

Cash Waqf Linked Sukuk: overcoming social disparities in Indonesia

Ana Naila Rochaniah¹, Fita Nurotul Faizah²

Universitas Islam Negeri Walisongo Semarang, Indonesia

Corresponding author: 2205026044@student.walisongo.ac.id

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Abstract

Indonesia faces persistent socioeconomic inequalities in healthcare, education, and economic participation despite its high human development potential, exacerbated by fiscal constraints limiting government-led solutions. This article examines the role of Cash Waqf Linked Sukuk (CWLS) –an innovative Islamic social finance instrument– in addressing these disparities by analyzing its implementation challenges and sectoral impacts. Using a qualitative case study approach with secondary data from government reports, regulatory documents, and national statistics, the research reveals that CWLS has successfully funded healthcare infrastructure (e.g., retina and glaucoma centers), educational scholarships, and agricultural empowerment programs. However, its potential remains underutilized due to low public trust, regional participation imbalances, and misalignment with critical needs such as cancer treatment facilities, rural school infrastructure, and tourism-based economic development. The study contributes to policy and practice by proposing three interventions: (1) targeted CWLS yield distribution to high-impact sectors, (2) enhanced transparency and nazhir (waqf manager) competency, and (3) public awareness campaigns to broaden participation. These findings offer a model for Muslim-majority countries seeking to leverage Islamic finance for equitable development.

Keywords: Cash Waqf Linked Sukuk; social inequality; Islamic finance; Indonesia; socioeconomic development.

Introduction

As the fourth most populous country in the world (Yonatan, 2024), Indonesia stands at a critical juncture in its development trajectory, where its significant demographic potential is not yet fully realized due to persistent socioeconomic inequalities. The nation's economic landscape reflects common challenges faced by developing countries, including volatile domestic policies, inconsistent consumer behavior, and fluctuating business investment levels, all of which are further complicated by external pressures such as global economic uncertainty and unpredictable foreign investment flows (Muzayyanah, Triyana, & Aura, 2023). While Indonesia has made notable progress in human development,

with its Human Development Index (HDI) increasing from 74.39 in 2023 to 75.02 in 2024 (Badan Pusat Statistik, 2024a), this aggregate improvement masks deep-seated disparities that continue to plague the archipelago nation. These inequalities manifest most acutely in three fundamental areas: healthcare access, educational opportunities, and economic participation, creating a complex web of challenges that demand innovative, multidimensional solutions.

The healthcare sector presents one of the most glaring examples of Indonesia's development disparities. The country's doctor-to-population ratio of 0.68 per 1,000 falls significantly below the WHO recommended standard of 1 per 1,000 (Novrizaldi, 2023), with this shortage being particularly acute in rural and remote regions (Hikmah, Rahman, & Puspitasari, 2020; Sarjito, 2024). This uneven distribution of medical personnel is compounded by inadequate healthcare infrastructure and the dual burden of communicable and non-communicable diseases, creating a perfect storm that forces many Indonesians –particularly those with means– to seek medical treatment abroad (Tarmizi, 2024). Economic inequality remains another persistent challenge, as evidenced by Indonesia's Gini coefficient of 0.379 as of March 2024 (Askar, Muhammad, Darmawan, Imaduddin, & Yudhistira, 2024), indicating substantial income disparity despite overall economic growth. The education sector tells a similar story of inequality, with stark contrasts between urban and rural areas in terms of infrastructure quality, teacher distribution, and learning outcomes. Recent reports highlight alarming infrastructure deficiencies, including over 400 schools in Jember regency alone being in critical condition (Radar Jember, 2025), while more than 60% of villages across the nation still lack reliable internet access, severely limiting educational opportunities in these areas.

