

Analysis of the implementation of the waqf core principles on Institutional Financial Performance Waqf in Tanjungbalai, North Sumatera

Suhailah¹, Muhammad Ramadhan², Marliyah³

Islamic State University of North Sumatra, Indonesia¹⁻³

suhailahsrt@gmail.com¹, muhammadramadhan@uinsu.ac.id², marliyah@uinsu.ac.id³



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Abstract

Purpose: Analyze the effect of implementation of legal foundation, waqf supervision, good waqf governance, risk management and sharia governance on the financial performance of waqf institutions. **Methods:** The research approach used in this study is a quantitative approach, with an associative type of quantitative research with a correlational quantitative research design that examines the relationship between two variables. The research data was analyzed using statistical software in the form of the SPSS program.

Results: The implementation of legal foundation, waqf supervision, good waqf governance, risk management and sharia governance have a positive and significant effect on the financial performance of the waqf institution of the town of Tanjungbalai city. Then, based on the multiple linear regression equation, it shows that the variable that has the greatest influence on the financial performance of the waqf institution (Y) is the *Good waqf governance* (X₃), followed by *Risk management* (X₄), *Sharia governance* (X₅), *Legal foundation* (X₁) dan *Waqf supervision* (X₂).

Limitations: So that the scope of the search is not biased, it can be more focused to avoid errors in the objectives to be achieved. This study focuses on the implementation of the Waqf Core Principles on the financial performance of waqf institutions.

Contribution: The results of this study may constitute a reference and information for future researchers who will discuss the development of waqf in North Sumatra. Then, this research can be used as input to recommendations for improvement to improve staffing institutions. Then, the results of this study can be used as a basis for further study, revision, and development than previous research.

Keywords: *Legal Foundation, Waqf Supervision, Good Waqf Governance, Risk Management, Sharia Governance*

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1. Introduction

Islam as a universal religion has its own paradigm and concept which is very distinctive and has its own characteristics. This statement can be proven from the fundamental doctrines of Islam. Including, how Islam explains the function of property status, how and the ethics of obtaining it, using it and spending it. The excess wealth held by a person should be a positive tool that can be used in social interactions to help and support each other. Because these profits are not the result of mere human effort, there is an intervention by the owner of this universe, so the gift of excess wealth certainly has a specific purpose

and wisdom. Islamic asset acquisition requirements not only prioritize the quality factor, but also that the most fundamental property is halal. Both in terms of acquisition and the actual condition of the property itself. Then, by suppressing it and using it, Islam is very interested in regulating it, so that wealth can bring good in general and not fall into redundant and immoral things. As a religious institution closely related to socio-economy, waqf has contributed to the development of Indonesia as a whole, both in human resource development and social resource development. It is undeniable that most places of worship, Islamic universities and Islamic religious institutions are built on waqf land. As an aspect of Islamic teachings with a spiritual dimension, waqf is also a goal that emphasizes the importance of economic well-being. Because it is very important to redefine the waqf so that it has a meaning more suited to the real conditions of social protection issues.

In Tanjungbalai City, no direct testing has been carried out regarding the effectiveness and efficiency of the financial performance of waqf institutions with the Waqf Fundamentals (WCP), which is one of the main obstacles. Apart from this, poor financial management of waqf institutions, insufficient human resources and low public understanding of waqf also contribute to sub-optimal management and development of waqf in the region. Ishak, (2024). Management possesses more comprehensive information about a firm than investors, enabling them to potentially exploit this advantage by presenting financial statements that do not accurately reflect the actual performance of the firm. And According Bako, (2024) The performance of an organization's finances is extremely important. It significantly influences the growth of the company and the value it provides to its shareholders. Management's effectiveness and efficiency can be seen in an organization's financial performance.

The practice of waqf actually took root and became a tradition practiced by previous communities long before Islam. They perform sincere and sincere worship only to get a reward from Allah SWT by donating part of their wealth. Even though waqf has played a very important role in the development of Islamic society, in reality, the issue of waqf has not been addressed as expected, especially in Indonesia. Waqf tendencies are always treated in a traditional and conventional way. Where many waqf assets are allocated to places of worship and burials (Suhairi, 2014).

From a Sharia point of view, the interests of waqf and zakat are clearly different, where waqf is not obligatory while zakat must be issued to any Muslim who already owns property and attains the nishab. Also, this is influenced by the lack of public understanding of the waqf, which still only relates to land and buildings. This sort of thing, in the understanding of the community, is still considered taboo due to the lack of widespread socialization. Thus, this instrument of zakat is more popular than waqf. Waqf funds are funds used for sustainable social services and activities through fixed assets such as shops, machinery, commerce and others to generate income. One of these funds can be used through the cash waqf, which is an alternative to solving economic problems. This monetary waqf is also an alternative supposed to overcome the problem of poverty in society, through the active participation of non-governmental parties (community), especially the rich and having the will to help the poor as human beings (Nurjannah & Abdullah, 2020).

