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Factors Influencing the Success of Retail Cash *Waqf* Linked *Ṣukūk* (CWLS) Issuance: A Lesson from Indonesia

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***Abstract*:** In October 2020, the Indonesian government launched a *Waqf*-linked Islamic certificate called Cash *Waqf* Linked *Ṣukūk* (CWLS) that targeted retail investors. The CWLS SWR001 series for individuals is presented as a commitment by the government to support the national *waqf* movement and foster the development of social investment and productive *waqf* in Indonesia. The objectives of this study are to examine the key determinants of the willingness of upper middle-class Muslims in Indonesia to contribute to CWLS and explain the barriers in the collection of CWLS. The primary data were analyzed using a Partial Least Squares Structural Equation Modelling (PLS-SEM). The result shows that the variables of Financial Excess, Trust in *Waqf* Institutions and Government significantly affect the willingness of upper middle-class Muslims in Indonesia to contribute to retail CWLS.

Keywords: Cash *waqf*-Linked *Ṣukūk*, Cash *waqf*, CWLS SWR001 series, Partial Least Squares Structural, Equation Modelling.

***JEL Classification*:** I31, G18, L31, D91

***KAUJIE Classification*:** E23, K16, R48

1. Introduction

The Covid-19 pandemic that emerged in early 2020, while initially a global health crisis, has had a significant negative impact on Indonesia's economic situation, as indicated by the country's rising poverty rate. The Indonesian Central Statistics Agency (BPS) recorded a rise in the proportion of poor people in Indonesia to 10.19% in September 2020, compared to 9.78% in March 2020 and 9.22% in September 2019. Moreover, in 2021, the Institute for Development of Economics and Finance (INDEF) predicts that poverty in Indonesia would continue to rise, reaching 10.5% of the population. In response to this challenge and in a bid to reduce poverty and its impact, the Indonesian government has launched the National Economic Recovery Program (NERP), which includes social assistance programs to provide support for laid-off workers and vulnerable households affected by the pandemic (Medina, 2020).

In addition to using the state expenditure budget to finance the program, the Indonesian government is raising funds through cash *waqf*, one of the initiatives being the issuance of Cash *Waqf* Linked *Ṣukūk* (CWLS). CWLS plays a key role as a new funding source for various social programs, especially for those affected by the Covid-19 pandemic (Baiti and Syufaat, 2021, p. 66). This alternative source of funds in the form of cash *waqf* is expected to help reduce government spending, government debt dependency and budget deficits and finance development projects (Mohamad, 2012). Cash *waqf* can also serve as a means for social reconstruction and development as well as poverty alleviation (Hasanah, 2011, p. 219; Khademolhoseini, 2013, p.3; Maysita, Tasrif and Telaga, 2005, p.2; Hosseini, Salari and Abadi, 2014, p.4). Cash *waqf*, as a form of Islamic social finance available to the majority of the population, has been widely used by different Muslim countries in various sectors, both tangible and financial (Çizakça, 2011, p.99; Masyita, Tasrif and Telaga, 2005, p. 2; Nizar, 2014, p.22).

Earlier in 2020, the Indonesian government issued CWLS for institutional investors with a private placement mechanism; the total amount was IDR 50.84 billion, and the government met its target on time. Similarly, in 2020, in order to broaden the participation of Muslims in Indonesia, the government issued retail CWLS targeting both individual and institutional investors. This was named the CWLS SWR001 series and had an offering period from 9 October to 12 November 2020. The retail CWLS had a minimum order amount of IDR 1 million and no maximum limit, based on a 2-year term and an annual yield of 5.5%.

According to the Indonesian Waqf Board (BWI), Indonesia's middle class Muslims will reach about 100 million by 2020. Assuming that 2.5% of spending is used for *waqf*, this gives a potential annual *waqf* of IDR 70 trillion per year. Nizar (2017: p.36) stated that the average Muslim contributing to cash *waqf* in Indonesia belongs to the upper middle class. Unfortunately, the potential for a high level of cash *waqf* in Indonesia is also accompanied by a very low level of Islamic economic literacy in society, as indicated in a 2019 survey conducted by Bank Indonesia. This showed that only 16 out of 100 Indonesian Muslims had a good understanding of Islamic economics.

Moreover, the deterioration of economic conditions following the Covid-19 pandemic has increased Indonesia's poverty level. The problem of *waqf* literacy in Indonesia, which affects the Muslim community's participation, is a central concern in *waqf* management (Mahdiah, Hasanah and Nursyamsiah, 2019, p. 28). The concept of CWLS, which combines cash *waqf* as a form of Islamic social finance with government *ṣukūk* as an Islamic commercial instrument, is relatively new, implying that further exploration of the public understanding of the product in this study is salient.

Despite the positive impact and moderate nominal offering to investors, the collection period for retail CWLS was extended from 12 November 2020 to 20 November 2020 as the target of IDR 50 billion was not met within the original deadline. According to a report by Ministry of Finance, as of 24 November 2020, the total amount of retail CWLS SWR001 series collected was only IDR 14,912,000,000 (fourteen billion nine hundred and twelve million rupiahs), well below the original target of IDR 50 billion. Noting the barriers to achieving the nominal target for retail CWLS SWR001, this study conducted research to measure people's understanding and interest in this particular product.

To the best of the author's knowledge, this is the first paper that attempted to assess retail CWLS issuance in Indonesia from the perspective of *waqifs'* willingness to contribute, particularly from upper middle class Muslims. The study focused on identifying the key factors influencing their willingness to participate in retail CWLS; therefore, the willingness to participate in the CWLS is used as the dependent variable.

This research complements previous studies by measuring the behaviour of upper middle class Indonesian Muslims towards cash *waqf*, particularly retail CWLS, by identifying the most significant key influencing factors. The result should serve as a benchmark in establishing an appropriate education and socialization strategy for the subsequent issuance of CWLS or another Islamic financial instrument based on a similar concept. In addition, it is hoped that this research will contribute to wider adoption of the CWLS practice by other Muslim countries to order increase public participation, help mitigate the impact of the Covid-19 pandemic and foster efforts to strengthen the Islamic financial market.

2. Literature Review

2.1 Cash *Waqf*

Çizakça (2004, p.2-3) explains that the emergence of cash *waqf* can be traced back to the 8th century when Imam Zufar Al-Hanafi queried how such *waqf* should function. The popularity of cash *waqf* increased during the Mamluk and Ottoman eras. It became the most popular form of philanthropy among the Ottomans, who extended its application to support the alleviation of poverty, inequality, rising cost of living, and promote social welfare.

