

Micro Waqf Bank in Indonesia: Some Critical Notes and Solutions

Burhanuddin Susanto

Universitas Islam Negeri Maulana Malik Ibrahim Malang, Indonesia,

E-mail: burhanuddin@syariah.uin-malang.ac.id

Abstract

Micro Waqf Bank (BWM) is the latest model of Islamic microfinance institutions in Indonesia which is expected to eradicate poverty. BWM is a product of popular policy directly relating to the interests of Muslims, especially surroundings of the Islamic boarding school (*pesantren*) community. This study aims to develop the BWM concept in the future because it has great potential for economic empowerment of the poor through the *pesantren* network. The development of this concept needs to be done because of the fact that there are still weaknesses in the current concept of BWM. Weaknesses at the conceptual level will certainly have an impact on weaknesses at the practical level. From the results of the analysis, we have found that there are eight weaknesses of BWM which must be improved and eight solutions that are offered by the authors for the reconstruction of the BWM concept in the future.

Keywords: micro waqf bank; Islamic microfinance; *pesantren*.

Introduction

Nowadays, Islamic finance literature received a lot of attention and continued discussion in the academic area. The researchers focus and attention focused on Islamic finance and banking issues at the theoretical and practical aspects. The other elements of Islamic economics, mainly Islamic social finance have been paid less attention (Belouafi & Belabes, 2016; Kuanova et al., 2021). One of Islamic social finance that needs serious attention is related to waqf institutions because it has great potential (Rashid, 2018). Waqf institutions need to innovate to increase the potential achievement of waqf spread in Muslim countries and their impact on poverty alleviation.

The emergence of the Islamic finance industry has been instrumental in streamlining the institution of modern waqf. Waqf and Islamic finance have a shared background in terms of their embedded Islamic law principles and ethical foundations. In other words, the conceptual premises of Islamic finance corroborate the ideological underpinnings of waqf. In the context of Islamic finance, the role of waqf can be crucial both as a vehicle of property conveyance and as an instrument of contract (MIFC, 2014; Abdullah, 2018). Waqf is one of the most important Islamic financial social institutions throughout history in building Islamic civilization (Lamido & Haneef, 2021). A waqf is not merely a

form of worship but a distribution of wealth that has an important role in enhancing the economic development and social equity of a country. The broadening of the meaning of waqf in the current situation has received attention in some Muslim countries (Mauluddin & Rahman, 2018). The fact that the institution of waqf can be an instrument to reduce and even eradicating poverty in Muslim countries (Khan, 2010; Saiti et al., 2021).

According to the Indonesian Waqf Agency (BWI), the potential for cash waqf in Indonesia reaches IDR 180 trillion per year. However, the magnitude of the potential for waqf cannot be optimized properly (Nugroho, 2022). Based on data from BWI, the cash waqf collected in the 2011-2018 period was only 255 billion rupiah from (Mutmainah et al., 2021). Therefore, there is currently a reasonably high gap between the potential cash waqf and the realization of achievement. This problem shows that it is necessary to innovate waqf institutions to optimize the function of waqf. Haneef (2021) said that key to the success of waqf revival is to redirect attention to research and development in the socio-economic dimensions of waqf with a view to main streaming waqf in the economy as a vital third sector institution.

There are several previous studies that explain BWM, such as related to capital financing of BWM to alleviate rural poverty (Putra et al., 2021); the effect of micro waqf bank on the financial inclusion (Mugiyati et al., 2021) (Hidayat, 2018); concept of micro waqf bank perspective the maqashid sharia (Nugraho & Hilal, 2019); the effect of micro waqf bank sector expansion on poverty alleviation (Fuadi et al., 2021); micro waqf bank as a new sharia financial instruments in Indonesia (Bayuni et al., 2020). Although there have been several studies related to BWM, but none of them have analyzed critically the weaknesses and its solutions for future development.

