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Analysis of Implementation the Good Nazir Governance (GNG) Index in Waqf Institutions

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Abstract**:** *This study investigates the implementation of Good Nazir Governance (GNG) in Indonesian Waqf Institutions, utilizing the GNG Index as an assessment tool. Despite the considerable potential of waqf in Indonesia, governance practices remain relatively underdeveloped. While the GNG Index presents a novel instrument for evaluating waqf performance, prior research on its application has been limited. This research aims to fill this gap by examining the extent to which waqf institutions adhere to GNG principles. Employing a mixed methods approach, combining qualitative and quantitative data collected through purposive sampling and a questionnaire, this study reveals that only 45 percent of the 20 sampled waqf institutions achieve a "compliant" rating on the GNG Index. These findings highlight the need for further efforts to enhance GNG practices in Indonesian waqf institutions.*

Key Words: *Good Nazir Governance; Waqf Institution; GNG Index*

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INTRODUCTION

The waqf sector in Indonesia is currently experiencing excellent growth and development. Nationally, based on data from the Ministry of Religion's Waqf Information System (SIWAK), Indonesia’s potential for land waqf reaches 440.5 thousand points with a total area of 57.2 hectares (Indonesian Ministry of Religion, 2023). The Indonesian Waqf Board (Badan Wakaf Indonesia, 2023) also recorded that the income throughout 2022 was more significant than the income collected during 2018–2021, namely IDR1.4 trillion as of March 2022, up from Rp855 billion. However, the Baitulmal Waqf Islamic Foundation (BWI) sets an annual waqf potential target of Rp2,000 trillion for waqf assets and Rp180 trillion for cash waqf, which is still far from the waqf potential in reality (Intan, 2019).

According to Pusat Kebijakan Sektor Keuangan (2019), waqf is a social instrument in the form of an endowment fund. In addition to having religious value, waqf assets must be prudently managed and invested to ensure their sustainability. The generated returns are then allocated towards various social, humanitarian, economic, educational, and da'wah programs, contributing to both national economic growth and social equality. Yunanda & Rahman (2016) underscore that the sustainability of waqf assets depends on the performance of the management institution. *Mutawalli*, or Waqf managers, bear the responsibility of managing and investing waqf assets to generate consistent returns. These returns are subsequently utilized to fulfill the specific waqf objectives.

Waqf management optimization is influenced by two key categories of factors, namely internal and external (Lubis et al., 2023). The internal factor includes Nazir's knowledge, understanding, and competence (Huda et al., 2014; Ilyas, 2017; Lahuri et al., 2023; Lenap et al., 2023; Lubis et al., 2023; Machmud et al., 2018; Muhammad & Sari, 2021; Safitri et al., 2021), certification (Lubis et al., 2023), trustworthiness, and professionalism (Ilyas, 2017; Kasdi, 2014; Lubis et al., 2023; Satyawan et al., 2018). External factors include the active wakif and community (Huda et al., 2014; Lubis et al., 2023; Muhammad & Sari, 2021); government rules or regulations that support waqf according to law and sharia (Huda et al., 2014; Lubis et al., 2023; Muhammad & Sari, 2021; Safitri et al., 2021; Satyawan et al., 2018); and the ease of access to media, information, and technology (Lubis et al., 2023; Safitri et al., 2021; Satyawan et al., 2018; Yolanda et al., 2020; Zulkarnaen et al., 2021).

Mahroji et al. (2022) identified several factors contributing to Nazir's failure to manage the waqf, which resulted in the Islamic Boarding School's bankruptcy. These factors include: 1) ineffective waqf management, which hindered the growth of the waqf asset and failed to produce sustainable results; 2) a lack of understanding among Islamic boarding school managers regarding productive waqf; 3) a lack of innovation and the ability to develop productive waqf; 4) weak financial supervision, resulting from a lack of separation between financial activities and financial reporting, which could lead to fraud; 5) financial reports do not adhere to the Financial Accounting Standards (PSAK); and 6) there is a lack of expert human resources in Islamic boarding schools who possess the necessary expertise in areas such as finance and operations, business units, and education.

