

EXAMINING THE POTENTIAL OF *Waqf*-BASED EDUCATION MANAGEMENT: A CASE STUDY OF *PESANTREN DARUSSALAM GONTOR* INDONESIA

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Abstract: *Waqf* is a charitable institution within Islam and Muslim contexts. *Waqf* translates to an endowment held in trust and is utilised for charitable purposes such as education, poverty alleviation, a place of worship, or medical care. In the educational development, *waqf* has funded many Islamic educational institutions, colleges, universities, libraries, and the like. In the context of Indonesian society, the modern system of *waqf* institution has been implemented to establish the *pesantren* (Islamic schools) and Islamic universities. This paper presents the example of *waqf* in education that has been practised in Indonesia. Darussalam Gontor is taken as an example since it is well-known as the first modern *pesantren* in Indonesia, endowed in 1958. It is a successful *waqf*-based educational institution. In reality, *waqf*-based institution can generate significant benefits in support of education and community development. The study shows the values-based management at the core of this *waqf*-funded Institution and reveals the concept of *waqf basyr* (Human *waqf*) which looks at the contribution of human resources. In addition to this essay also highlights the internal control practiced preserving the *pesantren*'s operational sustainability and to mitigate the mismanagement. This study is based on recent qualitative research comprising both primary and secondary data. The primary data included interviews with the core and peripheral respondents within the Institution. Secondary data was collected from in-depth literature reviews including the annual report of this Institution, books, journal articles, and relevant data and documents. The study's finding presents how the values-based education and human *waqf* implemented in this *pesantren* could be a role model for supporting the educational development system in the modern world. Additionally, the result of study shows that the internal control can mitigate the miss-managements and enhances the sustainability of the operational of this Institution. Importantly, there is a need to broadly bring values-based management, skilled human *waqf* (as human resources), and internal control to the educational or *waqf* institutions to enhance their operational sustainability and support their impacts on community development.

Keywords: *Waqf*-Based Education, Values-Based Management, *Waqf Basyr* (human *waqf*), internal control.

1. Introduction

Waqf has made a vital contribution and has significantly impacted the inception of Islāmic schools. It has funded educational institutions, including Islāmic *madrasahs* (schools), centres, colleges, universities, and libraries. In Egypt, for example, Al-Azhar University in Cairo, established in 975 A.D, is a well-known example of philanthropic *waqf*-based-education. Al Azhar offers free education for local and international students, which includes stipends and living allowances for the lecturers, staff and students (Mahamood and Ab Rahman, 2015).

The practices of *waqf* for funding and developing Islāmic educational institutions has been recorded globally. The *waqf* system has a significant role for developing and enhancing the Islāmic institutions in the Philippines (Gamon and Tagoranao, 2018). In Iran, this financial support has covered *ṣahriyah* (monthly allowance) for the students (Daun and Arjmand, 2018); In Malaysia, according to Saidon et al., (2019, p.815) *waqf*-based-education has been initiated from the beginning as Islām spread out in the Malay archipelago. *Waqf* used for providing the scholarships, allowances, construction of educational facilities and the school equipments such as stationery.

The recent data of Ministry of Religious Affairs of Republic of Indonesia shows that the total certified *waqf* lands is 55.751,62 hectares in 424.233 several locations¹. The following table demonstrates the use of *waqf* land in Indonesia to be used for various infrastructure:

Table 1.1 The Use of *Waqf* Land in Indonesia

The Form of <i>Waqf</i>	Percentage
Mosque (<i>jami'</i>)	43.80%
Mini Mosque (<i>musholla</i>)	28.01%
School	10.72%
Islāmic Boarding School (<i>pesantren</i>)	3.91%
Funeral	3.40%
Others	9.16%
Total	100%

Source: Ministry of Religious Affairs, 2022

In the context of *waqf* land used for developing educational institutions, the research has highlighted that *waqf* land (foundation) was used to incept the *pesantren* (Islamic schools), and one of the well-known *waqf* land (foundation) used for the establishment of Islamic schools is Dārussalām Gontor in Ponorogo, East Java, Indonesia (Fauzia, 2013). Dārussalām Gontor is recognised as the modern *pesantren* in Indonesia. Dārussalām Gontor founded in 1926 and endowed as *waqf*-based institution on 1958, by its founding fathers is known as the pioneer of modernisation of the *pesantren* system in Indonesia (H.F. Zarkasyi, 2015). These other institutions hoped to learn from Darussalam Gontor how to use *waqf* to support their institutions by increasing their management efficiency and profitability. According to Saidon et al., (2019) Darussalam Gontor is an adequate and applicable *waqf*-based *pesantren* that benefits from *waqf* used for developing its educational programs and serves community development. Abdel Mohsin and Maruf (2020) agree that Darussalam Gontor has during the past 93 years, been an influential model of a smart *waqf* city with a strong emphasis on education.

¹ <http://siwak.kemenag.go.id/>, accessed on 23 November 2022

Unfortunately, due to a lack of funding and resources, many Indonesian Islamic educational institutions (*pesantren*) are at risk of collapsing; as a result, they require financial assistance to function effectively and to preserve its sustainability. According to Siahaan et al., (2019) the Indonesian government's budgetary is in the restrictions which do not only apply to Islamic institutions, are also the reason for this. These difficult economic conditions may make the instability of the *pesantren* worse. However, Darussalam Gontor is one of the *pesantren* that has survived when many other Islamic institutions have collapsed, despite receiving no government funding. Darussalam Gontor has developed its institution into twenty-four sustainable branches scattered all over Indonesia.

This study investigates the potential of Darussalam Gontor's *waqf* management, particularly concerning on Islamic values that are used as a basis for management, which affect the human resources that directly assist and devote themselves to the Institution, who are called as human *waqf*. More importantly, this study argues that the operations of *pesantren* must be carefully monitored and managed to accomplish its primary objective. Therefore, an effective organization including this *pesantren* needs to have dependable internal controls.

This study sums up that the implementation of Islamic values-based management and the existing of *waqf basyr* (human *waqf*) as human resources in the management and administration of educational *waqf* as well as internal control in Darussalam Gontor can serve a good model for enhancing the sustainable operation of *waqf*-based education in Muslim nations worldwide.

2. Overview On *Waqf*, Values Management, Human *Waqf*, and Internal Control

2.1 Definition of *Waqf*

Waqf has been defined in a myriad meaning by contemporary Muslim scholars and jurists. *Waqf* or *Habs* are claimed as philanthropic foundations (endowments) in the Islāmic world (Çizakça, 1998, p. 43). The literal translation of *waqf* from Arabic, is hold, confinement or prohibition. Kahf (2003, p. 2) defines that the word *waqf* is used in Islāmic law to mean preserving certain assets for the confined benefit of certain philanthropic purposes and prohibiting any use or dispossession outside its particular objective. According to him, while *waqf* is associated widely with land and buildings, there are *awqāf* (plural of *waqf*) related to books, agricultural machinery, livestock, shares and stocks, and cash (Kahf, 2003)

Waqf (plural *awqāf*) and *habs* (plural *ahbas*) in Arabic have similiar meanings of “to stop, to prevent, to restrain”. Geographically, countries use different terms *waqf* is used in countries including Lebanon, Jordan, Iraq, and the United Arab Emirates, but *habs* is generally used in North Africa. While in Turkey, *vakif* (plural *evkaf*) is commonly used, and in Malaysia the term *waqf* is spelt as *wakaf* (plural *awakaf*) (Mohsin, 2016, p.2).