Recognizing these challenges, the Indonesian government has made addressing inequality a cornerstone of its National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, RPJMN) 2025-2029. However, with a projected fiscal deficit of 2.53% in 2025 (Kementerian Keuangan Republik Indonesia, 2024b), traditional funding mechanisms through the State Budget (*Anggaran dan Pendapatan Belanja Negara*, APBN) alone are insufficient to meet these ambitious development goals. This fiscal constraint has spurred interest in alternative financing solutions, particularly those leveraging Indonesia's strong Islamic finance

ecosystem. As the world's largest Muslim-majority nation, with 87.2% of its population identifying as Muslim, Indonesia possesses unique potential to harness Islamic social finance instruments like zakat and waqf to address its development challenges (Pertiwi, Atika, & Abdillah, 2023; Prasetyoningrum, 2023). Among these instruments, Cash Waqf Linked Sukuk (CWLS) has emerged as particularly promising due to its innovative structure that combines the social benefits of waqf with the financial discipline of sovereign sukuk.

CWLS represents a groundbreaking financial innovation that channels cash waqf contributions into investment in government sukuk (*Surat Berharga Syariah Negara*, SBSN), with the returns directed toward priority social programs (Badan Pelaksana Badan Wakaf Indonesia, 2021). This mechanism has already demonstrated its potential through various implementations, such as the SWR005 series that funded agricultural development programs in Eastern Indonesia and supported the construction of Islamic boarding schools, as well as the SW001 series that financed the establishment of a Retina and Glaucoma Center in Banten, which has provided critical eye care services to nearly 2,000 patients (Kementerian Keuangan Republik Indonesia, 2024a). The success of these initiatives suggests that CWLS could be scaled up to address broader development challenges, particularly in reducing Indonesia's persistent inequalities.

Existing literature provides valuable insights into both the problem of inequality and the potential of CWLS as a solution. Studies by Fabela & Khairunnisa (2024) emphasize how social finance instruments can bridge the gap between different socioeconomic groups, while research on education disparities highlights systemic issues ranging from infrastructure deficiencies to variations in teaching quality (Hujaimah et al., 2023; Rizky, Alfatonah, & Pratama, 2024). The challenges facing non-formal education institutions like madrasah diniyah, which often suffer from perceptions of low quality despite their important role in communities (Syahr, 2016), further illustrate the complex nature of educational inequality. Similarly, research on health disparities underscores how poverty and uneven distribution of medical resources create significant barriers to healthcare access (Sarjito, 2024). On the solutions side, multiple studies have documented the potential of CWLS to support various social programs (Mudriqoh &

Aziz, 2023; Nahrawi & Al Fu'adah, 2021), including innovative applications such as financing halal food courts (Hasibuan & Lubis, 2024). However, critical gaps remain in our understanding, particularly regarding the optimal utilization of waqf funds (Anindhita & Widana, 2022) and the specific mechanisms through which CWLS can most effectively address Indonesia's multidimensional inequalities.

This study aims to fill these research gaps by conducting a comprehensive analysis of CWLS's potential to address social inequality in Indonesia, with particular focus on three key dimensions: healthcare access, educational opportunity, and economic participation. By examining existing CWLS implementations, identifying best practices, and analyzing structural challenges, the research will provide evidence-based recommendations for optimizing CWLS as a tool for equitable development. The findings will be particularly relevant for policymakers working to achieve the targets set in Indonesia's RPJMN 2025-2029, as well as for Islamic finance practitioners seeking to maximize the social impact of their instruments. In a broader context, this study contributes to the global discourse on innovative financing solutions for sustainable development, offering Indonesia's experience with CWLS as a potential model for other Muslim-majority countries facing similar development challenges.

Literature review

Mechanism for the management of Islamic social fund Cash Waqf Linked Sukuk (CWLS)

Cash Waqf Linked Sukuk (CWLS) represents a secure and socially responsible investment vehicle for Muslim communities (Fauziah & Tulmafiroh, 2020). This instrument is particularly attractive due to its low-risk profile, provided it is managed effectively. The funds collected through waqf are invested in state sukuk, with the generated yields allocated to economic and social empowerment programs, thereby extending benefits to broader society. Importantly, waqf assets themselves must not serve as the underlying basis for sukuk issuance; only their yields or benefits may be utilized. This ensures the preservation of the principal waqf funds, aligning with the core principle of CWLS, which mandates that the principal remain intact to sustain long-term social welfare impacts (Fauziah & Tulmafiroh, 2020).