Cash *waqf* is a monetary form of *waqf* managed productively by a *nazhir*, whose proceeds are also used as *waqf*. This means that the profits of an individual's investment in cash *waqf* are used to benefit *mauquf alaih.* In Indonesia, Muslim society has been familiar with the concept of *waqf* since the introduction of Islam. However, *waqf* has only attracted much attention in Indonesia since 2000 (Hasanah, 2011, p.220). The most significant research interest in cash *waqf* dates from 2006 to 2016 (Atan and Johari, 2017, p.9).

On the one hand, many Muslims in Indonesia still have a limited understanding of *waqf*; this tends to be limited to donations for the construction of mosques and cemetery sites, and thus the development of cash *waqf* is still far below its potential (Haneef, Kamil, Ayuniyyah, 2017, p.146). On the other hand, cash *waqf* practices have gained popularity among Indonesian Muslims, mainly following the issuance of a fatwa by the Indonesian Ulama Council (Majelis Ulama Indonesia/MUI) allowing cash *waqf* along with Law No. 41/2004 regarding *waqf* and Government Regulation No. 42/2006 as a guideline for the implementation of the *waqf* law. Moreover, the establishment of the Indonesian Waqf Board (BWI) in 2007, which acts as an independent body to manage *waqf* and oversee the *nazhir*, has had a positive impact on the development of cash *waqf* institutions. The latest data for October 2019 shows that 224 cash *waqf* institutions have been registered with the BWI.

2.2 Cash *Waqf* Linked *Ṣukūk*

In October 2020, the Indonesian government launched an endowment-linked Islamic certificate for individual investors, known as retail CWLS. The retail CWLS SWR001 series is seen as the government's commitment to supporting the national *waqf* movement to foster the development of social investment and productive *waqf* in Indonesia. The retail CWLS SWR001 series is structured as *wakalah*, is non-tradable and has a 2-year term at a fixed return rate of 5.5% per annum. The returns are to be distributed among several programs with social and economic impacts on the community (Alfirman, 2020), while the principal *waqf* amount is to be returned in November 2022. CWLS has a crucial role to play in helping the government recover the national economy. In addition to providing a new method of funding national development at a lower cost, *ṣukūk* returns can be used for various social programs, especially for those affected by the Covid-19 pandemic (Baiti and Syufaat, 2021, p.66).

CWLS is an innovative Islamic financial instrument that integrates cash *waqf* and government *ṣukūk*. It is classified as one of the State Sharia Securities instruments (SBSN) and uses a *ṣukūk* contract that has received a fatwa from the Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) in the

form of a *ṣukūk wakalah* contract. The *ṣukūk wakalah* format provides flexibility in using the underlying asset, which applies to both tangible and intangible assets in the form of goods, services, projects or other assets that conform to Sharīʿah principles (Baiti and Syufaat, 2021, p.51). Regarding the potential of enormous *waqf* assets in Indonesia, an *awqāf*-related *ṣukūk* is a pivotal progress in the Islamic capital market in terms of contributing to sustainable economic development. It requires full support from government institutions and relevant stakeholders (Ismal et al., 2015, p.26).

According to the Indonesian Ministry of Finance, CWLS has the following aims: development and innovation efforts in the field of Islamic social finance and investment in Indonesia; easing *waqifs* to invest cash *waqf* in a safe financial instrument (Ṣukūk Negara); supporting the development of the Islamic financial market, especially the cash *waqf* industry; encouraging the consolidation of Islamic social funds to finance various social projects and programs (not government projects/programs through the state or municipal budget); diversifying investors and *ṣukūk* Negara instruments, and encouraging the diversification of Sharīʿah banking business by optimizing the role of Islamic Financial Institution Receiving Cash Waqf (LKSPWU). Four distribution partners (Midis) were involved in the process of selling retail CWLS, namely PT Bank Muamalat Tbk, PT Bank Syariah Mandiri, PT BRI Syariah Tbk and PT BNI Syariah, which also act as an LKSPWU (Hadiningdyah, 2020, p.8).

Under the CWLS concept, cash *waqf* received and managed by the Indonesia Waqf Board (BWI), such as the *nazhir* regulator and supervisor of CWLS, will be channeled to government social programs. The *nazhirs* appointed by LKSPWU and approved by BWI will then distribute CWLS returns. In order to maintain transparency and accountability in the management and distribution of the CWLS return fund, *nazhirs* are required to submit a report to the BWI, the Ministry of Religious Affairs, the Ministry of Finance and the *waqif*.

As illustrated in Figure 1, the CWLS model starts with the investors (*waqif*). These are temporary or permanent *waqifs* who invest in CWLS through the *nazhir* partners, whether LKSPWU or not, (arrow 1a), as the *nazhir's* (BWI) designated distribution partners. Investment funds are then placed in the Nazhir (BWI) by the Nazhir partners (arrow 2a). Once the *waqf* funds have reached the minimum private placement amount in Sukūk Waqf Indonesia (SWI), BWI (Nadzhir) places them in SWI, issued by the Ministry of Finance (arrow 3a). The government then issues an SWI certificate to the BWI which is a legal document to place funds in SWI (arrow 3b). Essentially, the government maintains a list of social projects (facilities, infrastructure, etc.) to be financed by *waqf* funds through the SWI instrument. When the *waqf* funds are received, the government determines which social projects to fund, and which should also meet a set of *waqf* criteria (arrow 4). Since the government intends to increase the principal amount paid by the *waqif*, it issues a coupon payment to SWI holders (arrow 5a). Upon receipt of this coupon payment, the BWI leaves it to the *nazhir* partners (as distributors of *waqf* funds) (arrow 5b) to reconfirm an agreement that it will be used to support the related social projects (arrow 5c). At maturity, the government (Ministry of Finance) returns the principal of SWI to BWI (arrow 6a), which is then extended to the *nazhir* partners (arrow 6b). For the temporary *waqif*, the *nazhir* partners return the principal and have the option to continue or terminate the social investment (*waqf*). In contrast, for permanent *waqifs*, the principal is non-returnable as they have already relinquished ownership of the cash *waqf*; as such, the Nazhir (BWI) can continually roll it over in the CWLS model (Ismal, 2020, p.3).