In *Sharī'ah* terminology, *waqf* refers to making a property invulnerable to any dispossession that leads to transfer of ownership, and donating the usufruct of that property to beneficiaries (AAOFI, 2017, p. 814). According to the meaning, *waqf* is indefinite or perpetual. *Waqf* assets are meant to remain intact and that can produce earnings and revenue without being diminished.

In Islamic history, *waqf* dates back to the establishment of the *Masjid* of Quba, also known as *waqf dīni*, in Madina at the commencement of the Prophet Muhammad's reign (Kahf, 2000). Furthermore, the *waqf* encompasses the spiritual and religious components and crucial aspects like the economy and education. *Waqf* is divided into three categories: *waqf khayri*

(public waqf), *waqf al-ahli* (family waqf), *waqf al-mushtarak* (mixed public and family waqf) (Mohsin & Muneeza, 2020).

Waqf khayri (Charitable waqf) is an endowment with a religious or public purpose (Gaudiosi, 1988). Initially, the donor endows the property for constructing buildings intended for socio-religious activities. In this instance, the founders produce this kind of *waqf* using moveable items like literature, weapons, crops, money, and guest houses, as well as immovable ones such as building mosques, schools, hospitals, orphanages, and other buildings.

The second type of *waqf*, known as *waqf durry* or *ahly* or *waqf alal awlad* (Posterity or family *waqf*), is an endowment where the *waqif's* (donor) descendants and successors have a priority claim to the waqf's benefits and income (Mohammed Obaidullah, 2013). The Prophet (Peace Be Upon Him/PBUH) allowed this kind of waqf and encouraged his companions to endow their closest relatives. Additionally, the Prophet (PBHU) stated that accommodating and fulfilling the needs of one's family is a more suggested pious deeds than giving charity to beggars (Ismail and Cahyo, 2017).

Furthermore, the *waqf mushtarak* (mixed public and family waqf) is defined by Mohsin and Muneeza (2020) as a *waqf* established to support both the public and the family of the *wāqif*. In this way, the *wāqif* creates a brand-new and creative form of philanthropic endowment by dedicating a portion of his land to his heirs and another to the public.

2.2 The Values in *Waqf* Management

This study aims to provide a new understanding of a socio-religious endowment operation to support educational programs by examining how Islamic values affect and shape *waqf* management practice in Darussalam Gontor Modern Islamic Institution, East Java, Indonesia.

In order to get a comprehensive understanding of the core of the study, the researcher outlines the definitions of values for research purposes to examine how Islamic values integrated in waqf management in the Institution.

2.2.1 The Concept of Value

According to Schwartz and Bilsky (1990) a value is a concept or belief that (a) relates to desired end states or behaviours, (b) transcends particular circumstances, (c) guides the selection or appraisal of behaviour and occurrences, (d) and (e) is ordered by relative importance. In the context of values, all individuals and communities must be able to respond to three universal human needs: the needs of people as biological creatures, the requirements of coordinated social interaction, and the demands of group survival and welfare. These requirements must be conceptualised as values to be represented cognitively. Individuals learn to express the requirements as conscious goals and values through socialisation and cognitive development. They also learn to talk about these goals and values using language common across cultures and assign their varied levels of importance (Schwartz and Bilsky, 1990).

Elizur et al., (1991) define values are desired conditions, goals, or actions that people value highly. Another author such as Debats (1996) considered the values as the guiding principles that extend beyond particular circumstances, may change over time, natural choices of action and events, and are part of a dynamic system with inherent contradictions. This study, concerns on Schwartz and Bardi (2001) define the value as desirable, transsituational aims of variable relevance that act as a people's guiding principles.

Values are a crucial element in comprehending society and personal transformation. Human values have a significant impact on how people act and go about running an organisation. According to the evidence, values are connected to such pragmatic issues as strategic decision-making and action, innovation, creativity, commitment and loyalty, management satisfaction, organisational effectiveness, and competitiveness. These issues are critical for comprehending cultural relations across cultures and national boundaries and are significant in an organisational setting (Ali, 2005).

2.2.2 Definition of Islamic Value

The term value originates from the Latin "valêre," meaning to be powerful or worthy (Ain et al., 2021). According to Ishak et al., (2018) Islamic values are a set of moral principles revealed in the Qur'an verses and prophetic traditions. Both Qur'an and prophetic traditions have explained the positives values and bad values. Good values are set compulsory will be granted with the rewards, while negative values are restricted and provided with the punishment.

Ali (2005) views that Islamic values emphasise principles that apply to work and general conduct and behaviour. They are founded on the Quran and the Prophet's (PBUH) sayings and deeds. These include fairness, responsibility, dialogue, goodness, kindness, faith, dedication, sincerity, justice, diligence, humility, universalism, consensus, self-control, perseverance, and cooperation. While Akhtar (1992) claims that brotherhood, justice, and kindness (benevolence) are three of the most important Islamic values in the workplace.

In management or business, Islamic values according Rice (1999, p.346) serve as "the filter" for ethical business conduct. She states an Islamic ethical philosophy derived from the Qur'an and the *Sunna* (prophetic tradition). She offers what she refers to as commercial examples of how these values are reflected in practice, arguing that the purposes of Islam are centered on wellbeing rather than materialism.

As was previously mentioned, eminent scholars have produced notable writings on Islamic values, such as Ain et al., (2021), Ishak et al., (2018), Ali (2005), Akhtar (1992), Rice (1999, p.346), and others. The discussion of many values used in quality management is where their works closely resemble one another. However, sufficient work has yet to be put towards integrating the Islamic values in *waqf* management. This study focuses on inserting the Islamic values on *waqf* management at Darussalam Gontor Islamic institution. It is perceived that Islamic values can affect the good behaviours of every manager of this *waqf* institution, particularly in their performance in the workplace.

2.3 Human *Waqf* (*Waqf Basyr*) as Human Resources

The development of a nation requires investment in its human resources. Consequently, each goal of development must be defined and guided based on the quality of human resources. The ability of human resources to carry out development can be seen from two perspectives: quality and quantity. Quality perspectives include being seen through the amount of available human resources. Quantitative perspectives include being seen through the ability of human resources to carry out development (Huda et al., 2019). The development of human resources is therefore essential to the development process because more qualified and skillful human resource is needed to ensure the development of the country.

According to Shariff et al., (2016) human resources are one of an essential organisational elements. The success of organisation depends on its human resources because everyone

involved within the organisation must ensure that every personnel, including senior management and managers at all levels, takes the best possible action to support the company's success. In order to maintain and control the operation of the institution more effectively and efficiently, it is crucial to offer human resources in the context of *waqf* management.