CWLS falls under the category of monetary waqf (cash waqf), a concept subject to differing juristic opinions among Islamic legal schools. The Hanafi school permits monetary waqf on the condition that it aligns with established community customs, such as utilizing cash waqf as business capital. The Maliki school also endorses monetary waqf but restricts its application to loan-based transactions, as outlined in *al-Mudawwanah*. Conversely, the Shafi'i school invalidates monetary waqf unless the cash is converted into tangible assets eligible for waqf (Habibi, 2017; Mudriqoh & Aziz, 2023).

The management of CWLS must adhere to Islamic legal principles, including justice, trust, legal certainty, utility, accountability, and integration. To ensure compliance, the Indonesian government has enacted regulatory frameworks, notably the Regulation of the Minister of Religion of the Republic of Indonesia Number 1 of 2022, which governs the management and development of monetary waqf through CWLS (Menteri Agama Republik Indonesia, 2022). This regulation empowers the public to oversee CWLS operations by submitting complaints to the Ministry of Religion and the Indonesian Waqf Board (*Badan Wakaf Indonesia*, BWI) to mitigate mismanagement. Additionally, the fatwa No. 131/DSN-MUI/X/2019 issued by the National Sharia Council of the Indonesian Ulema Council (*Dewan Syariah Nasional-Majelis Ulama Indonesia*, DSN-MUI) serves as a foundational sharia guideline for CWLS implementation, encompassing legal, contractual, and operational provisions related to waqf sukuk.

The CWLS collection mechanism is designed to be community-centric (Mudriqoh & Aziz, 2023). Their analysis identifies four key stages in the management process:

1. Fundraising – Waqf funds are collected from the public during the offering period by Sharia Financial Institutions for Money Waqf Recipients (*Lembaga Keuangan Syariah Penerima Wakaf Uang*, LKS PWU) and their distribution partners, subsequently deposited with the nazhir. Prior to fundraising, stakeholders conduct promotional campaigns – both direct and via digital media– to inform the public about CWLS issuance, mechanisms, and predetermined fund allocations. Transparency in fund distribution enhances donor confidence and participation.

2. Fund placement – Collected funds are invested in state sukuk (SBSN) issued by the Ministry of Finance, financing public service projects. For instance, the SWR003 series of CWLS supported Indonesia's 2022 State Budget projects, with the funded projects serving as the sukuk's underlying assets.
3. Yield distribution – Returns from CWLS, comprising coupons and discounts, are allocated to predefined programs. Discount returns are directed toward waqf asset development, such as constructing madrasas, health clinics, and Islamic boarding schools, while coupon yields fund non-physical social initiatives like orphan scholarships, free healthcare, and economic empowerment programs.
4. Waqf refund – Upon sukuk maturity, BWI receives the principal repayment from the government. For temporary CWLS, the principal is returned to the waqif (donor), whereas permanent CWLS funds are reinvested by BWI for continued social impact.

Effective CWLS management necessitates periodic oversight to prevent irregularities. The Ministry of Religion plays a pivotal role as the policymaker, fostering waqf empowerment through collaborative governance to optimize monetary waqf management and maximize societal benefits.

Social disparities in Islam

Social inequality refers to the pronounced disparities in access to fundamental resources, opportunities, and essential services—such as education, healthcare, and employment—among different societal groups (Fabela & Khairunnisa, 2024). Drawing from Karl Marx's conflict theory, as cited by Fabela and Khairunnisa (2024), social inequality emerges from capitalist class structures wherein the bourgeoisie exploits the proletariat, perpetuating persistent class conflict. In Indonesia, such disparities manifest in unequal income distribution, uneven access to education, and disparities in healthcare services. This issue is not confined to Indonesia alone; rather, it remains a pervasive challenge across developing nations. The root causes of social inequality can be attributed to both internal factors—such as poverty, low educational attainment, and poor health—and external factors, including government policies that fail to ensure equitable resource distribution. Addressing these disparities necessitates fostering greater social interaction between

affluent and impoverished communities, optimizing and equitably managing natural resources, implementing sustainable development policies that account for environmental impacts, and ensuring the continuous renewal of natural resources.

