

Sustainability Financing Waqf development on Pondok Institution through Mudharabah Method

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Abstract

Pondok institutions are the earliest education institutions in Malaya. However, most of the pondok institutions face financial issues to ensure that the development can continue to be funded and for it to continue being in operation. The waqf development funding through the method of mudharabah is seen to be able to help the pondok institutions not only to generate finance, but also to make sustainable the funding of the pondok institutions. This paper work carries two objectives. The first objective is to identify the development funding method of the pondok institutions. The second objective is to analyses mudharabah as the pondok institutions funding instrument. This paper work employs the qualitative design method involving primary and secondary data in order to answer the objectives of paper work. The outcome of this paper work, hopefully can sustainably facilitate pondok institutions in the financial aspect.

Keywords: Development funding, Pondok institutions, Waqf, Mudharabah

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Introduction

The pondok education system is an Islamic education institution that has existed and acknowledged by the society since the 18th century. As the oldest education institution and inherited since the era of the Prophet Rasulullah SAW, pondok institutions have become very important in delivering Islamic teaching especially in the Archipelago. Nonetheless, the education system had to welcome some changes, causing pondok institutions to become increasingly marginalized when the society began to turn to the government school system. Other than that, the financial factor also contributes to the issue due to the fact that most of the pondok institutions had to fund their own economic and pondok development.

Waqf is regarded as the best mechanism in funding the development in pondok institutions seeing that most of the pondok institutions are the earliest waqf education institutions. The waqf development funding is not only for religious purposes, but it also covers education, health, economy, social and others. That said, the waqf development carried out must be supported by the in-flow of the funding to ensure that the waqf asset is generated and maintained the best way possible. Among the methods that can be adopted are through the generation of income from the profit gained from the project itself or through the continuous donation of the waqf from the society.

The sustainability of funding for the development of waqf asset is divided into traditional and model approaches. The traditional waqf asset funding was used by the trustees to get the funding capital for the waqf asset development. Some of the funding mechanisms that have been used in several pondok institutions are; agricultural method and istibdal method, whereas the modern funding is done through cash waqf, foot waqf, crowdfunding and mudharabah.

Mudharabah can be defined as an agreement between the capital owner and the entrepreneur where the owner (sahib al mal) agrees to fund the project or invest fully and the manager (mudharib) agrees to work on the project by way of sharing by looking at the ratio of profit division that has been agreed earlier on. Thus, this paper work will examine the funding mechanism of the pondok institution development through a method named mudharabah.

Literature Review

There has been a lot of academic writing related to waqf, development funding using the principle of mudharabah and its application in cooperatives. Several studies that have delved into relevant topics are as follows: History has proven that waqf plays a substantial role to the economy of a country. Through the studies done, waqf is a comprehensive element of wealth distribution because its role is to prepare the infrastructure such as education, health, places of worship and so on. The studies done by S Sazak Saduman and Eyuboglu Ersen Aysun (2009), Razali Othman (2013) and Surita Hartini Mat Hassan (2015) show that waqf had a long history during the Ottoman Turk empire as almost all of the lands in Turkey at the time were waqf lands. Most buildings built in Turkey were funded using waqf fund including the costs for maintenance and management, due to the policy at the time that prioritized the building and development of public facilities like higher learning institutions, hospitals, mosques, hostels, restaurants especially in large cities such as in Istanbul, Bursa, Edirne, Amasya and Manisa (Sazak Saduman & Eyuboglu Ersen Aysun, 2009).

The waqf development funding has indirectly formed a sustainable concept of an efficient waqf asset. Trustees have the responsibility to ensure that the waqf asset is created and developed, in line with original intention of the donors who want to spend their assets on the path of Allah SWT so that they can be rewarded throughout their lives (Syahnaz Sulaiman, Aznan Hasan & Ahmad Azam Sulaiman @ Muhammad, 2016). According to Zakaria Bahari and Surita Hartini (2016), productive waqf is the effort to develop waqf asset so that it can continue to function, and the waqf asset can even be expanded to mawqu'alah continuously. The effort in increasing productive waqf can indirectly increase the role of waqf in developing the economy of Islam.