In the context of *waqf* management, human *waqf* base in Darussalam Gontor is the reference or example used in the study. The human *waqf*'s goal is to sincerely provide for the welfare of the institution without seeking reward through the provision of religious, social services such as religious education, socioeconomic services such as the development of *waqf* business units or endowments, and other social activities. The human *waqf* model, which is available at Darussalam Gontor is anticipated to serve as a benchmark for how human resources, the first capital of national welfare, can achieve the anticipated goal as effectively as possible (Huda et al., 2020).

Mohsin and Maruf (2020) view that Darussalam Gontor *waqf* has grown steadily since 1926 and continues to expand. This is attributable to the connection with Darussalam Gontor's *waqf* family (Human *waqf*). They become family members and commit to assisting Darussalam Gontor's *waqf* once they join as teachers, employees, or students. Even though they are not the descendants of the founders of this *waqf* institution, they nonetheless contributed with their time, ideas, and services to promote the growth and sustainability of their institution.

2.4 Internal Control

Urgently, internal controls need to be carried for the organisational framework of every nonprofit organisation (NPO) including *pesantren*. It focuses on educational developments and has a particular community-focused charity goals, which include offering charitable, social, and religious services. The internal controls within the operation of organisation will mitigate the fraud, miss-management, moral hazard, or corruption.

Theoretically, internal controls have five interrelated elements: control environment, risk assessment, control activities, information and communication, and monitoring activities (COSO, 2013). The internal controls components are described as follows: control environment, control activity, risk assessment, information and communication, and monitoring. Internal control exists when an organisation's operations are run effectively and efficiently, it adheres to laws and regulations, and its financial reports can be trusted (COSO, 2013); (Kamaruddin & Ramli, 2017). Generic internal control elements are shown in table 2.1 below:

Table 2.1 The Internal Control Principles

Internal Control Dimension	Indicators/Principles
Control Environment	<ul style="list-style-type: none"> a. a commitment to integrity and ethical values of Islām (Islāmic ethical values) b. The Board of Directors (BOD) demonstrates independence from management. c. BOD formed organisational structure. d. Commitment to competence e. Assigning a competent person for internal control/Auditor
Risk Management	<ul style="list-style-type: none"> a. Clarity or organisational goals b. Identification of potential risks

Control Activities	<ul style="list-style-type: none"> a. Making decisions on and creating control measures to reduce risks. b. Technological development and product selection to help with achievement. c. Implementing the proper policies and procedures
Information and Communication	<ul style="list-style-type: none"> a. Obtaining and using relevant and credible information b. Internal communication and information c. External communication regarding issues that affect how internal control is undertaken
Monitoring Activities	<ul style="list-style-type: none"> a. Continues evaluations. b. The organisation evaluates and communicates internal control deficiencies

Source: (COSO, 2013); (Kamaruddin and Ramli, 2017); (Andraeny and Narulitasari, 2019); (Ayedh et al., 2021); (Bouheraoua and Djafri, 2022)

Previous studies on internal control procedures in non-profit organisations have been carried out, including *zakāt and waqf* institutions. Internal control is a component of the organisation's governance and risk management systems (Johari et al., 2016,). Internal control is a need for *waqf* institutions as part of good governance (Nor Razinah et al., 2018, p. 755) as it not only improves a *waqf* institutions' performance, but it is also crucial in identifying any fraud and poor administration.

This study uses the COSO Internal Control-Integrated Framework's accountability mechanisms (2013) procedures to explore them implemented in *pesantren* Dārussalām Gontor and then they will be analysed in the section of findings of this paper.

3. Methodology

3.1 Data Collection

This study focuses on waqf-based educational system in Indonesia. Darusslam Gontor was taken as the case study, as its well-known practice of waqf-based education. It examines the Islamic values as a basis of *waqf* management, human *waqf*, and internal control as the vital factors of its sustainability as the main purpose of this study.

The present study uses a qualitative research methodology to examine the role of Islamic values-based waqf management and human *waqf* in supporting the operation of waqf management in Darussalam Gontor Indonesia. A qualitative method provides an efficient technique to define and pinpoint central phenomena and the variables required for the study (Creswell, 2009).

According to Padilla-Díaz (2015) the best indication that phenomenology should be used is when the study issue necessitates an in-depth comprehension of shared human experiences among a group of individuals. According to him, the study group should have 3–15 participants. The group's participants must be able to describe their personal experiences. Finding the underlying essences and common meanings attached to the examined event will be more challenging the more varied the experiences of the individuals (Padilla-Díaz, 2015).

In addition, a qualitative case study approach was carried out, according to (Yin, 2018), who described it as an empirical method that carefully investigates phenomena in its natural

environment. This is why the researcher chooses a single case study to better understand the lived-practice of value-based management and human *waqf* at Darussalam Gontor, Indonesia, and to incorporate primary contextual conditions pertinent to his research (Creswell, 2009; Taylor et al., 2016; Yin, 2018). The researcher uses a case study technique, including taking field notes, participating in interviews with the research participants, recording discussions, and making notes to oneself.

Purposive or judgmental sampling was the method used to pick the participants for this study. The researcher uses this method to select this case through deliberate or judgmental sampling to help him answer his research questions and meet his goals of study (Saunders, et.al, 2019). This type of sampling is typically used in small studies where the researcher wants to gather specialised data for a case study.

According to Padilla-Díaz (2015) the most suitable data collection method for phenomenological research is the profound interview. The phenomenological interview should be open or semi-structured, according to existing literature. These kinds of interviews allow the researcher to deeply examine the phenomenon by giving the research participants a place to communicate their experiences in-depth and as accurately as possible.

In this study, the researcher employs in-depth semi-structured interviews for gathering the data. The 13 key research participants of the Institution were in a one-on-one in-depth semi structured interview (Padilla-Díaz, 2015). The research participants in this study were included Waqf Boards, headmasters, and waqf officials (Senior and junior managers of waqf business units).

The interviews with the mentioned research participants were aimed at exploring deeply the historical context of the establishment of *waqf*-based education, Darussalam Gontor and exploring their experiences in implementing the Islamic values as a basis in the waqf management as well as examining the contribution of human *waqf* in supporting the efficiency and effectiveness of the Institution's program (Young, 2001; Scherer, 2017). Furthermore, by interviewing those respondents might be sufficient to obtain comprehensive, high-quality data from *waqf* management entities. The participants expressed extensive personal information in this way, which helped him collect meaningful information that cannot be seen directly (Creswell, 2009).