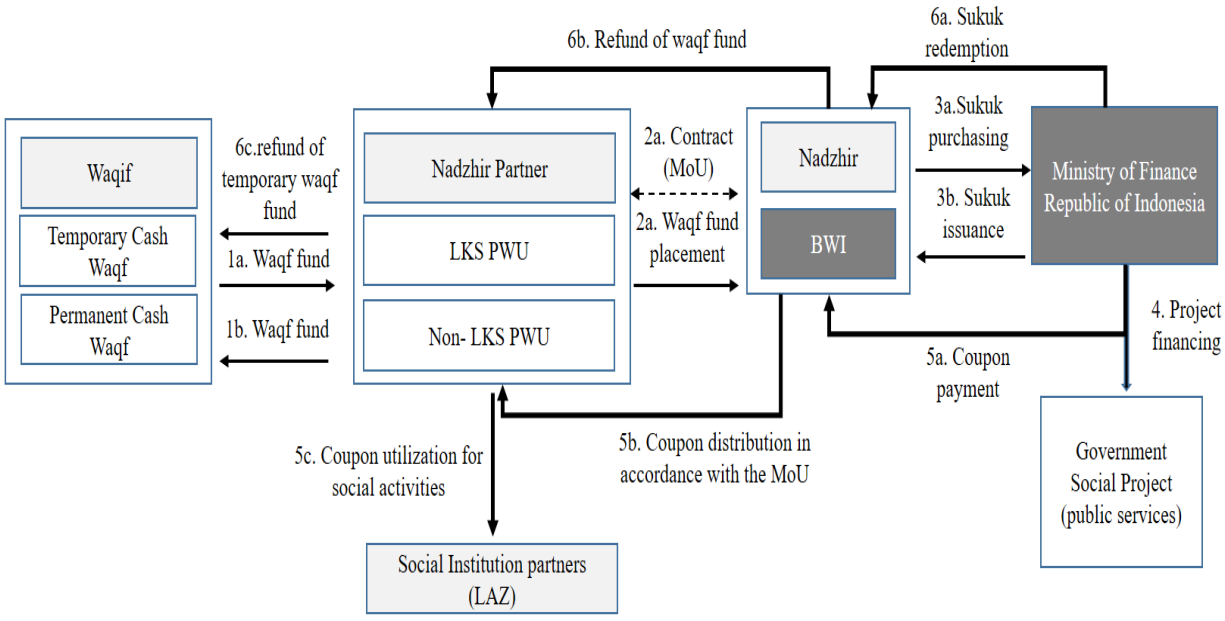

Figure (1). Cash *Waqf* Linked *Ṣukūk* Model and SWI Instrument (Ismal, 2020, p.3; Hadiningdyah, 2020, p.14).

2.3 Conceptual Framework

To construct the conceptual framework and determine the appropriate variables for the model, this study refers to various earlier studies conducted over the past 10 years, as shown in Table 1. The dependent variable is defined as the willingness to contribute to retail CWLS, while the independent variables to be assessed include six internal factors, namely Religious Guidance (Sunnah), Financial Excess, Trust in Waqf Institutions, Trust in Government, Knowledge of CWLS and Access to CWLS.

Each of the six variables used in this study consists of two indicators modified from previous research (Johari et al., 2015; Osman, Mohammed and Fadzil, 2015; Hudzaifah, 2019). Religious Guidance (Sunnah) is a modifier of the religious obligation variable in Johari et al. (2015). Financial Excess reflects the financial ability of middle class Muslims to participate in CWLS. Income was found to significantly influence people's willingness in South Tangerang, Indonesia, to contribute to cash *waqf* (Hudzaifah, 2019).

In the proposed model shown in Figure 2, the Trust in Government variable has been analyzed separately from Trust in Waqf Institutions since CWLS is specifically about government projects that will be funded by cash *waqf*. However, other variables such as Trust in Waqf Institutions, Knowledge of CWLS and Access to CWLS are adopted from previous research (Johari et al., 2015; Osman, Mohammed and Fadzil, 2015; Hudzaifah, 2019).

Table (1). Literature Summary of Internal Factors Determining Willingness to Contribute to Retail CWLS.

VARIABLE	REFERENCE
Religious Guidance (Sunnah)	• Religious piety is an important social determinant of charity giving. (Lammam & Gabler, 2012, p.14). • Religious duty is an important indicator of whether or not people will donate to charity and can be defined as an intrinsic motivation of *waqif* (Htay, Mohamed and Osman, 2012, p.9). • Trust, religiosity and perceived quality of service positively influence the intention towards cash *waqf* (Osman, Mohammed and Fadzil, 2015, p.40). • Religious duty, benevolence, familiarity with *waqf* institutions and access to cash *waqf* significantly influence intention to repeat cash *waqf* contributions among Muslims in Malaysia (Johari et al., 2015, p.73).
Financial Excess	• In Indonesia, the average Muslim who contributed to cash *waqf* came from the upper middle class (Nizar, 2017, p.36). • Income positively correlates with a person's amount of *infaq* since the higher a person's income, the higher is *infaq* contributed by him/her. (Muttaqin, 2015, p.49).
Trust in Waqf Institutions	• Trust is one of the factors that essentially explains a person's willingness to donate to a charity organization (Snip, 2011, p.1). • Negative publicity is deleterious to organizational trustworthiness and reputation and fuels people's perceptions of the risks of donating (Beldad, Snip, Hoof, 2014, p. 159) • Most cash *waqf* institutions continue to have a low accountability index (Siswantoro, Rosdiana and Fathurahman, 2018, p.51). • Trust is the highest-ranked aspect among cash *waqf* management issues in Indonesia (Rusydiana and Devi, 2018, p.7). • Trust, religiosity and the perceived quality of services positively influence intention towards cash *waqf* (Osman, Mohammed and Fadzil, 2015, p.40). • Trust is a significant internal factor in the intention to repeat the cash *waqf* donation (Johari et al., 2015, p.73).
Trust in Government	• Trust is one factor that explains a large part of a person's Intention to donate to a charity organization (Snip, 2011, p.1). • Trust is highest-ranked aspect among cash *waqf* management issues in Indonesia (Rusydiana and Devi, 2018, p.7). • Trust, religiosity and the perceived quality of services positively influence Intention towards cash *waqf* (Osman, Mohammed and Fadzil, 2015, p.40). • Trust is a significant internal factor in the intention to repeat the cash *waqf* donation (Johari et al., 2015, p.73).
Knowledge of CWLS	• There are still many Muslims in Indonesia who do not understand *waqf* properly. (Haneef et al., 2017, p.146) • Religious duty, benevolence, familiarity with the *waqf* institution and access to cash *waqf* significantly influence the intention to repeat cash *waqf* contributions among Muslims in Malaysia (Johari et al., 2015, p.73). • Several factors influence an individual's willingness to participate in cash *waqf*, namely knowledge, income, social culture and promotion (Hudzaifah, 2019, p.13).
Access to CWLS	• Religious duty, benevolence, familiarity with the *waqf* institution and access to cash *waqf* significantly influence the Intention to repeat cash *waqf* contributions among Muslims in Malaysia (Johari et al., 2015, p.73).

