

RISK MANAGEMENT OF WAKAF MANAGEMENT INSTITUTIONS

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Abstract: Waqf has great potential in the sharia financial sector, it can accelerate the development of infrastructure, social facilities and religious facilities. Risk management is crucial in waqf management. Reputational, operational, distribution and transfer risks between countries need to be identified and addressed. Risk management can increase public trust, minimize losses, and ensure sharia compliance. The urgency of risk management lies in providing risk information to regulators, ensuring operational continuity, and measuring risk exposure. It requires strengthening human resources, increasing transparency, applying information technology, cross-border collaboration, and regular audits to ensure compliance and effectiveness of risk management. The development of productive waqf products is expected to increase the income potential and long-term benefits of waqf assets.

Keywords: Institutions, Waqf, Risk Management

Introduction

Waqf has enormous potential in the sharia financial sector and has the potential to accelerate the development of infrastructure, social facilities and also religious facilities. In the Wall Street Journal, as quoted by Nizamoglu (2011), he even suggested resolving the world crisis by implementing the concept of waqf, where a number of the world's billionaires could participate in building state infrastructure for the benefit of the lower middle class people. With the passing of the Waqf Law Number 41 of 2004 which recognizes the validity of cash waqf, we have the potential to have very fantastic cash waqf assets. (Kuncorowati & Achsani, Noer Azzam Hafidhuddin, 2018)

According to data from the CIA World Factbook in 2020, adherents of Islam in Indonesia reached 87.2% of the total 267,026,366 Indonesian population. The dominant number of Muslims in Indonesia could be a supporting factor for the high potential for cash waqf that can be collected. (Sarasi et al., 2022)

In recent years, waqf institutions in Muslim majority and minority countries have increasingly aggressively developed productive waqf, namely making idle waqf assets productive for use in production activities, including Indonesia (Mohsin & Muneeza, 2020). This shows the increasing interest and awareness of waqf as an instrument for improving community welfare (Abu Tahalib et al., 2020; Khalid et al., 2019; Zubaidah & Ninglasari, 2020). However, in fact, very little potential for cash waqf and waqf land assets is managed productively. Most of them are still consumer endowments such as mosques, cemeteries and schools, which still raise their hands to cover their operational costs. (Kuncorowati & Achsani, Noer Azzam Hafidhuddin, 2018)

If you look at its potential, it is still far from what was expected. Ideally, waqf can be managed productively and developed into an Islamic institution that can improve community welfare. Ideally, waqf can be an instrument in alleviating poverty (Abd. Syakur, Hary Yuswadi, Bagus Sigit Sunarko, 2018; Rochmiyatun, 2018). The non-maximum management of existing waqf potential is caused by many things that are part of the risk of waqf management not being optimal.

Risk or in English (risk) can be interpreted as a situation faced by an institution, company or individual where there is a possibility of harm. Ricki W. Griffin and Ronald J. Ebert define risk as uncertainty about future events (Griffin & Ebert, 1996). Risk is an event whose probability of future events cannot be ascertained. Risk is usually associated with the possibility of events or circumstances that could threaten the achievement of an organization's goals and objectives. Risk is associated with the possibility of undesirable bad consequences (losses). (Rozalinda, 2016)

Risks can be reduced or even eliminated through risk management. Risk management is a process that is carried out in a structured and systematic manner in identifying, mapping, measuring, developing alternative risk management, as well as monitoring and controlling the implementation of risk management. The role of risk management is expected to be able to anticipate society and a world that is rapidly changing with the times, develop corporate governance, optimize strategic management, secure resources and assets owned by institutions, and reduce reactive decision making from top management. (Bramantyo, 2008)

In identifying recorded risks, institutions must be able to be clearer in mitigating some of these risks, namely: a. Reputational risk and loss of muzakki and waqf assets b. Distribution risk c. Operational risk d. Risks of waqf transfers between countries (Mustofa & Samsuri, 2022; Sholehah, 2019)

The establishment of waqf management institutions or institutions in Indonesia has become an inseparable part of the community's economic activities. The government is even an important part that cannot be separated from its contribution to the growth and development of these institutions. Through institutions, a system will be able to run effectively and efficiently to achieve its goals, considering that institutions have strategies and management in carrying out all their activities. Based on the explanation above, it is very important to carry out research to examine the risk management of waqf management institutions.

