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Article

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Halal value chain integration in food court establishment through *Cash Waqf Linked Sukuk*: evidence from Indonesia

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ABSTRACT

The monitoring of upstream and downstream halal standards is crucial for Indonesia due to its large Muslim population and the increasing global demand for halal products. Indonesia has the potential to become a leading center for the Sharia economy and finance. Thus, developing the halal food and Islamic finance sectors is one strategy to unlock their potential, while strengthening the halal-value chain ecosystem further aids the expansion of the halal food industry. Therefore, this study aims to develop the halal food sector and the Islamic financial sector by integrating the halal value chain into the establishment of a food court financed through the Cash Waqf Linked Sukuk (CWLS) Islamic financial instrument. This study used qualitative methods with primary and secondary data sources. The primary data came from observations and interviews with the Indonesian Waqf Board (BWI). While the secondary data used in this study includes research findings regarding the Halal Value Chain as well as the framework for the application of CWLS funds. The result shows that accelerating the establishment of a halal food court ecosystem can be implemented through CWLS funding. This framework offers financial assistance while maintaining the halal status of food court management. This study provides suggestions to the government on how to enhance the halal ecosystem for Indonesia's halal ecosystem improvement.

Glossary: Asma Allah: The name of Allah; Basmallah: A plea commonly recited by Muslims at the beginning of every task; Halalan Thayyiban: Permissible for consumption and contains benefits for the body.; Hayah Mustaqirah: Ensuring the circulation of blood and/or the movement of animals as indicators of animal life; Ijab: Proposal; Jhatka: The slaughter of animals performed according to the Sikh law; Mauquf 'Alayh: The party appointed to obtain benefits from the allocation of waqf assets; Nazir: Individual or organization appointed to oversee and manage the waqf property; Qabul: Acceptance; Qibla: The designated direction that every Muslim must face when doing their prayers.; Ritual Kosher: Regulations for the preparation, processing, and consumption of food within the Jewish tradition; Shigat: Statement of acceptance; Ujrah: Commission or fee charged for services provided; Waqf: Islamic philanthropic practice where an individual or institution donates a specific asset; Wakif: The individual or entity that donate waqf; Zabiha: The rules of slaughtering an animal to make it Halal for consumption

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SUBJECTS

Finance; Social Entrepreneurship; Innovation Management

1. Introduction

Waqf is an important Islamic financial instrument that plays a dual role in economic progress and social activities. Various efforts have been made to improve the productivity of waqf assets, including the utilization of cash waqf to be more productive and flexible. This encourages the improvement of people's welfare by increasing economic growth (Mohd Thas Thaker et al., 2016). Director General of Financing and Risk Management of the Ministry of Finance, Republic of Indonesia, explained that the issuance of the CWLS Retail was an effort by the government to encourage the National Waqf Movement. The purpose of the CWLS is to provide a forum that makes it easy for the money waqf giver (*wakif*), both

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temporary and permanent, to place the money waqf to be invested in State Sukuk, the returns of which then become a source of financing for social activities that are safe, trustworthy, easy, productive, and intact inclusive and sustainable economy. The security of the large amounts of waqf money to be managed and guaranteed by the state is also the background of the CWLS.

According to a report from the Royal Islamic Studies Center (RISSC) 2022, Indonesia has one of the largest Muslim populations globally, with almost 87% of its residents identifying as Muslims. The presence of a significant demographic group is a great opportunity to encourage the national waqf movement and has a strong market demand for halal products and services, with the halal food industry playing a crucial role that is expected to continue to grow. Current global market conditions, when based on the needs of Muslim communities worldwide, certainly lead to strong competition in the halal industry. Entrepreneurs are particularly interested in this industry because of its enormous development potential. This fact demonstrates that the halal business has attracted many countries, including Indonesia, to compete to become the largest producer of halal products.

Indonesia's culinary industry is experiencing significant growth due to the increasing consumption patterns and lifestyle shifts. Based on Central Bureau of Statistics (BPS) data The culinary sector contributes 41% of the country's GDP and has seen a 3.68% increase in business in June 2022, compared to 2.95% in 2021. The growth is driven by information and communication technology, allowing businesses to quickly expand. These developments highlight Indonesia's promising potential in advancing its halal industry and become a leading player in the global industrial sector and halal market. The halal industry, including halal value chains, has the potential to support the development of Islamic economics in Indonesia, and the government is taking steps to incorporate sustainable halal values in the country's Islamic economic master plan (Yazid et al., 2020).

The halal value chain covers several industrial sectors from upstream to downstream and plays an important role in advancing Indonesia's economy in Indonesia (Hasan, 2021). In this case, the halal value chain is a concept for managing a business ecosystem that includes several aspects such as financing or funding, production processes, and regulations. Integrating the halal value chain in Indonesia is essential for various reasons. Initially, it can enhance customer confidence in halal products, resulting in a change in consumer behavior (Zain et al., 2018). Additionally, it can establish Indonesia as a worldwide center for the halal industry, enabling in the advancement of Islamic economics (Hasan, 2021). Additionally, it can tackle counterfeiting and uphold the quality of halal food and beverages (Mahsun et al., 2023). Finally, it can enhance local knowledge and worldwide market prospects, promoting the Islamic economy (Yazid et al., 2020).

Micro-, small-, and medium-sized enterprises (MSMEs) have significant potential for growth in the halal food sector, particularly in Indonesia, which has the largest halal food product market globally. According to The State of the Global Islamic Economy Report 2022, the expenditure of Muslims on food rose by 6.9% in 2021, reaching \$1.27 trillion by 2025. The halal food sector has moved from 4th to 2nd globally, with Indonesia's industry experiencing significant expansion due to halal food exports to other nations under the Organization of Islamic Cooperation (OIC). However, the industry currently accounts for only 3.8% of global economic activity (Figure 1).

Hence, the government persists in its efforts to achieve the top global position in the halal food industry. Diverse initiatives have been undertaken, including the optimization of halal certification, to guarantee the halal status of products and fulfill the requirements of Muslims who consume halal products. In addition, the National Committee for Sharia Economics and Finance (Komite Nasional Ekonomi dan Keuangan Syariah, abbreviated KNEKS), together with other stakeholders, works to realize the Halal, Safe, and Healthy Culinary Zone area (KHAS Zone), which is expected to become an area with the appropriate *halalan thayyiban* standard (KNEKS, 2019). The primary emphasis in this instance is on Micro, Small, and Medium Enterprises (MSMEs) operating in the halal food industry. Culinary enterprises, which are a subset of MSMEs, have demonstrated resilience and play a crucial role in supporting the national economy, particularly in the aftermath of the Covid-19 outbreak.