To further understand the behaviour of upper middle class Muslims in Indonesia regarding their willingness to participate in retail CWLS as a new Islamic financial instrument, the research hypotheses are as follows:

H1: Religious Guidance (Sunnah) has a positive effect on the willingness to contribute to CWLS
H2: Financial Excess has a positive effect on the willingness to contribute to CWLS
H3: Trust in Waqf Institutions has a positive effect on the willingness to contribute to CWLS
H4: Trust in Government has a positive effect on the willingness to contribute to CWLS
H5: Knowledge of CWLS has a positive effect on the willingness to contribute to CWLS
H6: Access to CWLS has a positive effect on the willingness to contribute to CWLS

The conceptual model developed for this study is shown in Figure 2 below:

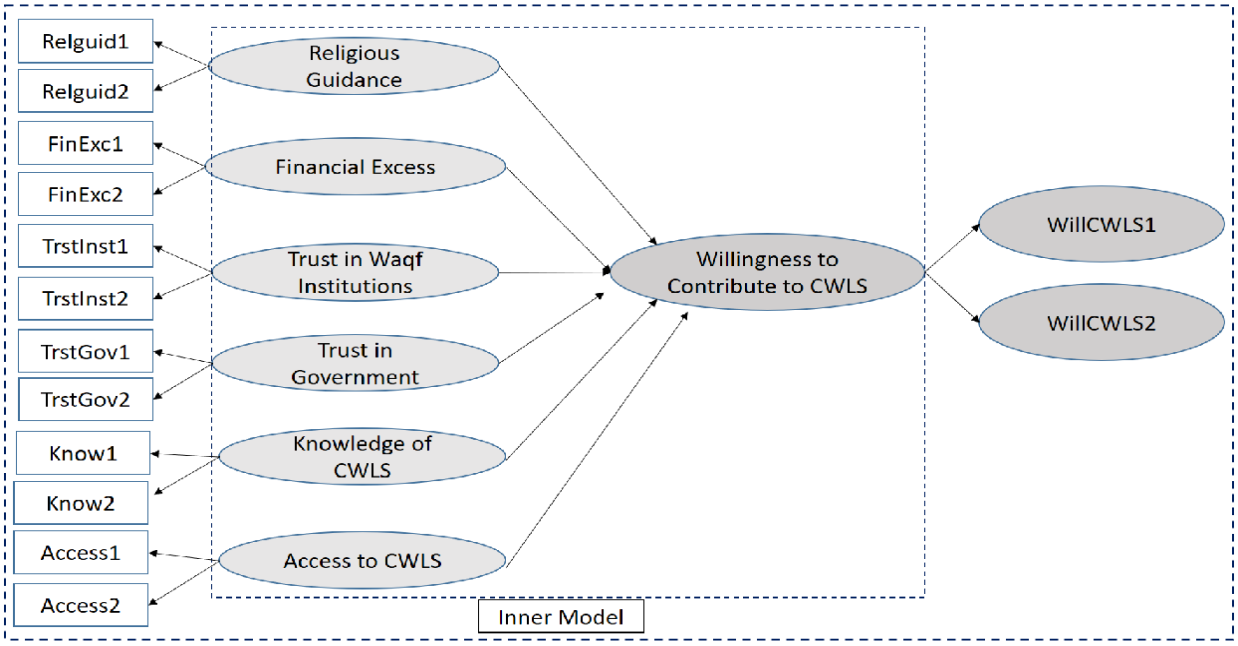

Figure (2). Conceptual Framework Determining the Willingness to Contribute to Retail CWLS.

In the proposed model shown in Figure 2, the Trust in Government variable has been analyzed separately from Trust in *Waqf* Institutions since CWLS specifically relates to government projects funded by cash *waqf*. The other variables such as Trust in *Waqf* Institutions, Knowledge of CWLS and Access to CWLS are adopted from previous research (Johari et al., 2015; Osman, Mohammed and Fadzil, 2015; Hudzaifah, 2019).

3. Method

The study was conducted in three phases and used a combination of quantitative and qualitative methods, as shown in Figure 3. The first phase involved a review of the theoretical background and literature before constructing the conceptual framework and identifying appropriate variables. The final stage in the first phase was the elaboration of a questionnaire covering the conceptual framework. The second phase involved the collection primary data through the online questionnaire combined with interviews with various selected respondents and Islamic banks that act as retail distribution partners of CWLS. The questionnaire was pilot tested with 40 respondents involved in the process.

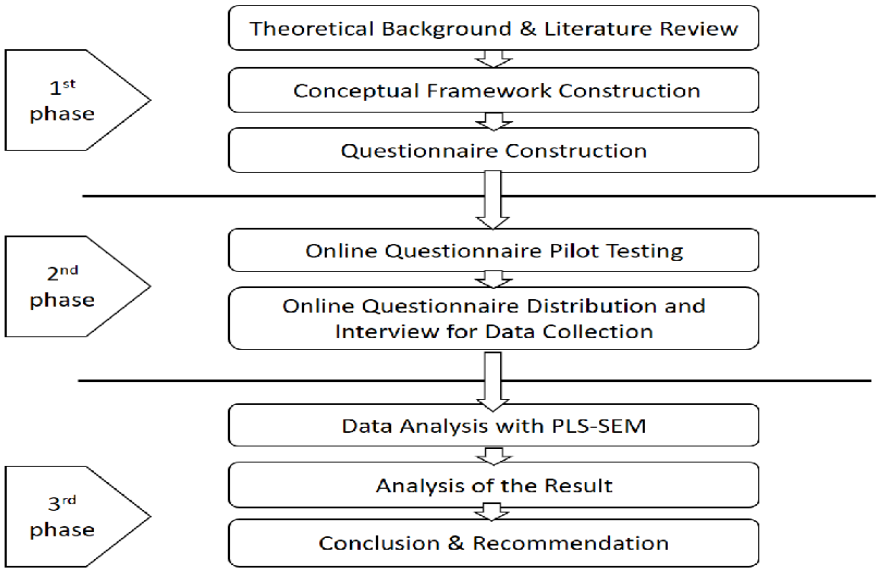

Figure (3). Research Phases.

The target respondents were upper middle class Indonesian Muslims, defined in this study as Muslims with a monthly income of over IDR 10 million. Respondents with this income level are assumed to have the financial capacity to contribute to the retail CWLS. The Java and Sumatra regions account for a larger proportion of respondents, given the large size of the Muslim population on these two islands. In particular, DKI Jakarta and West Java have the largest proportion of respondents for the Island of Java, since DKI Jakarta province has the greatest nominal orders for retail CWLS SWR001, amounting to IDR 6.28 billion, while West Java province has the highest number of *waqifs*, at 272.

The online questionnaire in the Indonesian language was distributed to about 700 target respondents to investigate the factors determining Indonesian Muslims' willingness to contribute to retail CWLS. A total of 456 respondents submitted the questionnaire, of which around 362 respondents were categorized, in this study, as upper middle class Muslims. Respondents answered the questions on a five-point Likert scale, with responses ranging from '1' (strongly agree) to '5' (strongly disagree). The questionnaire was divided into three main sections and included a total of 33 questions. The first section asked about the respondent's personal information, and the second section inquired about the respondent's understanding of productive *waqf* and retail CWLS. The third section included 14 questions designed to explore the respondent's willingness to participate in retail CWLS in Indonesia.

