamic principles.(Hamzani, 2015).

Legal Basis of Waqf

Most ulama all agree that waqf is part of almsgiving, the law of which is sunnah in Islamic law. The legal basis for waqf is:

1. Al-Qur'an

In general, we as Muslims have been ordered by Allah SWT to give away some of the wealth we have, as Allah SWT says in the Al-Qur'an surah Al-Imran verse 92 which means: "You will never reach virtue, until you spend some of the wealth you love. And whatever you earn, Allah knows it."

2. Hadits

However, this verse is still Sunnah regarding general almsgiving. Meanwhile, the waqf law in more detail and contextually is the hadith of Ibn Umar, may Allah be pleased with him, which tells the story of his own father, as the person who first received advice from Rasullah SAW to donate his date palm garden. Umar received the garden as his rightful share of the spoils of the Khaibar war.

Scholars generally state that this hadith clearly confirms the waqf law for property, while also clearly describing the form and provisions of the waqf itself. (Sarwat, 2018).

Waqf Management Institution

As an Islamic philanthropic institution, the waqf institution has a vision of becoming a trusted national zakat, infaq, alms and waqf management organization that always prioritizes the satisfaction of donors (potential waqif) and mustahiq (Mauquf 'alaih). The mission is: first, to provide excellent service to donors through donor service programs which are supported by an extensive work network, a neat management system and trustworthy and professional human resources. Second, carrying out activities to best utilize funds by prioritizing activities in the

education, da'wah, orphans, mosques and humanitarian sectors to support improving the quality and independence of the people. Third, provide multiple benefits and advantages for donors.

Meanwhile, the organizational paradigm of waqf institutions is: first, the ability to utilize funds in a trustworthy & professional manner, so that collecting funds is a consequence and the utilization of funds is carried out in a sharia, efficient, effective & productive manner. Third, fund utilization programs must be right on target, effective and have a multiplier effect to give rise to sadaqah Jariyah for donors. Fourth, must be able to assemble all the potential, competence, facilities & authority of donors & the community both related to fund raising activities and fund utilization activities. Fifth, each sector is designed to be a model that is feasible and easy to imitate by any institution. The main indicator is that each directorate becomes the main reference for the community in activities in that field. Sixth, we must be able to penetrate sectarian boundaries and primordialism in carrying out a mission of compassion for the entire universe.

The waqf institution management system is: first, the management system is created to ensure that employees are always at the peak of sincerity and professionalism when working so that they are able to achieve outstanding results every time they carry out their tasks. Second, in building a management system for the fund utilization directorate, the role of donors who are experts in their field becomes central. Each sector carries out benchmarking with donor institutions and networks. Third, waqf institution management also carries out the process of promotion, projection and nomination of human resources at the managerial and directorial levels. Fourth, the management of the directorate for fund utilization and fund collection is made into a separate boarding. So that the structure and human resources, especially at the manager and director level, can function optimally.

More specifically, the waqf institution program paradigm is: first, waqf institution programs are community oriented (market orientation). Therefore, waqf institutions' fundraising programs are donor-oriented (donor orientation), while fund utilization programs are oriented towards the poor (poor orientation). Second, each directorate must have a lot of and accurate data about their respective fields. Third, waqf institutions continuously ensure that marketing programs & donor services are in accordance with donors' wishes. Fourth, waqf institutions also always ensure that fund utilization programs can be a problem solver for some of the problems currently being faced by the community. Fifth, the planning and implementation of programs in each directorate of waqf institutions is as far as possible within the corridors of syar'i, trustworthiness and professionalism. Sixth, in order to be efficient, effective & productive, integrality & synergy between programs in each directorate is important. (Naim, 2019).

Risk Management

In general, Risk Management is defined as the process of identifying, measuring and ascertaining risks and developing strategies to manage these risks. In this case risk management will involve processes, methods and techniques that help project managers maximize the probability and consequences of positive events and minimize the probability and consequences of adverse events.

In project management, what is meant by project risk management is the art and science of identifying, analyzing and responding to risks throughout the life of a project and still ensuring the achievement of project objectives. Good project management will be able to improve project success significantly. Risk management can have a positive influence in terms of selecting projects, determining project scope, creating realistic schedules and good cost estimates. (Puput Wulansari, 2014).

Method

This research uses descriptive qualitative research methods. Through qualitative research, researchers can identify subjects and experience what the subjects experience every day. In qualitative research, the context, circumstances, and setting of the natural event being observed are all considered. Each phenomenon is different from others and differs from them due to various situations. By focusing on a comprehensive and in-depth description of conditions in a natural context, regarding what actually happens according to what is in the field of study, this qualitative research aims to understand the conditions of a context. A research method known as qualitative analysis can provide descriptive information from the speech, writing and behavior of the subjects studied. (Muddatstsir, U. D. al, & Early, 2020).