The Islamic finance sector is an integral part of the development of the halal industry alongside the halal food and beverage sector. Based on State of the Global Islamic Economy 2022 Report, Indonesia's ranking in Islamic economics and finance hold the 6th position globally, which still lags significantly behind the halal food industry. In this case, the government has made new innovations as an alternative to Islamic

Government Benchmarks

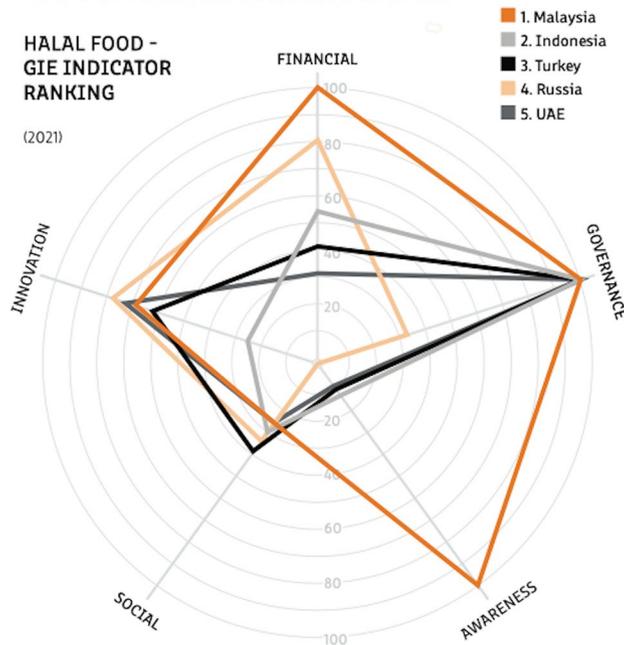


Figure 1. Halal food Gie indicator ranking (Based on: State of the Global Islamic Economy Indicator (SGIEI) Report 2022 produced by DinarStandard with the support of Dubai Economy and Tourism).

finance engaged in the waqf world, namely Cash Waqf Linked Sukuk (CWLS), which can help finance social programs, empower the people's economy, and provide support for the Islamic economy by strengthening the halal value chain ecosystem. Research conducted by Mudriqoh (2023) utilizes the great potential of CWLS as a source of financing for the recovery of the national economy during the Covid-19 pandemic. The financing mechanism is through the issuance of state sukuk; returns are then used to finance various government programs that have an impact on the benefit of the people. Furthermore, Oubdi and Raghibi (2018) state that the more waqifs entrust their money to be represented in state sukuk, the more MSMEs are provided with business capital assistance. Thus, to optimize the use of CWLS returns, which aims to encourage the global development of the halal industry, the author explores the potential of CWLS as a financing instrument engaged in the halal food sector, especially in the establishment of halal food courts. Hence, this study aims to develop halal food and Islamic financial sectors by integrating the halal value chain into the establishment of a food court financed through the Cash Waqf Linked Sukuk.

There are several studies related to this research, such as Humaidi et al. (2023), Muhsin et al. (2023), Siswanto (2022), Maesarach et al. (2022) examined the CWLS potential to become a new alternative source of funding for MSME sector. While, Mudriqoh (2023), Sari (2023), Rahman et al. (2021), and Sulaeman et al. (2022) explored the potential of Cash Waqf Linked Sukuk (CWLS) as a financing tool for Indonesia's economic recovery post-Covid-19. Furthermore, Ubaidillah et al. (2021) provide a scheme for financing infrastructure based on Cash Waqf Linked Sukuk. Finally, Fauziah et al. (2021) analyzed Cash Waqf Linked Sukuk for social impact sustainable projects in Indonesia and Yunita (2020) developed a comprehensive strategy that combines Islamic social finance, government sukuk funding, and Indonesia's food security. Of all the research that has been conducted, no research has been discovered that specifically addresses the creation of a halal food court with CWLS returns. Hence, this study aims to fill a gap in existing literature by examining the creation of a halal food court with cash waqf linked sukuk, contributing to Islamic finance literature. Furthermore, this study proposes to further develop the concept of CWLS in the halal culinary industry, which is a part of halal value chain sector. It provides an overview of the strategies that can be used to improve the halal ecosystem in Indonesia. This study findings provide a financing model using CWLS for halal food court establishment and the application of halal value chain in the food court.

The study is divided into six sections. The first part consists of an introduction that discusses the background of the research problem; the second part discusses the literature review that explains about

halal value chain, food court, and cash waqf linked sukuk; the third part discusses related research methodologies used in this research; the fourth part explains the results and findings of the study; and the last part presents conclusions, limitations, and suggestions for further research.

2. Literature review

2.1. *Waqf as Islamic financial instrument in Indonesia*

Waqf, a key Islamic financial instrument, has historically played a crucial role in socio-economic development, particularly in providing social welfare services, including healthcare, education, and welfare (Baqutayan & Mahdzir, 2018; Zuki, 2012). It is also a significant tool in poverty alleviation and wealth redistribution, in conjunction with zakat (Razak, 2020). Furthermore, waqf institutions have been instrumental in addressing social security challenges and promoting economic growth (Aliyu, 2022). The Waqf institution can play a significant role in Indonesia in various ways. There are numbers of literature emphasize the varied and significant impact that the Waqf institution can have in Indonesia. Budiman (2011) emphasizes the potential of environmental conservation, whereas Fakhrunnas and Musta'in (2017) emphasizes its role in supporting the agriculture sector, specifically through the handling of waqf money by Islamic banks. Gustina and Ihsan (2020) highlights the significance of waqf in supporting higher education, especially amidst increasing education expenses. Lastly, Hakim and Sarif (2021) discusses the role of productive waqf in community economic empowerment, citing the successful management of a gas station business unit by the Muhammadiyah Regional Board of Lumajang, East Java.

Waqf assets must be managed to generate income, which in turn is used to finance public services. When waqf is fulfilled, there is a shift from private property ownership to social ownership. Various studies have examined the notion of waqf, which refers to endowments, as a method for advancing social welfare and development. Shaikh et al. (2017) and Medaline et al. (2020) highlight the capacity of waqf to address the void created by inadequate governance and limited financial institutions while also promoting a balance between private and societal interests.