Subsequently, the audiotaping and national language (Indonesian) of each interview were acquired and observed. Hence, the recorded of interviews were transcribed verbatim (Page et al., 2014). The transcribed interviews translated respectively into English using a word processing program for the data analysis (Lapadat and Lindsay, 1999; Bolden, 2015)

4. Data Analysis

The data was obtained from audio recordings of the interviews of research participants, verbatim transcriptions, and translations into English. The information was encoded to focus on the pre-existing themes, which are as follows: (1) the historical background of *waqf*-based education, Darussalam Gontor Ponorogo East Java, Indonesia (2) Islamic values used as a basis for waqf management; and (3) the human *waqf*'s role in maintaining and developing the *waqf* system, 4) Internal Control. The following figure 3.1 below illustrates the outcome of this study, as follows:

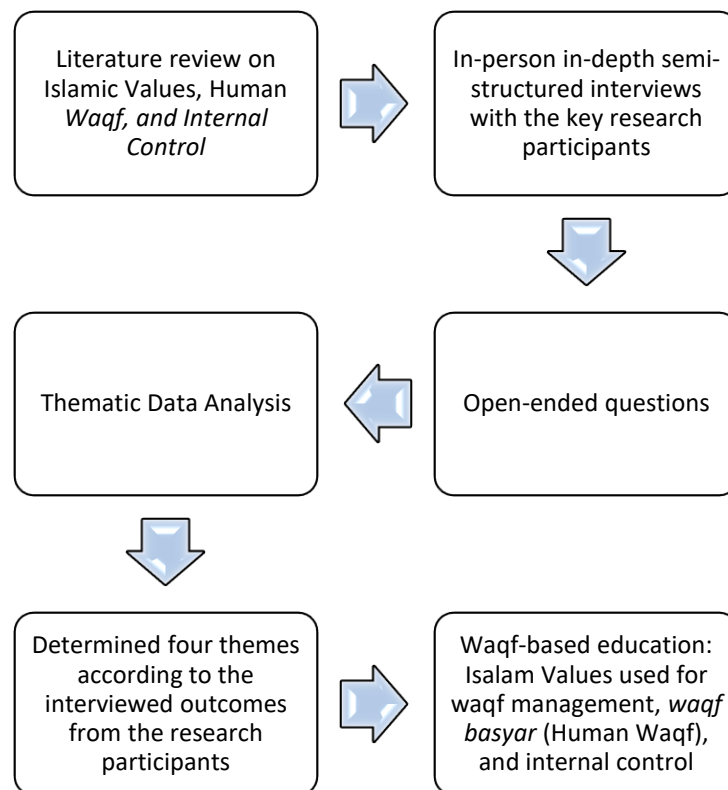


Figure 3.1 The Outcome of Study
Source: Provided by the researcher, 2023

5. Result And Discussion

5.1 Waqf Based Education of Darussalam Gontor

Darussalam Gontor is one of Indonesia's thousands of *pesantren* (Islamic educational institution) financed by waqf and other financial resources. This waqf-based education waqf system manages all assets. It is crucial to investigate the organisation's management style to generate revenue through self-financing. The income is used to meet the costs and improve the resources for the educational learning process. Therefore, the institution is solid due to this self-financing management. As a result, it relies on something other than outside funds or organisations like the government or Non-Government Organisations (NGOs) to carry out its educational arrangements.

The *pesantren* was founded on April 10, 1926, by the founders KH. Imam Zarkasyi (1910-1985), KH. Zainuddin Fanani (1905-1967), and KH. Ahmad Sahal (1901-1977). The founders successfully synchronised the core values, ideals, traits, spirit, mottos, and sound organisation into one centralised management while outlining the system's fundamental tenets. Since then, Darussalam Gontor's leadership has worked to uphold and promote this culture under the founding fathers' wishes (Bahroni, 2016).

The history of the endowments was begun on October 12th, 1958. At that time, the founders proclaimed publicly that they had endowed all their inheritance for an Islamic higher institution for a new waqf-based educational system. The institution is no longer primarily managed by the family or their descendants but rather by a group of chosen alumni (called as

Waqf Board) who share the same vision and abide by the Darussalam Gontor Articles and Rules of Association (H.F. Zarkasyi, 2020).

The *Waqf* Board then maintains the value of independence, manages productive endowed land, and makes management decisions regarding the institution's short- or long-term plans. In 1959, the Foundation for Waqf Maintenance and Enlargement of Darussalam Gontor (*Yayasan Pemeliharaan dan Perluasan Wakaf Pondok Modern/YPPWPM*) was laid down to oversee all *waqf* properties owned by this institution.

5.1.2 The Modus Operandi of *Waqf* Management at Darussalam Gontor

Since its establishment in 1926 Dārussalām Gontor has been in steady development. At its establishment, the founders initiated the funding for the institution in the form of rice fields. In recent times, there are various modes of funding in the form of and cash *waqf* (Tuition Fees), *waqf* lands, business units.

5.1.2.1 Cash Waqf (Tuition Fees)

Currently, Darussalam Gontor establishes 20 boarding schools to meet the demand for high-quality, comfortable boarding schools. It has been estimated that boarding schools receive more than 6 billion rupiahs (USD 426,000) annually in tuition (Abdel Mohsin and Maruf, 2020). This fund is allocated to meet the demands of students for meals, instructional and athletic facilities, and other student activities, besides, this budget is allotted to make the operation and administration of the educational system easier (Tim Penyusun Wardun, 2021).

5.1.2.2 Business Units Enterprises

One essential component of Darussalam Gontor is self-sufficiency. The institution, therefore, develops entrepreneurial activities on the *waqf* lands to improve the student's education. These businesses' *waqf* units, which instructors and students run, create a secure financial structure that supports the Darussalam Gontor *waqf* and economy. Currently, 47 *waqf* business units cover provision, trading, manufacturing, and agriculture that Darussalam Gontor has founded.

As a result, Darussalam Gontor does not rely on supplies from the outside world. However, it manufactures, provides, and consumes products made by Darussalam Gontor. This allows for the circulation of money around campus or it is known as protective economy. Participant 8² is listed as follows.:

Waqf management is a final system to develop the sustainability of this educational institution. However, there is another system than waqf, which is economic protection. We supply goods for our own needs so that we can supply our own needs.

This study aligns with the previous research conducted by Mohsin and Maruf (2020) states that the circular economy (protective economy) concept in Darussalam Gontor has been

² Interview with participant 8, a male head manager of *waqf* business unit-Dārussalām Press, on 11/12/2020.

successfully implemented among the business units, teachers, and students. Students and teachers are encouraged to purchase daily essentials from the business units that help this Institution for developing the income for supporting and developing the educational programs and activities.

