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Developing Best Measurement and Reporting of Waqf Institutions: Socio-Economics and Governance Impact (Indonesia Case)

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Abstract

This study aims to analyse the current practices of disclosure of financial and non-financial reports of *waqf* institutions in Indonesia; to identify the performance indicators concerning social economic and governance impact of *waqf*; to suggest the best reporting framework for *waqf* institutions in Indonesia. A qualitative method was employed to measure the content analysis of annual report. Data are collected by downloading annual reports

of *waqf* institutions from their website. Twenty *waqf* boards of 201 registered *waqf* institutions as the sample of participants. The disclosure of performance reports were measured by counting 57 disclosure items. The results indicate that *waqf* boards in Indonesia do not have a guidance or list for reporting their activities; methods on how to assess *waqf* board performance and the impact of *waqf* on social-economic and governance. They did not comply with 57 disclosure items, and none of *waqf* board reported the impact of *waqf* on social-economic and less governance. The proposed guidance and measurement will give managerial implications and useful for *waqf* boards to make good reports, and assess the impact of *waqf* on social, economic, and improving its governance.

Keyword: *Waqf, Disclosure, Measurement, Reporting, Socio-economics*

Abstrak

PENGEMBANGAN PENGUKURAN DAN PELAPORAN TERBAIK LEMBAGA *WAQF*: DAMPAK SOSIAL EKONOMI DAN TATA KELOLA (STUDI KASUS INDONESIA). Penelitian ini bertujuan untuk menganalisis praktik pengungkapan laporan keuangan dan non keuangan lembaga wakaf di Indonesia saat ini; mengidentifikasi indikator kinerja terkait dampak sosial, ekonomi dan tata kelola wakaf; untuk menyarankan kerangka pelaporan terbaik untuk lembaga wakaf di Indonesia. Metode kualitatif digunakan untuk mengukur analisis isi laporan tahunan. Pengumpulan data dilakukan dengan mengunduh laporan tahunan lembaga wakaf dari situs webnya. Dua puluh badan wakaf dari 201 lembaga wakaf yang terdaftar sebagai sampel peserta. Pengungkapan laporan kinerja diukur dengan menghitung 57 item pengungkapan. Hasil penelitian menunjukkan bahwa badan wakaf di Indonesia belum memiliki pedoman atau daftar pelaporan kegiatannya; metode tentang bagaimana menilai kinerja dewan wakaf dan dampak wakaf terhadap sosial-ekonomi dan tata kelola. Mereka tidak memenuhi 57 item transparansi, dan tidak ada satupun badan wakaf yang melaporkan dampak wakaf terhadap sosial ekonomi, dan tata kelola. Pembinaan dan pengukuran yang diusulkan akan memberikan implikasi manajerial dan berguna bagi badan wakaf untuk membuat laporan yang baik, serta menilai dampak wakaf terhadap sosial, ekonomi dan memperbaiki tata kelolanya.

Kata Kunci: *Wakaf, Disclosure, Pengukuran, Laporan, Sosial Ekonomi.*

A. Introduction

Nowadays, social responsibility is a crucial activity in organizations where every single organization should give positive impacts on environment, social, and economics. In many countries, social responsibility is regulated as a mandatory for every single company, not only profit oriented companies, but also non-profit organizations. However, in Islamic perspective, social responsibility is carried out with aim to create virtue through activities that may not contain elements of usury. The activity has been ordered by Allah in the form of zakat, donation, alms and *waqf*.

The application of social activities in Islamic organization or boards is very useful for decreasing poverty by utilizing such as zakat and *waqf*, mainly to create a social impact on wealth for everyone. A tremendous growth of Islamic donation boards should be measured comprehensively, not solely by the accumulation of wealth, rather by the social impact. The donation can be used to create a system of production and trade, which creates a social impact in various sectors like education, infrastructure and health. However, at present management of *waqf* in Indonesia is still concerning. As a result of poor management, many *waqf* assets have been lost. "One of the reasons is that Muslims in general only give lands and school buildings as *waqf*, because wakif do not think about operational costs of the school and their endowments (*waqf* managers) are less professional," said Secretary of the Sharia Economic Community Expert Council, Uswatun Hasanah in Jakarta. Therefore, this study will analyse the usefulness of *waqf* assets and impact of *waqf* and how they report to stakeholders. The scope of this study involves a number of different *waqf* institution's types in Indonesia.