Accountability plays a pivotal role in waqf optimization (Aryana, 2022; Aryana & Yuliafitri, 2023; Muhammad & Sari, 2021). Muhammad & Sari (2021) highlight the absence of a standardized accountability measurable system. Despite the publication of Sharia PSAK 112, which addresses waqf accounting, Nazirs still require more explicit guidance to implement the appropriate accountability process within waqf management (Aryana & Yuliafitri, 2023). This is primarily due to the persistent lack of financial reporting among numerous Nazir (Machmud et al., 2018; Monica et al., 2020). Moreover, despite the implementation of financial audit reports, the performance and productivity of waqf institutions have not shown substantial improvements (Yunanda & Rahman, 2016). To address these challenges, Safitri et al. (2021) propose several priority strategies, namely: 1) establishing educational institutions, fostering socialization, and promoting waqf education; 2) strengthening waqf information and technology systems; 3) enhancing governance through Good Nazir Governance; and 4) optimizing regulatory support from the government agencies.

Aryana (2022) emphasizes that Nazirs must implement good governance practices to ensure transparency and accountability within waqf institutions. Beyond aligning with Sharia principles and promoting institutional efficacy, good governance fosters principles, including transparency, accountability, credibility, efficiency, effectiveness, productivity, collaboration, risk management, reputation, and compliance. The adoption of these principles is instrumental in enhancing the overall performance of waqf institutions and cultivating trust between wakifs and Nazirs.

According to Manossoh (2016), the essence of good corporate governance (GCG) lies in its ability to improve organizational performance through supervision and monitoring of management performance by establishing clear management responsibilities and accountability towards various stakeholders based on the applicable rules and regulations framework. Manossoh (2016) further delineates several critical objectives of GCG, including: 1) augmenting organizational efficiency, effectiveness, and sustainability; 2) increasing the legitimacy of organizations that are managed transparently, equitably, and accountably; and 3) recognizing and safeguarding the rights and obligations of shareholders and stakeholders.

In the context of waqf institutions, good corporate governance (GCG) is intrinsically linked to Waqf Core Principle (WCP) No. 13. This principle, a cornerstone of the waqf system, as it influences all aspects of waqf operations, from asset collection and management to development, distribution, and reporting. The practical implementation of GCG indirectly fosters public trust in Nazir Waqf, leading to the optimization of waqf potential (As'har & Diana, 2019; Irianto, 2019). Moreover, GCG should be aligned with the maqasid sharia values, enhancing the well-being of individuals (World Zakat and Wakaf Forum, 2022).

Waqf supervisor guidelines stipulate in WCP No. 13 that waqf institutions must adhere to good governance policies and procedures for nazir. These guidelines encompass sharia compliance, strategic planning tools, a robust control environment, a deep understanding of waqf management principles, and clearly defined responsibilities for waqf administrators. In accordance with the ICFA (Institute of Certified Forensic Accountants) Resolution, management must uphold good governance practices through the oversight of a Sharia Advisory Board, effective management strategies, transparent reporting, and strict financial audits.

The Indonesia National Committee of Governance (Komite Nasional Kebijakan Governance, 2011) outlines five core elements of governance that prioritize excellence (*ihsan*) and the realization of maqasid sharia: transparency, accountability, responsibility, independence, and justice. Transparency is intended to maintain the objectivity of waqf instruments. Nazirs must ensure that relevant material and information is accessible and comprehensible to stakeholders. Moreover, transparency must reflect the principles of trust (*amanah*) and honesty (*sidq*). Accountability is critical, requiring Nazirs to be responsible for all their actions. Therefore, Nazirs must align their activities with Sharia principles and stakeholder interests in a precise and measurable manner. Responsibility involves adherence to applicable regulations and laws, as well as fulfilling obligations to society and the environment to ensure the long-term sustainability of the waqf and establish recognition as a reputable Nazir institution. Independence necessitates that Nazir are governed by a strict code of ethics, free from external influence. To uphold justice (*al-Adl wa al-Ihsan*), Nazir must implement a fair system that enhances the quality of waqf management and reflects principles of social justice.

Building upon the five core elements of WCP No. 13, the Good Nazir Governance (GNG) Index was developed as a global benchmark for effective waqf management. This weighted index, ratified at the 2022 World Zakat and Waqf Forum in Leeds, England, is a valuable instrument for ensuring compliance with legal and Sharia frameworks (World Zakat and Wakaf Forum, 2022). The GNG Index evaluates the quality of waqf management through various indicators categorized into four compliance levels: less compliant, materially non-compliant, mostly compliant, and compliant.