As mentioned earlier, two approaches were used to collect the primary data in this study. The first was a quantitative approach that tested the hypotheses through a survey of respondents representing upper middle class Muslims. The second approach was qualitative and aimed to explore further the main challenges and obstacles in retail CWLS collection from the perspectives of both investors and CWLS-related institutions. For this purpose, interviews were conducted with various individual respondents and officials from two major Indonesian Islamic banks, namely Bank Muamalat Indonesia (BMI) and Bank Syariah Mandiri (BSM), both of which are designated as an Islamic Financial Institution Receiving Cash Waqf (LKSPWU).

In the final phase, this research used Partial Least Squares (PLS) to analyze the data. The 362 respondents categorized as upper middle class Muslims were filtered out in order to conduct the data analysis. The final data comprised 146 upper middle class respondents from those aware of CWLS or had

at least received information about it earlier. Although Partial Least Squares Structural Equation Modelling (PLS-SEM) is suitable for small sample sizes, this study used a larger data sample to make the result more representative of the population.

PLS-SEM offers several advantages, namely: it does not require the assumption of data normality; it can be used in models with a weak theoretical basis; it provides flexibility in statistical models construction; and it can be used to address issues related to statistical power and minimum sample size requirements (Aguirre-Urreta and Rönkkö, 2015, p. 34; Goodhue, Lewis and Thompson, 2012, p.981; Kock and Hadaya, 2018, p.4). Structural Equation Modelling (SEM) was used as an analytical method to test the hypotheses. To obtain the results, PLS was used to examine two types of models, outer and inner models (Hair, 2017, p. 110).

4. Result and Discussion

4.1 Characteristics of Respondents

Table 2 presents the characteristics of 146 respondents out of 456 who submitted the questionnaire. The respondents are categorized as upper middle class Indonesian Muslims with a monthly household income higher than IDR 10 million who had previously received information about CWLS. In terms of demographic profile, 57.53% of the respondents were female, and 42.47% were male. The majority of the respondents were aged between 36 and 45 years, at 60.96%, followed by 26.71% older than 45 years. In terms of respondents' areas of residence, most of them lived in the DKI Jakarta region, 57.53%, and West Java, 21.23%. In terms of occupation, most of the respondents were employees, 86.30%.

Table (2). Characteristics of Respondents.

Variable	Frequency	Percentage (%)
Gender		
Male	62	42.47%
Female	84	57.53%
Age		
< 25yr	2	1.37%
26yr – 35yr	16	10.96%
36yr- 45yr	89	60.96%
> 45yr	39	26.71%
Region of Residence		
Sumatra	6	4.11%
DKI Jakarta	84	57.53%
West Java	31	21.23%
Central Java	3	2.05%
East Java	3	2.05%
Bali-Nusa Tenggara	1	0.68%
Kalimantan	2	1.37%
Sulawesi	2	1.37%
Others	14	9.59%
Profession		
Employee	126	86.30%
Entrepreneur/Business Owner	4	2.74%
Unemployed	11	7.53%
Others	5	3.42%

Source: Survey Questionnaire.

The lowest percentage in the survey was for the proportion of upper middle class respondents who had already contributed to CWLS, only around 1.38% out of a total of 362 respondents. This indicates that the level of participation and literacy in CWLS is still relatively low despite the country's massive potential for *waqf*. These results indicate the need for a considerable improvement in the efforts of various stakeholders in empowering cash *waqf* as a means to develop the Indonesian economy.

4.2. Partial Least Square Structural Equation Model (PLS-SEM)

PLS-SEM is based on the composite model, which includes joint, specific and error variance; therefore, it uses all the variance of the independent variables to help predict the variance of the dependent variable(s). As an approach, it is more effective in maximizing the amount of variance that can be explained by the dependent variable(s). Compared to covariance-based SEM (CB-SEM), PLS-SEM offers greater statistical power for all sample sizes, but particularly for smaller ones. Thus, using PLS-SEM, a specific relationship is more likely to be statistically significant when present in the population. Its greater statistical power makes PLS-SEM particularly suitable for cases of exploratory research where the theory is less sophisticated. PLS-SEM is a two-step process involving a measurement model (outer model) and structural model (inner model). The outer model displays the relationship between the latent variables and their indicators (manifest variables); this enables us to examine whether the constructs are measured with satisfactory accuracy. The inner model displays and evaluates the relationship between latent variables and allows us to assess the model's explanatory power. (Hair et al., 2017, p.109, p.110, p.118).

The outer model is evaluated based on several criteria: Composite Reliability (CR), Average Variance Extracted (AVE), the significance of item loading size, and discriminant validity. To assess convergent validity, this research uses Outer Loading (OL), AVE, CR, Cronbach's α and discriminant validity (DV). AVE must be greater than or equal to 0.5 while the OL, CR and Cronbach's α values must be greater than 0.7 to support convergent validity (Hair et al., 2017, p.111).

The DV test was performed by examining the cross-loading value; this shows whether the loading value of one latent variable is greater than the loading value of the other latent variables. The goodness of fit model is used to evaluate the structural model (inner model), measured by the R-squared value. The higher the R-squared value or the closer it is to 1, the better the model. In addition, the inner model is used to examine the influence of exogenous (independent) variables on the endogenous (dependent) variable. The significance of the influence of these exogenous variables is indicated when the t-value > 1.96.

Outer Model Evaluation

The model of factors used in this study is illustrated in Figure 4, while Table 3 presents the evaluation values for the outer model. The indicators for each variable have OL value greater than 0.7; it can thus be said that each indicator is valid for measuring its latent variable. The CR and AVE values for each variable also meet the criterion of exceeding 0.7, which means that all variables and their indicators meet the reliability criteria. Similarly, each indicator satisfies the DV criterion, as shown in Table 4. The path diagram of the outer model is given in Figure 5.