From an Islamic perspective, the core issue of social inequality lies in wealth distribution. Islamic economic principles offer a distinct approach to mitigating inequality, differing fundamentally from capitalist and socialist frameworks. In Islam, property ownership is structured to fulfill human needs through various means, including individual enterprise, state-managed land distribution, wage labor, and the institutionalized mechanisms of zakat (obligatory almsgiving), infaq (voluntary charity), sadaqah (alms), and waqf (endowments) (Septiani, Fasa, & Suharto, 2022). Islam mandates the equitable distribution of wealth to prevent its concentration among a privileged few, a principle underscored in the Qur'an (surah Al-Hashr/59:7):

مَا آفَاءَ اللَّهِ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَى فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ
وَالْمَسْكِينِ وَابْنِ السَّبِيلِ لَكُمْ لَا يَكُونُ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا أَتَكُمْ الرَّسُولُ
فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ ﴿٧﴾

“As for gains granted by Allah to His Messenger from the people of other lands, they are for Allah and the Messenger, his close relatives, orphans, the poor, and ‘needy’ travellers so that wealth may not merely circulate among your rich. Whatever the Messenger gives you, take it. And whatever he forbids you from, leave it. And fear Allah. Surely Allah is severe in punishment.”

This verse emphasizes the prohibition of wealth circulation exclusively among the affluent, advocating instead for its redistribution to marginalized groups. Zakat, infaq, sadaqah, and waqf serve as instrumental mechanisms in achieving this equitable distribution. By encouraging charitable giving, Islam fosters social cohesion and mitigates economic envy between different societal strata (Yumarnis & Lensa, 2024). Furthermore, Islamic teachings obligate leaders to uphold justice and accountability, implying that governments must actively prevent social inequality across all facets of life.

The Islamic economic model is anchored in three foundational principles: the absolute ownership of all resources by Allah, the

freedom to engage in economic competition and accumulate wealth, and the imperative to maintain a balance between resource utilization and sustainability (Hakim, 2020). These principles have been applied to enhance education quality in underserved regions, improve infrastructure, generate employment opportunities, and ensure food and energy security. The Islamic framework for wealth distribution harmonizes individual and communal rights, ensuring that while individuals may pursue their economic aspirations, their accumulation of wealth does not infringe upon societal welfare (Joni, 2019).

Islam delineates wealth distribution based on two key elements: labor and need. Those capable of working are entitled to the fruits of their labor, albeit with the recognition that their wealth carries obligations toward others. Conversely, individuals unable to work are guaranteed support through Islamic welfare mechanisms such as zakat, infaq, şadaqah, and waqf. This dual approach ensures that wealth is neither hoarded nor squandered but rather circulated in a manner that reduces social disparities. By integrating these principles, Islamic economics presents a viable model for fostering equitable and just socioeconomic development.

Research methods

This study employs a qualitative research design with a case study approach to comprehensively examine the role of Cash Waqf Linked Sukuk (CWLS) in addressing Indonesia's multidimensional inequality. The methodology was selected for its capacity to provide in-depth, contextual understanding of complex socioeconomic phenomena where the boundaries between policy implementation, Islamic finance mechanisms, and social outcomes are not clearly defined. Data collection focused on triangulating multiple secondary sources, including government reports from the Ministry of Finance and Indonesian Waqf Board, regulatory documents such as Minister of Religion Regulation and DSN-MUI Fatwa, peer-reviewed articles on Islamic social finance, and national statistics on inequality indicators from Central Statistics Agency (*Badan Pusat Statistik*, BPS).