In addition to the GNG Index, BWI has introduced the National Waqf Index (IWN) and the Waqf Core Principles Implementation Index (IIWCP) as performance measurement tools. However, these tools differ in scope and methodology. While the IWN focuses on macro-level measurements, the GNG Index and IIWCP assess individual institutions at the micro-level. Furthermore, the dimensions, variables, and indicators employed in each tool vary. The IIWCP measures WCP No. 13-29 across three dimensions (core activities, governance, and risk management), while the GNG Index specifically targets the governance dimension, a core element within WCP No. 13.

Tanjung et al. (2022) conducted a comprehensive assessment of the waqf management performance of 31 Nazirs using the IIWCP. Their findings revealed a significant gap in adherence to IIWCP standards, with only 13% of Nazirs demonstrating "very good" performance. The remaining institutions exhibited varying levels of compliance, ranging from "poor" (32%) to "quite good" (26%). Notably, the governance component emerged as the most critical area requiring improvement.

The Indonesian Ministry of Finance's Fiscal Policy Agency underscored the suboptimal state of cash waqf governance, with a survey of 13 Nazir institutions yielding an index score of 0.309 (Pusat Kebijakan Sektor Keuangan, 2019). Triwibowo (2020) further examined the implementation of GCG principles in cash waqf management at BWU/T MUI DIY, revealing a lack of adherence to the principle of responsibility due to deficiencies in transparency, accountability, and registration with BWI.

Given the immense potential of waqf in Indonesia and the prevalent challenges in Nazirs governance, this research propose to analyze the implementation of the Good Nazir Governance (GNG) Index in waqf institutions. This relatively novel tool offers a unique advantage by assessing the performance of individual Nazir, focusing specifically on the core governance dimensions outlined in WCP No. 13. Moreover, the literature review highlights the lack of research on GNG Index implementation, with existing studies confined to case studies of specific institutions. This research aims to bridge this gap by employing the GNG Index to measure waqf management performance comprehensively.

RESEARCH METHODS

This research employs a mixed-methods approach, integrating qualitative and quantitative methodologies. Purposive sampling techniques were employed to select Nazir respondents, and data was collected through structured questionnaires designed to assess their perceptions of Good Nazir Governance (GNG) implementation.

A quantitative analysis was conducted using a multi-stage weighted index calculation derived from the Waqf Core Principle (WCP) No. 13 governance principles. This index comprises five dimensions: transparency, accountability, responsibility, independence, and justice. Each dimension is further divided into specific indicators outlined in the GNG Index. The assessment of Good Nazir Governance (GNG), based on the Technical Notes on Good Nazir Governance, is presented in the following table:

Table 1. Dimensions and Indicators of Good Nazir Governance (GNG)

Dimensions	Indicator
Transparency (T)	1. Nazirs has a policy or Standard Operating Procedure (SOP) for managing the funding sources of Nazir's rights. 2. Funding sources must comply with Sharia, existing regulations, and anti-money laundering/terrorism policies. 3. The proportion of waqf funds allocated to Nazir must comply with the percentage stipulated in the relevant regulations. 4. Double counting of funding sources for Nazir derived from waqf projects must be avoided. 5. The policy or Standard Operating Procedure (SOP) include planning, execution, monitoring, and mitigation actions in case the targets are not achieved.
Accountability (A)	1. Nazir has a complete organizational structure and job descriptions, complemented by appropriate organizational planning. 2. A healthy and complete organization consists of at least a chairperson, secretary, treasurer, and a structure that carries out the following functions: a. Waqf collection b. Managing assets and finances c. Waqf development d. Distribution and empowerment of beneficiaries e. Internal audit and sharia supervision f. Risk management g. Reporting and communicating 3. Nazir institutions must have proper and correct SOPs and dedicate a structure or committee for good Nazir governance to ensure the efficiency and effectiveness of the implementation of organizational functions, as emphasized in point 2. 4. The quality, integrity, and character of the Nazir must be honest, trustworthy, upright, and virtuous.