Result and Discussion

1. Risks to Waqf Management Institutions

Management of productive waqf must take into account risk appetite, risk profile and market and macroeconomic conditions. And there is a management process, namely identifying, measuring, evaluating, monitoring, reporting and controlling or reducing risks. Of the nine management risks in waqf which are included in productive waqf, namely Collection risk, Risk of problems with waqf asset provisions and reserves, Transaction risk with related parties other than recipients, State and transfer risk, Market risk, Risk of loss of assets and reputation, Income/reputation risk. Profit and loss. Apart from that, there is counterparty risk and the risk of additional disbursement in cash waqf. (Rachky, 2019).

The waqf core principle is not a regulation but is a reference document that can be used as a reference for policy makers regarding waqf management in a legal/government system. This WCP is flexible and situational. This is the main reference document for measuring waqf management performance while still accommodating the technical and operational issues that different jurisdictions may involve (Rule & Rule, n.d.).

Waqf Core Principle or in Indonesian is the core principle of waqf, which is a kind of standardization of waqf regulations in minimizing risks that will occur. These principles establish five basic areas that will be developed which include 1. Legal Foundations (legal basis) 2. Waqf Supervision (supervision of waqf) 3. Good Nazir Governance (good Nazir governance) 4. risk management (risk management) 5 . Sharia Governance (sharia governance).

The aim of the waqf core principle is first, to provide a brief description of the position and role of waqf management and supervision systems in economic development programs. Second, to provide a methodology that contains the core principles of waqf management and supervision systems. (Rachky, 2019).

Based on the Waqf Core Principle, there are 11 risks to waqf management institutions, namely:

a. Risk Management

The waqf supervisor determines that Nazhir or the waqf institution has a comprehensive risk management process to identify, measure, evaluate, monitor, report, and control or mitigate all material risks in a timely manner and to assess capital adequacy and liquidity related thereto. their risk profile and market and macroeconomic conditions. This includes developing and reviewing a robust and credible recovery plan that takes into account the specific conditions of the waqf institution. The risk management process is adjusted to the risk profile and systemic interests of the waqf institution

b. Collection management

The waqf supervisor determines that the waqf institution has adequate policies and processes for the assessment/valuation of waqf assets/funds.

c. Counterparty risk

The waqf supervisor determined that Nazir cash waqf has an adequate counterparty risk management process by considering risk appetite, risk profile, as well as market and macroeconomic conditions. This includes thoughtful policies and processes to identify, measure, evaluate, monitor, report, and control or mitigate counterparty risks in a timely manner. The full credit life cycle is covered, including credit underwriting, credit evaluation, and ongoing waqf management and investment portfolios.

d. Distribution Risk

The waqf supervisor determines that the waqf institution has adequate policies and processes in managing waqf assets and funds as well as a distribution system for investment profits.

e. Property issues, reserves and waqf reserves

The waqf supervisor determines that the waqf institution has adequate policies and processes for the early identification and management of problematic assets, as well as the maintenance of adequate inventories and reserves.

f. Transactions with related parties other than beneficiaries

To prevent misuse of waqf assets arising from transactions with related parties other than beneficiaries and to overcome the risk of conflicts of interest, waqf supervisors require waqf institutions to carry out arm's-length transactions; to monitor such transactions; to take appropriate steps to control or mitigate the risks associated with such transactions; and eliminate exposure to related parties in accordance with standard policies and processes.

g. Country risk and transfer

The waqf supervisor determines that waqf institutions have adequate policies and processes to control country risks in cross-border waqf activities.

h. Market Risk

The waqf supervisor ensures that the waqf institution (Nazir) has an adequate market risk management process by considering risk appetite, risk profile, market and macroeconomic conditions, as well as the risk of a significant decline in market liquidity. Nazir must have a standard assessment mechanism for managed assets based on periodic changes in their market value. This includes thoughtful policies and processes to identify timely measurement, evaluation, monitoring, reporting, and control or mitigation of market risks.

i. Risk of loss of reputation and market assets

The waqf supervisor determines that the waqf institution has an adequate management framework capable of handling all risks of transmission, reputation and loss of waqf assets.

j. Profit/profit sharing risk

The waqf supervisor determines that the waqf institution has an adequate risk management process by considering risk appetite, risk profile, as well as market and macroeconomic conditions. This includes careful policies and processes to identify, measure, evaluate, monitor, report and control or mitigate investment portfolio risks in a timely manner. The waqf supervisor sets prudential limits to limit the exposure of waqf institutions to a single party or group of connected parties.

k. Operational risk and sharia compliance

The waqf supervisor determines that waqf institutions must have appropriate operational risk management and sharia compliance processes to minimize the potential for fraudulent practices, anticipate system damage, and other potential disruptions.(BWI et al., 2018).