Waqf has highly potential to play charity roles that benefit for Muslim and the local community. Apart from that, the *waqf* contributors are demanding to know the break down figures and

explanations about the distribution funds.¹ As such, those responses are consistent with the notion of public accountability, which posits that *waqf* institutions are accountable to the funders², otherwise, this forces them to make inquiries, complaints and voice their dissatisfactions about *waqf* institutions³. The routine circulation of bulletins and newsletters nowadays, is not sufficient for those who are more aware of the roles of *waqf* institutions and their accountability. Thus, this study vies that a comprehensive performance measurement such as efficiency, effectiveness and productivity of *waqf* management should be included in today's annual report to explain to those curious members of the public. It is important to examine and come out with the best reporting practices for *waqf* in Indonesia in order to answer such public accountability as well as indirectly will increase the public trust toward *waqf* institutions. The Indonesian *Waqf* Board (BWI) is an independent state institution formed under Law Number 41 of 2004 concerning *Waqf*. This body was formed in the context of developing and promoting representation of *waqf* boards in Indonesia. BWI enhance nazhir's knowledge in order *waqf* assets can be better managed and more productive hence they can provide greater benefits to the community, both in the form of social services, economic empowerment, and public infrastructure development. BWI is domiciled in the nation's capital and can establish representatives in provinces, districts and / or cities as needed.

Meanwhile, in 2016, Bank of Indonesia published an Economic and Sharia Finance series module with title "Wakaf : Pengaturan dan Tata Kelola" (*Waqf*; Regulations and Governance), and mentions that the management must produce an

¹ Yusoff, B., Mohammed, & Densumite, S. "Zakat Distribution and Growth in the Federal Territory of Malaysia". *Journal of Economics and Behavioral Studies*, Volume 4, Number 8. (2012).

² Masruki, R., & Z.Shafii. "The Development of *Waqf* Accounting in Enhancing Accountability". *Middle-East Journal of Scientific Research*, Volume 1, Number 6, (2013): 1-6.

³ Wahid, H., Ahmad, S., & R.A.Kader. "Pengagihan Zakat oleh Institusi Zakat di Malaysia: Mengapa Masyarakat Islam Tidak Berpuas Hati?". *Jurnal Syariah*, Volume 17, Number 1, (2009): 89-112.

accountability report that includes financial statements, endowment activities and governance. The BASEL core principles also explains that *waqf* foundation must disclose and transparent in its management. In the Law number 41 year 2004 concerning *Waqf*, in the article number 61 asserted that accountability for the implementation of the duties of the Indonesian *Waqf* Board is carried out through annual reports that are audited by an independent audit institution and submitted to the Minister. Moreover, the annual report should be announced to the public. On November 7th 2018, DSAS-IAI ratified PSAK 112: Wakaf Accounting. The PSAK 112 will be applied effectively on January 1, 2021 with options for early adoption. The complete financial statements of *waqf* entities include statements of financial position, detailed reports of *waqf* assets, activity reports, cash flow statements, and notes to financial statements. In the following year 2021, *waqf* institutions have to make a standardized financial report.

The main task of a manager *Waqf* (Mutawalli) is to preserve and develop the assets of a *Waqf* donated, and collect *Waqf* income and distribute income. Furthermore, in managing *Waqf* assets, Mutawalli must provide reports to Waqif (donors), *Waqf* management, beneficiaries and the public to maintain institutional accountability and transparency. However, who had studied on two *waqf* boards in Indonesia did not explain what kind of information should be provided by Mutawalli and to whom the report priority should be given.⁴ It reported that information which is should be presented by Mutawalli where this actually can be used to assess the performance of *Waqf* institutions, nonprofits organisations, and kind of a financial approach are not enough provided.⁵ It suggested that there is room to improve business management and

⁴ Ihsan, H. An Exploratory Study of Waqf Accounting and Management in Indonesian Waqf Institutions: The Cases of Dompot Dhuafa and UII Waqf Foundations. *International Islamic University Malaysia*. 2007.

⁵ Ihsan, H., & Adnan, M. A. Waqf Accounting and The Construction of Accountability. *International Islamic University Malaysia*. 2010.

operations of *Waqf* institution by adopting a modern approach that can improve the performance of the institution to provide better and more efficient services to the community.⁶

Waqf institutions perceived that they were accountable merely to their own board of directors. The other stakeholders perceived *waqf* institutions to be accountable to their donors for probity.⁷ Information related to performance is useful in satisfying the expectations of stakeholders, and as a result, this study recommends partial information of financial performance measurement, which is the most customary, by the stakeholders. It is suggested that *waqf* institutions and other related bodies at national and international levels should adopt best practice of reporting performance.

It is necessary to target more *waqf* boards to boost the *waqf* property for better endowment. However, nowadays the corporate *waqf* contributors are very demanding with regard to information on the efficiency. Previous studies suggested that performance achievements are the most required but the least disclosed in *waqf* institutions in Indonesia. In this case, quantification of performance measurement is essential. Financial performance ratios could be used while the objectiveness of ratio calculations appears to facilitate the report preparation, thereby help to address the difficulty in measuring performance in *waqf* institutions in Indonesia. Interpretation of the ratio should be considered to facilitate understanding and be more meaningful to readers of different backgrounds. Finally, regulators could enhance their role by organising forums as a platform to share ideas between *waqf* institutions, state government and federal government to meet the needs of each set of constituents. This is

⁶ Zuki, M. S. "Waqf And Its Role In Socioeconomic Development". *ISRA International Journal of Islamic Finance*, Volume 4, Number 2. (2010).