5.1.2.3 Waqf Land

The table 4.1 below shows the waqf land enlargement undertaken and recorded by the waqf Foundation office (YPPWPM) during the last six years, from 2016-2021, as follows:

Tabel 5.1 The *Waqf* Land Development at Dārussalām Gontor

No	Year	Width (Hectare)
1	2016	1.108
2	2017	1.262
3	2018	1.264
4	2019	1.560
5	2020	1.626
6	2021	1.761

Source: The *waqf* land documents of Waqf Foundation Office, 2021

The waqf land asset development in Darussalam Gontor is seen in the following figure:

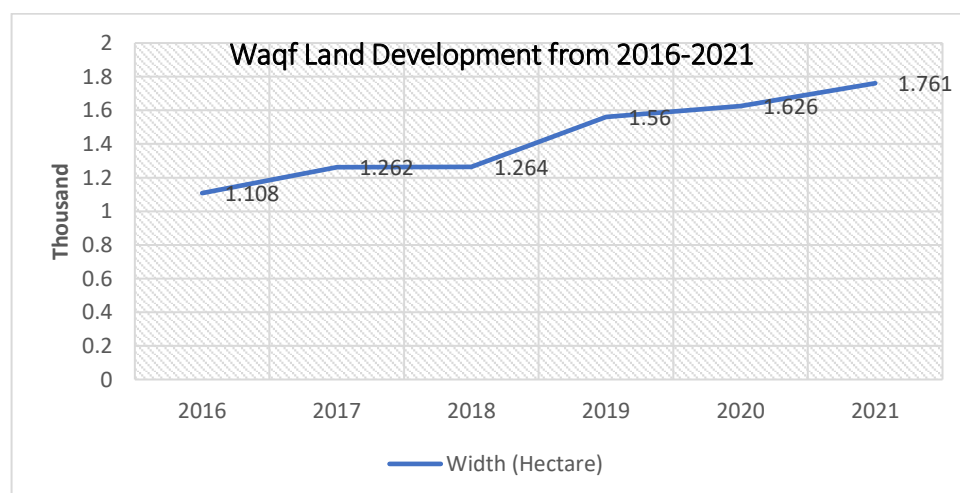


Figure 5.1 The Growth of *Waqf* Land at Dārussalām Gontor

Source: The *waqf* land documents of Waqf Foundation Office, 2021

Over the past six years, Darussalam Gontor's *waqf* land has continuously expanded. The *waqf* land is spread across 24 regions throughout Indonesia. The *waqf* land expansion and development are obtained through the acceptance of *waqf* land and the purchase of new land by using the cash *waqf* from the donations collected³.

The *waqf* lands are developed and administered in many areas, such as education, agriculture, and commercial units, adhering to the founding principles of Darussalam Gontor. The following information pertains to the use of Drussalam Gontor's *waqf* lands:

³ Interview with participant 5, a deputy chairman of *waqf* foundation of Dārussalām Gontor, 05/12/2021

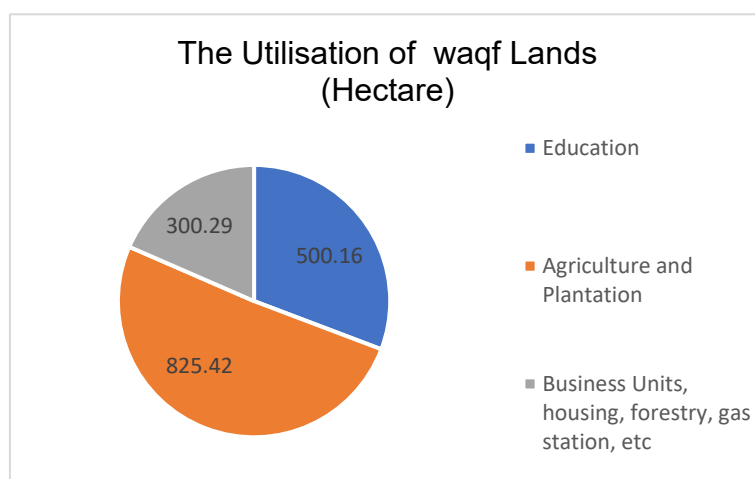


Figure 5.2 The Utilisation of Waqf Land
Source: (Tim Penyusun WARDUN, 2021)

The below is the process flow and structure for the creation of *waqf* in Dārussalām Gontor. Financially, the surplus revenue generated from the management of the *waqf* land, business units, and donations from donors or any other benevolent sources will be optimized to develop infrastructures and facilities for education provided for the students.

In addition, the surplus of generated income of *waqf* management supports the families of teachers (*human waqf/cadre*) and lecturers in terms of providing them with stipends, accommodation, transport, health care, performing *hajj* and *umrah* and any other facilities⁴. Importantly, the *waqf* management also enhances the economy of employees who come from the surrounding area of the institution and has a good effect on socioeconomic and environmental sustainability and fosters community development.

⁴ Interview with participant 5, a deputy chairman of *waqf* foundation of Darussalam Gontor, 05/12/2021

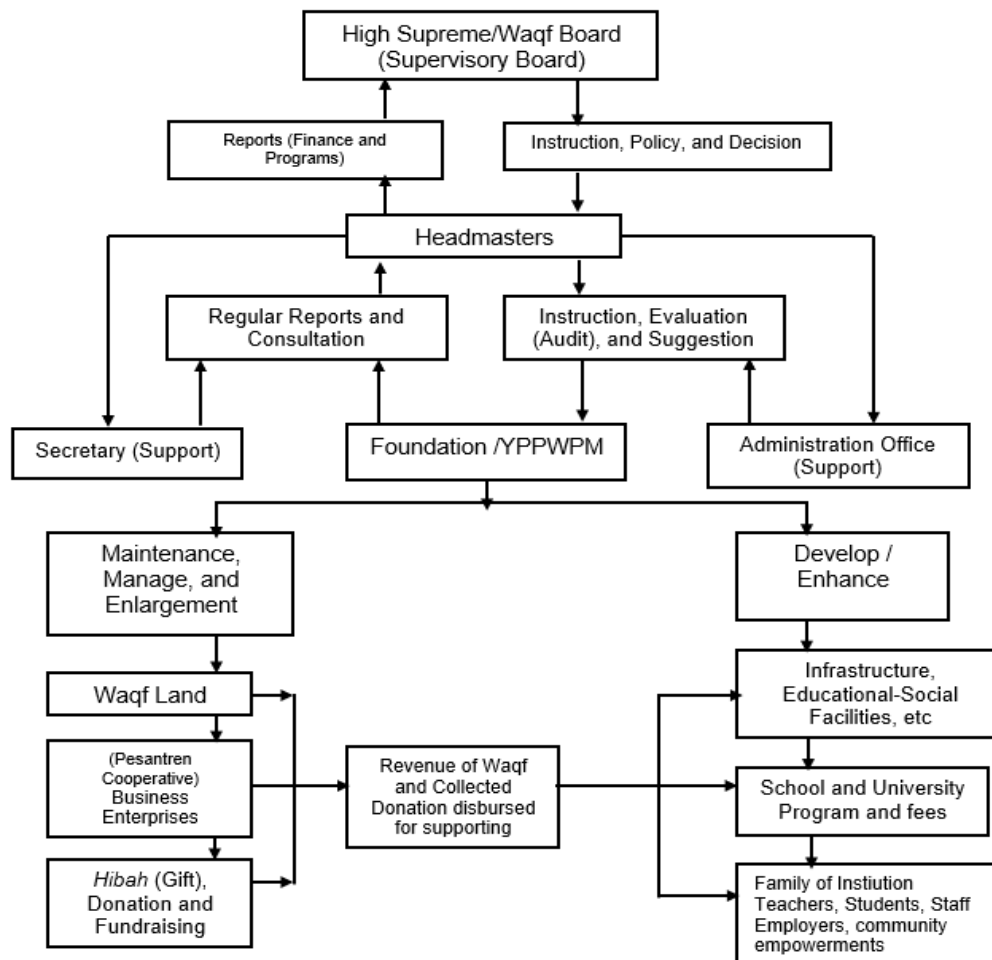


Figure 5.2 The Modus Operandi of *Waqf* Management at Dārussalām Gontor

Source: Provided by the researcher, 2022-2023

5.2 Islamic Values Based Management of Darussalam Gontor

The paper analyses the values from which Darussalam Gontor's management practices evolved. According to the initial observation, Darussalam Gontor management does not adhere to conventional management theory. It features a distinct management structure and is frequently seen as unusual. However, Darussalam Gontor does exist and is progressively growing, and it has a unique management system (Umam, 2013).