The Indonesian institution of waqf (IBB) is a national cultural asset that requires the attention of the government so that its socio-economic aspects can be effective and more productive. If the waqf can be managed properly, its use will surely be felt, especially in the current period of worrying economic growth, the role of the waqf can be a solution to meet the economic needs or increase the standard of living of its people. According to Lewis, Islam has rules and principles of good governance, the three principles that must be adhered to in Islamic corporate governance are Sharia, Shura and Hisba. However, these management standards are universal or can be applied in all Islamic economic instruments, so special standards are needed in waqf management (Satriyaningtyas, 2020). For this reason, Bank Indonesia (BI), together with the Indonesian Waqf Agency (BWI) and the International Islamic Research and Training Institute-Islamic Development Bank (IRTI-IDB), launched the Fundamentals of Waqf (WCP) as part of a joint effort to provide waqf. regulation and management, as well as the listed principles remain within the flexibility of developing the waqf worldwide. In the fundamental principle of Waqf, five principles should be applied in the management of waqf, namely:

legal basis, supervision of waqf, good governance of nadzir, risk management and governance of Shariah. To increase trust in the waqf and in the community, waqf institutions can apply the basic principles of waqf. According to Hendri Tanjung, the WCP is a global waqf management standard that strengthens waqf management, where proper waqf management has been regulated in several principles listed in the WCP (Masruroh, 2021). The fundamentals and fundamentals of the WCP provide the nadzir benchmark for the management, administration and development of waqf assets. Therefore, scholars want to try to conduct more in-depth research under the title Analysis of the implementation of the waqf core principle on the financial performance of Waqf institutions.

2. Literature review

2.1. Waqf

The word “Waqf” or “Waqf” comes from the Arabic “Waqafa”. The origin of the word "Wakafa" means "to hold", "to stop" or "to remain in place". The word "Wakafa Yaqifu Waqfan" means the same as "Habasa Yahbisu Ordination" which means to donate. Moh. Anwar defines waqf as the act of preventing something from being sold, given or loaned by those who possess it, in order to be used for the benefit of certain things which are authorized by syara' and in all forms and which may be used or taken by specific persons. individually or publicly (Anwar, 2020).

Compilation of Islamic law article 215 jo. Article 1 (1) PP. No. 28/1977 describes the legal actions of a person or a group of persons or a legal person who separates part of his property and institutionalizes it forever for the benefit of worship or other public needs in accordance with Islamic teachings. Government Regulation Number 28 of 1997 regarding Waqf of Owned Land states that waqf is a legal act of a natural or legal person who segregates part of his assets in the form of owned land and institutionalizes it forever for the benefit of worship or other public needs in accordance with Islamic teachings (Article 1, paragraph 1). Based on the understanding given by several experts, it can be concluded that what is meant by waqf is the holding of assets that one can benefit from without being instantly destroyed and for permitted uses (not prohibited by syara') and destined to gain the pleasure of Allah SWT. The current understanding of the waqf, as set forth by scholars of Islamic law, has similarities and differences in principle. The similarity of the different meanings of several meanings of waqf lies in the principle of assets of waqf ('ainnya) which must remain there and cannot be lost or reduced, with the need for an 'ain of waqf to remain, these experts allude to the importance of assets in maintaining their integrity so that they can be used repeatedly. While the difference is in the ownership of the waqf property after it is given some say it still belongs to the waqf and some say it belongs to Allah or belongs to the recipient of the waqf and this difference can also be seen in waqf property, where waqf property is permanent or can be leased (temporary).

2.2. Purpose and Function of Waqf

Waqf aims to use the waqf property according to its function. The function of the waqf itself is to realize the potential and economic benefits of waqf ownership for the benefit of worship and to promote public welfare. Essentially, the waqf has one purpose, namely to draw closer to Allah SWT in a new way to gain His blessing. Purpose of the Waqf Article 4 of the Waqf Law No. 41 of 2004 states that: The Waqf aims to use the assets of the waqf according to their function.

Meanwhile, according to Sulistiani, Bayuni, and Yunus (2018), the function of waqf in KHI Article 216 is as follows: the function of waqf is to perpetuate the benefits of waqf objects according to their purpose. The Waqf Law Number 41 of 2004 is also an impetus to empower the waqf in a productive way as it contains a comprehensive understanding and management model to enhance the potential of the waqf in a modern way. In this new waqf law, the notion of waqf contains a very broad dimension. Sulistiani et al. (2018), The Waqf includes both immovable and movable property, including the cash waqf whose use is very wide, not limited to the establishment of places of worship and religion social.

2.3. History of the Indonesian Waqf Council

The establishment of the Indonesian Waqf Council started with the large number of waqf land and waqf development innovations that had not been properly registered and managed, so data collection and

advice on Nazhir required socialization and a frame. The creation of the BWI became a starting point to revive the waqf movement. Philosophically, the waqf as an Islamic institution has been one of the supports for the development of Islamic society from the golden age of Islamic civilization until today. The BWI was created not to take over the waqf assets that were managed by the existing nazhir (waqf asset manager). The BWI is here to foster nazhir so that waqf assets are better managed and more productive so that they can bring greater benefits to the community, both in the form of social services, economic empowerment and development of public infrastructure.



