

# Charity organization governance and public trust in improving cash waqf linked sukuk investment

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## Abstract

The relationship between donors and charitable organizations is closely related to the level of success of fundraising. However, there are many charitable organizations that have limitations in organizational governance, which affects the level of donor trust. Likewise, waqf management organizations have a similar situation. This study aims to analyze and measure the governance of charitable organizations that receive and administer cash waqf and its influence on public trust in increasing investment in waqf-related sukuk (*Cash Waqf Linked Sukuk/CWLS*). This study uses a qualitative approach, data collection through observation, interviews. The expected results of this study can be a consideration in improving the quality of governance of charitable organizations and can be used to develop strategies in increasing public trust and willingness to invest and make waqf through (*Cash Waqf Linked Sukuk/CWLS*). Some charitable organizations have not implemented good organizational governance, especially in terms of transparency and accountability of organizational management. This research can be a reference for further research related to similar topics.

## Keywords

Sukuk, Charity organization, Cash waqf linked sukuk

## Introduction

The success of fundraising for charitable organizations hinges significantly on the relationship they cultivate with their donors. However, many of these organizations, along with waqf management bodies, face challenges in organizational governance, which can directly impact donor trust. Charitable organizations are crucial intermediaries, facilitating the flow of voluntary donations from the public to those in need, thereby playing a vital role in humanitarian, economic, social, religious, educational, health, and community development projects. Given their function in collecting public funds, these organizations are expected to manage and account for these resources with utmost integrity.

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Yet, a prevalent issue is that some charitable organizations fall short in implementing sound organizational governance practices or adhering to the principles of Good Corporate Governance (GCG). This deficiency can erode public trust, subsequently hindering their ability to achieve future fundraising goals. This scenario brings to light a key problem: the inconsistent application of GCG principles within charitable organizations. To address this, it's essential to investigate how GCG principles are currently applied within these organizations and to what extent this influences public trust. The primary objectives are therefore to identify the specific ways in which GCG principles are implemented in charitable organizations and to measure the resulting impact of both governance practices and public trust on their overall effectiveness and fundraising success.

## Literature Review

People are willing to donate to charities based on moral intuition and considering the characteristics of the charitable organization [1], the credibility of the organization [2], the reputation of the organization [3], the mission of the organization [4], the efficiency and effectiveness of fund management [5], [6]. Some of these things can be achieved if the organization can implement good governance (managerial). Thus, increasing public trust which ultimately motivates the willingness to donate.

## Method

This study uses a qualitative approach. Data collection by observations, document searches, and in-depth interviews. Interviews were conducted with several figures related to charitable organizations, including the management of the Indonesian Waqf Board East Kalimantan Branch Office, managers of charitable organizations, and the community. The object of this research is a charitable organization located in the city of Samarinda, East Kalimantan, Indonesia.

The theoretical basis used in this research is the principles of Good Corporate Governance (GCG) and the theory of Trust. This theory is commonly used to see the governance performance of an organization. the principles of Good Corporate Governance (GCG) include transparency, accountability, responsibility, independency, and fairness.

## Results and Discussion

The achievement of Cash Waqf Linked Sukuk (CWLS) investment sales in East Kalimantan, from its launch in 2020 through 2024, has seen an increase but remains significantly below its potential, despite the predominantly Muslim population in Indonesia. This disparity can be attributed to several factors: low public trust in charitable organizations, limited public awareness and understanding of CWLS, and prevailing income levels.

A key challenge identified is the inconsistent implementation of good organizational governance among charitable organizations, particularly regarding transparency and accountability. While some organizations exhibit strong governance, others fall short. This deficiency is often rooted in inadequate organizational infrastructure, weak oversight, and a lack of comprehensive awareness and capability among administrators. Furthermore, instances of low honesty among administrators, driven by self-interest and luxurious lifestyles, reportedly contribute to a lack of transparency and detailed reporting of activities.

Community members express varying levels of trust in charitable organizations. While "bona fide" organizations with a long-standing track record are generally trusted, public confidence has been significantly eroded by past scandals, such as the widely publicized Fast Action Response Foundation (ACT) case in 2022 [7]. The revelation of ACT administrators drawing excessive salaries and engaging in lavish living, while donors made personal sacrifices to contribute, sparked outrage and highlighted a profound ethical and moral breach. This raises a critical question about the ethics of administrators receiving salaries from charitable activities, suggesting some may view these organizations as places of employment rather than platforms for voluntary service.

To boost CWLS investment, the Indonesian Waqf Board (BWI) should prioritize allocating funds towards sustained campaign and promotion efforts. This continuous outreach is crucial for enhancing public knowledge and understanding of CWLS, ultimately fostering greater participation.

## Implication

The implication of this finding is that a lack of transparency and accountability results in a low organizational reputation, leading to a decline in public trust, and ultimately lower efforts to increase public involvement in purchasing CWLS.

## Conclusion

The results of this study can be concluded that there are still charitable organizations that have not implemented the principles of good corporate governance. As public trust is still low, which causes investment involvement in CWLS to also be low.

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