Waqf has great potential as an Islamic financial instrument. This can be seen in the analysis report on the performance of waqf management in 2022. The National Waqf Index (NWI) in 2022 revealed a growth of 0.274% in waqf, surpassing the growth rate in 2021 by 0.135%. This indicates that the potential of waqf has not been fully utilized and efficiently managed. The conventional interpretation of waqf, which restricts it to immovable assets, has impeded its capacity for societal and economic progress (Ardiyansyah & Kasdi, 2021; Hariyanto, 2022). The discourse surrounding the waqf of movable objects has emerged primarily within specialized circles in recent years without reaching the general public. The waqf of movable objects encompasses assets that are not depleted by consumption such as currency, precious metals, securities, vehicles, intellectual property rights, and lease rights. Currently, cash waqf is a widely discussed subject. Cash waqf as a productive waqf instrument was relatively new in Indonesia after the Indonesian Ulema Council (Majelis Ulama Indonesia, abbreviated MUI) issued a fatwa on the permissibility of cash waqf in 2002. The presence of Law No. 41/2004 on Waqf in Article 16 emphasizes that waqf is not only in the form of immovable objects, but also in movable objects. The Indonesian Waqf Board (Badan Wakaf Indonesia, abbreviated BWI) noted that the acquisition of cash waqf in March 2022 reached 1.4 trillion rupiah and has the potential to reach 180 trillion rupiah per year. There is enormous potential for cash waqfs in Indonesia. Hence, cash waqf has emerged as a source of optimism for several stakeholders, serving not only religious purposes but also as a means to enhance the economic well-being of the community.

2.2. *Overview halal value chain for food court establishment in Indonesia*

The Halal value chain is an intricate system that involves multiple stages, starting with the acquisition of raw materials for consumption. This system requires cooperation and ongoing enhancements (Perdana, 2020). This system is of significant importance in the food industry because of variables such as the use of halal animal feed, adherence to proper slaughtering practices, and the implementation of segregation

techniques (Omar, & Jaafar, 2011). The concept of halal logistics and supply chains is crucial for maintaining the authenticity of halal products across an entire supply chain (Jaafar et al., 2016).

Presently, the halal industry is experiencing rapid growth and advancement across several industries, including food and beverages, finance, fashion, cosmetics, medicine, tourism, entertainment, healthcare, travel, and education. The halal value chain is a crucial strategy for the Indonesian halal industry, particularly in the food and beverage sector, because it enables producers to compete globally (Charina, & Charisma, 2023). Public awareness of the importance of consuming halal products plays a significant role in driving the development of halal value chains (Fitri et al., 2022). This is further supported by the increasing global demand for halal products, which has transformed the halal industry into an emerging market. The implementation of halal food management in Indonesia, as mandated by law, is also a key factor in the success of halal value chains (Hasan, 2021).

The endeavor to establish Indonesia as the focal point of the Islamic economy by bolstering the halal value chain is substantiated by a variety of research studies. Yazid et al. (2020) highlighted the capacity of halal industries, including food, tourism, fashion, and medicine, to propel Islamic economic growth. Amalia and Hidayah (2020) highlighted significant obstacles, such as regulatory issues, workforce limitations, and lack of public knowledge, and proposed approaches such as enhancing rules and cultivating a halal way of life. Hasan (2021) emphasizes the significance of effectively managing the halal supply chain to establish Indonesia as a global hub for the halal business. Widuhung and Machmud (2022) emphasizes the significance of Indonesian Islamic banking in effectively controlling the worldwide halal value chain, underscoring the requirement for regulatory and policy assistance. These studies emphasize the potential of the halal value chain in establishing Indonesia as a prominent global Islamic economic center.

The Food Court is also known as the *Pujasera* (Multipurpose Snack Center) is a place to eat where numerous food vendors or restaurants gather to provide a diverse range of prepared food choices. A food court is a specifically defined space within a shopping mall, airport, or other commercial or institutional location that offers customers a convenient and varied selection of food options in a centralized place. Generally, individual vendors or restaurants in a food court have their own dedicated counters or kiosks where customers can select from a variety of culinary alternatives offered by different cuisines.

Food courts typically have a communal dining space in which consumers can save their meals. This communal dining space is furnished with tables and seats, facilitating the gathering of individuals to partake in meals in a convivial environment. A food court offers a diverse range of culinary choices such as fast food, ethnic dishes, snacks, desserts, and other possibilities.

Indonesia's food and beverage industry has experienced remarkable growth. Food quality, convenience, and variety are key factors that drive customer satisfaction in food courts (Mahin, & Adeinat, 2020). However, the rent for food court spaces tends to be higher in urban areas, which can affect the pricing and services offered (Shaer, 2019).

2.3. Cash Waqf Linked Sukuk

Waqf today, based on the type of good, is not only in the form of cash waqf (cash waqf) or non-cash waqf. Waqf comes from the word '*Waqafa*', which means 'to hold' or 'to stop' to stop. Abu Hanifah argued that waqf is the release of property from the owner to the recipient in accordance with the provisions of sharia by saying the waqf word for a certain period in accordance with the wishes of the owner and may not withdraw the waqf. Regarding the act of the waqif, the benefits of the property can be used by the recipient of waqf (Mohd Thas Thaker et al., 2016).

A cash waqf is the gift of a sum of money dedicated to its perpetual use in accordance with the objectives agreed upon by the donor. Cash waqf became known in the 8th century after Imam Zufat approved its use. Based on this view, cash waqf can be invested through a mudharabah contract, and the profits generated can be used for charitable purposes (Mohd Thas Thaker et al., 2016). Innovation in cash waqf management instruments consists of four patterns: giving roles to Islamic banking, establishing fund investment institutions, establishing business partnerships, and giving roles to Islamic guarantee institutions (Indra & Hakim, 2020). However, the utilization of cash waqf can take the form of a sukuk. Sukuk is a certificate of ownership for each sukuk that shows an inseparable proportional interest in an

asset. The characteristic of sukuk is that the owner of sukuk has the right to the income generated from sukuk assets, and sukuk cannot be traded in the secondary market. Sukuk has an advantage in that it is related to the value of the underlying assets (Syafrida et al., 2017).

The introduction of Cash Waqf Linked Sukuk (CWLS) by the Indonesian government has been seen as a significant innovation in the field of Islamic finance, particularly in the context of economic recovery and infrastructure development (Sari, 2023). This platform was the first integration of cash waqf and Government Islamic Securities (Surat Berharga Syariah Negara, abbreviated SBSN) in Indonesia (Indra & Hakim, 2020). The purpose of the CWLS is to provide a facility for cash waqf givers (*wakif*), both contemporary and permanent, to utilize their cash waqf as safe, productive, and impactful investment instruments (Rahman et al., 2021). The income from CWLS goes to nazir (the manager of waqf funds and operations) to finance social programs and empower the people's economy. As CWLS is an Islamic financial instrument, its funds are only allowed to be invested in halal projects. By implementing this CWLS, the private sector can engage in proactive involvement in the enhancement of profit-generating public institutions within the country. Simultaneously, the government can provide establishments and facilities where individuals and institutions can securely and efficiently store funds, thereby directly contributing to the empowerment of public finances.