Initially, Darussalam Gontor supported its educational process by creating numerous entrepreneurial companies run by teachers and students (Bahroni, 2016). The *Waqf* Board and the Kyais (headmasters), who appointed as immediate supervisors, educators, mentors, and guardians directly teach and inculcate the values within all inhabitants of the Institution.

These values are taught in those directly involved in Dārussalām Gontor. The following is the elaboration of values as developed by the founders⁵.

⁵ The result of literature review and archival material observation of Darussalam Gontor gathered by the researcher during his field work on 2020-2021 at Darussalam Gontor, East Java, Indonesia.

5.2.1 Five Basic Spirits or Values

1) The value of sincerity

The first and most crucial principle is this value. As a form of sincere worship to God (Allah), everyone in this institution should perform any required tasks, such as teaching, studying, or running business enterprises. Muslims will be elevated or happier in life if they experience the nearness of God via such worship (Mehfooz and Aziz, 2013).

It is significant to remember that although teachers are not paid for their time, they always provide it with enthusiasm and sincerity. In addition, those endow their entire "life," also known as self-*waqf* or *cadre*, which the researcher refers to as human *waqf*.

2) The spirit of simplicity

This value may be characterised as living simply or acting modestly. It has to do with life's quality, learning to be patient and understanding in every situation, not poverty or lack.

3) The value of self-reliance (independence)

This third value applies to both people and organisations. Through education, students learn how to do all their daily assignments independently without needing help from others. Students properly manage their academic time as well as their social activities. Similarly, Darussalam Gontor, a private educational institution, effectively regulates and grows its *waqf* assets without outside assistance.

4) The value of Islamic brotherhood

The students are expected to develop enduring friendships, show empathy for others, and learn to respect one another. They discuss their happiness and sadness while attending Darussalam Gontor and their attachment to the school even after graduation.

These educational values instilled by the headmasters into their students and other individuals in the institution through various ways and methods to prepare and develop well-qualified citizens of good character.

The above values are condensed down to the five Darussalam Gontor's spirits: sincerity, simplicity, independence, Islamic brotherhood, and freedom. Each of these spirits becomes the pinnacle of the standard for Darussalam Gontor's management and must be imbued by each Darussalam Gontor community member. As a result, they serve as the foundation for creating the vision, long-term strategies, organisation, leadership style, and management (Umam, 2013).

The well-known motto of Darussalam Gontor is another form of value instilled in the souls of students and teachers that focuses on a religious community's mental attitude and character development. In Darussalam Gontor, a good Muslim should possess a noble character, a sound body, extensive knowledge, and independent mind. While, five long-term plan principles of this Institution covering education and teaching, regeneration (building a *cadre*), infrastructure, procurement of financial resources,

welfare of the Darussalam Gontor family who directly support and dedicate their life for the sustainability of this institution.

5.3 Human *Waqf*

The primary distinguishing feature of Darussalam Gontor is its unique method of modernising Islamic education by incorporating the *pesantren* and *madrasah* systems into the new Islamic educational system. The *madrasah* system is appropriate for formal education than non-formal or informal education because students only learn in the classroom and outside of it, respectively. While *pesantren* system can enhance non-formal and informal education by integrating Islamic values, cultures, religious studies, philosophy of life, long-term management principles, and the adoption of the best prototypes of educational institutions in the world (Fedro et al., 2019).

The existence and sustainability of education and Darussalam Gontor including waqf management based on the integration and implementation of those values into the totality management in this Darussalam Gontor (Umam, 2013) as well as building the well-qualified human capital or human resources (human *waqf*) (Fedro et al., 2019) in all aspect of life at this institution. The human resources or human capital becomes more important to the organisation success and should be planned a particular activity that aimed at helping the organisation accomplish its objectives (Wright and McMahan, 2011)

In order to achieve those objectives, Darussalam Gontor management incorporates the total quality management life into a community-based education medium for learning and training among *Kiai* (clerics), teachers, santri, and pesantren society. The strategies to build well-qualified human waqf as human resources include: 1) exemplification (concerning the ideal attitudes of the *Kiai* (clerics), the senior teacher, and tutors as the best example of students 2). Creation of vibrant educational environment (every aspect of life must be consistent with Islamic education values), 3). Direction and Guidance (Every program is started by giving a direction and guidance by inculcating Islamic values to the individuals of the institution, 4). Habituation, 5). Appointing the human resources in various educational and community assignments (A. S. Zarkasyi, 2005, p.115).

In the context of human capital development in Darussalam Gontor, the interviews with the *Waqf* Board members clarify and disclose the meaning of the phrase "human *waqf*" as human capital or human resources in Darussalam Gontor as the factor of sustainability. They contend that this form of *waqf* manifests itself in the deeds of individuals who honestly devote their time, effort, talents, and even lives to accomplish this institution's educational initiatives. Their assignments are not compensated with fixed earnings based on national rates or set salaries. However, they perform their duties out of dedication and following the ideals that this institution has instilled, believing that their work would be helpful and impactful to the existence and sustainability of this educational institution and the socio-life of the community. The *Waqf* Board member⁶ asserted this view that:

The essentials of Waqf Basyr (Waqf Insani) or human waqf must be included in the category of factors that support sustainability, giving in the form of personal contribution, and personal devotion to succeed in the educational system.

⁶ Interview with Participant 3, a member of *Waqf* Board and a Rector of University of Dārussalām Gontor, on 19/12/2020.

The statement above is supported by Umam (2013, p.158) that creating a human *waqf* or human resource is seen as creating a skilled cadre for guaranteeing the sustainability and development of Darussalam Gontor as an Islamic educational institution. The five spirits indicated above should guide human *waqf*/cadre growth and imbued them in all their aspect of life.