Literature Leview of Waqf

Micro waqf bank is a combination of the concept of waqf with Islamic microfinance institutions. According Sabiq, waqf (الوقف) in the language means to hold (الحبس). In terminology, waqf means to restrain the wealth and to donate it based on Allah will (Sabiq, 2000). The waqf is holding down the property tree and issuing the result (its benefits) (Faturrohman et al., 2021). Through Islamic history, waqf has witnessed tremendous development, since its early stages in the prophet Muhammad era until the present moment. To be mentioned, the very first waqf in Islam was Quba mosque in Al Madinah, it was established upon the profit Muhammad (SAW) arrival in 622 A.D. Throughout the reign of the Khulafa' al-Rashidin and the subsequent period of Islamic ruling waqf activities were further extended. This kind of waqf referred to a type of waqf, which essentially concern the religious, philanthropic, posterity of family and educational purposes (Aldeen et al., 2020; Mujani et al., 2018).

The jurists have been rooted waqf with many evidences of the Qur'an and the Sunnah and the consensus. Although they do not indicate the subject of the endowment directly, it urges the acts of righteousness and goodness. There is no single verse in Qur'an refer to waqf in a strict way, but waqf activities can be associated to many verses indicate the philanthropy and charity (QS.1:280; QS.

3:116; QS.5:35; QS.2:276; QS.2:261; QS. 2:110; QS.73 :20; QS.2:43; QS.3:92; QS. 2:273) (Aldeen et al., 2020). In the classical discourse, the legal basis of waqf has been delineated by jurists as rigorously as its ancillary principles. The nature of argumentation on the validity of waqf has been discussed in classical fiqh. Though the opinion of those jurists who approved of the sharia validity of waqf was to prevail in the later stage, however, they differ on the elements and requirements. In this context, determining the essential requirements for completion of a waqf and deciding on its ownership status constituted the most disputed aspects of waqf jurisprudence (Abdullah, 2020).

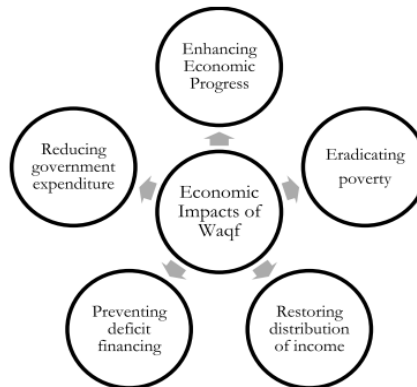
Fiqh of five madzhab of thought argues that the legitimacy of paraphrasing does not require the existence of acceptance (*qabūl*) and this is also in the opinion of scholars. At the time of the representation process the presence of a witness is also not included as a pillar and the legal requirements for the representation. This means that when the process of accounting is considered valid, however, there must be four pillars of waqf which are fulfilled in the process of representation, including: the person who is the owner of the assets (*wakif*), goods that are represented (*mauqūf bih*), *nazhir* or those who receive waqf (*mauqūf alaih*) and waqf handover pledge (*sighāt*) (Rohman et al., 2020).

Institution of waqf is a kind of voluntary charity which is highly encouraged in Islam. It is endowed for a charitable purpose in perpetuity and stands out as one of the greatest achievements along the history of Islamic civilization. It is so important because of without studying and appreciating it, there can hardly be a proper comprehension of the evolution and dynamics of the Islamic civilization (Lamido & Haneef, 2021). According to Umar Chapra, waqf institutions have played an important role almost in entire history of the Muslims. The resurrection of this institution is expected to be able to reduce the burden on the government to fund social welfare projects (Rohmaningtyas & Herianingrum, 2020).

Waqf is broadly divided into spiritual-religious and philanthropic-socio-economic dimensions. A waqf created for pure spiritually when its wealth is used to facilitate worship activities. Philanthropic waqf are the ones created for the promotion of the social and economic wellbeing of the defined beneficiaries, including the provision of basic needs like food, clothing, shelter, education and medical services. It is a philanthropic institution administered for the purpose of uplifting people's living standards through sustainably addressing their needs, building their earning capacities and enhancing their general socioeconomic wellbeing. Fundamentally, waqf has socio-economic ends achieved through multidimensional means (Lamido & Haneef, 2021).