Cash waqf has enormous potential to be developed in Indonesia (Putri, 2021). According to BWI 2023 reports, BWI has allocated CWLS returns towards the development of assets at the Ahmad Wardi Eye Hospital, farmer empowerment programs, providing scholarships to college students, and other social activities. These projects financed by CWLS implement various cash waqf management models.

Multiple studies have explored the potential of using Cash Waqf Linked Sukuk as an instrument of financing. However, there has been an absence of discussion regarding the optimization of Islamic finance cash waqf linked sukuk in food courts through the implementation of a halal value chain ecosystem covering various activities. Rahman et al. (2021) examined the viability of Cash Waqf Linked Sukuk (CWLS) as a financial tool for the economic recovery from the Covid-19 crisis in Indonesia. This instrument is suitable due to its high flexibility and appeal to the Muslim philanthropic middle class. Additionally, the CWLS instrument meets the necessary requirements for financing the recovery of the Covid-19 epidemic, which involves short and medium term of financing. Under the CWLS model, each research project has a distinct focus. Mudriqoh (2023) utilizes a blend of the commercial finance sector and the real sector to create CWLS designs. The procedure involves four primary stages: collecting, placement, distribution, and utilization of returns, along with refunds. Thaker et al. (2016) established the ICWME-I model to utilize cash waqf funds or CWLS as a means of funding for micro enterprises in the provision of financial services. Therefore, this study also employs the cash waqf linked sukuk model, which involves an *ijarah* contract that legally ties the food court manager and the business actor.

3. Research methods

3.1. Research design

This study uses a qualitative research design, gathering descriptive data through interviews, observations, and document analysis to understand the application of the halal value chain in food courts and the implementation of CWLS. The research activities include conducting preliminary studies, collecting literature, formulating research focuses, collecting data through observation, interviews, and documentation analysis. The data is then refined, checked for correctness, classified, analyzed, and conclusions drawn from the research results.

3.2. Data collection method

This study used both primary and secondary data sources. The utilization of both primary and secondary data sources is a prevalent and efficacious methodology in research, as emphasized by Windle (2010). The primary data consisted of observations of the research process with the objective of obtaining thorough results. In addition, interviews were conducted with pertinent personnel participating in the program, which in this case is the Indonesian Waqf Board (BWI), to acquire a comprehensive and reliable

understanding of program implementation. We aim to get information and perspectives from BWI, as they are the manager of CWLS in Indonesia and therefore the best source of information for our interview. Hence, the interviewee selected for this study are two experts who have a comprehensive understanding of the implementation of CWLS and have actively participated in its operations, who are staffs from the Development and Management (PNPW) division and responsible for managing this CWLS program. They served as the strategic partnership manager and the operational and financial manager of BWI. Furthermore, secondary data were obtained from reviewing relevant literature, such as articles and journals, seminar and conference papers, books, and official websites. The subjects of this research were data and information sources, comprising both individuals and written data, specifically from BWI and previous studies. This research has been granted approval by the social and humanities research ethics commission under approval number 02/05/EC/2023.

3.3. Participant

This research conducted interviews involving human participants as a source of information. Verbal consent was obtained from the participants, indicating their willingness to be interviewed. The findings from these interviews were used for the purposes of this study.

Before conducting research, we mailed a formal correspondence to BWI, requesting their participation in an interview. Subsequently, upon receiving the subject matter and the list of inquiries to be posed during the interview, BWI granted authorization for the interview. Interviews were carried out with individuals at BWI who hold positions and capacities to manage CWLS fund. Following the interview, the researcher informed the participants that the findings of this study would be published in scientific journals, and the participants agreed to this verbally.

4. Results and discussion

4.1. Integration of halal value chain in food court establishments

The culinary industry, which is currently highly popular and has significant prospects, is the Food Court (One-Stop Food Center). The public's affinity for this food court stems from its diverse array of culinary options, ranging from genuine local delicacies to international fares, catering to consumers with all budgetary preferences within a single location (Sunaryo, 2019). A strategic location is also a driving factor in attracting customers around the location so that it can help the food court's business grow. When considering the state of the Indonesian population, who are mostly Muslims, there is a significant emphasis on ensuring that all aspects of halal requirements are met from the production process to the final delivery. Food courts are a matter of public concern. There are still many culinary delicacies that ensure adherence to halal dietary restrictions. Halal certificates and logos serve as indicators of the level of knowledge and understanding regarding compliance of food and beverages with halal standards. In order to obtain a halal certificate, producers must secure authorization from the Indonesian Council of Ulama (MUI) and Halal Product Guarantee Agency (Badan Penyelenggara Jaminan Produk Halal, abbreviated BPJPH). Subsequently, producers are granted authorization to incorporate halal labels into all their product packaging.

The implementation of the halal value chain system is the implication of halal values in production activities and distribution to consumption activities in the form of goods or services, as stated in Government Regulation (PP) Number 31 of 2019 concerning Implementation Regulations. Law Number 33 of 2014 concerning halal product guarantees states that the government guarantees halal products from the production, distribution, sales, and presentation of products that are in accordance with the concept of halal value chain (Government Regulation Number 31 of 2019). In Indonesia, halal products in the food industry include meat, poultry, sweets, canned and frozen foods, milk, bread, organic foods, herbal products, and beverages. Halal refers to permissible or lawful products or activities in Islamic law, particularly in food and drink. This includes activities like processing, converting, preparing, preserving, and packaging foodstuffs in line with Islamic dietary rules, including small traditional manufacturing, labor-intensive family businesses, and large processed industries. Subsequently,

consumption is one of the pillars of the Islamic economy and must be in accordance with the concept of *halalan toyyiban*. The concept of Halalan Toyyiban in Islamic consumption, as outlined by Insani et al. (2019), emphasizes the importance of avoiding haram elements, promoting positive impact benefits, and preventing harm to the mind and body. This concept is underpinned by Maqasid Shariah's philosophy, which aims to protect human welfare and is central to Islamic consumerism (Othman et al., 2019).

Halal value chain is an essential and methodical technique that plays a critical role in guaranteeing adherence to Islamic dietary regulations and ethical norms. Nevertheless, preserving halal integrity in the food supply chain poses issues, mostly stemming from the potential for cross-contamination with non-halal items (Soon et al., 2017). Zulfakar et al. (2014) suggested a conceptual framework to tackle these difficulties by incorporating elements such as certification, traceability, and the government's role. Tieman (2011) highlights the significance of refraining from interacting with non-halal items and conforming to consumer perceptions in the management of halal supply chains. These studies emphasize the necessity of adopting a comprehensive approach to preserve halal integrity at every stage of the value chain.