The data analysis employed thematic analysis through an iterative three-phase process (Miles, Huberman, & Saldana, 2014). First, data reduction systematically categorized findings into predefined themes –such as CWLS yield distribution mechanisms,

structural implementation challenges, and sectoral impacts– with further granularity achieved through subthemes like healthcare access disparities and nazhir competency gaps. Subsequently, synthesized evidence was presented through narrative explanations and comparative tabular formats, enabling cross-sectoral analysis. Finally, conclusion drawing involved validating emergent patterns against both theoretical frameworks, including Islamic wealth redistribution principles, and practical constraints such as fiscal deficits curtailing state-funded (APBN) social programs, thereby assessing CWLS's viability as a complementary inequality mitigation instrument.

Results and discussion

The potential of Cash Waqf Linked Sukuk (CWLS) in Indonesia

Indonesia possesses significant potential in the development of cash waqf, with estimates suggesting an annual collection capacity of up to IDR 180 trillion, based on the country's large Muslim population of productive age (Santia, 2023). However, as of 2024, the realized collection of cash waqf remains far below this potential, amounting to only IDR 2.9 trillion (Hawari, 2024). To address this gap, the Indonesian government introduced an innovative financial instrument known as Cash Waqf Linked Sukuk (CWLS), launched in October 2018 during the annual meeting of the IMF and World Bank in Bali.

The government has issued two primary types of CWLS. The first, the SW001 series, targets institutional investors with a minimum investment of IDR 50 million, alongside a direct placement of IDR 50.85 million by the Indonesian Waqf Agency (BWI). This series offers a yield of 6.15%, with a fixed annual rate of 5%, and operates under a *wakālah* contract with a five-year tenor, maturing on March 10, 2025. Waqf assets under this series are registered under the name of the nazhir (waqf manager). The returns generated are allocated to social initiatives, including the construction of retina and glaucoma facilities at the Achmad Wardi BWI-DD Eye Hospital in Serang City, the procurement of medical equipment, and free cataract surgeries for underprivileged communities (*dhu'afā'*) (Mudriqoh & Aziz, 2023). Notably, coupon yields are distributed monthly, accelerating project implementation by eliminating the need to wait for the full five-year maturity period.

Following the success of the SW001 series, the Ministry of Finance introduced a retail variant, the SWR001 series, which garnered 1,041 *wāqifs* (donors) and total orders of IDR 14.91 million. This series differs from its predecessor by accommodating individual investors with a minimum investment threshold of IDR 1 million, broadening participation beyond institutional players. The SWR001 series employs a two-year tenor and utilizes a bookbuilding sales method, where sukuk are distributed through appointed agents who collect purchase orders within a specified period. The generated yields are directed toward social and economic programs for beneficiaries (*mawqūf ‘alaih*), managed by certified nazhirs under the supervision of the LKS PWU and BWI.

The positive reception of the SWR001 series prompted the government to issue subsequent retail CWLS series (SWR002–SWR005), involving sharia banks as distribution partners. These include Bank Syariah Indonesia, Bank Muamalat, Bank Mega Syariah, and others. The SWR005 series, for instance, collaborates with multiple nazhirs such as the BSI Maslahat Foundation (supporting scholarships), Dompet Dhuafa (funding Islamic boarding schools and medical equipment), and BWI (Kementerian Keuangan Republik Indonesia, 2024a). A key focus of the SWR005 series is the economic empowerment of farmers in Eastern Indonesia through pesantren-based agricultural programs.

The social impact of CWLS is substantial, addressing disparities in education, healthcare, and economic welfare while complementing national budgetary projects. Indonesia’s philanthropic culture further supports this potential, as evidenced by its ranking as the most generous country in the 2024 World Giving Index (Charity Aid Foundation, 2024). The growing issuance of retail CWLS underscores its increasing acceptance, as illustrated in Figure 1 (Kementerian Keuangan Republik Indonesia, 2024a).