Figure 1. Timeline of the Indonesian Waqf Board

Source : <https://www.bwi.go.id/profil-badan-wakaf-indonesia/sejarah-badan-wakaf-indonesia/>

2.4. Waqf Core Principles

Bank Indonesia (BI), together with Indonesian Waqf Agency (BWI) and International Islamic Research and Training Institute-Islamic Development Bank (IRTI-IDB), launched the Fundamentals of Waqf (WCP) as part of a joint effort to ensure the regulation and management of the Waqf, as well as the listed principles remain within the flexibility of developing the waqf worldwide. The reference that can be used as a standard to develop waqf management policies in a government or legal system are the fundamental principles of waqf, which are a kind of standardization of waqf regulations to reduce the risks that may arise. Where the fundamental principles of waqf are flexible and situational with the objective; First, it provides a brief explanation of the position and function of the waqf management and monitoring system in the economic development agenda. Second, provide a method that adheres to the basic principles of waqf management and monitoring systems.

2.4.1. Legal Foundation

The Legal foundation is the first requirement to manage the waqf. The legal provisions that make management or direction considered legal are called legal fundamentals.

2.4.2. Waqf Supervision

The supervisor plays a crucial role in the management of waqf assets, as the management performed by the manager is more focused and prudent. So that waqf management decisions do not deviate from the objectives set at the beginning of the management

2.4.3. Good Nadzir Governance

Nadzir is the spearhead of waqf management, one of the actors who plays an important role in waqf management. Nadzir's performance is a key factor in the success of waqf management.

2.4.4. Risk Management

The purpose of risk management is to reduce negative risks that may arise in the future. This is important for the sustainability of commercial management, including waqf management.

2.4.5. Shari'ah Management

Sharia principles are the most important principles in the practice of waqf. Because the waqf is linked to the cult, everything that is done must be adjusted to the rules of Sharia.

2.5. Theoretical Framework

The Waqf is an appropriate mechanism to ensure social welfare, especially for Muslims, both at family, community and state level. The Waqf plays an important role for Muslims in increasing their economic empowerment and is considered an effective socio-economic tool based on ethical values. The existence of waqf in Islam is not only a form of worship towards Allah Subhanahuwata'ala, but also a form of worship/devotion towards others. Manifestations of Waqf can take the form of education, health, real sector like agriculture and livestock, social security and community empowerment. In practice, waqf assets have been widely used to provide education, medicine, free transportation, etc. In Indonesia, the management of waqf assets is carried out by the BWI or the Indonesian Waqf Board which falls under

the Ministry of Religion of the Republic of Indonesia and is responsible to the President. Most of the waqf management in Indonesia takes the form of immovable waqf assets such as land. But in its development, Indonesia not only manages the waqf in the form of fixed assets, but also the waqf in the form of money. The management of the Waqf in Indonesia is inseparable from the regulation of the authorities, namely the government. Good governance is considered a good measure of organizational performance. Theoretically, if waqf assets are managed effectively and efficiently, they will definitely provide healthy economic returns. Based on the above issues.

Bank Indonesia in collaboration with Indonesian Waqf Agency and Islamic Research and Training Institute (IRTI) has developed Waqf Core Principles as a reference to optimize waqf management, helpful in monitoring and ensuring the absence of Sharia violations, thus creating transparency. and financial efficiency. In conclusion, the Fundamental Waqf Principles (WCP) aim to explain the position and role of the management as well as the supervision system of the waqf and provide the right methodology to develop the economy of the country. Based on the waqf management system framework, this study focuses on improving the financial performance of waqf institutions. The financial performance of waqf institutions can be considered as good or high if the management activities performed by waqf institutions also run smoothly and smoothly. At the same time, waqf management activities certainly require good governance, in this case aspects of legal basis, waqf supervision, good nadzir governance, risk management and Shariah compliance aspects. . This study aims to see the implementation of the WCP on the financial performance of the waqf institution.

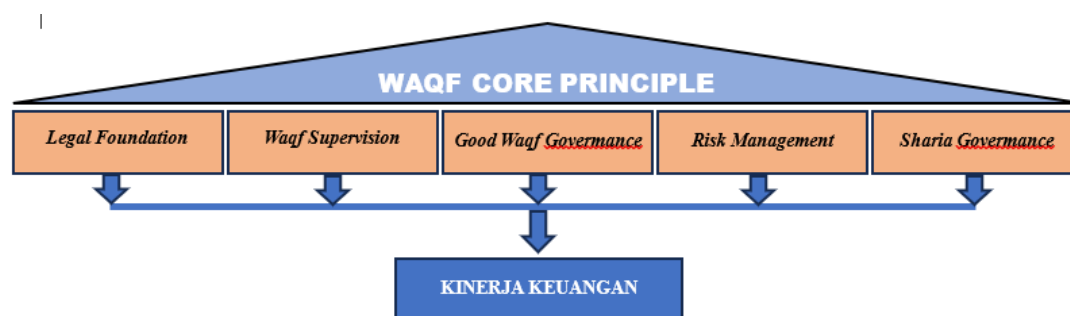


Figure 2. Schematic Framework for Thinking

Hypothesis used in this research:

- The implementation of the Legal Foundation has a significant effect on the financial performance of the waqf institution in Tanjungbalai City.
- The implementation of Waqf supervision has a significant effect on the financial performance of waqf institutions in Tanjungbalai City.
- The implementation of good Waqf governance has a significant effect on the financial performance of Waqf institutions in Tanjungbalai City.
- The implementation of risk management has a significant effect on the financial performance of Tanjungbalai City Waqf Institution.
- The implementation of Shariah governance has a significant effect on the financial performance of waqf institutions in Tanjungbalai City.