⁷ Masruki, R., Hussainey, K., & Aly, D. "Expectations of Stakeholders on the Information Disclosure from the Malaysian State Islamic Religious Councils (SIRCs) Reporting". *Global Review of Accounting and Finance*, Volume 7, Number 2, (2016):112-128.

crucial since the differences of each state regulations can possibly be reduced through following Shariah as focal accountability. Moreover, integration of religious and accounting academics can be harmonized to meet various needs.

We can learn a good pattern from The Majelis Ugama Islam Singapura (MUIS) which publish a comprehensively annual report every year to show the effectiveness and transparency of *waqf* assets management. Nevertheless, *waqf* institution in Malaysia still lack on financial and non-financial information such as *waqf* activities and socio economic impact.⁸ Along with that, this study will observe how *waqf* institution in Indonesia report their activities, performance and how the impact of *waqf* on socio-economic and governance. The outcome from this research would be used to suggest the best practice of performance measurement and reporting for *waqf* institutions in Indonesia.

Disclosure is how the managers communicate to shareholders and other users pertaining the performance of organisation and their activities in more transparent.⁹ Even though, *waqf* boards as a charity institution, they should disclose their activities of what they have done, and report financial and non-financial performance. *Waqf* board must be trusted, due to managing *waqf* assets is kind of amanah (mandate) from wakif. Furthermore, *waqf* board also has a responsibility to Allah SWT. In addition, financial performance measures beyond the financial statement should be disclosed in annual reports.¹⁰ Therefore, disclosure and transparent in reporting

⁸ Masruki, R., Hanefah, M. M., Aryani, D. N., & Bunyamin. "Performance Measurements of Socio-Economic Impact for Waqf (Endowment) Institutions". *International Journal of Innovation, Creativity and Change*. (2019).

⁹ Aryani, D. N. *The Determinants And Value Relevance Of Risk Disclosure In The Indonesian Banking Sector*. (Doctor of Philosophy), University of Gloucestershire, United Kingdom. (2016).

¹⁰ Coy, D., & Dixon, K. "The Public Accountability Index: Crafting A Parametric Disclosure Index for Annual Reports". *The British Accounting Review*, Volume 36, Number 1 (2004): 79-106.

will minimize asymmetric information between stakeholders and manager¹¹, or between waqf and mutawalli.

Most of *waqf* institutions were less disclosure, inadequate and incomplete *waqf* performance information on annual report, hence they proposed a non-financial performance measurement for *waqf* institution which more useful to fulfill the need of stakeholders.¹² They also mentioned that in managing *waqf*, *waqf* board should consider input, output and outcome of the usefulness of *waqf*.¹³ In addition, the papers asserted that there are fifty-seven (57) disclosure items were applied in examining *waqf* institutions transparency in Malaysia¹⁴ which dividing into five categories¹⁵, namely, corporate (7 items), strategic (5 items), financial performance (9 items), non-financial performance (8 items) and financial statement disclosure (28 items) as follows in table 1.

Table 1: Disclosure items

Disclosure items
1. Corporate information
1 Establishment and operation
2 Purpose and objectives
3 Structure of organization
4 Board of Directors
5 Ethical operational policies

¹¹ Fathi, J. Corporate Governance and the Level of Financial Disclosure by Tunisian Firm. (2013).

¹² Masruki, R., & Z.Shafii. "The Development of WaqfAccounting in Enhancing Accountability". *Middle-East Journal of Scientific Research*, Volume 1, Number 6, (2013): 1-6.

¹³ Arshad, R., & Zain, N. M. "Performance Measurement And Accountability Of Waqf Institutions In Malaysia". *SHS Web of Conferences*, Volume 36, Number 5 (2017) doi: DOI: 10.1051/shsconf/2017360000

¹⁴ Masruki, R., Hanefah, M. M., Aryani, D. N., & Bunyamin. "Performance Measurements of Socio-Economic Impact for Waqf (Endowment) Institutions". *International Journal of Innovation, Creativity and Change*. (2019).

¹⁵ Masruki, R., Hussainey, K., & Aly, D. "Developing an Accountability Disclosure Index for Malaysian State Islamic Religious Councils (SIRCS): Quantity and Quality". *Management & Accounting Review*, Volume 17, Number 1, (2018).