Dimensions	Indicator
	5. Nazir institutions must have certified professional Nazirs. Certification must be carried out by an independent waqf supervisor recognized by a professional certification institution. 6. The Nazir has a regular human development program to improve their competence in risk management, auditing, and business. 7. Nazir has a policy or SOP regarding the mechanism of *istibdal* (exchange of waqf assets) to guarantee the sustainability of waqf assets for the benefit of the beneficiaries.
Responsibility (R)	1. Nazir institutions must have audited annual financial statements. 2. Nazir institutions must have audited annual sharia reports. 3. Nazir institutions must have semester-based internal risk management reports. 4. Nazir institutions must comply with government information/public regulations.
Independency (I)	1. Nazir institutions must have a well-defined and comprehensive code of ethics. 2. Nazir must not accept gifts or other benefits that could influence their objectivity in carrying out their duties and programs. 3. Nazir must have an ethics committee responsible for ensuring the implementation of a sound code of ethics. 4. Nazir must have an appropriate reward and punishment system. 5. Nazir officers must sign a declaration of ethical commitment to ensure their fulfillment of ethical responsibilities. 6. Any potential or perceived conflicts of interest that could harm Nazir's reputation and performance must be disclosed and proactively managed. 7. Nazir institutions must have proper SOPs for the appointment of independent external auditors.
Fairness (F)	1. Nazir institutions must have a policy or Standard Operating Procedure (SOP) for equitable human resource recruitment. 2. Nazir institutions must have a dedicated policy or SOP for human resource development. 3. This policy should encompass planning, implementation, evaluation, and reporting on both recruitment and human resource development.

Dimensions	Indicator
	4. Nazir institutions must provide clear career paths and a fair remuneration system for their human resources.

Source: World Zakat and Wakaf Forum (2022)

Following the completion of all assessment columns in the table above, the calculation of each indicator was performed using the formula specified in the Technical Notes on Good Nazir Governance, as follows:

$$S_i = \frac{S_a - S_{min}}{S_{max} - S_{min}}$$

Where:
S_i = Indicator scores
S_a = The actual score checked in the indicator column
S_{max} = Maximum indicator score
S_{min} = Minimum indicator score

The calculation of the overall GNG Index adheres to the guidelines outlined in the Technical Notes on Good Nazir Governance (World Zakat and Wakaf Forum, 2022) as illustrated below:

$$\textit{GNG Index} = 0.24T+0.29A+0.13R+0.12I+0.22F$$

Where:
GNG Index = *Good Nazir Governance Index*
T = Transparency Indicator Scores
A = Accountability Indicator Scores
R = Responsibility Indicator Scores
I = Independence Indicator Score
F = Fairness Indicator Scores

The score formula for each indicator is based on the Technical Notes on Good Nazir Governance, as illustrated below:

Transparency (T)	$T = 0.14T1+0.25T2+0.17T3+0.15T4+0.29T5$ T = Transparency indicator scores T1, T2, T3, T4, T5 = indicators in the transparency dimension
Accountability (A)	$A = 0.10A1+0.19A2+0.13A3+0.17A4+0.14A5+0.18A6+0.09A7$ A = Accountability indicator scores A1, A2, A3, A4, A5, A6, A7 = indicators in the accountability dimension
Responsibility (R)	$R = 0.30R1+0.29R2+0.21R3+0.20R4$ R = Responsibility indicator scores R1, R2, R3, R4 = indicators in the responsibility dimension
Independency (I)	$I=0.14I1+0.10I2+0.15I3+0.22I4+0.12I5+0.17I6+0.10I7$ I = Independence indicator score I1, I2, I3, I4, I5, I6, I7 = indicators in the independence dimension
Fairness (F)	$F = 0.20F1+0.22F2+0.36F3+0.22F4$

F = Fairness indicator scores
F1, F2, F3, F4 = indicators in the justice dimension

Following the measurement of the GNG Index, the results were categorized into four distinct groups representing varying levels of compliance: less compliant, materially non-compliant, largely compliant, and compliant. The specific criteria for each group align with the guidelines in the Technical Notes on Good Nazir Governance, as illustrated below:

Table 2. Good Nazir Governance (GNG) Compliance Level Categories

Range Of GNG Index	**Interpretation**	**Explanation**
0.00 – 0.25	Less-compliant	A Nazir institution will be classified as less compliant with Good Nazir Governance (GNG) technical notes if it exhibits significant deficiencies, despite the presence of GNG indicators, and meets at a quarter of the established indicators. Similarly, a Nazir institution will be considered non-compliant with Good Nazir Governance (GNG) technical notes if it displays serious deficiencies or meets at most a quarter of the GNG indicators, even if these indicators are present.
0.26 – 0.50	Materially non-compliant	A Nazir institution will be classified as less compliant with Good Nazir Governance (GNG) technical notes if it exhibits significant deficiencies despite the presence of GNG indicators and meets at most half of the established indicators.
0.51 – 0.75	Largely compliant	Nazir institutions will be considered largely compliant with the technical note on Good Nazir Governance (GNG) if they display minor deficiencies, wherein at most three-quarters of the GNG indicators are met.
0.76 – 1.00	Compliant	Nazir institutions will be considered compliant with the Good Nazir Governance (GNG) technical notes if they have insignificant deficiencies, and meet more than three-quarters of the GNG indicators.