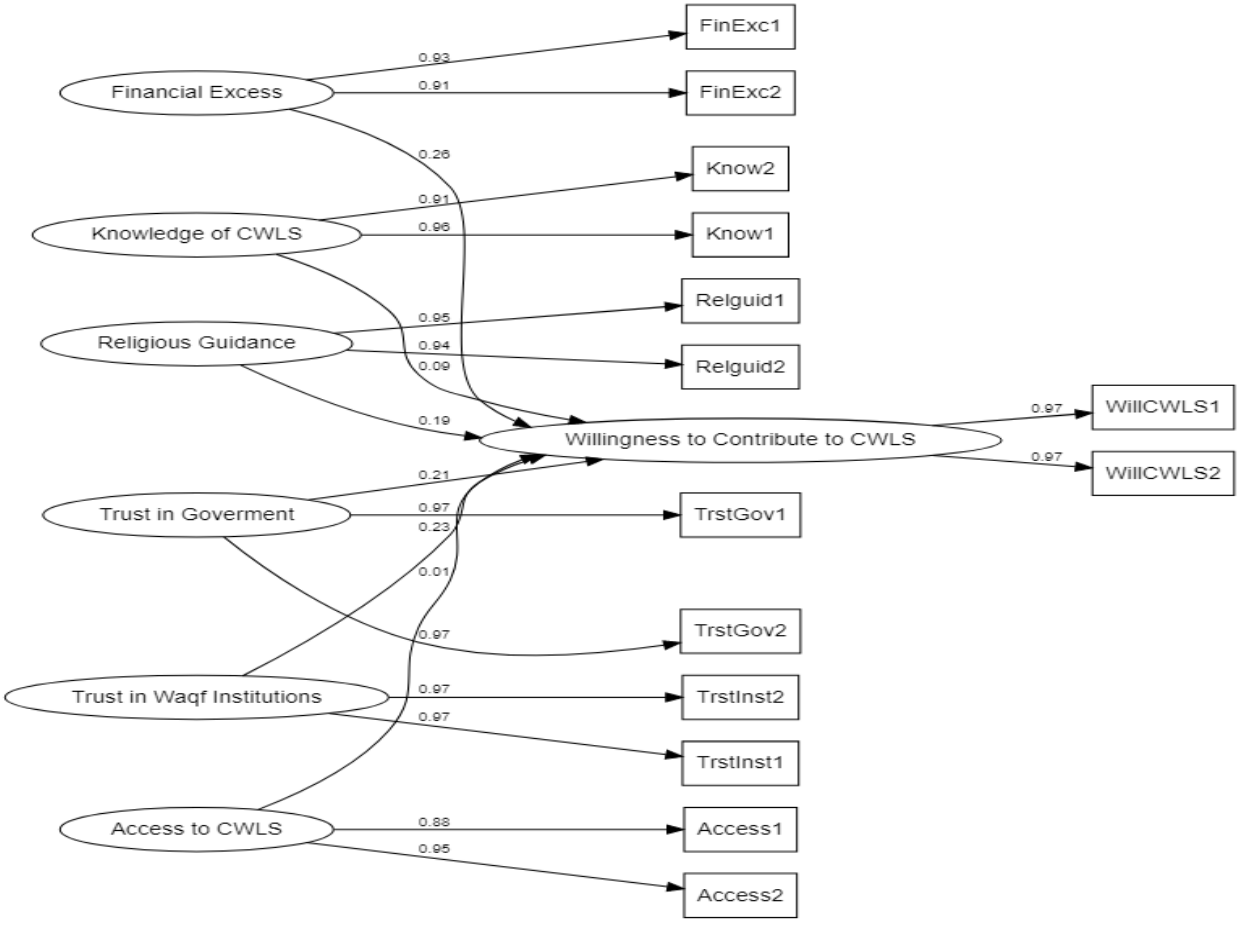

Figure (4). Model of Factors Determining the Willingness to Contribute to CWLS.

Table (3). Results of SEM Outer Model Value.

Item		OL	CR	AVE	DV
	Religious Guidance		**0.94**	**0.89**	**Yes**
Relguid1	My contribution to Cash *Waqf* Linked *Ṣukūk* is in line with Islamic principles and values I personally believe in.	0.95			
Relguid2	I contribute to Cash *Waqf* Linked *Ṣukūk* as a manifestation of my faith, which is only to please Allah.	0.94			
	Financial Excess		**0.91**	**0.84**	**Yes**
FinExc1	My intention to contribute to Cash *Waqf* Linked *Ṣukūk* is consistent with my income level.	0.93			
FinExc2	I contribute to Cash *Waqf* Linked *Ṣukūk* because I have excess financial capacity for giving *waqf*.	0.91			
	Trust in Waqf Institutions		**0.97**	**0.94**	**Yes**
TrstInst1	I trust in the process of collecting Cash *Waqf* Linked *Ṣukūk* by designated institutions (Sharīʿah banks, Indonesian *Waqf* Board and Nazhirs).	0.97			

Item		OL	CR	AVE	DV
TrstInst2	I believe that the management of Cash *Waqf* Linked *Ṣukūk* by the designated institutions is transparent and credible.	0.97			
	Trust in Government		**0.97**	**0.94**	**Yes**
TrstGov1	I believe the government has a fair and proper objective with the Cash *Waqf* Linked *Ṣukūk*.	0.97			
TrstGov2	I believe that the government will use Cash *Waqf* Linked *Ṣukūk* in line with the purpose of *waqf*, which is to improve social welfare.	0.97			
	Knowledge of CWLS		**0.94**	**0.88**	**Yes**
Know1	I have information about Cash *Waqf* Linked *Ṣukūk*.	0.96			
Know2	I understand Cash *Waqf* Linked *Ṣukūk*.	0.91			
	Access to CWLS		**0.91**	**0.83**	**Yes**
Access1	I expect access to contribute to Cash *Waqf* Linked *Ṣukūk* to be relatively easy.	0.88			
Access2	I expect to be able to contribute to Cash *Waqf* Linked *Ṣukūk* through a digital platform.	0.95			
	Willingness to Contribute to CWLS		**0.97**	**0.94**	**Yes**
Will-CWLS1	I intend to contribute to Cash *Waqf* Linked *Ṣukūk*.	0.97			
Will-CWLS2	I will contribute to Cash *Waqf* Linked *Ṣukūk* if the government issues a similar program in the future.	0.97			

Table (4). Discriminant Validity Test Result.

	Religious Guidance	Financial Excess	Trust in Waqf Institutions	Trust in Government	Knowledge of CWLS	Access to CWLS	Willingness to Contribute to CWLS
Relguid1	**0.95**	0.60	0.68	0.64	0.20	0.35	0.66
Relguid2	**0.94**	0.59	0.59	0.56	0.23	0.38	0.60
FinExc1	0.66	**0.93**	0.57	0.53	0.30	0.43	0.62
FinExc2	0.49	**0.91**	0.43	0.39	0.21	0.27	0.55
TrstInst1	0.66	0.52	**0.97**	0.79	0.27	0.41	0.69
TrstInst2	0.65	0.54	**0.97**	0.82	0.25	0.40	0.67
TrstGov1	0.60	0.49	0.82	**0.97**	0.31	0.45	0.66
TrstGov2	0.64	0.49	0.79	**0.97**	0.34	0.46	0.67
Know1	0.21	0.28	0.29	0.37	**0.96**	0.47	0.37
Know2	0.22	0.23	0.20	0.22	**0.91**	0.39	0.24
Access1	0.30	0.31	0.29	0.38	0.50	**0.88**	0.30
Access2	0.39	0.39	0.44	0.46	0.38	**0.95**	0.44
WillCWLS1	0.67	0.68	0.65	0.65	0.33	0.44	**0.97**
WillCWLS2	0.63	0.57	0.71	0.68	0.33	0.38	**0.97**