The *waqf*-based education, Darussalam Gontor, as sustainable social life development can be described as combining various elements of cultures, values, leadership (skilled human *waqf*), institutional norms, roles of individuals, and impact on the Institution as depicted below:

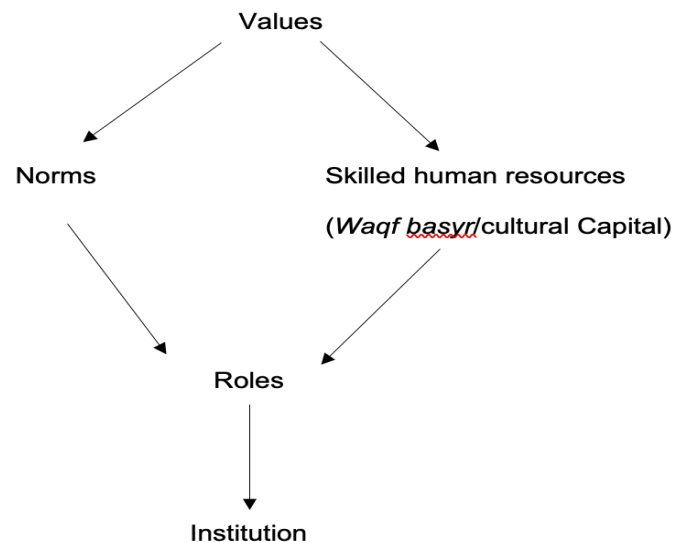


Figure 5.3. Darussalam Gontor Culture

Source: Extracted by the researcher 2023, adopted from (Portes, 2010)

The socio-life framework above attempts to show that Darussalam Gontor as socio-life movement has its culture that related to the values structured by the founders of the Institution, thoroughly, every community member including managers of *waqf* business units should be aware of and be practising all values associated with the teaching and education system and *waqf* management. As human resources (human *waqf*) among community members, leaders as human resources have the commitment direct, organise, manage, and regulate every idea, concept, and implementation in many forms of activity. Besides, the written and unwritten ethical norms of Darussalam Gontor are essential values that should be of concern to the whole people in this institution as “a moral filter” (Rice, 1999) for every act and role of individuals within the institution.

Taking an example of Islamic values that modify the character of *waqf* managers is truthfulness and sincerity. According to Suzuki and Miah, (2016) Trust has been described as "solidarity" or "attitudes and behaviour that indicate that each person is willing to rely on the other to act fairly and take into account the other's welfare. While a sincere person performs his/her action without expecting or requesting anything in return or looking for material or financial gain. According to Fukuyama (1995), the person with such characters is called "social capital". The capacity of communities to uphold shared norms and values and put smaller-group interests ahead of larger ones determines how people can associate with one another and work towards common goals in groups and organisations.

Accordingly, the combination of these characters of solidarity and sincerity build a well-human resource who has social capital (solidarity and sincerity). He is dedicated to ethically conducting the *waqf* operation without depending on any salary. Islam holds that these individuals have received guidance from the Almighty God, as verses *Yā-Sīn*, 36: 21, declaring: “*Follow those who ask of you no fee, and who are rightly guided*”. This trusted and sincere person was related to the human *waqf* (*Waqf basyr* or *waqf insan* or social capital), according to Participant 2⁷, who stated:

They help the institution sincerely without any salaries, including the teachers who are also tasked with managing business units.

5.4 Internal Control to Support the Operational Sustainability

In the context of *waqf* institutions, internal control is a component of the organisation's governance and risk management systems (Johari et al., 2016, p. 156). Similarly, Nor Razinah et al., (2018, p. 755) argue that internal control is a need for *waqf* institutions as part of good governance. In addition to improving *waqf* institutions' performance, it is crucial to identify any fraud cases and poor administration. Generic internal control elements are firstly, the control environment; secondly, risk assessment; thirdly, control activities; fourthly, information and communication; and lastly, monitoring activity (COSO, 2013); (Kamaruddin and Ramli, 2017); (Andraeny & Narulitasari, 2019); (Ayedh et al., 2021); (Bouheraoua and Djafri, 2022). This study reveals the internal control based on COSO, 2013) practiced in Darussalam Gontor extracted from the theme as below:

5.4.1 Control Environment Aspects

This section presents the results of study of control environment aspect in *waqf* management of *pesantren* Dārussalām Gontor.

a. A commitment to integrity and ethical value

As alluded to the previous discussion that the *waqf* management in the Institution has inserted and inculcated ethical behaviour or moral ethics standards in the daily operations regarding integrity and ethical ideals based on the five basic spirits (Value-based management) and five long plans of this *waqf* institution. These ethical values become a core and vital base for all activities and works in *waqf* management. Participant 1⁸ has clarified that inculcation and dissemination of values-based management was part of the whole life of the institution as below:

The five spirits of Gontor are carried out in implementing the long-term planning are related to education and teaching, infrastructures, and buildings, Khizānatullah (Treasure), making or building cadres (regeneration of human waqf/human resources), and family welfare.

⁷ Interview with Participant 2, a member of *Waqf* Board and a headmaster of Dārussalām Gontor, on 4/1/2021.

⁸ Interview with Participant 1, a head of *Waqf* Board and a headmaster of Dārussalām Gontor, on 4 December 2020

These values become fundamental basis of all activities, programs, and life aspects in Dārussalām Gontor. In the context of *waqf*, this empirical study indicates that *waqf* managers and staff adhered to these values and implemented them in their workplaces, supported by a set of standard operational procedures (SOP), which cover work management and discipline.

b. Organisational Structure

The *waqf* management *pesantren* Darussalam Gontor has a well-structured organisation. The clarity of organisational structure can be viewed from well-defined roles and levels of assignment. The organisational structure comprises the *waqf* board, the board of trustees, the board of advisors, the board of directors, divisional managers, and staff. This was confirmed by the participant 5⁹ clarifying that:

Initially, the waqf Foundation's articles of association are deliberately made to create a structure for supervisors, administrators, and supervisors. We deliberately include the advisors and supervisors from the waqf Boards and the Board of Directors. Structurally, there is also a line of instruction from the Headmasters of Darussalam Gontor directly to the Foundation.

c. The level of assignment of authority and responsibility

The researcher found that the organisational *waqf* structure divided the managers based on their functions appropriately. For example, to maintain the responsibility of managers in the publishing house, the head of this business unit has divided every staff into several sections, divisions, and subdivisions based on their expertise.

d. Commitment to competence

Most of the interviewed *waqf* officials were aware of the importance of commitment to competence. Respondents reported being sure of the importance of the values-based management cultivated in Dārussalām Gontor. Respondents confirmed that every manager and employee of the business units conducts their assignments in the workplace based on the five basic spirits and other Islāmic ethics or ethical values always inculcated by the *Waqf* Board and headmaster of this institution. This finding aligns with the previous research conducted by Forster and Fenwick, (2015, p. 144) who claimed that Islāmic principles or values significantly benefit management activity. Islāmic values serve as "the moral filter" for moral business conduct (Rice, 1999, p. 346).

e. Internal Auditor

Research participants also proved that *waqf* management of Dārussalām Gontor has been carrying out internal or self-audits. Internal audits are performed by a *Waqf* Board (Supervisory board) assisted by external experts in accountancy and economic or *waqf* management practitioners as well as from the University of Dārussalām Gontor's lecturers who expert in this regard, as noted by participant 1's statement¹⁰,

⁹ Interview with Participant 5, a deputy of head of Foundation of *Waqf* Maintenance and Enlargement (YPPWPM), on 5/12/2020.

¹⁰ Interview with Participant 1, a chairman of *waqf* Board and a headmaster of Dārussalām Gontor, on 4/12/2020

There is an audit in waqf units of Dārussalām Gontor called "self-audit".....The audit is not only for a financial problem, but the audit is aimed at various problems.