The practice of waqf is a form of worship encouraged in Islam that was practised by Muslims throughout the religion's expansion. Through waqf, Muslims can bring themselves closer to Allah. Furthermore, the socio-economic status of Muslims and of Islam itself can be developed and enhanced through the benefits derived from donated assets and funds. Moreover, donors who practise waqf will receive an endless reward from Allah even after death (Mauluddin & Rahman, 2018). Budiman (2014) said that the dynamism of the waqf institution and its mechanism hence could bring about essential contributions to the economic development as follows:

Picture 1. Economic Impact of Waqf



To optimize the function of economic empowerment, cash waqf has now become an alternative for collecting waqf property. A cash-waqf is one type of waqf institution where the capital of the waqf is cash money. Like other systems, the establishment of cash-waqfs has a specific purpose, meaning the cash that is the capital of waqf is operated by Islamic methods, and the revenues derived from those operations are used to fulfil waqf purposes (Saiti et al., 2021). Economic empowerment can be given to poor groups who are productive but they do not have the skills and financial capital.

Indonesia Ulama Council (MUI) had issued a fatwa declaring that cash waqf (*waqf al-nuqud*) is allowed on condition that the principal value of endowments must be guaranteed sustainability. They attributed their fatwa to general dalil in the Qur'an which related to the managing cash waqf in indirect way (QS.2:215, 254, 267; QS. 3:92), in addition to hadith narrated by Ibn Umar (Muslim, Hadith No. 1632), as well as to the independent reasoning (*ijtihad*). Islamic Fiqh Academy (*al-Mujamma' al-Fiqhi al-Islamiy*) in its fifteenth meeting, issued a statement No. 140 also stated that cash waqf is permissible (Aldeen et al., 2020). The permissibility of cash waqf is the result of *ijtihad* that its goal is in line with the objectives of sharia (*maqashid al-syariah*).

Cash waqf is expected to be able to become a means for social reconstruction and development, where the majority of the populations can participate. To realize such participation, various attempts need to be done intensively to introduce the importance of waqf including cash waqf as a means of transferring savings from the rich to entrepreneurs and the public to fund various activities in Moslem countries (Hasanah, 2015). Funds of cash waqf are usually collected from various donors (*wakif*) who intend to donate by expecting a reward from Allah. Cash waqf funds can be managed together so that it can be said to be a collective waqf.

The advantage of cash waqf is that it has accessibility for everyone to donate their money at any time through the waqf institution they trust. Accessibility to cash waqf is essential given the fact that individuals with different income levels are willing to donate. The payment method system is vital in simplifying the

process of donation and making it convenient for others. Easier accessibility of individuals to donate cash waqf is vital because it motivates the donors to contribute (Aziz et al., 2013; Shatar et al., 2021). The institutions of waqf can provide waqf applications technology based that can facilitate donors to channel their waqf easily, efficiently, and reliably. The total use of technology in waqf management can be referred to as electronic waqf (e-waqf).

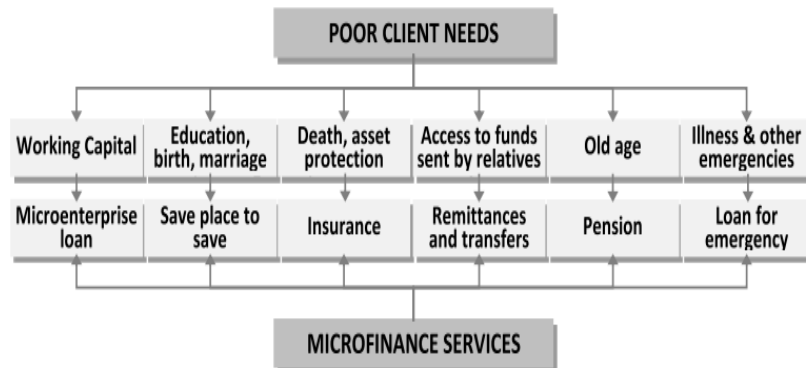
Literature Review of Islamic Micro Finance Institution