Hence, the application of the halal-value chain ecosystem to the establishment of this food court begins with the production process, distribution, and consumption. Ensuring a supply of halal products that are not only economically efficient but also preserve their halal status until they are received by customers. Furthermore, the distribution separates halal and non-halal products from both the planning and implementation processes to control the process of storing goods that are safe and not contaminated with non-halal materials and products. Control refers to ensuring production in accordance with Islamic laws. Starting from ensuring that materials are sourced from trusted distributors, good quality production goods do not violate Islamic law and require every tenant or producer to have halal certification. Hence, the most important requirement for tenants who are willing to rent in the halal food court is halal certification by the authorized institution. Tenants without halal certification were selected and assisted in obtaining halal food certification. The purpose is to guarantee that all items sold and promoted in this food court are halal and safe for consumption. This halal food court also guarantees that the meat sold is sourced from farm animals of a certain quality and has been certified halal. This can be guaranteed as business actors who sell food primarily made from raw meat, such as chicken, beef, mutton, and other types of meat, source their supplies from meat suppliers who have established partnerships with food court managers. Therefore, business actors and food court managers can conveniently oversee and supervise the supply of animal feed and food, guaranteeing the hygiene and well-being of livestock produced for consumption.

Islamic slaughtering, as described in the Quran, involves reciting the name of Allah and making a quick incision on the front of the neck to cut the carotid arteries, jugular veins, windpipes, and esophagus (Awan, & Sohaib, 2017). This method, known as *Zabiha*, is compared to other customary methods such as stunning, ritual kosher, and *jhatka*, which have been found to cause poor meat quality and increased animal (Arshad et al., 2022). The Islamic tradition of ritual slaughter emphasizes the importance of protecting animals and ensuring their well-being (Bekir, 2003). Islamic responses to the challenges of modern animal farming and consumption, such as the Festival of Sacrifice, offer potential solutions to these issues (Dahlan-Taylor, 2016).

Regarding halal food In accordance with Islamic law, the chicken slaughter process in this food court guarantees compliance with Islamic law. It involves using a small, sharp knife to precisely sever the chicken respiratory tract, which includes drinking and eating passages. Upon orienting towards the Qibla, the individual responsible for the slaughter utters the phrase '*Basmallah*' or invokes the name of Allah SWT. After the chickens were cut, they were placed in hot water at a specific temperature. The purpose of immersion is to facilitate the removal of feathers, so that the chicken meat to be processed is cleaner. Livestock slaughter was also performed in accordance with the regulations set by the MUI. For example, slaughtering is carried out with the intention of slaughtering and chanting the *Asma Allah*, and slaughtering is carried out by draining the blood through two blood vessels: the feeding tube, the respiratory tube, and the esophagus. Slaughter is then performed once and quickly, ensuring that there is blood flow and/or animal movement as a sign of animal life (*hayah mustaqirah*) and ensuring that the death of the animal is caused by slaughter.

Furthermore, tenants are responsible for ensuring that the food items to be processed are sourced exclusively from providers who have a thorough understanding of the halal aspect of such ingredients. Herbs and vegetables are not contaminated with non-halal substances and are grown in fertile soil that is not contaminated with non-halal animal feces. It is also important to consider whether the substances that will be used in the fertilization process are good or can even harm consumers. In addition, the food court manager oversees and mandates that tenant owners adhere to the principles of Islamic commerce, which include ensuring that sellers (tenants) and buyers (consumers) engage in transactions based on rationality and free will with the presence of tangible goods (products) being sold. Furthermore, the manager ensures that there is mutual agreement (*shigat ijab* and *qobul*) between sellers and buyers, ensuring that the sale and purchase process is conducted smoothly and in accordance with the law.

4.2. Design of halal food court establishment model

The considerable potential of halal food in Indonesia forms the basis for designing a food court model as a proposal for utilizing funds to help entrepreneurs improve the halal industry in the culinary sector (Siskha et al., 2021). The establishment of this food court is a design model that utilizes returns from CWLS. The funds granted will be used to establish a culinary facility that serves as an investment with the aim of generating future advantages. This food court model can be integrated into the halal value chain by becoming one of the largest halal food courts in a particular city. This food court system was built in an area that is sufficiently large and consists of several areas. This food court combines various types of food served in tents or kiosks in each group of food variants, including Asian, Indonesian, Middle Eastern, and European countries.

The development of this food court necessitates the collaboration of various entities, such as the Government, BWI, Ministry of Finance, Nazir (waqf manager), and other relevant stakeholders. The management of this halal food court can be entrusted to a nazir partner who possesses expertise in overseeing the food and beverage industry, as well as experience in managing companies, organizations, or government entities. The requirements for business actors to become tenants in halal food courts are as follows: 1) tenants have the ability to vend a diverse range of food items, indicating that food selection is not restricted to specific criteria. Nevertheless, the foremost concern is the availability of food and beverages that possess pre-existing halal certification; 2) tenants without halal certification will be given priority, and upon the food court management's agreement, will be supported in acquiring halal certification. In this particular situation, the food court manager is Nazir Partner; and 3) business actors or tenants who utilize beef and poultry as raw materials must procure meat exclusively from halal-certified slaughterhouses and establish partnerships with food court managers. These culinary entrepreneurs are granted access to a venue where they can sell their products, along with additional amenities that offer convenience for both enterprises and customers. Tenants are solely responsible for covering the expenses associated with the equipment and renting a space at a mutually agreed-upon fee. The number of renters was adjusted based on the number of outlets available for rent. To obtain further details regarding the design of the food court area, refer to the accompanying grand design images, which include the following explanations and schemes in [Figure 2](#) and [Table 1](#):

The components in the area are integrated with each other and have their respective functions. The entrance area and security post are the ways customers enter the food court area after they park their vehicles in the parking area. Customers are exempt from parking while still securing vehicles. The entrance is accompanied by a security post as a security center for the food court area, which has been well maintained. The main cashier area is where customers can make payments and pick up food for customers who buy away. Customers can stay in dining rooms either indoors or outdoors. A transparent room is an indoor dining space with a translucent design on all sides. An outdoor area is also provided with several sections, namely, fishponds, gardens, and dining areas.

Customers have the opportunity to relish the open-air dining space adorned by the exquisite floral garden and witness live musical performances in the foreground. Alongside the live music stage, a worldwide food museum gallery filled with culinary pictures and brief descriptions of the delicacies is being promoted. There are four categories of tenants based on the type of cuisine they offer: Indonesian, Western, Asian, and Middle Eastern. Customers had the option of selecting a dining facility. The public

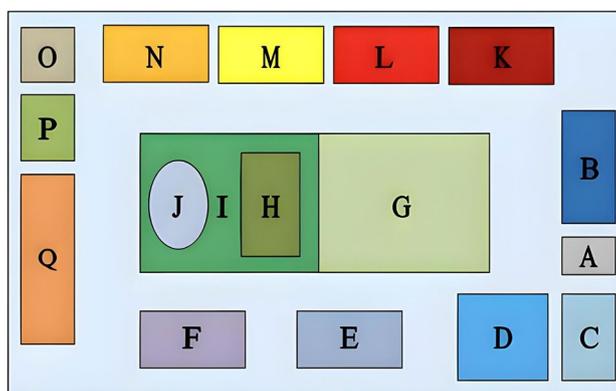


Figure 2. Grand design of halal food court.