6 Personnel
7 Personnel development
2. Strategic
1 Chairman's report
2 Performance and achievement
3 Summary facts and figures
4 Government borrowing/grants
5 Forward-looking information
3. Financial performance
1 Financial review
2 Investment
3 Actual-to-budget comparison
4 Financial performance ratios
5 Administration to total expenses
6 Programme expenses/total expenses
7 Net rental income
8 Investment income/average investment
9 Expenditure by activities/income by activities
4. Non-financial performance
1 Performance target and objectives
2 Input
3 Output
4 Outcome
5 Efficiency
6 Effectiveness
7 Productivity measures
8 Customer satisfaction measures
5. Financial statement disclosure
1 Balance Sheet
2 Total non-current assets

3	Long-term investments
4	Long-term debtors
5	Current assets
6	Current liabilities
7	Long-term liabilities
8	Deferred liabilities
9	Deferred credits from government grants
10	Reserves
11	Income Statement
12	Revenue by source of funds
13	Revenue by services rendered
14	Other incoming revenue
15	Total revenue
16	Expenditure by services
17	Expenditure by functions
18	Administration and governance costs
19	Total expenditure
20	Other recognized gains/losses
21	Surplus/deficit
22	Total fund brought forward (bf)
23	Total fund carried forward (c/f)
24	Statement of Assets and Liabilities
25	Statement of cash flows
26	Notes to the accounts
27	Audit Certificate
28	Auditor index rating

Source: ¹⁶

¹⁶ Masruki, R., Hussainey, K., & Aly, D. "Developing an Accountability Disclosure Index for Malaysian State Islamic Religious Councils (SIRCS): Quantity and Quality". *Management & Accounting Review*, Volume 17, Number 1, (2018).

The research approach used is qualitative descriptive research. The content analysis is carried out to identify the current practices of reporting in selected *waqf* institutions in Indonesia, both financial and non-financial reporting. Further investigation will be made to get in-depth explanation about the reporting practices, in particular on the performance reporting.

The population of this research is 201 registered *waqf* institutions in Indonesia. The sample is twenty *waqf* institutions (10%) of 201 registered *waqf* institutions which have website that selected by purposive sampling. The disclosure of their performance reports were measured by counting the items that reported in the website of 57 disclosure items. If they have lack of performance measurement, reasons of lack of disclosure and the absence of such measurement will be investigated. Based on the observation, the study will suggest the best reporting framework for *waqf* institutions in Indonesia.

This study refer that there are 57 questions in the disclosure items that should be reported in every *waqf* institution website as shown in table 1. To collect data and to analyze the disclosure of *waqf* report, we observed each *waqf* institution's website properly and then we count the reported items. As much as items they report, the better disclosure they have. In order to complete the information, we will interview some mutawallis.

B. Discussion

1. The Current Practices of Financial and Non-Financial Reports Disclosure of *Waqf* Institutions

Accountability of non-profit or charity organization is crucial in order to convincing stakeholders to show how manager or mutawalli can be trusted in managing the resources. Beside quantitative assessment, qualitative reporting is also needed in their reports due to charity non-profit institutions engage

with many stakeholders. Furthermore, *waqf* management is also a kind of responsibility to Allah SWT. This means that in the management and utilization of *waqf* assets must comply with sharia rules. Therefore this research is in line with agency theory, that mutawalli or nadzir should reports distribution of *waqf* and board performance to stakeholders in order to make sure that they have managed *waqf* effectively and can be trusted.

The results exhibit that website released by *waqf* institutions in Indonesia have very limited information and less of disclosure. Most of the *waqf* boards only reported assets or funds that have been collected, type of *waqf* model, how to donate, planning, their activities and news, less of financial reports. The information reported may not enough to satisfy public accountability. Therefore, *waqf* board performance cannot be counted as well as could not help to explicate the impact of *waqf* on socio-economic aspects. This condition is consistent with research by Masruki and Z.Shafii also Sulaiman and Zakari's research who asserted that inconsistency and incomplete information have made researchers could not collect data and measure *waqf* performance.

It's mentioned that it is important for the State of Islamic Religious Councils (SIRCs) to demonstrate their performance and exercise transparency in order to discharge accountability to the stakeholders.¹⁷ The *waqf* institutions need to transpire their performance as whether they have successfully achieved *waqf* missions and objectives as required by stakeholders. Accountability, management and performance of *Waqf* institutions can be easily evaluated through performance analysis. However, the parameters are different from the parameters for measuring business institutions. Measurement of the performance of business organizations is generally measured by profit, while the

¹⁷ Arshad, R., & Zain, N. M. "Performance Measurement And Accountability Of Waqf Institutions In Malaysia". *SHS Web of Conferences*, Volume 36, Number 5 (2017) doi: DOI: 10.1051/shsconf/2017360000

measurement of *Waqf* institutions performance is more complex consist of input, output and impact. It also suggested that input is resources that can be used for operating activities, producing stuff or delivering services.¹⁸ Meanwhile output is goods or services produced by organization. *Waqf* manager must maintain that *waqf* property remains intact but endeavored to be developed in order to provide maximum results to stakeholders who want it.