Literature Review

Risk management

Management is the process of controlling tasks, carrying out, organizing and planning related to using existing resources in the organization to achieve company goals. Management can also be interpreted as a science that is used to manage the stages of cooperation between group members or individuals through human resource management. and other resources that are used efficiently and effectively to achieve certain goals. (Mulyani & Jamilah, 2022)

Risk in the KBBI means an unpleasant impact or consequence (harmful and detrimental) in an action or deed. Meanwhile, in the management dictionary, risk is defined as uncertainty which has the possibility of loss in the form of loss of economic capability or profit and/or loss of assets. (Syafrofi, 2022)

Ferry N. Idroes defines risk in a broader form, namely the threat or possibility of an event or action that has the potential to have an impact that is opposite to the goal to be achieved. The International Organization for Standardization (ISO) also said the same thing, that risk is the effect of uncertainty on objectives or the impact that arises due to uncertainty on objectives. Furthermore, these impacts can be negative, positive or both and can produce, create and overcome opportunities and threats. (Ramadhani & Rachmawati, 2021)

Soeisno Djojosoedarso said that risk management includes management functions to overcome risks including those faced by society, families and organizations. (Nurrochman, 2016). Then, according to the Committee of Sponsoring Organizations of the Treadway Commission, risk management is a process carried out by the board of directors or management and other personnel to determine strategies within the company which is carried out to identify potential incidents that can affect risk management, the entity providing adequate confidence to achieve a goal. (Pamungkas, 2019)

Risk management is defined as a logical and systematic method of identifying, quantifying, determining attitudes, determining solutions, and monitoring and reporting risks that occur in every activity or process. (Rohmaniyah & Anwar, 2022). Risk is generally divided into two parts; First, speculative risk is a risk that involves two possibilities, namely the possibility of profit and the possibility of loss. Second, risks that only involve one possibility, namely the possibility of loss, or often called pure risk. (Darmawi, 2016)

Waqf

Waqf is the act of separating or handing over part of property to be used continuously or within a certain period of time according to need, both for worship and general welfare, in accordance with sharia principles. (Suryadi & Yusnelly, 2019). Although the legal basis for waqf according to sharia is not explicitly stated in the Koran, the meaning of the verse Ali Imran: 92 can be used as a strong legal basis for waqf. (Kholid, 2020)

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

Meaning: *You will never reach (perfect) virtue until you spend part of the wealth you love. and whatever you earn, Allah knows it.*

Benefits of Risk Management for Waqf Management Institutions

According to Susilo and Kaho, if risk management is implemented and maintained in accordance with international standards (ISO 31000), it will be possible to achieve organizational goals, including being able to: (Triyani et al., 2017)

1. Increase the possibility of achieving organizational goals
2. Encourage proactive management
3. Increase awareness to identify and handle risks throughout the organization
4. Improve threat and opportunity identification capabilities
5. Comply with applicable laws and regulations and international standards
6. Improve the reporting system, both mandatory and voluntary
7. Improve organizational governance
8. Increase stakeholder capabilities and confidence
9. Establish a solid foundation for decision making and planning
10. Improve control
11. Allocate and use resources effectively and address risk requirements
12. Improve occupational health and safety and also increase environmental protection
13. Improve the loss prevention and emergency response management system
14. Minimize losses
15. Improve organizational resilience

Method

This type of publication research is library research, collecting written information about the topic being discussed (Nana Syaodih Sukmadinata, 2011). The approach used is a descriptive-qualitative approach, where the subject under study is researched thoroughly to obtain a complete

and thorough understanding. The information sources used in this research are literary sources in the form of books, journals, magazines and other scientific works.

Result and Discussion

Types of Risks for Waqf Management Institutions

Based on the Waqf Core Principles, several types of risks for waqf institutions include:

1. Reputation risk and loss of muzakki and waqf property

This risk is a risk that arises due to reduced levels of public trust, especially muzakki and wakif candidates. This risk could endanger the sustainability of waqf institutions and hinder the collection of waqf funds. The risk of loss of waqf assets generally occurs during the development of waqf assets, which will be invested through various sectors. (Sarasi et al., 2022)