Table 1. Grand design of halal food court.

Facility Code	Description
A	<i>In/Out Gate and Security Pos</i>
B	<i>Main Cashier</i>
C	<i>Motorcycle Parking Area</i>
D	<i>Car Parking Area</i>
E	<i>Live Music Stage</i>
F	<i>Worldwide Food Museum Gallery</i>
G	<i>Transparent Room</i>
H	<i>Alfresco Dining</i>
I	<i>Open Area/Park</i>
J	<i>Pond</i>
K	<i>Indonesian Food Tenants</i>
L	<i>Asian Food Tenants</i>
M	<i>Middle East Tenants</i>
N	<i>Western Food</i>
O	<i>Rest Room</i>
P	<i>Mushalla</i>
Q	<i>Training Center</i>

restrooms are situated at the furthest point of the food court area and adjacent to the prayer room. The final component of this concept is the training center, a dedicated space designed to support and educate aspiring entrepreneurs and novice business professionals. Its purpose is to enhance individuals' competencies, expertise, and knowledge to foster the development of sophisticated and influential businesses.

4.3. Cash Waqf Linked Sukuk (CWLS) model as halal food court financing

The Cash Waqf Linked Sukuk (CWLS) is a significant Islamic financial instrument that promotes inclusive and sustainable economic growth. It is a tool for placing waqf money on sovereign Sukuk to support the development of public facilities and infrastructure (Cahyono, & Hidayat, 2022; Hafandi, & Handayati, 2021). Its implementation aligns with Islamic economic principles and contributes to the benefits and welfare of the community (Rahayu, & Agustianto, 2020). The CWLS aims to address social issues and provide financial support to the economic sector, enabling profitable projects to enhance the tangible economy and contribute to economic expansion.

CWLS collects funds from a cash waqf and subsequently invests in Government Sukuk. Returns are employed to support fiscal funding in social domains such as healthcare, education, and infrastructure development (Slamet Rusydiana et al., 2023; Ubaidillah et al., 2021). However, in this scenario, returns are directed towards the establishment of a food court that is integrated with the halal value chain. CWLS has a relatively safe level of risk because it is guaranteed by the state and managed by an official Nazir who has been registered and has received recommendations and supervision by BWI. It utilizes a sukuk contract that has been granted from DSN MUI, allowing it for use as an *ijarah*, *istishna*, *wakalah*, or other type of contract. CWLS presently employs a sukuk wakalah agreement due to its flexibility in utilizing underlying assets (Saptono et al., 2020).

Waqf-based sukuk is the result of the integration between waqf and sukuk. Integration is a promising investment method. In this case, waqf assets act as underlying sukuk issuances. Waqf-based sukuk, such as CWLS, play a crucial role in bridging the gap between the for-profit and non-profit sectors, as well as providing secured infrastructure (Ubaidillah et al., 2021). This study employed CWLS returns to build halal food courts.

In order to construct methods of financing for a halal food court using CWLS, we conducted an interview with BWI as the nazir who manages CWLS funds. The data collected through interviews will be summarized and presented in Table 2 below.

Hence, based on the interview data and literature review, the framework of CWLS as Halal Food Court Financing can be suggested as in Figure 3.

The following is an explanation of the CWLS implementation mechanism for halal food court financing.

1. The waqf giver, also known as the *waqif*, provides money, which can be either temporary or permanent cash waqf, to the BWI. This donation is facilitated through nazir partners, specifically non-IFI RCV or IFI RCV, who act as intermediaries. Nazir is responsible for managing the CWLS. Waqf can be obtained from both individuals, organizations, and institutions.
2. The waqif transfers waqf funds to the nazir partner's account at the specified Islamic financial institution that receives cash waqf (IFI RCW). Moreover, the waqif makes a Waqf commitment and gives consent to the contract. Once the waqf funds have been gathered, including the contributions from all the nazir partners, the BWI proceeds to transfer cash to its account at the IFI RCV as *wadiyah*.
3. Subsequently, waqf funds issued by the Ministry of Finance with an agreed term are utilized to purchase Waqf Sukuk. In addition, the Ministry of Finance transferred the SBSN to BWI.
4. Waqf funds invested in Waqf Sukuk are then used to finance government projects for public services.
5. Due to the large initial capital needed to establish a halal food court, the management uses the SSBN handed over by BWI as collateral when applying for financing from an Islamic bank. After reaching an agreement, the Islamic bank provides financing to the food court manager.
6. Upon maturity, the Ministry of Finance periodically provides coupons to the BWI as a type of investment return. Furthermore, the BWI distributes coupons to food court managers. Subsequently, the food court manager distributes the returns to fulfill the financial installments owed to the Islamic Bank as per the agreed terms.
7. After the Waqf Sukuk reached maturity, the Ministry of Finance returned cash waqf funds to the BWI. BWI shall subsequently instruct the Nazir partner and IFI RCW to return waqf funds to the wakif, under the condition that the wakif's contributions are for temporary funds. However, if the wakif contributions are permanent funds, then the waqf funds will be managed by BWI.

Thus, any returns obtained must be endowed back to *mauquf'alayh* or in this case for the establishment of a halal food court as financing for production equipment, empowering MSMEs, and capital for the development of a halal food court area. Food court manager (nazir partner) is not required to reimburse BWI for the profits that were used as capital. In order to optimize and effectively manage the development of food courts, nazir partner is required to submit activity and financial reports to the Ministry of Finance. The purpose of this report is to ensure that the CWLS returns have been utilized according with the initial program. The establishment of a halal food court also involves various stakeholders, including the Indonesian Waqf Board (BWI), Nazir Partners, Ministry of Finance, Food, and Drug Authority (Badan Pengawas Obat dan Makanan, abbreviated BPOM), Halal Product Guarantee Agency, abbreviated BPJPH), National Sharia Council (Dewan Syariah Nasional, abbreviated DSN), and local government.

In this context, the BWI manages and supervises the allocation of funds by nazir partners for the food court establishment project. The nazir partner is directly responsible for the establishment and management of the food court. Furthermore, the Ministry of Finance has been appointed to manage waqf sukuk under the supervision of independent state institutions (Rahman et al., 2021). Additionally, the local government is responsible for supporting the sustainability of the program and assists by providing an area for establishing a food court. The role of BPOM is also essential to supervise halal-labelled products,

Table 2. List of interview's questions and answers.