Financial ratios are very important to evaluate the condition of organization financial; however ratio is not the only indicator of the successful of a nonprofit institution. Non-profit organisations should be evaluated more comprehensively, especially related to efficiency and effectiveness. *Waqf* institutions cannot be evaluated merely based on financial performance, but socio-economics impacts should be considered. Besides measuring their performance, we also consider how the *waqf* institution discloses their financial report, how to measure the productivity of their asset, and the effectiveness of their activities when using their fund and asset. The scope of performance report should include how to disclose their effectiveness, efficiency and productivity, beside the input and output reports

After we observed 20 websites of *waqf* institutions in Indonesia, the result exhibits that most of them did not comply with 57 disclosure items. This exposes in absence of annual report and performance measurement indicator on Indonesia *waqf* boards. The average of items is 13.70 or only 24% of items are disclosed or reported in their website. The highest score is 42 items (74%), meanwhile the lowest score is only disclosed 4 items (7%). All the *waqf* institutions have shown their establishments, organization structure, news, pictures of activities, and how much *waqf* they have received. However, most of them did not report balance sheet, financial report or annual reports.

¹⁸ *Ibid.*,

Table 2 adduces all the *waqf* institutions have informed their establishment, purpose and objective. The average number of *waqf* board reported corporate information is quite high i.e 16 (78.57%). In the strategic part, a half of them have reported achievement, fact and figures, but no one of *waqf* boards received grant from governance. Only small number of *waqf* institutions (13,33%) reported their financial performance. In the non-financial performance, almost *waqf* boards described input and output of the *waqf* activities however most of them did not measure the outcome. In addition, they also did not measure ratios, effectiveness, efficiency and productivity of the usefulness of *waqf*. Only 9.11% of *waqf* boards reported their financial statements. These conditions represent that *waqf* boards in Indonesia have not comprehensively reported their performance, impact on socio economic and governance. This might be caused by lack of guidance of reporting or format to make complete and comprehensive report and informative for stakeholders.

Table 2: Number of *waqf* board report the items

	Items	Number of <i>waqf</i> board	%
1. Corporate information			
1.1	Establishment and operation	20	100
1.2	Purpose and objectives	20	100
1.3	Structure of organization	17	85
1.4	Board of Directors	17	85
1.5	Ethical operational policies	14	70
1.6	Personnel	15	75
1.7	Personnel development	7	35
	average	16	78,57
2. Strategic			
2.1	Chairman's report	11	55
2.2	Performance and achievement	12	60

2.3	Summary facts and figures	15	75
2.4	Government borrowing/grants	0	0
2.5	Forward-looking information	12	60
	average	10	50
3. Financial performance			
3.1	Financial review	4	20
3.2	Investment	7	35
3.3	Actual-to-budget comparison	4	20
3,4	Financial performance ratios	1	5
3,5	Administration to total expenses	1	5
3,6	Programme expenses/total expenses	1	5
3,7	Net rental income	2	10
3,8	Investment income/average investment	2	10
3,9	Expenditure by activities/ income by activities	2	10
	average	3	13,33
4. Non-financial			
4,1	Performance target and objectives	4	20
4,2	Input	16	80
4,3	Output	14	70
4,4	Outcome	3	15
4,5	Efficiency	0	0
4,6	Effectiveness	0	0
4,7	Productivity measures	1	5
4,8	Customer satisfaction measures	1	5
	average	5	24,38
5. Financial statements			
5,1	Balance Sheet	3	15
5,2	Total non-current assets	3	15
5,3	Long-term investments	1	5
5,4	Long-term debtors	1	5

5,5	Current assets	3	15
5,6	Current liabilities	2	10
5,7	Long-term liabilities	1	5
5,8	Deferred liabilities	1	5
5,9	Deferred credits from government grants	0	0
5,10	Reserves	0	0
	a. Balance Sheet		
5,11	Income Statement	4	20
5,12	Revenue by source of funds	3	15
5,13	Revenue by services rendered	2	10
5,14	Other incoming revenue	2	10
5,15	Total revenue	3	15
5,16	Expenditure by services	4	20
5,17	Expenditure by functions	1	5
5,18	Administration and governance costs	0	0
5,19	Total expenditure	4	20
5,20	Other recognized gains/losses	1	5
5,21	Surplus/deficit	3	15
5,22	Total fund brought forward (bf)	0	0
5,23	Total fund carried forward (c/f)	0	0
	b. Income Statement		
5,24	Statement of Assets and Liabilities	2	10
5,25	Statement of cash flows	3	15
5,26	Notes to the accounts	2	10
5,27	Audit Certificate	2	10
5,28	Auditor index rating	0	0
	average	2	9,11

The lack of reporting by *waqf* institutions is because they do not use the information of *waqf* utilisation as data input and to compile it into a good report. This is in line with a result of interview

to nadzirs which exhibited that nadzirs had never made a report of the land *waqf* management to BWI because they did not know the form of the report and how to report it. Furthermore, the training and fostering by BWI have not been comprehensive and effectively held. Research also mentioned that lack of human resources and unskilled manager (*mutawalli*) may support the factors underlines shortage of *waqf* reporting.