CWLS Seri SW001	Rp50,85 Miliar	Diskonto Pengembangan aset wakaf baru (renovasi & pembelian alat kesehatan) untuk mendukung pembangunan retina center di RS Wakaf Achmad Wardi Serang, Banten	Imbalan Operasi katarak gratis bagi kaum Dhufa di RS Achmad Wardi (target 2.513 pasien selama 5 th) dan pengadaan mobil ambulance
CWLS Seri SW002	Rp50,00 Miliar	Dilakukan secara Private Placement Bersama BWI (nazhir) dan Institut Teknologi 10 November, pada tanggal 30 Juni 2022	
CWLS RITEL Seri SW001	Rp14,91 Miliar	1.041 Wakif Rata-rata Pemesanan Rp18,65 Juta	lazismu, Wakaf BSM Umat, Yayasan Hasanah Think, bmm
CWLS RITEL Seri SW002	Rp24,14 Miliar	591 Wakif (538 wakif baru) Rata-rata Pemesanan Rp40,85 Juta	Global Wakaf, DIMPET DHUFA, BSM Umat, BSM Umat, BSM Umat
CWLS RITEL Seri SW003	Rp38,25 Miliar	688 Wakif (619 wakif baru) Rata-rata Pemesanan Rp55,6 Juta	bmm, wakaf, DIMPET DHUFA, Wakaf BSM Umat, lazismu
CWLS Seri SW003, SW004, SW005, & SW006	Rp550,00 Miliar	Dilakukan secara Private Placement (PP) Bersama BWI (nazhir), IPB dan ITS dengan tenor 2 tahun (SW003), 5 tahun (SW004), 2 tahun (SW005), dan 5 tahun (SW006)	
CWLS Seri SW007 & SW008	Rp171,20 Miliar	Dilakukan secara Private Placement (PP) pada tahun 2024 ini bersama BWI (nazhir), Universitas Terbuka dan ITS dengan tenor 5 tahun (SW007), dan 5 tahun (SW008)	
CWLS RITEL Seri SW004	Rp112,56 Miliar	709 Wakif (540 wakif baru) Rata-rata Pemesanan Rp158,76 Juta	BSI HASANAH, DIMPET DHUFA, bmm, Wakaf BSM Umat, lazismu
TOTAL : Rp1,011,91 Miliar			

Figure 1. CWLS publication achievement

Source: (Kementerian Keuangan Republik Indonesia, 2024a)

Despite its promise, CWLS faces several challenges:

1. Public misconceptions: Many Indonesians still perceive waqf solely as land-based endowments rather than monetary contributions, limiting awareness of CWLS as a viable investment-charity hybrid (Yasin, 2021).
2. Nazhir certification: While 4,117 nazhirs have obtained competency certifications (Indah, 2024), further improvements in human resource quality are necessary for effective waqf management.
3. Regional disparities in participation: Fundraising for SWR005 was concentrated in Western Indonesia (63.05% of *wāqifs*), with only 24 provinces engaged (Silfia, 2024). Low financial literacy and uneven socialization efforts hinder broader adoption (M. M. Putri, Tanjung, & Hakiem, 2020).
4. Uneven fund distribution: Equitable allocation of CWLS proceeds remains a challenge, necessitating targeted promotional strategies to expand outreach, particularly in underserved regions.

To address these challenges, stakeholders –including the government, LKS-PWU, and BWI– must enhance public engagement through seminars and educational campaigns. By improving literacy

and optimizing nazhir competency, Indonesia can unlock the full potential of CWLS, fostering inclusive and sustainable development.

Distribution of Cash Waqf Linked Sukuk (CWLS) yields and its impact on social disparities in Indonesia

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Social disparities in Indonesia remain a pressing issue, particularly in the health, education, and economic sectors. The distribution of Cash Waqf Linked Sukuk (CWLS) yields has been implemented as an alternative financing mechanism to address these gaps. However, an analysis of its current allocation reveals areas where further optimization could enhance its impact on reducing inequality.