The need for financial services, particularly access to financing for the poor and micro/small businesses, has not been served by formal financial institutions such as banks. Microfinance institutions appear to provide financial access, especially for financing the informal groups of micro/small businesses. Opening access to finance, is currently also provided by microfinance institutions that use sharia principles (Skati et al., 2021). The purpose of applying sharia principles to financial institutions is to realize obedience to God which so far cannot be realized in conventional financial institutions.

Islamic Micro Finance Institution (IMFIs) is a micro-scale financial institution that carries out business activities based on sharia principles. MFIs are the financial institutions that serve as an intermediary whose purpose is not merely to seek profits but also to realize social goals such as community development (Baskara, 2013). MFIs are considered capable of providing access to micro-scale funding for people who have difficulty getting access from financial institutions in general such as banks (Malikov & Hartarska, 2018). In general, the legal basis for Islamic financial institutions is based on sharia principles and formal law applied. The regulatory framework for the financial institutions are significant for improving efficiency, increasing stability, lessening risk and promoting economic development (Syarif, 2019). The application of sharia principles is based on fatwa of National Sharia Board - Indonesian Ulema Council (*Dewan Syariah Nasional – Majelis Ulama Indonesia/ DSN-MUI*), while the application of the applicable formal law is based on the regulations of financial institutions. In fact, many fatwa of DSN-MUI have been adopted into formal law that applies is binding directly (Zein, 2018).

IMFIs that have obtained permission from the Financial Services Authority (OJK) can offer products for collecting and distributing funds to the poor. In general, poor people also need a variety of financial services but in a much smaller scale to improve their quality of life. The following is some descriptions of the financial services provided to the poor:

Picture 2 Microfinance Service



Islamic microfinance can offer various microfinance services, such as micro savings, micro financing, micro takaful, and other micro financial services, with assistance if needed, to destitute-poor-needy people using Islamic social instruments such as zakat, infaq, sadaqa and waqf (Ascarya & Sakti, 2019). Ahmed (2004) stated that both zakat and waqf can largely contribute to this group by fulfilling their basic needs by providing required inputs such as human capital (e.g. educational programs and skills development schemes), physical capital (e.g. machine, tools and equipment) and financial capital (e.g. required financial resources for business development). These works are considered useful and relevant to the present study where the waqf fund in particular can be utilized for human capital development (HCD). If the waqf funds are applied and used properly, they could support HCD of micro enterprises (Thaker et al., 2021).

As part of Islamic financial institutions, IMFIs are required to have a Sharia Supervisory Board (SSB) to ensure compliance with sharia principle. According AAOIFI governance standard No. 1 of 2008, the main objective of the SSB is to ensure that all the IFIs activities are in compliance with sharia rules. Thus, the SSB does not only advise and consult the executive management regarding sharia issues, but also controls and monitors the different departments to ensure the appropriate implementation of fatwas and decisions. In the practice of Islamic financial institutions, the SSB control is necessary to ensure that all transactions are executed according to sharia principles (Garas, 2012). SSB is one of the important instruments in realizing sharia governance of which will influence the quality of sharia compliance (Alam et al., 2022).

Micro Waqf Bank: Some Critical Notes and Solutions

The fact that Islamic social finance institution has a potential role in the economic empowerment of the poor in Muslim countries, especially during and the post of covid 19 pandemic (Umar et al., 2021). To increase its role in eradicating poverty and socio-economic inequality, Islamic social finance institution continue to innovate, including through integration with other Islamic financial institutions (Haneef et al., 2015). Waqf is one of the Islamic social financial institutions that its development can be integrated with Islamic Micro-Finance Institutions (IMFIs) engaged in the commercial sector.