The absence of performance report can be understood and plausible due to previously Indonesia *waqf* institutions did not have a regulation and standard to create a financial performance report, even there is no a measurement for assessing the effectiveness of *waqf* management. This is also supported by a research which found that lack of socialization by Indonesias *waqf* board to nazhirs regarding to the implementation of accounting standard that issued by Sharia Accounting Standards Board and Institute of Indonesian Chartered Accountants. However, starting 2018 Sharia Accounting Standard Board and Indonesia Accounting Board have released the PSAK 112 concerning accounting for *Waqf*, and this will be effectively employed start in 2021. In general, PSAK 112 regulates the accounting treatment of *waqf* transactions carried out both by Nazir and Wakif in the form of organizations and legal entities. The PSAK 112 can also be applied by individuals of Nazir. Nazir's should complete financial statements report include namely: a. Statement of financial position at the end of the period b. Detailed report of *waqf* assets at the end of the period c. Activity report for the period d. Statements of cash flows for the period e. Notes of financial statements.

2. The Impact of *Waqf* on Socio-Economic and Governance

For measuring the non-financial performance of *waqf* institutions, this study observed input, output, impact of *waqf* on socio-economic, efficiency, effectiveness, productivity and customer satisfaction as shown in Table 2. However, we found the

absence of socio-economic impact report of *waqf* in their websites. The productivity and effectiveness of the usefulness of *waqf* have not been measured and reported. Most of the *waqf* institution (80%) has reported only the input and output (70%) of *waqf*, however none of them reported efficiency and effectiveness of *waqf* utilization as well as customer satisfaction and productivity. This evidence exhibits that governance in managing and reporting of *waqf* need to be considered and developed.

Based on interviews towards several *waqf* management bodies exhibited that they agreed that Indonesia has a big potential of *waqf* collection since the number of *waqf* assets in Indonesia is large. Nevertheless, the development of *waqf* management is still far from expectations. They also said that there are still a lot of non-productive *waqf* lands where majority of *waqf* asset and *waqf* cash utilization are merely concern on religious purposes such as building mosques, religious schools, Islamic boarding schools, orphanage homes and tombs. The most forms of *waqf* are land or rice fields, and have not yet innovated into other productive forms. In addition, they have not analysed and reported the impact of *waqf* utilization on socio economics.

There is a kind of understanding that is strongly believed and hereditary that *waqf* is identical to the designation and is run on the basis of trust. In addition, the competency of *nadhir*, *waqf* asset management, cultural aspects, and habits are the obstacles in the development of *waqf* asset management. This result is in line with explanation that *mutawalli* did not productively manage *waqf* assets and did not utilize those assets in order to create income to help the needy.¹⁹ Most of *wafq* properties are only used for mosques or Islamic schools. Based on observations in the *waqf* boards' website, we did not find any reports regarding to the ratio or measurement

¹⁹ Gofar, "A. The existence of *waqf* laws is in the perspective of national law". *Legal pulpit*, Volume 57, (2002) : 72-82.

of effectiveness of *waqf* utilization. This also indicates less of governance in managing of *waqf*.

The mutawalli should be more creative to utilize and manage *waqf* assets in order to get income without contravening sharia rules. In addition, the weaknesses of *waqf* board are short of management, untrained *waqf* managers and lack of reporting.²⁰ Therefore, some trainings for mutawallis are needed such as management of *waqf* (asset and cash), financial management, financial reporting, evaluating of effectiveness and productivity, as well as how to measure the impact of *waqf* on socio economic and governance. Furthermore, it's been mentioned that learning from Charity Commission in the UK then they suggest to the management of *waqf* as charity organisations to carry out internal financial control, disclosure and reporting, fund management, governance.²¹ Along with that, in doing governance of *waqf* management, mutawallis or nadzir should have a commitment in adhering the standard of reporting, transparent, accountability, understand sharia rules, having a capability in *waqf* management, and creative.²² This is in line with agency theory, albeit *waqf* board is non-profit organization, they should be trusted hence they are suggested to report their activities in more transparent for stakeholders, and this can minimize asymmetric information. Moreover, the *waqf* board also keep the amanah from wakif and responsible to Allah SWT.