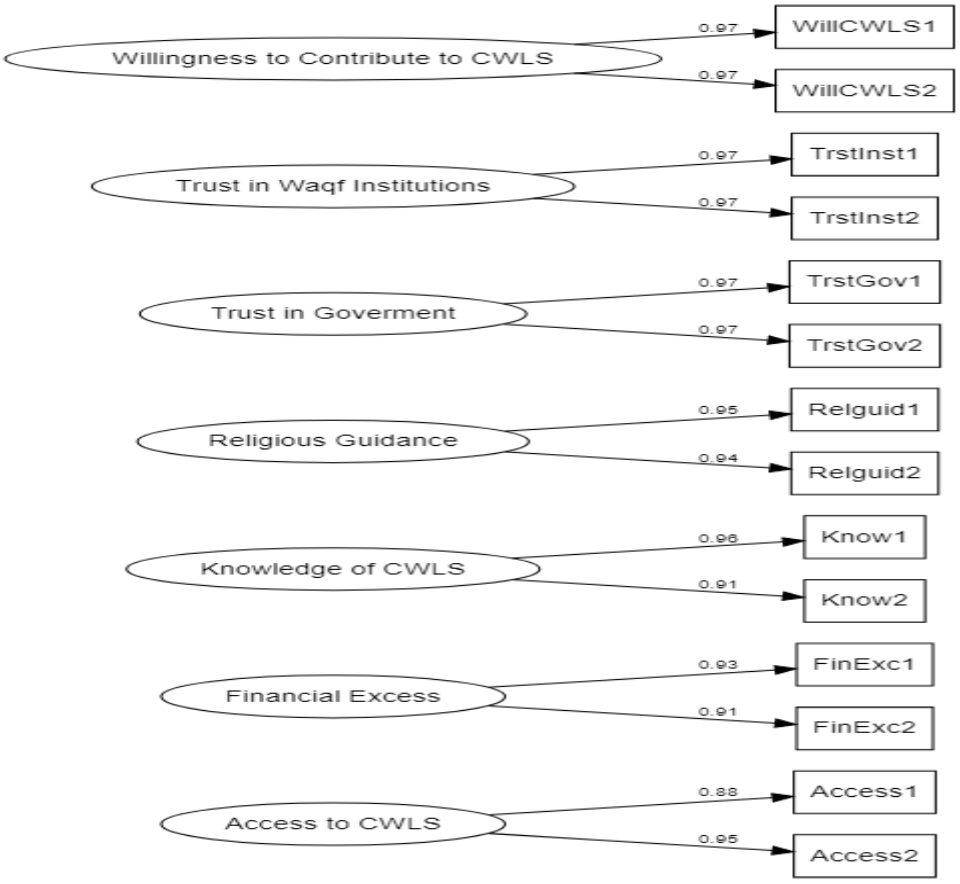

Figure (5). Outer Model Path Diagram.

Inner Model Evaluation

The inner model evaluation can be measured by the goodness of fit value, and the R-squared, which shows the magnitude of the contribution of exogenous variables to endogenous variables. The R-squared value of the model in this study is 0.6, which means the model is sufficient and shows that all exogenous variables can explain the willingness to contribute to CWLS at 60%. The path diagram of the inner model is shown in Figure 6.

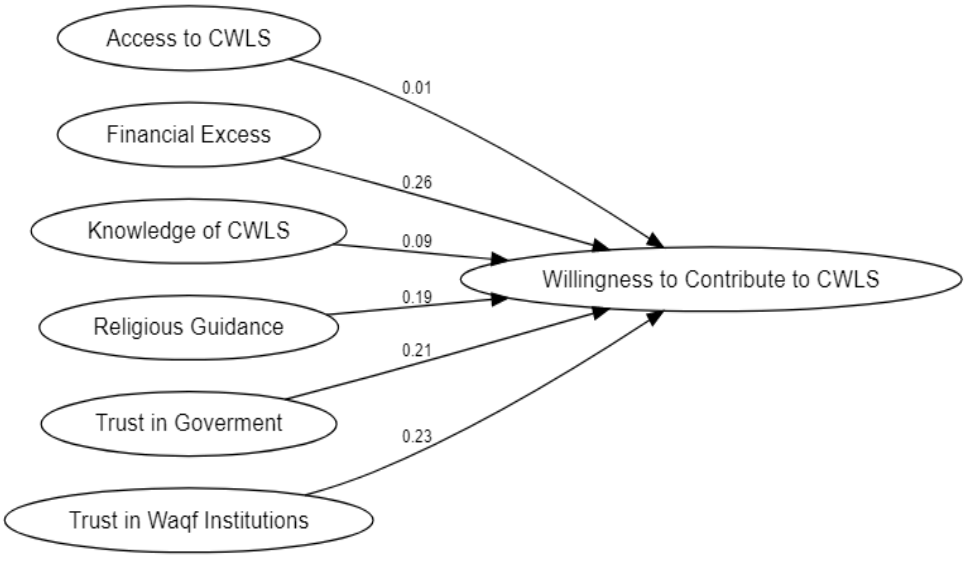

Figure (6). Inner Model Path Diagram.

The inner model evaluation also tested the influence of the exogenous variables on the endogenous variable. Table 5 shows the assessment of the significance and relevance of the structural model relationship. It shows the estimated value (magnitude of influence) and t-value (significance) and indicates whether the relevance of the exogenous variables on the endogenous variable is found to be significant – that is, whether the t-value is greater than 1.96. From the results in Table 5, three variables significantly influence the willingness to contribute to retail CWLS among upper middle class Muslims in Indonesia, namely Financial Excess (t-value of 3.28), Trust in Waqf Institutions (t-value of 2.13) and Trust in Government (t-value of 2.07). The most significant influence on willingness to contribute to retail CWLS is Financial Excess (0.26) followed by Trust in Waqf Institutions (0.23) and Trust in Government (0.21), respectively. Therefore, hypotheses 2, 3 and 4 are supported.

From the path result in Table 5, Financial Excess shows the most significant influence. This result is consistent with previous research by Nizar (2017), which found that upper middle class Muslims have a high potential to participate in retail CWLS. Therefore, it would be appropriate and worthy of pursuit to target and follow-up CWLS participation among upper middle class individuals. The other variables that significantly influence the willingness to contribute to CWLS are Trust in Waqf Institutions and Trust in Government. This result is reasonable, as explained earlier in the CWLS model. Since CWLS is a combination of cash *waqf* collection involving *waqf* institutions and *waqf* use of government *ṣukūk*, the ability and sincerity of channelling CWLS to government social projects, as intended, will have a significant effect on people's willingness to contribute to CWLS. This result highlights the novelty of this research in its inclusion of the Trust in Government variable as another important trust variable alongside Trust in Waqf Institutions. However, unlike Johari et al. (2015), Trust in Waqf Institutions in this study has a significant influence on Muslims' willingness to contribute. Therefore, *Waqf* institutions, such as BWI and related Nazhirs, need to exert more efforts in building trust in their role as well as in collecting, raising and distributing CWLS funds.