5.4.2 Risk Assessment

a. Clarity of the Objectives of Organisation

The *waqf* management at *pesantren* provided clear organisational objectives for developing education. This is strongly reflected in the Institution's vision, mission, and orientations, as well as within the clear regulations and standard operation implementation of education and teaching. As described by participant 2¹¹:

Dārussalām Gontor's vision and mission have been implemented through education and teaching.

b. Potential Risk Identification

The research revealed that *pesantren* has been undertaking many strategies and ways to mitigate the risk by observing the potential risks and providing the appropriate standard operating procedures (SOP) and applies written regulations to mitigate any risks in the *waqf* management itself. Some examples of measurements to reduce the risk of fraud were by optimizing the supervision, guidance, and evaluation of the whole performance of managers and workers of business units regularly in the form of financial auditing or activities controls, daily evaluation within each business unit, weekly evaluation, monthly evaluation, quarterly evaluations by the *waqf* foundation officials and administration (finance) office as well as headmasters of the institution.

5.4.3 Control of *Waqf* Management Activities

The internal control of the business activities of *waqf* units is carried out by *Waqf* Boards, headmasters, *waqf* foundations (the Board of Trustees) and administration officials or (Financial Division under the direct instruction of the headmasters). All combine to check and analyse the financial circulations including revenues, transactions, and disbursements.

The controlling and checking are focused on three regular reports: the saving balances, daily income and expenses statements, cash balances and withdrawals for weekly operations, and, finally, the record of total existing *waqf* assets (the old or new assets) and their depreciation (The result of interview with Participant 2).

5.4.4 Information and Communication

This study has revealed that the *waqf* management of *pesantren* has implemented internal control in the form of providing information about the *waqf* activities, including academic programs and non-academic ones, as well as the dynamism of *waqf* asset development and

¹¹ Interview with Participant 2, a member of *waqf* board and a headmaster of Dārussalām Gontor, on 4/1/2021

management through an annual report called as WARDUN (Warta Dunia). This annual report is conceived as an effective way to maintain the accountability, transparency, and responsibility of *waqf* management, which can naturally maintain and increase the people's trust. Therefore, trust is vital for Dārussalām Gontor's success through good *waqf* governance and increasing public trust.

5.4.5 Monitoring or Supervision Activities

According to Hussin et al., (2021) monitoring is a crucial component of developing effective *waqf* governance for *waqf* institutions. The monitoring or supervision system can be conducted through regular coaching or evaluation of the work performance of every manager and worker. The role of the supervisory board is crucial to guide, oversee, and evaluate the operations of *waqf* management carried by the managers. Furtherly, the intensive supervision of managers of *waqf* toward the workers directly can maintain and increase their performance in working and mitigate the risk they may conduct.

Waqf management of this *pesantren* has conducted the monitoring or supervision aspect can be shown from the regular coaching, evaluating held by the supervisory board including the headmasters and *waqf* foundation official towards the performance of working of managers or the workers in their operations as clarified by the participant 1¹². This monitoring, detecting, and supervising any performance of managers or employers is crucial to hinder the mismanagement and fraud. This study aligns with Nor Razinah et al., (2018) who asserted that monitoring is essential to circumvent the fraud and misuse of *waqf* management that occurred in the *waqf* institution.

The *waqf* management in *Pesantren* Darussalam Gontor may be raised, particularly in their good governance practices, by conducting at least five components of internal control with embedded values and committed human resources. Furthermore, flaws in *waqf* institutions might be concurrently identified. The *waqf* institutions may finally be run effectively and sustainably by addressing the deficiencies and recognising the positives. This is the relationship of values-based management, *waqf basyr* (human resources), and internal control to maintain the operational sustainability.

¹² Interview with Participant 1, a chairman of *waqf* Board and a headmaster of Dārussalām Gontor, on 4/12/2020.

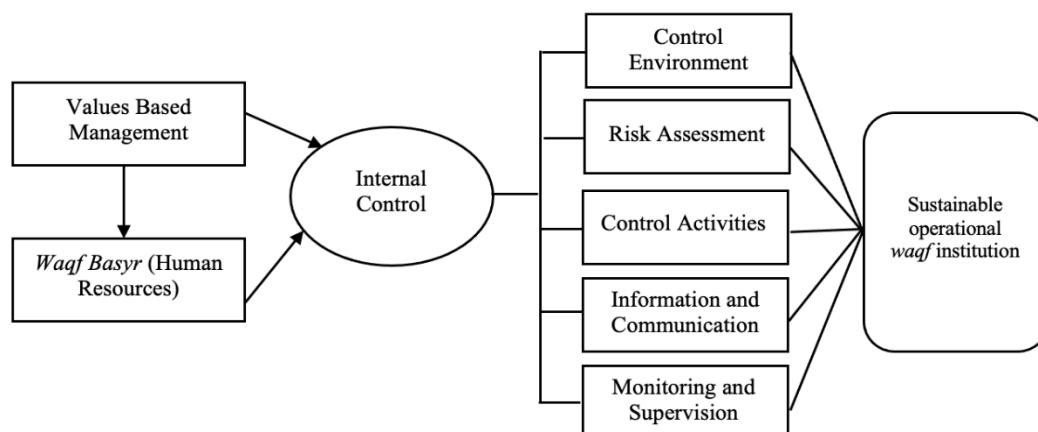


Figure 4.3. The Relationship of Values Based Management, Waqf Basyr, and Internal Control's Compositions

Source: Extracted by the researcher, 2023

6. Conclusion and Recommendation

The study reveals that combining culture, Islamic values, human *waqf* as social capital (human resources) in conducting intern control can ensure the operational sustainability of Darussalam Gontor. According to this study, these sustainability components are essential that *waqf* management should promote. In Darussalam Gontor the *waqf* management helps to run entire programmes, educational activities, and leadership. The results show that human *waqf* attempts to organise religiously connected social activities such as religious education, socio-economic help, such as developing waqf business enterprises, and other philanthropic activities.

Furthermore, the concept of *waqf basyr* applied in Darussalam Gontor could be a model and may be used to manage human resources and significant capital for national welfare and accomplish the specified aim as effectively as possible. Besides, this study highlights the internal control within *waqf* governance of *pesantren* Dārussalām Gontor. Internal management approaches are identified and studied in relation to control environment, risk management, control activities, information and communication, and monitoring or supervising activities have been supporting *waqf* management more effectively and efficiently.

The lessons learnt from this study, which concentrated on Darussalam Gontor, may be applied in other Islamic educational institutions. This study offers an innovative way of considering *waqf* management. It emphasises the values of Islamic religion in the case of educational institutions founded on *waqf*. These values can fit in well with managerial concepts. The motive of those who identify as human *waqf* is an example; they are driven not by compensation but by devotion to God the Almighty and humanity. They strive sincerely to perform to the best of their abilities because they have obligations to the organisation, society, and God.

The fact that Darussalam Gontor was the only *waqf* institution used in this case study technique was one of the research's limitations. As long as these institutions' local settings are considered, the lessons from this study may still apply to other waqf organisations throughout

Indonesia. However, examining how the sustainable *waqf* management idea is applied in other countries to maintain educational systems and improve social welfare would be equally vital.

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