The development of waqf asset does not only encourage the Muslim community to do waqf, but also enhances and makes sustainable the economy through the asset generation method. Other than that, the development of waqf can also bridge the gap shown in the Muslim community's development in terms of education, da'wah, development, finance, etc. Our discussion is consistent with that of Mustafa Mohd Hanefah, Abdullaah Jalil, Asharaf Mohd Ramli, Hisham Sabri, Norhaziah Nawai, Syahidawati Shahwan (2009) who point out that the waqf institutions like Warees Pte. Ltd in Singapore and Kumpulan Waqf An-Nur Berhad in Malaysia have successfully sustained the development of waqf asset through the waqf asset generation they have initiated. As the result, they managed to fund the development in education, welfare and many others. The waqf asset generation is one of the methods used to produce income through the rentals and investments of waqf assets. A productive generation of waqf asset will indirectly increase the assets' value. The profit gained from the productive waqf can be channeled to benefit the Muslim society.

According to Rachmi Cahya Amalia (2020) the method of waqf funding through mudharabah can serve as an investment in the implementation of cash waqf where cash can be used and further this is channeled to the form of productive asset that is not against Shari'a. This is also admitted by Ahmad Furqon (2014) who states that there are two types of mudharabah that can be used in funding the waqf land development, namely asset-based mudharabah and capital-based mudharabah. For the former, the waqf manager will invite the donor to build a commercial building on the waqf land. It will then be rented out to the third party and the profit from that rental will be divided between the manager of the waqf and the donor. The manager will then divide the profit to two parts, that is to increase the ownership share towards the building and for the beneficiaries of the waqf. For the latter, or the capital-based mudharabah, this method can be applied when the nazir takes the role as the entrepreneur (mudharib). Nazir will get some financial assistance from financial

institutions to develop commercial buildings on waqf lands. Nazir or managers play the role as the administrators of the waqf and the profit is based on the joint efforts between the manager and the waqf land owner.

The acceptance of mudharabah in the context of waqf asset funding is also endorsed by the study written by Istiqomah and Miftahul Hasanah (2019) who also see that this mudharabah method as one that is capable of being a good method for waqf especially agricultural waqf at the same time exposes us to the potential of sustainability in waqf land agriculture and development. This concept has also been confirmed as a cash waqf model in cultivating waqf at the expense of the nation's wellbeing.

Methodology

This study involves the collection of primary and secondary data. The primary data is obtained through a detailed interview with the pondok governors, or mudir. The selection of governors as the informants is based on expert sampling as suggested by Nueman (2000). It is because they are directly involved in the mudharabah funding method in their pondok institutions as well as their experiences in managing waqf fund.

In this paper work, the governors are labelled with the codes that have been assigned (M001-M012). A detailed interview is also carried out on two waqf experts, labelled PW001 and PW002 to get some insider's information in relation to cash waqf as the funding instrument. Other than that, the secondary data are obtained based on the previous studies and documents. Data is analyzed using the application Atlas t.i version 8 (AV8).

Findings

The funding method through mudharabah involves two entities, namely the waqf manager and the entrepreneurs. Both the waqf institution and the entrepreneur collect the capital together to materialize the development project. The development project can only be implemented after all the construction costs are given and agreed by both parties. The profit from the waqf development will be divided according to the initial agreement sealed by the waqf institution and the entrepreneur.

The method of mudharabah is a recommended form of collaboration between pondok institutions and corporate companies, pondok institutions and the society, also the pondok institutions and the government agencies. PA003 states,

“The collaboration with corporate companies is to develop the waqf. Take ABADA, for example, we develop the waqf with the help of the corporate companies. ABADA has several hundreds of acres of land, and it is aided by corporate companies to develop the waqf lands. Here, the companies play the role as donors and the pondok institutions function as the manager”.

Even so, as not all the pondok institutions' management has a lot of waqf assets and the expertise in managing waqf asset, PA001 proposes the establishment of a cooperative that has members comprising of members of pondok, the society, academicians, economists and every layer of the society to register as the members of the cooperative in pondok waqf. The development of waqf asset has to be done collectively (pondok cooperative) because not all pondok institutions have the capability to generate building funding single-handedly, based on the problems or limitations they face, causing the pondok development to be inconsistent. The development of economy through this cooperative system can be seen through the success of the Koperasi Angkasa through a scheme called infaq lil waqf. Some of the missions of the cooperative's establishment are managing assets, equity, and property of the cooperative and the members of the cooperative following Shari'a. This scheme also aims to identify the potential of waqf as an instrument to collect fund as much as possible to implement programs that can increase the socio-economy of the society and the members of the cooperative. Among the aims of this scheme are to set up a business center to market cooperative's products, to establish an education institution for its members, to develop the cooperative's asset and land, to offer financial aids like scholarships, loans and so on (Nooh Gadut 2014).