2. Risk Management Process in Waqf Management Institutions

The process followed in risk management is:

- a. Risk Management Planning, planning includes the step of deciding how to approach and plan risk management activities for the project.
- b. Risk Identification, the next stage of the risk identification process is to recognize the types of risks that each business actor may (and generally) face.
- c. Qualitative Risk Analysis, qualitative analysis in risk management is the process of assessing the impact and possibility of risks that have been identified. This process is carried out by structuring risks based on their effect on project objectives.
- d. Quantitative Risk Analysis is the process of numerically identifying the probability of each risk and its consequences for project objectives.
- e. Risk Response Planning, Risk response planning is a process carried out to minimize the level of risk faced to an acceptable limit.
- f. Risk Control and Monitoring, this step is the process of monitoring risks that have been identified, monitoring remaining risks, and identifying new risks, ensuring the implementation of the risk management plan and evaluating its effectiveness in reducing risks. (Puput Wulansari, 2014).

Conclusion

Waqf is a legal act of wakif to grant ownership rights to certain objects that are eternal in nature to other people (individuals) or organizations/institutions so that they can be used for worship in accordance with Islamic principles. Waqf management organizations must strive to carry out good management, just like non-profit organizations. Risk management is very important due to the rampant fraud and non-disclosure regarding ZIS funds.

The Waqf Management Institution has a vision of becoming a trusted national zakat, infaq, alms and waqf management organization that always prioritizes the satisfaction of donors (potential waqif) and mustahiq. Meanwhile, the organizational paradigm of waqf institutions is: first, the ability to utilize funds in a trustworthy & professional manner, so that collecting funds is a consequence and the utilization of funds is carried out in a sharia, efficient, effective & productive manner. Fund utilization programs must be right on target, effective and have a multiplier effect to create sadaqah for donors.

Risk management in productive waqf management is collection risk, risk of problems with waqf asset provisions and reserves, transaction risk with related parties other than recipients, country and transfer risk, market risk, risk of loss of assets and reputation, income/profit and loss risk. Waqf risk management means that its management is not profit oriented but there is a value of ta'awun (mutual help) in its principles which can help the community's economy and provide more benefits for the people.

References

- BWI, BI, & IRTI-IsDB. (2018). Waqf Core Principles for Effective Waqf Operation and Supervision. *International Working Group on Waqf Core Principles, 1*, 1–75.
- Hamzani, A. I. (2015). *Perkembangan Hukum Wakaf Di Indonesia*.
- Muddatstsir, U. D. al,& Early, R. . (2020). Akuntansi Syariah Di Era Modern. *Jurnal Ilmu*

Akuntansi Dan Bisnis Syariah, 1(1), 23–36.

- Mustofa, A. A. (2022). Manajemen Risiko dalam Upaya Resiko Muzakki dan Mustahiq pada lembaga MPZ Citra Anak Sholeh. *Jurnal Ilmiah Ekonomi Islam, 8(1), 715.* <https://doi.org/10.29040/jiei.v8i1.4207>
- Naim, A. H. (2019). Lembaga Pengelola Wakaf dan Manajemen Fundraising. *Ziswaf: Jurnal Zakat Dan Wakaf, 6(1), 101–103.*
- Puput Wulansari. (2014). MANAJEMEN RISIKO PEMBIAYAAN IJARAH TERHADAP PENGEMBALIAN PEMBIAYAAN NASABAH (Studi Kasus : BMT Dana Mentari Muhammadiyah Pasar Pon). *Repository Ain Purwokerto, 4(2), 109–118.*
- Rachky, A. N. (2019). Analisis Penerapan Waqf Core Principle dalam Manajemen Risiko di Wakaf Daarut Tauhiid Bandung Analysis Of The Application Of Waqf Core Principle In Risk Management In Wakaf Waqf Core Principle atau dalam Bahasa Indonesianya yaitu Principle yaitu manajemen. *Prosiding Hukum Ekonomi Syariah, 5(2), 554–561.*
- Rozalinda. (2012). Manajemen Risiko Investasi Wakaf Uang. *Islamica, 6(2), 300–315.*
- Rule, T. H. E., & Rule, M. (n.d.). *Waqf core principle.*
- Sarwat, A. (2018). *Fiqh Waqaf.*
- Syaifullah, H., & Idrus, A. (2019). Inovasi Pelayanan Wakaf Produktif Era Digital: Studi Kasus Di Yayasan Wakaf Bani Umar 2018. In *ZISWAF : Jurnal Zakat dan Wakaf* (Vol. 6, Issue 2). <https://doi.org/10.21043/ziswaf.v6i2.6415>
- Utama, B. S. (2009). Aspek Manajemen Risiko dalam Pengembangan Wakaf Produktif. *REPUBLIKA.Co.Id.*