Source: World Zakat and Wakaf Forum (2022)

RESULTS AND DISCUSSION

Nazir Respondent Demographic Data

This research encountered several challenges during the data collection phase, primarily related to time constraints and a low response rate. Despite distributing 256 questionnaires via email, only 29 were returned. After a thorough data processing process, 20 of these responses were deemed suitable for further analysis. The following table is a list of the 20 respondents who completed the questionnaire:

Table 3. List of Nazir Respondents

No.	Name of the Waqf Institution	STBPN	Province	Registration date
1	Yayasan Bakrie Amanah	3.3.00382	DKI Jakarta	21/06/2023
2	Yayasan Yuk Peduli	3.3.00340	West Java	19/12/2022
3	Yayasan Forum Pemuda Bangun Negeri	3.3.00348	West Java	31/01/2023
4	KSPPS Benteng Mikro Indonesia	3.3.00190	Banten	08/03/2018
5	Yayasan Baitul Maal PLN	3.3.00304	DKI Jakarta	25/10/2021
6	Yayasan Dompet Dhuafa	3.3.00100	DKI Jakarta	10/02/2015
7	Yayasan BSI Maslahat	3.3.00201	DKI Jakarta	16/01/2019
8	Yayasan Badan Wakaf Assyifa Alkhoeriyyah	3.3.00280	West Java	13/04/2021
9	Lembaga Wakaf Uang UNISIA	3.3.00250	Yogyakarta	03/07/2020
10	KJKS BMT Binamas	3.3.00018	Central Java	11/02/2014
11	Yayasan Inisiatif Wakaf	3.3.00172	West Java	21/02/2017
12	Yayasan Gelora Energi Wakaf	3.3.00368	DKI Jakarta	21/03/2023
13	Perkumpulan Persada Jatim Indonesia	3.3.00390	East Java	30/08/2023
14	Pelita Umat Yogyakarta	3.3.00392	Yogyakarta	30/08/2023
15	KSPPS BMT Nurul Islam	3.3. 00291	Riau Islands	31/08/2021
16	Yayasan DASI NTB	3.3. 00287	West Nusa Tenggara	31/08/2021
17	Yayasan Bina Wakaf Insani	3.3.00347	West Java	31/01/2023
18	Yayasan Kesejahteraan Madani	3.3.00102	DKI Jakarta	11/06/2015
19	Yayasan Wakaf Haroen Aly	3.3.00254	Aceh	17/07/2020
20	Universitas Airlangga	3.3.00199	East Java	27/09/2018

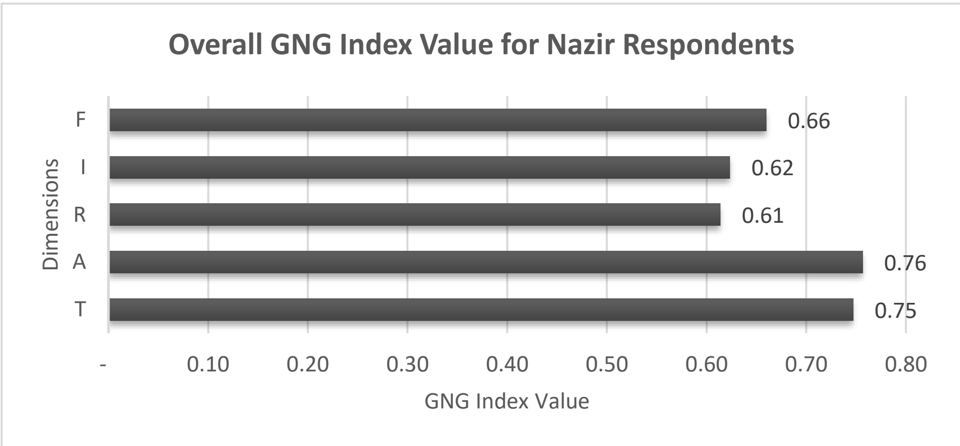
Source: Data Processed

Based on institutional criteria, the respondent data was categorized into four groups: philanthropy and humanity, financial institutions (BMT), universities, and community organizations. The analysis revealed that the majority of Nazir respondents (65%) are affiliated with philanthropic or humanitarian institutions. Financial institutions or BMT account for 15% of respondents, while universities and community organizations each represent 10% of the sample.