3. Research Methodology

According to Sugiyono (2015), "The research method is defined as a scientific way of obtaining data with specific purposes and uses. The research approach used in this study is a quantitative approach, with the type of associative quantitative research with a correlational quantitative research design that examines the relationship between two variables. Correlation is often called causation, with the aim of knowing the level of influence of the two variables. In this research, associative research methods will be used. associative research aims to determine the influence or relationship between two or more variables (Sugiyono, 2015).

This method is used to build a theory capable of explaining, predicting and controlling a phenomenon. In this research, the associative method is used to determine the influence of the fundamental principles of Waqf (Legal Foundation, Waqf Supervision, Good Waqf Governance, Risk Management, Sharia Governance) on financial performance.

The definition of quantitative research methods according to Sugiyono (2015), namely: "Research methods based on the philosophy of positivism, are used to examine certain populations or samples, collect data using research, the analysis of data is quantitative or statistical with the purpose of testing the hypotheses that have been posed." The data collection methods used in this research are: library research, internet research and structured questionnaires. The research data was analyzed using statistical software in the form of the SPSS program to produce descriptive statistics, test classical hypotheses, and test hypotheses.

4. Results and Discussions

The results of this study are based on research data that has been collected, including data on *Legal foundation* (X₁), *Waqf supervision* (X₂), *Good waqf governance* (X₃), risk management (X₄), Sharia governance (X₅) and data on the financial performance of waqf institutions (Y). The research data was collected through a questionnaire (questionnaire) which was distributed to 26 Nazirs (research sample) in waqf institutions.

Descriptive analysis was performed to provide an overview of each variable used in this study, as shown by mean score (mean), maximum score, minimum score, and standard deviation. The descriptive analysis was analyzed using the SPSS program.

Table 1. Descriptive statistics

Variabel	N	Min	Max	Mean	Std. Deviation
<i>Legal foundation</i> (X ₁)	26	16	24	19.96	2.163
<i>Waqf supervision</i> (X ₂)	26	15	24	20.42	2.580
<i>Good waqf governance</i> (X ₃)	26	9	12	10.19	1.059
<i>Risk management</i> (X ₄)	26	30	40	34.85	3.029
<i>Sharia governance</i> (X ₅)	26	13	20	17.31	1.892
<i>Kinerja keuangan</i> (Y)	26	22	30	26.27	2.183

Source: Processed data by SPSS (2022)

Based on Table 4.1 above, it shows that the results of the sample (nazir) of responses to the Legal Foundation variable questionnaire (X₁) achieved a minimum score of 16, a maximum score of 24 with an average score (mean) of 19.96 and a standard deviation of 2.163. The results of the Waqf supervision variable (X₂) questionnaire obtained a minimum score of 15, a maximum score of 24 with a mean score (mean) of 20.42 and a standard deviation of 2.580. The Good Governance Waqf variable (X₃) response results obtained a minimum score of 9, a maximum score of 12 with a mean (mean) score of 10.19 and a standard deviation of 1.059. The results of the answers to the variable risk management questionnaire (X₄) obtained a minimum score of 30, a maximum score of 40 with a mean score (average) of 34.85 and a standard deviation of 3.209. Responses to the Sharia Governance Variables (X₅) Questionnaire had a minimum score of 13, a maximum score of 20 with a mean (mean) score of 17.31 and a standard deviation of 1.892. The results of the responses to the questionnaire on the financial performance variable (Y) obtained a minimum score of 22, a maximum score of 30 with an average score (mean) of 26.27 and a standard deviation of 2.183.

Based on the results of the analysis, a comparison between the standard deviation value and the mean (mean) score for each research variable shows that the standard deviation value is lower or lower than the mean score, this means that the data variation for each variable is relatively small, which means that the data distribution of each research variable is relatively good.

This study uses 5 (five) independent (free) variables and 1 (one) dependent (linked) variable, so the analysis used is a multiple linear regression analysis. A multiple linear regression model will be a good estimate if all of its classic assumptions (normality, multicollinearity, and heteroscedasticity) are met. The partial test (t-test) is used to determine the effect of each independent variable on the dependent variable. The criteria for testing the hypothesis are performed at the level of significance or $\alpha = 0.05$, i.e. accept the (significant) hypothesis if the $t_{count} > t_{table}$ or the probability value (sig) < 0.05 and vice versa.