No	Question	Answer
1.	Apart from supporting with social programs, can Islamic financial instruments, specifically CWLS, also provide capital assistance to micro, small, and medium enterprises (MSMEs)?	As of now (time we are doing interview), there has not been a specific program dedicated to assisting MSMEs. However, we aim to focus on supporting these MSMEs. Currently, we are in the process of developing a model and working together with cooperatives that offer financial support to micro, small, and medium enterprises (MSMEs). Besides, if it is for the purpose of increasing MSME income, it can also be included in a social program.
2.	Has CWLS ever provided assistance to MSME businesses in the form of a halal food court?	In fact, we do not yet have an ongoing program, but conceptually, this concept can be partnered with, for instance, a local government that owns land suitable for the establishment of a food court. If this can be collaborated, the government provides an area, and the return of CWLS is used as capital to build that area, such as financing MSMEs and providing their capital goods.
3.	Who are the stakeholders involved in providing business capital to MSMEs? And what is their role?	The stakeholders involve BWI as Nazir, the Ministry of Finance for financial investment, Nazir partners who could involve other Nazir or entrepreneurs already engaged in halal food, and BPOM and BPJPH for concerns related to halal. Foodcourts may also be managed through collaboration with everyone. Islamic Bank to aid with the payment and land preparation. HVC to ensure halal of the food, where they are sold at the food court. Thus, it is acquired effectively from a marketing perspective. BWI might set up collaborations with Nazir who have expertise in managing food courts. By capitalizing on this synergy with Nazir who operate culinary enterprises or are involved with the government, food courts could be elevated to the role of icons, encouraging them to cooperatively identify strategic land with the government.
4.	What agreement/Akad is usually used between BWI (as the nazir who manages funds) and business actors?	The contract commonly used is ijarah, in the form of obtaining rental rights from profit sharing. BWI uses an ijarah contract for investment. An example of an ijarah agreement that has been implemented is the expansion of parking lots funded by waqf. Mudharabah contracts are also suitable for providing capital to MSMEs. We have used mudharabah contracts to provide livestock capital. The provisions of CWLS can be 2 models. A model where BWI simply distributes capital, as well as a model where BWI actively participates as a manager. It all comes back to what kind of agreement will be implemented.
5.	Following the implementation of a profit sharing mechanism, which provisions of the CWLS apply to profit sharing? Additionally, I would like to know the timeframe within which business actor is obligated to reimburse the business capital.	There exists a distinction between CWLS managers and MSME managers. While the Nazir will receive the entire return of the capital invested in CWLS, the returns from CWLS are simply an investment. In other words, should the initial CWLS of 10 billion Rupiah, which was allocated towards the development of the initial food court, reach maturity, there is no obligation to pay back the funds to BWI. Thus, if the wakif wishes to invest in another CWLS, for instance, these funds may be utilized to develop additional food courts (second food court, etc.), and BWI is not obligated to receive the profits. Nevertheless, waqf is profitable and productive under this financing system (permissible). It is also acceptable to charge rent, but it should not be burdensome; in this food court, tenants and employees don't have to be poor or in need; rather, those who already have a business and have bought a franchise may do so as well. Mauquf Alaih is an MSME that joins the food court and we provide lower rental prices.

which also collaborates with the Ministry of Religion and MUI, which is responsible for ensuring the halal and thayyib aspects. Similarly, the BPJPH is responsible for establishing laws to ensure the implementation of a halal ecosystem in the food industry. It also receives and verifies product submissions that have not yet been recognized as halal by business actors aiming to market their products in halal food courts funded by the CWLS.

4.4. Analysis of the Ijarah Agreement between Nazir partners and food court tenants

An essential aspect of project or business development is the ability to generate profit while simultaneously ensuring mutual benefits for all parties involved. Therefore, it is imperative to establish a contract that serves as a legally enforceable agreement with the party that wants to collaborate in order to achieve mutual understanding and agreement. During the establishment of this food court, the nazir partner cooperates with business actors or tenants using an ijarah contract. The Ijarah Agreement, a form of Islamic lease financing, involves the transfer of use rights for goods and services through the payment of rental fees without the transfer of ownership (Billah, 2019; Sumarti, 2018). According to DSN-MUI Fatwa No.112/DSN-MUI/IX/2017, the ijarah

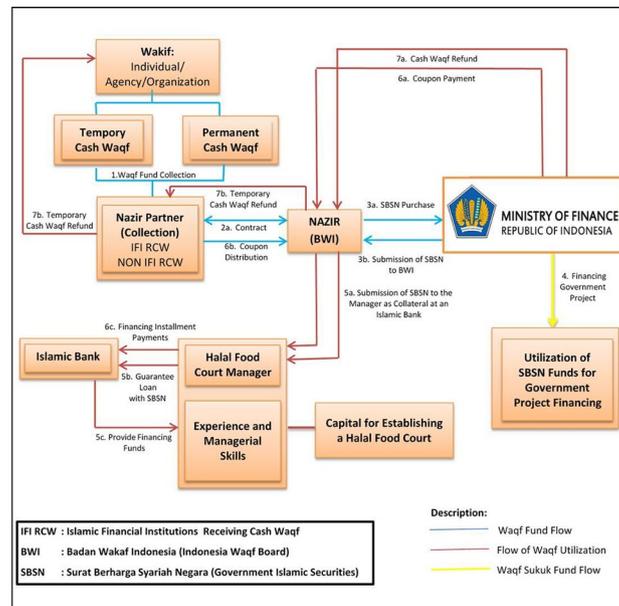


Figure 3. Cash Waqf Linked Sukuk (CWLS) model for halal food court establishment.

contract is a rental arrangement between the mu'jir (lessor) and the musta'jir (lessee) where they exchange advantages and *ujrah* (rental fee), which might be in the form of commodities or services. In economic activities, this practice is commonly referred to as leasing. In this scenario, the leasing service provider offers tenants the opportunity to derive advantages from an item for a mutually agreed-upon duration. Upon expiration of the rental period, the leased items or products are returned to the lessor. The food court generates revenue through *ujrah*, which includes leasing fees for space and outlets, as well as expenses related to equipment and cleaning. The *ijarah* contract scheme for the food court is as in Figure 4.

The following is an explanation of the *ijarah* contract scheme, which is the binding between the nazir partner and tenant.