Table (5). Results for the SEM Inner Model Value.

Path	Estimate	t-value	Result
Religious Guidance → Willingness to Contribute to CWLS	0.19	1.83	Not Supported
Financial Excess → Willingness to Contribute to CWLS	0.26	3.28	Supported***
Trust in *Waqf* Institutions → Willingness to Contribute to CWLS	0.23	2.13	Supported***
Trust in Government → Willingness to Contribute to CWLS	0.21	2.07	Supported***
Knowledge of CWLS → Willingness to Contribute to CWLS	0.08	1.42	Not Supported
Access to CWLS → Willingness to Contribute to CWLS	0.01	0.17	Not Supported

Notes: *** significant at the 5% level

With a t-value of less than 1.96, it is not possible to state that Access to CWLS (t-value of 0.17) significantly influences the willingness of upper middle class Muslims in Indonesia to contribute to retail CWLS, which contradicts the findings of the previous research by Johari et al. (2015). Furthermore, unlike Johari et al. (2015), Religious Guidance (t-value of 1.83) and Knowledge of CWLS (t-value of 1.42) do not significantly influence the willingness to contribute, meaning that most respondents do not have sufficient understanding that the CWLS product is already Sharīʿah-compliant. The questionnaire also confirmed that only 1.38% of the 362 upper middle class respondents had a very good understanding of CWLS.

5. Conclusion

The main objective of this study was to examine the key determinants of Indonesian upper middle class Muslims' willingness to participate in CWLS and to explain the obstacles in the collection process. Primary data from 146 respondents, categorized as upper middle class Muslims with Knowledge of CWLS, were analyzed using partial least squares structural equation modelling (PLS-SEM). The results show that three internal factors significantly influence the willingness of Indonesian upper middle class Muslims to contribute to CWLS, namely Financial Excess, Trust in Waqf Institutions and Trust in Government.

Financial Excess is found to have the most significant influence on the willingness to contribute. We can therefore infer that targeting CWLS participation at upper middle class individuals would be considered appropriate and worthy of pursuit. The other two significant variables relate to trust. This finding is in line with previous research (Rusdyana & Devi, 2018; Osman, Mohammed and Fadzil, 2015; Johari et al., 2015) and serves as evidence of the novelty of this study by adding Trust in Government as a separate variable for analysis.

In line with the importance of variables of the Trust in Waqf Institutions and Trust in Government, in-depth interviews on obstacles during the collection process conducted with various selected respondents and senior managers of two major Islamic banks in Indonesia, Bank Muamalat Indonesia (BMI) and Bank Sharia Mandiri (BSM), suggest that *waqf* institutions and the government need to maintain their integrity and good reputation in order to increase trust among Indonesian Muslims. Measures to achieve this could include, but are not limited to, providing the public with transparent evidence of the effectiveness of CWLS use; massive marketing and dissemination for CWLS; a longer offering period given that CWLS is a relatively new product for Indonesian Muslims; consideration of the timing of CWLS issuance to match the flexibility of the target's financial capacity (e.g. it is suggested that institutions issue CWLS tailored to their CSR planning program while for individual investors, CWLS could be issued during Ramadan or other Islamic celebrations periods); and improving the collection process by developing online platforms, including the enhancement of digital services.

On the other hand, most of the respondents did not agree that Religious Guidance (Sunnah), Knowledge of CWLS and Access to CWLS influence their willingness to contribute to CWLS. This result differs from the previous study conducted by Johari et al. (2015), where the variables of Religious

Obligation, Familiarity with *Waqf* Institution and Access were found to influence Malaysians' Intention to repeat cash *waqf* contributions significantly. The difference is understandable since CWLS is an instrument that seeks to integrate cash *waqf* as one type of Islamic social finance with government *ṣukūk* as an instrument of Islamic commercial finance. Furthermore, since CWLS is a relatively new instrument for Indonesian Muslims, it is particularly urgent for BWI, the government, and other stakeholders to promote public knowledge on CWLS and convince the majority of Muslims of the instrument's concept and principles, which is already Sharīʿah-compliant, in order to achieve greater success in terms of people's contribution in the future.

In order to develop more accurate recommendations for government measurement in the future, this research could be improved by specifically sampling upper middle class Muslims who have become *waqifs* in CWLS retail as respondents and expanding the survey area to other parts of Indonesia, outside of Java Island, such as Sumatra, Kalimantan, Sulawesi and Papua.

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العوامل المؤثرة في نجاح إصدار صكوك التجزئة المرتبط بالوقف النقدي (CWLS): درس من إندونيسيا

رينداو اتي مولينا

بنك إندونيسيا - إندونيسيا

المستخلص. أطلقت الحكومة الإندونيسية في أكتوبر عام ٢٠٢٠م، ورقة مالية إسلامية مرتبطة بالوقف أُطلق عليها صكوك التجزئة المرتبطة بالوقف النقدي (CWLS)، والتي تستهدف مستثمري التجزئة؛ أي الأفراد بشكل رئيس. حيث يتم تقديم تلك الصكوك للأفراد كالتزام من قبل الحكومة لدعم النشاط الوقفي، وتعزيز تنمية الاستثمار الاجتماعي والوقف الإنتاجي في البلاد. تهدف الدراسة إلى فحص المحددات الرئيسية لاستعداد المسلمين من الطبقة المتوسطة العليا في إندونيسيا للمساهمة في هذا النوع من صيغ وأدوات التمويل والاستثمار، مصحوبًا بشرح للعوائق في تعبئة الموارد المالية عبر هذه الأداة. تم تحليل البيانات الأولية باستخدام نمذجة المعادلة الهيكلية الجزئية للمربعات الصغرى (PLS-SEM). أظهرت نتائج الدراسة أن متغيرات الفائض المالي، والثقة في مؤسسات الوقف، والحوكمة تؤثر بشكل كبير في رغبة مسلمي الطبقة المتوسطة العليا في إندونيسيا للمساهمة في التعامل مع هذا النوع من صيغ تعبئة الموارد المالية واستثمارها.

الكلمات الدالة: صكوك التجزئة المرتبطة بالوقف النقدي، وقف النقود، سلسلة (CWLS SWR001)، المربعات الصغرى الهيكلية، **نمذجة المعادلة الهيكلية الجزئية للمربعات الصغرى** (PLS-SEM).

تصنيف JEL: I31, G18, L31, D91

تصنيف KAUJIE: E23, K16, R48