Regarding the year of registration year with the Indonesian Waqf Board, 70% of Nazir respondents registered prior to 2023 (between 2014 and 2022), while the remaining 30% registered in 2023.

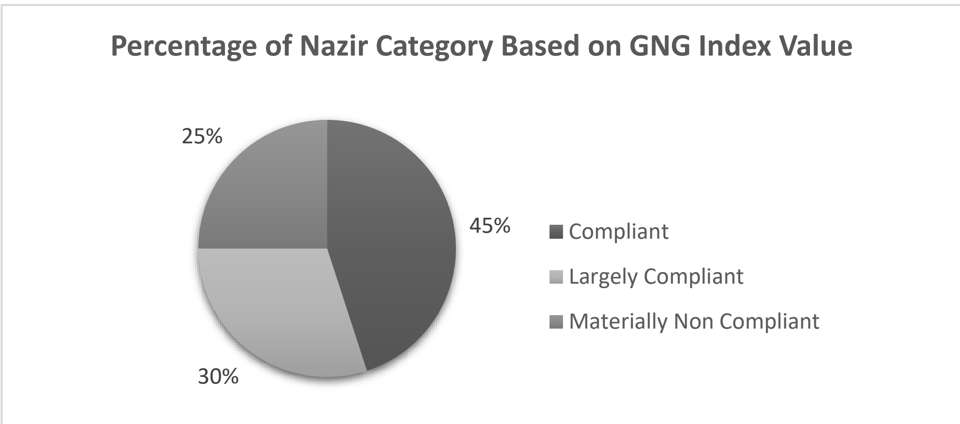
GNG Index Value for Nazir Respondents

Graph 1 shows the overall GNG Index Value of 20 Nazir Respondents, ranging from 0.30 to 1.00. The index is classified into three categories: materially non-compliant, largely compliant, and compliant. The average GNG Index value across all Nazirs was 0.70, indicating a largely compliant status. Based on the result analysis, the highest average scores were in the Accountability (0.76) and Transparency (0.75) dimensions, followed by Justice (0.66), Independence (0.62), and Responsibility (0.61). Overall, these results suggest that most Nazirs have effectively implemented the principles of Good Nazir Governance.



Graph 1. Overall GNG Index Value for Nazir Respondents

Graph 2 reveals that 45% of Nazirs are fully compliant with the GNG Index, scoring between 0.76 and 1.00. However, 30% are largely compliant (0.55-0.71), indicating partial implementation, and 25% are materially non-compliant (0.30-0.50), suggesting they are in the early stages of implementation.



Graph 2. Percentage of Nazir Category Based on GNG Index Value

GNG Index Value per Dimension for Nazir Respondents

Regarding transparency, 55% of Nazir respondents demonstrated compliance (scoring between 0.78-1.00), while 30% exhibited largely compliant behavior (0.52-0.75). However, 15% were found to be materially non-compliant (0.50) in this dimension. In terms of accountability, 55% of Nazirs were compliant (0.76-1.00), 15% were largely compliant (0.57-0.75), and 20% were materially non-compliant (0.38-0.50).

For responsibility, 35% of Nazir respondents demonstrated compliance (0.79-1.00), 30% were largely compliant (0.56-0.71), 20% were less compliant (0.10-0.25), and 15% were materially non-compliant (0.31-0.50). In relation to independence, 40% of Nazirs were largely compliant (0.55-0.70), 35% were compliant (0.83-1.00), 15% were less compliant (0.00-0.11), and 10% were materially non-compliant (0.37-0.50). Finally, in terms of fairness, 45% of Nazir respondents were compliant (0.89-1.00), 30% were materially non-compliant (0.50), 15% were less compliant (0.00-0.21), and 10% were largely compliant (0.61-0.71).