1. An *ijarah* contract is used to bind the relationship between the nazir partner as the manager of the food court and the manager of the lease object with business actors (tenants). In this case, the Nazir partner records the lease object and leases it to the business actor or tenant.
2. Furthermore, the tenant pays *ujrah* (rental fee) to the nazir partner. Rental payments are made according to the financing period agreed upon by both the parties.
3. Afterwards, the nazir partner transfers the leased item, which in this instance is the outlet and equipment, to the tenant based on their needs. This results in the transfer of the tenant's right to utilize space and equipment from the nazir partner for an agreed-upon period.
4. The tenant returns the lease object to the nazir partner upon expiration of the contract. The continuation of this lease is subject to the agreement and permission of relevant parties.

Subsequently, the revenue from the rental payment (*ujrah*) can be used to maintain food court facilities and provide food assistance programs to those in need, therefore these waqf funds effectively accomplish its social and economic objectives.

4.5. Risk analysis

The Indonesian government's focus on strengthening the halal value chain ecosystem to support the Islamic economy and the halal industry is evident in various studies. Yazid et al. (2020) highlighted the incorporation of sustainable halal values in the Indonesian Islamic economic masterplan, while Alamsyah et al. (2022) proposed a blockchain-based traceability system to enhance the halal assurance process. Yudha et al. (2020)

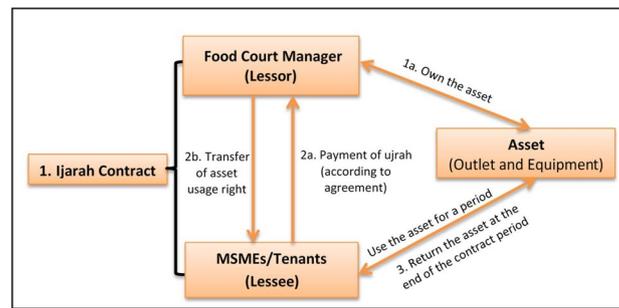


Figure 4. Ijarah Agreement between food court manager and business actors (tenants).

emphasizes the need for policy adjustments and special financing for halal industries, while Siswoyo (2021) underscores the importance of halal certification and brand image in the halal industry ecosystem.

Khan et al. (2019a, 2019b, 2020, 2022) offers an in-depth analysis of the risk factors involved in incorporating the halal value chain into the food business. These studies analyzed and evaluated many risk factors, such as supply related risks, production risks, planning risks, logistic and outsourcing risks, and information technology-related risks. Additionally, they consider halal-related risks, such as the status of raw materials, processing methods, and quality of raw materials. The results emphasize the importance of considering the entire process and distribution of halal goods, incorporating both internal operations and outsourced components, and establishing a risk-assessment methodology to successfully manage these risks.

Hence, the risk aspects in the integration of the halal value chain into the provision of food courts include the following:

1. Risk of compliance with halal standards: This risk is related to non-compliance with halal standards in the provision of food and beverages in food courts. This can occur if there is no clear and standardized SOP, a lack of halal training and certification for employees, or supervision and audits that are not regularly carried out.
2. Product quality risk: This risk is related to the quality of the products produced by the food court. This can occur if the raw materials used are not halal or of high quality, or if the production process is not performed properly.
3. Food safety risk: This risk is related to the safety of the food produced by the food court. This can happen if there is no clear and standardized SOP in food and beverage processing or if there is no regular supervision or audit.
4. Risk of compliance with applicable laws and regulations: This risk is related to non-compliance with applicable regulations and laws in the provision of food and beverages in food courts. This can occur if there are no clear and standardized SOPs, regular supervision, or audits.
5. Reputation risk: This risk relates to the reputation of the food court, which may suffer in the event of non-compliance with halal standards, product quality, food safety, or applicable regulations and laws. This may result in a decrease in the number of customers and in revenue.

To manage the risk of integrating a halal value chain into the provision of food courts, it is necessary to identify, assess, and control appropriate risks. Some ways to control risks include implementing clear and standardized SOPs, conducting halal training and certification for employees, conducting regular supervision and audits, using halal and high-quality raw materials, collaborating with trusted suppliers, having halal certification, and using the appropriate technology and information systems to monitor and control risks.

5. Conclusion and implication

This study proposed a financial framework that uses Cash Waqf Linked Sukuk (CWLS) for the establishment of a food court integrated with Halal Value Chain (HVC). Additionally, we examine the implementation of HVC within the food court. The returns from CWLS can be used as capital for the construction of a food court by

involving several parties, namely, the *wakif* who invests in CWLS, BWI as the manager of CWLS, the Ministry of Finance as the issuer of SBSN, nazir partner as the manager of the food court, and Islamic bank as ready fund providers. During the establishment of this food court, the nazir partner collaborates with business actors or tenants through the use of an *ijarah* contract. The implementation of HVC within the food court is to ensure the integrity of halal products from production to consumption. This includes careful separation of halal and non-halal items throughout the process, hence it involves BPOM and BPJPH to supervise and provide halal certificate. The establishment of a halal food court also supported the MSMEs and contributed to the development of economic sector. Finally, to manage the risks associated with integrating the halal value chain into food court operations, it is necessary to conduct appropriate risk identification, assessment, and control.

This research provides several implications. This study constructs a financing framework in the field of Islamic finance literature, specifically focusing on the application of CWLS to enhance the halal value chain in culinary industry. Therefore, this study provides suggestions to the government on how to enhance the halal ecosystem, hence improving Indonesia's position in the world. Additionally, this research offers valuable insights to regulators, the government, and the Indonesian Waqf Board (BWI) regarding potential strategies for enhancing the growth of productive waqf funds. The ultimate goal is to strengthen the role of waqf funds as a means to drive economic growth. Furthermore, in an effort to enhance the halal ecosystem in Indonesia, the financing system in Indonesia can use CWLS-based funding specifically for sectors that prioritize the development of the halal ecosystem. This financing will ensure the preservation of the halal status, a requirement that must be met by all Muslims worldwide.

This study has several limitations that should be considered and can be improved in future research. Initially, this research explains in general the implementation of the halal value chain in the food court. Future investigations should prioritize emphasizing the implementation of the halal value chain throughout every stage of activities inside the halal food court. Furthermore, this study conducted interviews only with BWI officers who have a comprehensive understanding of cash waqf related sukuk. For future study, it is recommended that researches should aim to include informants from diverse backgrounds, such as consumers, academics, nazir partner, and others, based on the specific research objectives. Furthermore, this study focuses on the establishment of a halal food court with Cash Waqf Linked Sukuk. Hence, it is recommended that future research should aim to enhance the existing designs.

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Author contributions

Widya Sartika Hasibuan contributed an instrumental part in designing and carrying out the research, while Irsad Lubis analyzed the results and wrote the manuscript.

Data availability

The data that supports the findings of this study are available in this article.

Disclosure statement

The authors have no conflict of interest to declare.

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