²⁰ Ihsan, H., Ayedh, A. M., & Ibrahim, S. H. H. M. "Towards Better Management and Transparency of Waqf Institution: Lesson from Charity Commission, UK". The 1st International Forum on Islamic Economics, Finance and Business for Young Scholars, 2006. Langkawi, Malaysia.

²¹ Ihsan, H., Ayedh, A. M., & Ibrahim, S. H. H. M. "Towards Better Management and Transparency of Waqf Institution: Lesson from Charity Commission, UK". The 1st International Forum on Islamic Economics, Finance and Business for Young Scholars, 2006. Langkawi, Malaysia.

22 Lubis, S. (2010). *Potensi Wakaf Untuk Kemandirian Umat dalam*. Jakarta: Sinar Grafika.

C. Conclusion

Based on the observations, the *waqf* institution websites have not compasses the 57 items of financial and non-financial disclosures. They have released corporate information and strategy in more detail. Only 13,33% of *waqf* institution reported their financial performance, and only 9,11% presented financial statements.

The *waqf* institutions have adduced non-financial items merely input and output, however impact of *waqf* on socio-economics have not been reviewed, measured and reported. Other measurements of non-financial indicators consist of efficiency, effectiveness, and productivity of the usefulness of *waqf*, as well as customer satisfaction have not been measured and disclosed.

Even though *waqf* institution is charity organisation, complying with governance such as adhering the standard of reporting, transparent, accountability is needed. Implementation of governance is key point for non-profit or charity board in order to convincing stakeholders to show how manager or mutawalli can be trusted in managing the resources. Moreover it is kind of amanah and responsibility to Allah SWT.

Many factors caused the absence and lack of financial and non-financial reporting in *waqf* institutions. Not only human resources and unskilled mutawalli, but also less of socialization of financial report implementation, training and nurturing are to be reasons of the short of good and comprehensive reporting.

The absence of regulations and standards of financial and non-financial reports including outcome measurement have not been arranged, hence stakeholders cannot evaluate the impact of *waqf* on socio-economics. Beyond of those reasons, commitment, creativity, sincerity and intention of mutawalli and nadzir in managing *waqf* will be the basis of good governance implementation and give beneficial impact for public.

Suggestion

The result illustrates *waqf* reporting practices in *waqf* institutions in Indonesia need to be developed and enhanced. The *waqf* institutions should improve their performance reports in order to make the annual report more transparent and satisfy their stakeholders. Moreover, the effectiveness, efficiency and productivity of the activities of *waqf* board and the usefulness of *waqf* itself can be measured. Some ratios suggested can be employed for assessing the effectiveness, efficiency and productivity of *waqf*. For the better improvement of *waqf* report and carry out of PSAK 112, we could refer a measurement that suggested.²³ Beside the financial performance that must be calculated, other impact of socio-economics of *waqf* also crucial to be determined.

Due to cash *waqf* recently is trending in Indonesia, and easy to be done, there is a model for gauging the impact of *waqf* cash as suggested with some modifications that suitable for Indonesian condition as shown in table 3.²⁴ This measurement is proposed to be adopted by *waqf* institutions to estimate impact of cash *waqf* on socio economy

²³ Masruki, R., & Z.Shafii. "The Development of Waqf Accounting in Enhancing Accountability". *Middle-East Journal of Scientific Research*, Volume 1, Number 6, (2013): 1-6.

²⁴ Masruki, R., Hanefah, M. M., Aryani, D. N., & Bunyamin. "Performance Measurements of Socio-Economic Impact for Waqf (Endowment) Institutions". *International Journal of Innovation, Creativity and Change*. (2019).

Table. 3 Socio-economics impact of *Waqf* Cash Measurement

Measurement	Details	Current Practices	Recommendations
Input	Cash	Offline and Online (online banking, salary deduction)	Diversify of collection methods , <i>waqf</i> shares, <i>waqf</i> certificate
Output	Disclose the channel of distribution Pur-positive/specified cash <i>waqf</i>	There are three main scopes for the cash <i>waqf</i> scheme: <i>Waqf</i> Education, <i>Waqf</i> Health and <i>Waqf</i> Investment ,	Number of schools/ madrasah, mosques, clinics/hospitals, ambulances, number of infrastructure / public facilities built
Outcome (Impact - activities based)	There are three main scopes for the cash <i>waqf</i> scheme: <i>Waqf</i> Education, <i>Waqf</i> Health and <i>Waqf</i> Investment	Information disclosed is limited on impact for each <i>waqf</i> activity/ program by using cash <i>waqf</i>	Disclose several indicators for each cash <i>waqf</i> activity such as: 1) Education : number of schools, Number of classes, Number of students, Hafizh, Number of programs 2) Health - No. of medical equipment, No. of medicine contributed (based on medicine types), No. of hours for medical consultations (including medicine manpower), No. of disease cured (based on disease types); number of patients 3) Investment - No. & amount of investment (based on investment types), Investment returns, No. of beneficiaries benefited from investment projects)