GNG Index Value per Indicator: Areas for Improvement

An analysis of the average GNG Index scores per indicator reveals several critical areas requiring attention among Nazir respondents:

1. Nazir institutions must prioritize the preparation of audited Sharia annual reports (0.48).
2. Appropriate Standard Operating Procedures (SOPs) for the appointment of independent external auditors should be establised (0.53).
3. Nazir should have an ethical committee that is responsible to ensure the soundness of the ethical code of conduct implementation (0.58).
4. Nazir institutions should develop clear policies or SOPs regarding the *istibdal* mechanism (exchange of waqf assets) to safeguard the continuity of waqf assets for the benefit of beneficiaries (0.58).
5. The availability of policy or SOP that includes planning, implementing, controlling, and mitigating action in case the target is not achieved (0.58).

Analysis of the Implementation of the GNG Index

Compliance Analysis

The survey, administered to 20 Nazir respondents, yielded several key findings. The survey results indicate that only 45% of Nazir respondents achieved compliance with the GNG Index, scoring between 0.76 and 1.00. This suggests that the widespread implementation of the GNG Index remains a challenge for many Nazirs. The low overall compliance aligns with the findings by Tanjung et al. (2022) and Pusat Kebijakan Sektor Keuangan (2019). Several factors contribute to this: Firstly, 30% of the respondents were newly registered Nazirs with the Indonesian Waqf Board in 2023, which likely influenced their perception of the GNG Index due to their lack of knowledge and education about it. These factors could hinder the implementation of the GNG Index, particularly in areas such as audited financial reports and the development of Standard Operating Procedures (SOPs) or institutional policies (Ilyas, 2017; Lenap et al., 2023). Additionally, new Nazirs may require a deeper understanding of how to apply the GNG Index in waqf asset management properly. Secondly, some Nazir respondents still need to optimize the implementation of the principles of transparency, accountability, responsibility, independency and fairness as measured in the GNG Index. An analysis of average GNG Index scores per dimension reveals that accountability (0.76) meets the compliance threshold, while transparency (0.75), responsibility (0.61), independence (0.62), and fairness (0.66) fall within the largely compliant category. This suggests that while Nazirs generally demonstrate strong performance in accountability, there is room for improvement in the remaining dimensions to achieve full compliance with the GNG Index.

Transparency

Regarding transparency, several Nazir institutions still require comprehensive policies or Standard Operating Procedures (SOPs) to govern waqf fund collection and distribution's planning, implementation, control, and mitigation stages. The absence of such SOPs can hinder Nazirs' ability to effectively manage and monitor waqf funds, as well as to respond to unexpected situations (Dahlan, 2018; Purwani & Santoso, 2022).

In addition, concerning accountability, many Nazirs have yet to develop policies or SOPs for the *istibdal* mechanism (exchange of waqf assets), which is crucial for ensuring the continuity of waqf assets for the benefit of beneficiaries. The lack of clarity regarding *istibdal* procedures can increase the risk of errors or misuse of waqf assets (Arifin et al., 2020).

Strict supervision of waqf management is necessary to guarantee adherence to applicable sharia rules and principles (Iskandar et al., 2020). The existence of guarantees regarding the legality of waqf transactions, such as waqf deeds and certificates, is also essential. A detailed and well-documented process is necessary to ensure the validity and legality of these documents following the law, thereby promoting transparent waqf operations. It is anticipated that a robust legal framework, transparent regulations, and stringent supervision of waqf management would facilitate smooth and transparent waqf practices, ultimately achieving the goals of community empowerment and sustainability.

Accountability

This research reveals that a significant number of newly appointed Nazirs still need to review the mandatory annual financial reports despite the legal mandate for such reports. This oversight has serious implications for the transparency and accountability of waqf management, potentially contributing to financial irregularities and a lack of oversight.

As Monica et al. (2020) suggested, the unfamiliarity of new Nazirs with the GNG Index could hinder their ability to prepare financial reports that align with established standards and requirements. Moreover, new Nazirs might require assistance in comprehending how to formulate rules and policies that are in line with the principles of GNG Index.

To address this issue, the Indonesian Waqf Board (BWI) and relevant stakeholders must prioritize raising awareness and enhancing knowledge of the GNG Index among Nazirs, particularly newly appointed ones. BWI can facilitate training and educational programs to introduce the concept of the GNG Index, providing practical guidance and accessible reference materials.