Anything that can give the impression of a poor institutional reputation of amil must be minimized. Reputation is a very important factor because it will determine the level of public trust, including determining the loyalty of funders in paying waqf. For example, reckless distribution management, especially by gathering mustahik to line up in the field to queue for money distribution, is an action that can reduce public trust in amil institutions, thereby potentially damaging the institution's reputation. (Nazir, 2018)

2. Risiko Operasional dan Kepatuhan Syariah

This risk is a risk related to fraud, system failure and other disturbances which generally originate from internal waqf institutions (Sarasi et al., 2022). M. Hanafi also stated that Basel II (the institution that regulates international banking) defines operational risk as a risk that arises due to failure of internal processes, people, systems, or from external events. It appears that this definition covers very broad matters. (Hanafi, 2012)

The risk of internal process failure is a risk related to the failure of an organization's internal processes or procedures. Then, employees are an important asset for the company but also a source of operational risk for the company. The risk from these employees is either intentional or unintentional. In system risks, technology can make a significant contribution to the organization, on the other hand, the system will create new risks for the organization, if the company is too dependent on computer systems, for example, then the risks related to computer damage will be higher. Then, it relates to events that originate from outside the organization and are outside the organization's control. These incidents usually occur rarely but have such a big impact. (Nazir & Ryandono, 2019)

Examples include the loss of a number of databases due to poor administration of archiving and storage of files owned by the institution or delays in the distribution of funds for the mustahik empowerment program due to unclear procedures, so this has the potential to disrupt the smooth running of the institution's program as a whole. Therefore, having an appropriate administration system and precise and clear distribution procedures is part of efforts to minimize operational risks. (Nazir, 2018)

3. Distribution Risk

In distributing waqf proceeds, waqf institutions need to have good planning, recording and management so that the waqf proceeds are distributed according to plan. Risks that may occur are unstable financial positions and misallocation in distribution activities. (Sarasi et al., 2022)

Distribution risk according to Dyarini in a journal entitled management risk management, is when there is not the right target and the level of efficiency and effectiveness of distribution is less. (Nafi'ah & Suprayogi, 2019)

The discrepancy between the distribution work plan and the realization in the field is due to various factors, both external and internal institutional, intentional, unintentional or under circumstances of force (force majeure). (Nazir, 2018).

4. Country and Transfer Risk

This risk occurs when waqf institutions transact between countries. Therefore, waqf supervision in Indonesia needs to collaborate with supervision in other countries so that they can obtain additional information according to needs. (Sarasi et al., 2022)

Risks that can arise include whether the waqf funds provided by donor countries to recipient countries are in accordance with the agreed plans or not. There needs to be a measuring tool as a control to prevent misuse of waqf funds between countries.

The Urgency of Risk Management for Waqf Management Institutions

Risks in the context of waqf institutions are potential events, both anticipated and unanticipated, that have a negative impact on the level of trust and sharia compliance. These risks cannot be avoided, but can be managed and controlled. Therefore, like other institutions in general, waqf institutions also need a series of procedures and methodologies that can be used to identify, measure, monitor and control emerging risks, or what is usually called risk management. (Ascarya & Dkk, 2018)

In general, the urgency of waqf risk management can be divided into the following five things: (1) Providing information about risks to regulators and other related parties; (2) Ensure that waqf institutions do not experience unacceptable opportunity losses; (3) Minimizing opportunity loss from various uncontrolled risks; (4) Measuring exposure and concentration of risk; (5) Ensure sharia compliance in waqf management, especially in risk mitigation.

Conclusion

Risk management plays a crucial role in maintaining the welfare of waqf management institutions. Risks involving institutional reputation, operations, distribution, and cross-border transactions require careful planning and action to minimize the negative impacts. The importance of risk management in waqf institutions is the foundation for maintaining operational sustainability and public trust.

Based on the risks that have been identified, several suggestions can be made. First, it is necessary to strengthen human resources (HR) by involving training and development so that HR has a deep understanding of sharia principles and management skills. Second, transparency and accountability must be increased, including openness regarding financial reports and use of funds that can be accessed by the public. Third, the application of information technology needs to be improved to increase efficiency and data security in managing waqf funds. Fourth, cross-border cooperation is important for institutions that transact between countries, involving cooperation with regulators and supervisory institutions in the relevant countries. Fifth, internal and external audits need to be carried out regularly to verify compliance and effectiveness of risk management. Lastly, the development of productive waqf products is expected to increase the income potential and long-term benefits of waqf assets.

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