Table 2. Partial test results (t-test)

Coefficients ^a		
Model	T	Sig.
1 (Constant)	-.059	.954
X1	2.309	.032
X2	2.217	.038
X3	2.355	.035
X4	4.591	.000
X5	2.202	.040

a. Dependent Variable: Y

Source: Processed data by SPSS (2022)

Based on the results of the hypothesis test (t-test) in Table 4.2 above, the partial effect of the independent variables on the dependent variable can be analyzed as follows:

- 1) In the variable X1 (*Legal foundation*), the t_{count} value is 2.309 and the probability value (sig.) is 0.02. At the level of significance or alpha (α) = 0.05 with number of samples (n) = 26, from the list of critical values for the t-distribution, a table value of 1.71 is obtained. Given that the value of $t_{count} > t_{table}$ is $2.309 > 1.71$ and the probability value is $0.032 < 0.050$, statistically the hypothesis is accepted and it is therefore concluded that the *Legal foundation* variable has a positive and significant effect on the financial performance of the waqf institution.
- 2) In the variable X2 (*Waqf supervision*), the t_{count} value is 2.217 and the probability value (sig.) is 0.038. Since $t_{count} > t_{table}$ is $2.217 > 1.71$ and the probability value is $0.038 < 0.050$, statistically the hypothesis is accepted and therefore it can be concluded that the *Waqf supervision* variable has a positive and significant effect on the financial performance of waqf institutions.
- 3) In the variable X3 (*Good governance waqf*), the t_{count} value is 2.355 and the probability value (sig.) is 0.035. Because the value of $t_{count} > t_{table}$ is $2.355 > 1.71$ and the probability value is $0.035 < 0.050$, statistically the hypothesis is accepted and it is therefore concluded that the variable *Good governance waqf* has a positive and significant effect on financial performance waqf institutions.
- 4) In the variable X4 (*Risk management*), the t_{count} value is 4.591 and the probability value (sig.) is 0.000. Since the value of $t_{count} > t_{table}$ is $4.591 > 1.71$ and the probability value is $0.000 < 0.05$, statistically the hypothesis is accepted and therefore it is concluded that the *risk management* variable has a positive and significant effect on the financial performance of the waqf institution.
- 5) In the variable X5 (*Sharia governance*), the t_{count} value is 2.202 and the probability value (sig.) is 0.040. Since $t_{count} > t_{table}$ is $2.202 > 1.71$ and the probability value is $0.040 < 0.050$, statistically the hypothesis is accepted and therefore it is concluded that the *Shariah governance* variable has a positive and significant effect on the financial performance of the waqf institution.
- 6) To analyze whether all the independent variables included in the model have a simultaneous effect on the dependent variable, the F test is used using the SPSS program. The test criteria are performed at the level $\alpha = 0.05$, i.e. accept the hypothesis if $F_{count} > F_{table}$ or probability value (sig) < 0.05 and vice versa.

Table 3. Simultaneous test results (F-test)

ANOVA ^b					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	108.654	5	21.731	41.546	.000 ^a

Residual	10.461	20	.523		
Total	119.115	25			

a. Predictors: (Constant), X5, X1, X2, X4, X3

b. Dependent Variable: Y

Source: Processed data by SPSS (2022)

The results of the analysis in Table 4.3 show that the Fcount value is 41.546 with a probability value (Sig) of 0.000. At the level alpha (α) = 0.05 with df1 = 5 and df2 = 20 in the list of F-critical values, the value of Ftable = 2.71 is obtained. Because the value of Fcount > Ftable is 41.546 > 2.71 and the probability value (Sig.) is 0.000 < 0.05, the hypothesis is statistically accepted and therefore it can be concluded that the implementation of *Legal foundation* (X1), Waqf supervision (X2), Good waqf governance (X3), Risk management (X4), Shariah governance (X5) simultaneously (together) have a positive and significant effect on financial performance Waqf institutions (Y).

The coefficient of determination (R²) is used to measure how well the model's ability to explain variation in the dependent (related) variable.

Table 4. Test results for the coefficient of determination (R²)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955 ^a	.912	.890	0.723

a. Predictors: (Constant), X5, X1, X2, X4, X3

b. Dependent Variable: Y

Source: Processed data by SPSS (2022)

The results of the analysis in Table 4.4 above yielded an R-squared value of 0.912 or 91.2% and an adjusted R-squared value of 0.890 or 89.0%. In this study, the value of the coefficient of determination uses the adjusted R-squared value, which is the R-squared value that has been adjusted for the number of independent (independent) variables used in the study, i.e. more than one independent variable.

The value of the adjusted R squared or the coefficient of determination (R²) obtained is close to 1, which means that the greater the contribution (contribution) of all the independent variables to the dependent variable. Thus, it is concluded that the five independent variables namely the *Legal foundation* (X1), the supervision of the Waqf (X2), the good governance of the Waqf (X3), the risk management (X4), the governance of Sharia (X5) simultaneously contribute 89.0% to the performance of the Waqf institution. Finance while the remaining 11% can be explained by factors or variables other than the variables proposed in this study.

This study uses 5 (three) independent (free) variables, namely Legal Foundation (X1), Waqf Supervision (X2), Good Waqf Governance (X3), Risk Management (X4), Shariah Governance (X5), as well as 1 (one) related (dependent) variable, namely the financial performance of waqf institutions (Y), so the analysis used is a multiple linear regression analysis using the SPSS program.