Responsibility

The study reveals that in terms of responsibility, a significant number of Nazir institutions have yet to provide audited annual Sharia reports. Despite the crucial role of these reports in ensuring compliance with Islamic principles and financial transparency, this oversight represents a significant deficiency in waqf governance. Such omissions can undermine public trust in the integrity of waqf institutions. This research corroborates previous findings by Monica et al. (2020), which emphasize the significance of audited annual Sharia reports as an indicator of compliance with GNG principles.

The results of this study highlight a persistent gap between theory and practice, as some Nazir institutions have not fulfilled their obligations to provide audited annual Sharia reports. This underscores the need for further efforts to raise awareness and understanding of the importance of transparency through independent financial reporting.

Independency

Financial reports must be meticulously prepared and audited by a reputable public accounting firm to ensure high accountability (Lubis et al., 2023). The role of independent external auditors is paramount in providing objective oversight, guaranteeing accurate financial reporting, and evaluating the performance of Nazir institutions (Ahmad, 2019; Hasanah & Kurniawan, 2019; Pahlevi, 2020). However, many Nazir institutions still require standardized procedures for appointing independent external auditors. Furthermore, ethical commitment documents, designed to reinforce moral responsibility among waqf administrators, are not universally implemented. This lack of adherence can lead to ethical lapses, mismanagement of funds, and a subsequent erosion of public trust in waqf organizations.

Fairness

Regarding fairness, several Nazir institutions lack standardized operating procedures (SOPs) or policies for planning, implementation, control, and reporting of human resource (HR) recruitment and development. This deficiency can hinder equitable recruitment and development practices, potentially leading to injustices in promotions and employees welfare (Dahlan, 2018; Hasanah & Kurniawan, 2019; Pahlevi, 2020).

Effective human resource management is crucial for creating a conducive work environment that enables HR to perform optimally. Organizations managing waqf must also implement good leadership and management practices (Irianto, 2019) to foster a positive organizational culture and motivate HR to perform at their best. Good HR governance should be a priority, including implementing effective and sustainable HR training and development programs. By providing relevant training, human resources will acquire the knowledge and skills to effectively manage waqf assets (Muhammad & Sari, 2021).

Cultivating an excellent organizational culture requires understanding and instilling integrity, professionalism, and high work ethics. Additionally, the availability of adequate human resources with relevant expertise are also key factors. Human resources must be professional, trustworthy, and possess the necessary knowledge and experience in waqf asset management and administration (Ilyas, 2017).

Implementing an equitable and appropriate remuneration system for waqf fundraisers, coupled with transparent, performance-based reward and punishment policies, is crucial. This approach has been demonstrated to motivate and encourage human resources (HR) to achieve optimal performance (Manossoh, 2016; Yuliafitri & Rivaldi, 2017). By prioritizing critical HR factors, waqf management organizations can cultivate a robust, professional team capable of effectively managing waqf assets, thereby maximizing benefits for the community.

CONCLUSION

This research investigates the implementation of the Good Nazir Governance (GNG) Index within Indonesian Waqf Institutions. A survey of 20 Nazir respondents revealed that only 45% were in fully compliance with the GNG Index. To address this issue, the Indonesian Waqf Board (BWI) and relevant stakeholders should prioritize raising awareness and knowledge of the GNG Index among Nazirs, particularly newly appointed ones. BWI can organize training and educational programs to introduce the concept of the GNG Index, providing practical guidance and accessible reference materials.

To optimize GNG implementation, several strategies can be employed: (1) strengthening relevant waqf regulations at the government level; (2) establishing a clear organizational structure, documenting systems and procedures, and fostering a supportive organizational culture within waqf institutions; (3) implementing robust internal controls, effective risk management, and a strong sense of duty and responsibility at all levels of the organization; (4) instilling GNG values in human resources (HR) and ensuring fair remuneration for waqf fundraisers; (5) enhancing HR competency through continuous training and development; and (6) implementing transparent, fair, and performance-based reward and punishment policies to encourage optimal HR performance.

The authors acknowledge that this research has limitations and shortcomings. Firstly, the questionnaire distribution did not differentiate between respondent positions, potentially leading to responses that only partially reflect the actual situation. Secondly, the number of research respondents was limited, with only a few Nazir institutions willing to participate. Thirdly, some overlap exists between indicators within the GNG Index dimensions. Therefore, future research should adopt a more comprehensive and diverse sampling strategy to include representatives from various levels within Nazir institutions. Increasing the sample size would enhance the generalizability of the findings. Refining the GNG Index, such as addressing overlapping indicators, could enhance its effectiveness as an assessment tool.

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