1. Health sector

In the health sector, CWLS Series SW001 allocated yield funds –derived from discounts and coupons– to construct a Retina and Glaucoma Center at Achmad Wardi Serang Eye Hospital in Banten. This initiative was supported through a financing collaboration with BNI Syariah, utilizing a *murābahah* investment scheme worth IDR 8,811,551,800, with repayment sourced from CWLS coupons (Badan Pelaksana Badan Wakaf Indonesia, 2021). By March 2021, the facility had served 1,927 patients, predominantly from Banten Province (99%), with 76% originating from Serang City. The majority of cases treated were cataracts (78%), followed by retinal (13%) and glaucoma (9%) conditions.

While this demonstrates the effectiveness of CWLS in improving specialized healthcare access, there remains an opportunity to expand its scope to other critical health issues, such as cancer. Globocan data indicates that Indonesia recorded 408,661 new cancer cases and 242,988 deaths in 2022 (Kementerian Kesehatan Republik Indonesia, 2024). Cancer ranks as the third leading cause of death nationally, yet Indonesia faces a shortage of cancer hospitals, oncologists, and medical equipment (Nursyamsi, 2024). To address this, CWLS proceeds could be channeled toward partnerships with organizations like the Indonesian Child Cancer Foundation (*Yayasan Kanker Anak Indonesia*, YKAI), which collaborates with cancer hospitals nationwide (Yayasan Kanker Anak Indonesia, 2024). Potential allocations include covering non-BPJS treatments, procuring ambulances, supplying medical

equipment, and funding educational scholarships for underprivileged cancer patients.

2. Education sector

The education sector received the largest share of CWLS yield funds in 2023, totaling IDR 23.31 billion, primarily directed toward capacity-building for educators, scholarships, and research programs, benefiting 650 individuals (Kementerian Agama Republik Indonesia, 2024). While this focus on human resource development is commendable, infrastructure deficiencies in schools remain a critical issue. BPS data from the 2021/2022 academic year reveals that 60.60% of elementary school classrooms were slightly damaged, with similar conditions observed in junior high (53.30%), high (45.03%), and vocational schools (45.23%) (A. M. H. Putri, 2023).

Given these challenges, CWLS funds could be strategically allocated to rehabilitate educational infrastructure, particularly in underserved regions. For instance, Islamic non-formal institutions like Elementary-Level Islamic Non-Formal School (*Madrasah Diniyah Awaliyah*, MDA) often rely on community donations and government aid, making them ideal beneficiaries. Additionally, schools such as SD N 11 Pekat in Dompu Regency, West Nusa Tenggara, lack basic facilities like libraries and sports infrastructure, with some buildings being unsuitable for learning (Penanews NTB, 2023). Targeted infrastructure investments would not only improve learning environments but also reduce disparities in educational quality.

3. Economic sector

In the economic sector, CWLS yields have been utilized for micro, small, and medium enterprise (MSME) empowerment, including capital assistance. For example, Baitul Maal Muamalat's *Sahabat* MSME program disbursed IDR 12,253,700 to six South Tangerang-based MSMEs, targeting those excluded from formal financing (Yumna, Masrifah, Muljawan, Noor, & Marta, 2024). Despite these efforts, the scale remains limited, with only IDR 591 million distributed to 115 beneficiaries in 2023 (Kementerian Agama Republik Indonesia, 2024). Given that rural poverty (11.79%) exceeds urban rates (7.09%) (Badan Pusat Statistik, 2024b),

expanding CWLS funding toward rural economic development could yield significant impact.

One promising avenue is the development of tourist villages, which can stimulate local economies while preserving cultural and natural assets. The 2023 Developing Village Index (*Indeks Desa Membangun*, IDM) recorded a decline in severely disadvantaged villages –from 13,453 to 4,850– yet many still lack basic infrastructure and services (Mahrofi, 2024; Rasyid, Mustamin, & Tri Prasetyo, 2023). For instance, Genggelang Village in North Lombok possesses untapped potential, including ecoprint batik MSMEs, coffee and chocolate processing, and the Kartaraharja Waterfall attraction. However, inadequate infrastructure and marketing hinder its growth (Varera, 2024). CWLS funds could facilitate infrastructure upgrades, MSME development, and agricultural modernization, thereby boosting incomes and reducing rural-urban disparities.