Table 5. Multiple Linear Regression Analysis Results

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	-.111	1.889	
X1	.206	.089	.204
X2	.150	.068	.177
X3	.455	.202	.221
X4	.291	.063	.404

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	X5	.255	.116	.221
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a. Dependent Variable: Y

Source: Processed data by SPSS (2022)

The results of the analysis in Table 4.5 above, a multiple linear regression equation can be arranged as follows:

$$\hat{Y} = -0,111 + 0,206 X_1 + 0,150 X_2 + 0,455 X_3 + 0,291 X_4 + 0,255 X_5$$

Also, from the multiple linear regression equation, several things can be interpreted as follows:

- 1) The constant value of the equation is -0.111, indicating that if the independent variables (*Legal foundation*, Waqf supervision, good waqf governance, risk management and Shariah governance) are assumed to be constant (fixed), then the value of financial performance is -0.111.
- 2) The variable X1 (*Legal foundation*) has a regression coefficient of 0.206. The value of the regression coefficient is positive, indicating that the legal foundation has a positive influence on the financial performance of waqf institutions. These results indicate that for each increase of one unit in the legal foundation score, the financial performance of the waqf institution will increase by 0.206 units assuming that the other independent variables (supervision of the waqf, good governance of the waqf, risk management and governance) are considered constant (fixed). It also assumes that the more the legal foundation is implemented, the better the financial performance of waqf institutions.
- 3) The variable X2 (Waqf supervision) obtained a regression coefficient value of 0.150. The value of the regression coefficient is positive, indicating that Waqf supervision has a positive influence on the financial performance of Waqf institutions. These results indicate that for each increase in the waqf supervision score of one unit, the financial performance of the waqf institution will increase by 0.150 units assuming that the other independent variables (*Legal foundation*, good waqf governance, risk management and Shariah governance) are assumed to be constant (fixed). It also assumes that the more effective the supervision of the Waqf, the better the financial performance of the waqf institutions.
- 4) The variable X3 (Good waqf governance) has a regression coefficient of 0.455. The value of the regression coefficient is positive, indicating that good waqf governance has a positive influence on the financial performance of waqf institutions. These results indicate that for each increase in the good waqf governance score of one unit, the financial performance of waqf institutions will increase by 0.455 units assuming that the other independent variables (*Legal foundation*, waqf supervision, risk management and sharia governance) are taken into account. constant (fixed). It also assumes that the more good waqf governance is implemented, the better the financial performance of waqf institutions.
- 5) The variable X4 (Risk management) has a regression coefficient of 0.291. The value of the regression coefficient is positive, indicating that risk management has a positive influence on the financial performance of waqf institutions. These results indicate that for each increase of one unit in the risk management score, the financial performance of the waqf institution will increase by 0.291 units assuming that the other independent variables (*Legal foundation*, waqf supervision, good waqf governance and shria governance) are considered constant (fixed). It also assumes that the more risk management is implemented, the better the financial performance of waqf institutions.
- 6) The variable X5 (Sharia governance) has a regression coefficient of 0.255. The value of the regression coefficient is positive, indicating that Shariah governance has a positive effect on the financial performance of waqf institutions. These results indicate that for every one unit increase in Sharia governance score, the financial performance of the waqf institution will increase by 0.255 units assuming that the other independent variables (*Legal foundation*, waqf supervision, good waqf governance and risk management) are considered constant (fixed). It also assumes that the more sharia governance is implemented, the better the financial performance of waqf institutions.
- 7) Furthermore, based on the multiple linear regression equation, it shows that the variable that has the greatest influence on the financial performance of the waqf institution (Y) is the good waqf governance(X3), followed by risk management (X4), Sharia governance (X5), Legal foundation (X1)) and Waqf supervision (X2).

4.1 Discussion of Findings

Based on the search results, it is known that the tcount value of the legal foundation is 2.309 and the probability value (sig.) is 0.02. Statistically, we can therefore conclude that the Legal foundation variable has a positive and significant effect on the financial performance of waqf institutions. Then, given the value of the regression coefficient, it was found that the Legal foundation variable obtained a value of 0.206. The value of the regression coefficient also has a positive sign indicating that the legal foundation has a positive influence on the financial performance of waqf institutions. These results indicate that for each increase of one unit in the legal foundation score, the financial performance of the waqf institution will increase by 0.206 units assuming that the other independent variables (supervision of the waqf, good governance of the waqf, risk management and governance) are considered constant (fixed). It also assumes that the more the legal foundation is implemented, the better the financial performance of waqf institutions. The dimension of the legal foundation is generally perceived quite highly by Nazir with regard to the importance of understanding the legal foundation necessary for the management of the waqf. related to this. The existence of the fundamental principles of the Waqf is seen as a guideline for the Nazirs to focus more on the management of the waqf, especially in the 21st century.

Based on the research results, it is known that the Waqf supervision number is 2.217 and the probability value (sig.) is 0.038. This concludes that the Waqf supervision variable has a positive and significant effect on the financial performance of Waqf institutions. Then, based on the regression coefficient value, it is known that the regression coefficient value of Waqf supervision is 0.150. The value of the regression coefficient is positive, indicating that Waqf supervision has a positive influence on the financial performance of Waqf institutions. These results indicate that for each increase in the waqf supervision score of one unit, the financial performance of the waqf institution will increase by 0.150 units assuming that the other independent variables (legal basis, good governance of the waqf, risk management and Shariah governance) are assumed to be constant. (fixed). It also assumes that the more effective the supervision of the Waqf, the better the financial performance of the waqf institutions. The waqf supervision dimension is also considered important in the waqf management process. This dimension emphasizes supervising the waqf sector with the same level of caution as other financial sectors. Operational standards are developed to consider risk adjustment measures according to the class of assets managed and to optimize the benefits for society. The control process emphasizes anticipatory processes aimed at minimizing diversion of funds, both in a centralized and decentralized manner. The main activities of waqf management, namely collection, investment, management and distribution of waqf, require supervision from authorities, both internal and external.