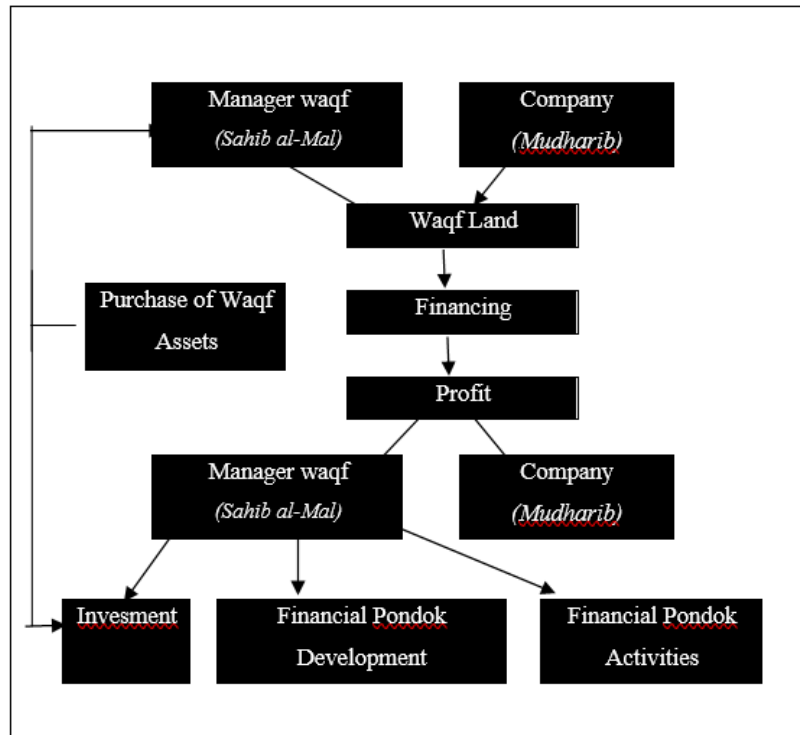


Diagram 1.1 Sustainability of Waqf Through Mudharabah Method

Diagram 1.1 shows that the waqf received is produced in the form of mudharabah. At the level of pondok institutions, the waqf pondok cooperatives play the role as sahibal-mal, whereas the company plays the role as mudarib. The waqf manager uses the fund and contributions received as the investment capital. The company uses expertise in managing the investment. The return of the profit will be divided between the pondok cooperative and the company based on mutual agreement. Some of the profit of the investment is used to fund the pondok education and for the development of the education activities such as provision of hostels, classes, mosque, library and so on, whereas some profit will be used to develop waqf asset such as land purchasing and new waqf buildings.

The cooperative's method through the mudharabah method will also be done in Pondok Moden Darusaalam Gontor (PMDSG), Indonesia. Through this method the donor will donate the land for the benefit of the teacher and the students. The land will then be managed by the coordinator or nazir of PMDSG which is Yayasan Pemeliharaan dan Perluasan Waqf Pondok Moden (YPPWPM). The waqf asset accumulated will be made productive in the mudharabah system in the form of cooperative. The outcome from the investment profit will be divided into three sections, namely education funding, education development and investment.

Based on the accomplishments achieved by several pondok schools or institutions, it shows that pondok institutions have the ability to fund the pondok development through mudharabah. This indirectly helps the pondok institutions to move further ahead especially in ensuring that the financial state of the institution is more formidable and it does not have to depend on the contribution of the public to continue to survive.

Conclusion

The funding of the waqf development through the mudharabah method in pondok institutions plays an important role to increase the socio-economy to a better level. The waqf development in pondok institutions must be given the attention it deserves and it needs to be empowered to produce more scholars, Muslim entrepreneurs, and pondok institutions that have more quality in the future. The sustainability waqf for the funding of the development in pondok institutions must be examined closely and profoundly by introducing various approaches to ensure that the waqf in pondok institutions can thrive in a long term.

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