The distribution of CWLS yields has demonstrated effectiveness in health, education, and economic sectors, yet opportunities exist for broader impact. Expanding healthcare funding to critical diseases like cancer, addressing educational infrastructure gaps, and scaling up rural economic empowerment –particularly through tourist village development– could further mitigate social disparities. Policymakers should prioritize these areas to maximize the socio-economic benefits of CWLS in Indonesia.

Factors inhibiting the development of Cash Waqf Linked Sukuk (CWLS) in Indonesia

Despite its significant potential, the development of Cash Waqf Linked Sukuk (CWLS) in Indonesia faces several challenges that must be addressed to achieve its intended objectives. These inhibiting factors include low public trust, difficulties in implementing social programs, and socioeconomic constraints among the population.

First, public trust in CWLS remains relatively low (Maulina, 2022). This lack of confidence stems from multiple issues, including insufficient transparency in annual management reports. Although CWLS was first introduced in 2020 with subsequent annual product releases, its management report was only published in 2021, covering activities from the previous year. Additionally, CWLS

collaborations have been limited to Islamic financial institutions, despite the majority of Indonesians relying on conventional banking services. Furthermore, promotional efforts through social media and other channels have been minimal, resulting in limited public awareness of CWLS's concept and benefits. To address these challenges, waqf institutions and the government must enhance CWLS's credibility by appointing competent nazhir (waqf managers), enforcing mandatory annual performance reporting, conducting regular program evaluations, and ensuring that performance reports are publicly accessible.

Second, CWLS faces operational obstacles in implementing social programs, particularly in the agriculture and livestock sectors, which are key beneficiaries of its yield allocation funds. Challenges such as livestock diseases (e.g., foot and mouth disease) and agricultural risks (e.g., crop failure due to weather and pests) have hindered the effectiveness of farmer and breeder empowerment initiatives (Yumna et al., 2024). To mitigate these issues, training programs on disease prevention, modern farming techniques, and risk management should be implemented. Additionally, introducing insurance schemes for farmers and breeders affected by crop failures or livestock diseases could provide financial security and enhance program sustainability.

Third, the limited disposable income of most Indonesians reduces their willingness to participate in CWLS. Many individuals prioritize daily necessities over voluntary contributions, perceiving CWLS as less obligatory compared to zakat. To overcome this barrier, CWLS stakeholders could introduce low-entry investment schemes with minimal financial requirements, making participation more accessible. Furthermore, developing targeted savings programs that gradually allocate funds toward CWLS investments could encourage broader public engagement.

Addressing these challenges requires a multifaceted approach involving improved governance, risk mitigation strategies, and inclusive financial mechanisms to enhance CWLS adoption and impact in Indonesia.

Conclusion

The development of Cash Waqf Linked Sukuk (CWLS) in Indonesia holds significant potential due to the country's large Muslim population and strong philanthropic culture. Findings demonstrate that CWLS programs, such as the SW001 series (healthcare) and SWR005 series (agricultural empowerment), have successfully addressed disparities in education, healthcare, and economic welfare. However, several challenges hinder its optimal impact, including low public trust, insufficient nazhir certification, and regional imbalances in fund distribution.

A critical limitation of this study is its reliance on secondary data, which may not fully capture grassroots-level challenges in CWLS implementation. Additionally, the analysis highlights structural barriers, such as the lack of transparency in waqf management reports and the need for better risk mitigation in agricultural programs funded by CWLS yields.

For future research, empirical studies should assess the long-term socioeconomic impact of CWLS-funded projects, particularly in underserved regions. Policymakers should prioritize three key interventions: (1) enhancing public awareness through digital financial literacy campaigns, (2) expanding nazhir training programs to improve waqf governance, and (3) diversifying CWLS fund allocation to critical yet neglected sectors, such as cancer healthcare and rural tourism development. By addressing these gaps, CWLS can become a more effective instrument for reducing inequality in Indonesia.

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