Effectiveness (Output to Objectives)	Ratio on the usage of cash waqf for total money collected	N/A	Calculate and analyse cash waqf activities/ programs conducted with cash waqf target (KPI)
Efficiency (Input to Output)	Amount of cash waqf received , Amount of cash waqf disbursed / use	Only disclose amount of waqf collection and amount of waqf distributed for every 3 months	Compute and analyse the ratio of distributed cash waqf for each type of waqf activity/ program/expenses
Productivity (Benefits to Ummah)	Future/long-term waqf activities/ programs benefits toward public	N/A	<p>Calculate and analyse outcome indicators (contribution toward nation):</p> <p>1) Education – No. of schools, No. of classes, No. of students, No. of programs</p> <p>2) Health – No. of patients, No. of medical equipment, No. of medicine contributed, No. of hours for medical consultations, No. of disease cured vs state statistics</p> <p>3) Investment – No. & amount of investment, Investment returns, No. of beneficiaries benefited with investment projects vs state statistics , number of dividend</p> <p>4) Retail business – no.of shops/ stalls, no.of business turnover</p> <p>5) Property: no.of productive houses, infrastructure built</p>

In addition, it's also advised other measurements that can be utilized for measuring the impact of *waqf* that have adapted by Majlis Ugama Islam Singapura (MUIS) as the benchmark on *waqf* reporting.²⁵ Table 4 describes the suggested impact measurement of *waqf* project with some modification which suitable with Indonesian condition.

Table 4: Impact measurement of *waqf* project

<i>Waqf</i> Project	Impact Measures
Enhancing the Community's	Number of Islamic boarding schools Number of students
Strengthening Madrasah Education	Professional development hours provided Hours of weekly lesson plan discussions conducted Number of teachers
Strengthening public health	Number of patients Number of clinic and hospital Number of ambulance
Islamic Education for the Young	Youth involved during the year Smart of Tahfizh Number of scholarship
Assistance for Low income families	Number families assisted <i>Waqf</i> spent for poor and needy families Number of wells built, irrigation, dams, and clean water infrastructure Number of disaster victims Increasing public welfare
Fostering a culture of blessing	Number of backyard vegetables gardens grown Number of farmers involve in the fields

²⁵ Masruki, R., Hanefah, M. M., Aryani, D. N., & Bunyamin. "Performance Measurements of Socio-Economic Impact for Waqf (Endowment) Institutions". *International Journal of Innovation, Creativity and Change*. (2019).

Service beyond our community Let share a meal program (LSMP)	Number of residents received LSMP Number of volunteer involved with LSMP Number of well nourished Increasing community nutrition status
Our mosque more prayer space added	Number of new mosque built Number of prayer spaces (in capacity added during the year) Number of prayer rooms, ablution places
Assets development <i>waqf</i> <i>Waqf</i> education fund (<i>waqf</i> ilmu)	Number of <i>waqf</i> fund raised by the public Number of investment return from <i>waqf</i> funds during the year Number of fund distributed to beneficiaries during the year
Community Farm Sheds (Livestock)	Number of farmers involved Number of cattle farm Number of cattle sold
Retail shops and Small Medium Enterprise (SME)	Number of shops Number of employee Number of SMEs Increasing public income

Source: modification results²⁶ and MUIS

We could adopt some of those impact measurement which suitable with Indonesian condition, at least they have an indicator model to assess the productivity of *waqf* asset and cash. Performance measurements proposed in this research will address transparency, accountability, effectiveness, efficiency, and social economic impact of the *Waqf* institutions. By applying the suggested socio-economic impact model as mentioned above, this could assure the sustainability of *waqf* boards in Indonesia, as well as have good governance, more accountable, disclose, and trusted.

²⁶ Masruki, R., Hanefah, M. M., Aryani, D. N., & Bunyamin. "Performance Measurements of Socio-Economic Impact for Waqf (Endowment) Institutions". *International Journal of Innovation, Creativity and Change*. (2019).

Moreover, the proposed measurement also makes the mutawallis easy to publish a comprehensive report. However, a commitment, capability of *waqf* management, and studiousness of mutawalli and nadzir in managing *waqf* are needed.

Limitation

This research only use 20 website of *waqf* institutions (10% of population in Indonesia) that might not be able to be generated the result to other countries. Due to less of data in the *waqf* report in their website, financial performance and socio economic impact of *waqf* could not be measured and analysed. There is only one completed method for assessing disclosure of *waqf* boards and measuring the impact of *waqf* on socio economics and governance, next researchers are suggested to employ this method. The scholars are also able to count ratios and to analyse the implementation of PSAK 112 in *waqf* organizations.

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