Based on the results of the research conducted, it is known that the tcount value of the Good governance waqf variable is 2.355 and the probability value (sig.) is 0.035, so it is concluded that the Good governance waqf variable has an effect positive and meaningful. effect on the financial performance of waqf institutions. Then, the value of the regression coefficient of the variable Good governance waqf is 0.455. The value of the regression coefficient is positive, indicating that good waqf governance has a positive influence on the financial performance of waqf institutions. These results indicate that for each increase in the waqf good governance score of one unit, the financial performance of waqf institutions will increase by 0.455 units assuming that the other independent variables (legal foundation, waqf supervision, risk management and sharia governance) are taken into account. constant (fixed). It also assumes that the more good waqf governance is implemented, the better the financial performance of waqf institutions. The dimensions of good governance of waqf here are more related to nazir good governance for the management of waqf within a waqf institution with emphasis on aspects of *maslahah*, transparency, productivity, reliability and accountability. sustainability. The inclusion of this committee in the corporate governance mechanism raises the expectations of shareholders and the public for enhanced corporate governance and, by extension, increases confidence in the checkmating role of the audit committees to ensure that the board of directors lives up to expectations in fulfilling the globally accepted pillars of corporate governance, accountability, fairness, responsibility, and transparency (Abu, 2024). With nazir good governance, it is expected that waqf leadership can adhere

to good governance practices, through sharia advisory council, good management, financial reporting and auditing (Ardha, Riawajanti, & Haris, 2023). As the standard requires an internal audit function to develop a risk-based internal audit plan, special attention is paid to the process of identifying, assessing, and prioritizing risks.

Risk is related to uncertainty that leads to losses. Zulkarnain, Zakaria, Haryono, and Murniati (2021), Risk is uncertainty, and this occurs due to a loss event that has an impact on survival. In investing activities generally, losses may occur due to changes in conditions that affect the value of the investment, both changes in economic variables such as recessions, inflation rates, interest rates, etc., as well as in other aspects such as reputational aspects, political aspects or force majeure such as natural disasters, fires, etc. Van Deer Heidjen in Achsien (2000) makes a rather interesting categorization of uncertainty. He said that future outcomes that have uncertainties can be classified into three categories, namely: risks, structural uncertainties and the unknowable. First, risks are uncertainties that have precedents in the past, so that the probability of each expected outcome can be calculated. Unlike risks, structural uncertainties are unique and have no historical precedent. But with the logic of causality, these structural uncertainties can be estimated. Risk management is a culture, process, and structure to effectively manage the potential opportunities and challenges an organization faces in achieving its objectives. This is in line with data from the research conducted, it was found that the Risk Management variable has a count of 4.591 and a probability value (sig.) of 0.000. Given that $t_{count} > t_{table}$ is $4.591 > 1.71$ and the probability value is $0.000 < 0.05$, it is statistically concluded that the risk management variable has a positive and significant effect on the financial performance of the waqf institution.

For each type of risk that may be the cause of the reduction of all or part of the waqf assets, it is necessary to calculate the probability of it occurring and the magnitude of its impact. Measurements can be made using developed risk calculation methods such as variance, risk-adjusted rate of return, value-at-risk, fault tree diagrams, hazard and operability studies (HAZOPS), etc. Usually, the aspects calculated and analyzed for each risk are the frequency and severity (mortality rate) aspects. The frequency aspect relates to the frequency with which the event occurs, while the severity aspect relates to the degree of fatality of the consequences if the event occurs. Risks that occur often generally have a low mortality rate, while those that occur infrequently have a high mortality rate. It should be noted that the impact taken into account is not limited to financial aspects, but also to non-financial aspects such as reputational, political impacts, etc. In addition, the risk appetite and risk retention of the financial management of the waqf are taken into account, i.e. the level of risk that can be accepted by the Nazhir or the Waqf Council related to the sustainability of the waqf (Firdaus, Nuruddin, & Hasmawati, 2019). After knowing the magnitude of each risk involved, risk priorities are then established. Risk priorities basically consist of classifying the risks as high, medium or low based on the frequency and mortality (severity) analysis performed in the previous step. In simple terms, the risk is said to be low if it is low in frequency and severity. However, an event can be classified as high risk and its management should be given priority if it is identified as having a high frequency and its consequences also show a high mortality rate. This is consistent with the results of the study which showed a risk management regression coefficient of 0.291. This means that risk management has a positive influence on the financial performance of waqf institutions. These results indicate that for each increase of one unit in the risk management score, the financial performance of the waqf institution will increase by 0.291 units assuming that the other independent variables (legal basis, supervision of the waqf, good governance of the waqf and governance) are considered constant (fixed). It also assumes that the more risk management is implemented, the better the financial performance of waqf institutions.

Good risk management involves planning the amount of risk that needs to be borne alone once risk reduction and risk transfer efforts have been optimally carried out (Kencana & Hadi, 2016). In waqf financial management, the aspect of risk control begins with the careful selection of investment types or lines of business and the avoidance of high-risk lines of business. According to Djunaidi and al-Asyhar (2007), this relates to the nazir's obligation to maintain the value of waqf assets, so the

preference for the risk of business losses that may lead to a reduction in the value of waqf assets is low. In this case, Nazhir should appoint another party as the fund manager, for example, an Islamic bank, Islamic investment management companies, etc. (Syamsir, 2015). Aspects of risk management in the development of the waqf are generally regulated by Article 43, paragraph 3 of Law 41/2004. It is stated in the paragraph that in terms of management and development of waqf assets, a guarantor is needed, that is why Sharia guarantee institutions are used. Guarantees are activities carried out in the form of guarantees aimed at helping a person or a party to be able to carry out transactions with other parties (Kencana & Hadi, 2016).

Sharia governance is a system of management and administration that ensures that all organizational activities are free from elements of violations and ensures transparency, disclosure, accountability, limitation of liability and ensures that the administration of the waqf complies with applicable legal provisions, Islamic ethical and moral codes. (Hassan & Yusoff, 2020). Based on the results of the study, it was shown that the variable (Sharia governance) obtained a tcount value of 2.202 and a probability value (sig.) of 0.040. Given that $t_{count} > t_{table}$ is $2.202 > 1.71$ and the probability value is $0.040 < 0.050$, it is statistically concluded that the Sharia governance variable has a positive and significant effect on the financial performance of the waqf institution. Good governance is believed to be a good measure of an organization's financial performance (Syamsuri et al., 2021). The application of Sharia governance principles to waqf institutions is essential to strengthen the institutional system of waqf management organizations (Afifah, 2021). Theoretically, if waqf assets are managed effectively and efficiently, they will definitely provide healthy economic returns. However, research proves that there are still many obstacles, such as poor management, legal barriers and incomplete databases, which are factors behind poor Sharia governance (Latief, 2018). It is believed that good sharia governance practices will minimize these problems. However, guidelines or a model Shariah governance framework are needed for waqf institutions (Hassan & Yusoff, 2020). Therefore, the clarity and accuracy of the waqf governance framework is very important as key elements of financial performance management in the management of waqf assets and funds (Sano & Kassim, 2021). Shariah governance here refers to the most important task of a regulator of overseeing the management of the waqf, which includes ensuring Shariah compliance, financial transparency, and economic efficiency. Therefore, it is necessary to build a strong support system, such as strengthening the function of Shariah Supervisory Board, standardization of waqf accounting and reporting system, evaluation of waqf management performance, the system for monitoring operational efficiency, economy and social impact on beneficiaries (mauqf alaih) and collaboration with Sharia financial and microfinance institutions. In line with the results of the study, it appears that the Sharia governance variable has a regression coefficient value of 0.255. These results indicate that for every one unit increase in Sharia governance score, the financial performance of the waqf institution will increase by 0.255 units assuming that the other independent variables (legal basis, waqf supervision, good waqf governance and risk management) are considered constant (fixed). It also assumes that the more sharia governance is implemented, the better the financial performance of waqf institutions. Basically, a waqf institution must have appropriate operational risk management and Shariah compliance processes in place to minimize potential fraudulent practices, anticipate system disruptions and other potential disruptions.

5. Conclusion

5.1. Conclusion

Based on the results of the research, data analysis and hypothesis testing, several conclusions can be drawn as follows:

- 1) The implementation of the legal foundation has a positive and significant effect on the financial performance of the waqf institution in the city of Tanjungbalai, with the assumption that the better the implementation of the legal basis, the better the financial performance of the waqf institution, and vice versa.
- 2) The implementation of waqf supervision has a positive and significant effect on the financial performance of waqf institutions in Tanjungbalai town, with the hypothesis that the better the implementation of waqf supervision, the better the financial performance of waqf institutions, and vice versa.

- 3) The implementation of good waqf governance has a positive and significant effect on the financial performance of waqf institutions in Tanjugbalai town, with the hypothesis that the more good waqf governance is implemented, the better the financial performance of waqf institutions, and vice versa. poured.
- 4) The implementation of risk management has a positive and significant effect on the financial performance of waqf institutions in the city of Tanjugbalai, with the hypothesis that the better the implementation of risk management, the better the financial performance of waqf institutions, and vice versa.
- 5) The implementation of Shariah governance has a positive and significant effect on the financial performance of waqf institutions in the city of Tanjugbalai, with the hypothesis that the more Shariah governance is implemented, the better the financial performance of waqf institutions, and vice versa.

5.2. Limitation

This research is limited to discussions related to the implementation of the waqf core principle on the financial performance of a waqf institution.

5.3. Suggestion

As a follow-up to the findings and conclusions of the above research, the following suggestions are suggested: The dimensions of Sharia governance (X5), legal foundation (X1) and supervision of Waqf (X2) in implementation of the fundamental principles of the Waqf show that their application is still not optimal in the waqf institutions of the city of Tanjugbalai. This is evident from the influence of the three dimensions on the waqf financial institution of Tanjugbalai City. Then, efforts for improvement must always be made. Actions that can be taken in this regard include coordination with the Shariah supervisory body so that the implementation of the core principles of the Waqf as a whole can go better.

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