Micro Waqf Bank (*Bank Wakaf Mikro/ BWM*) is the latest form of Islamic micro finance institution in Indonesia which is being developed by the

government through a network of Islamic boarding schools (*Pesantren*). BWM is a Islamic micro financial institution which was established with the permission of the financial services authority (OJK) and aims to provide access to capital or financing for small communities who do not have access to formal financial institutions (Bayuni et al., 2020). The main basis for the permissibility of cash waqf stems from juristic preference on the basis of custom (*istihsan bi al 'urf*) as stipulated by the Hanafi *madhab* (Ambrose & Asuhaimi, 2021).

The concept of BWM is to use an approach of integration model between waqf institutions and microfinance institutions. In the official booklet issued by the Indonesian Financial Services Authority (OJK) has stated that the purpose of the BWM are: (1) Maximizing the role of *Pesantren* in the program empowerment of the productive poor; (2) Build and strengthen socio-economic institutions in the form of professional, accountable, and independent sharia microfinance institutions through the growth of community business groups around *Pesantren* of Indonesian (OJK, 2019).

BWM targets the poor who lack access to formal financial institutions (banking). The purpose is to alleviate poverty and facilitate the poor to receive loans more easily so that they advance their business (Hasiba et al., 2021). BWM aims to encourage the economic growth and development of the people / society who have experienced difficulties in obtaining capital in banking financial institutions by providing cheap and easy access to capital to finance their business (Fitri, 2021).

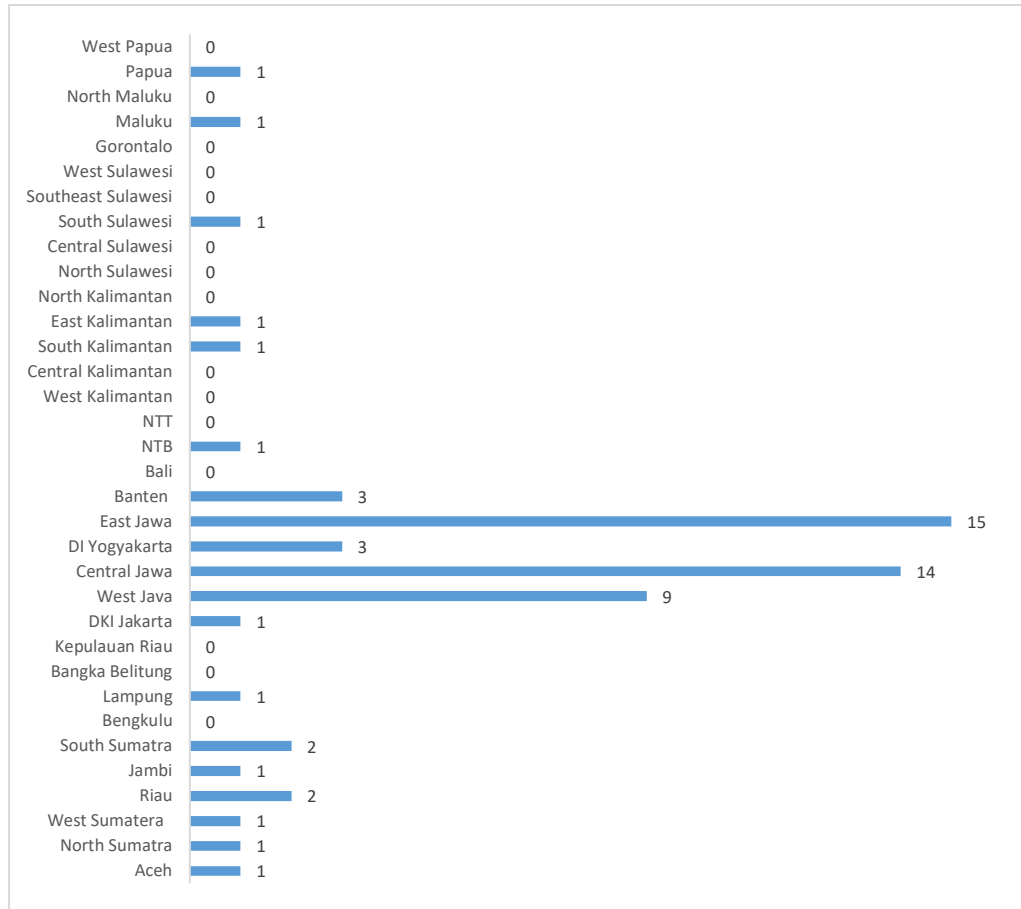
The fact that until 2022, the number of BWM are 60 institutions (http://lkmsbwm.id/data_nasional/grafik/2022/00/6) which spread over several provinces in Indonesia. This number, of course will continue to grow along with the potential number of existing *pesantren*. According to data from the Ministry of Religion, the number of *pesanten* in Indonesia at the end 2021 are 27.045 (<https://ditpdpontren.kemenag.go.id/pdpp>). The following is a comparison of the number of *pesantren* with MWB that have been established:

Table 1. Comparison of the Number of *Pesantren* and BWM

No	Province	Pesantr en	BW M	No	Province	Pesantre n	BW M
1	Aceh	1177	1	18	NTB	684	1
2	North Sumatra	183	1	19	NTT	27	0
3	West Sumatera	211	1	20	West Kalimantan	245	0
4	Riau	233	2	21	Central Kalimantan	76	0
5	Jambi	299	1	22	South Kalimantan	214	1
6	South Sumatra	317	2	23	East Kalimantan	163	1

7	Bengkulu	52	0	24	North Kalimantan	21	0
8	Lampung	677	1	25	North Sulawesi	22	0
9	Bangka Belitung	53	0	26	Central Sulawesi	88	0
10	Kepulauan Riau	63	0	27	South Sulawesi	289	1
11	DKI Jakarta	102	1	28	Southeast Sulawesi	86	0
12	West Java	8343	9	29	West Sulawesi	74	0
13	Central Jawa	3787	14	30	Gorontalo	28	0
14	DI Yogyakarta	319	3	31	Maluku	16	1
15	East Jawa	4452	15	32	North Maluku	20	0
16	Banten	4579	3	33	Papua	37	1
17	Bali	90	0	34	West Papua	18	0
Total Number						27045	60

Graphic 1 Number of BWM Each Province



The Graphic 1 shows that the number of BWM is still very small compared to the number of Islamic boarding schools in Indonesia. In addition, the response to the establishment of the BWM has not been evenly distributed for each province. Although the potential for BWM development is very large, the legal aspects and operational concepts still need to be improved. The fact that the BWM's legal basis is still unclear. It is said so because the legal entity of BWM is a cooperative, while the BWM business license is a sharia microfinance institution so that its supervision is under the OJK. Therefore, in fact the term 'waqf' is used in a micro waqf bank institution legally not as a waqf institution, but it is an Islamic microfinance institution (Bayuni et al., 2020). The risk of not using waqf law as the legal basis has the potential to cause the provisions regarding waqf to be ignored. Ideally legal basis The legal basis for the business activities of BWM is contained in waqf regulations and Islamic Micro Finance Institution (IMFIs) regulations. Waqf provisions apply because the assets managed by micro waqf banks are waqf assets, while the regulations of IMFIs apply because they are related to the procedures for establishing the legal entity and its management.

BWM is an IMFIs which is founded with the permission of the Financial Services Authority (OJK) and aimed to provide capital loans for small business. BWM is founded in Islamic boarding schools which OJK have authorized (Hasiba et al., 2021). The term BWM was chosen because the government hopes that the

essence of the funds distributed to the public is maintained without reducing the benefits (Sulistiani et al., 2019).

The opportunity to establish BWM is still very open along with the large number of *pesantren*. Although the number of *pesantren* is very large, but not all *pesantren* can establish BWM. According the OJK, to be able to establish a BWM they must meet the criteria, namely (1) In the area around the *pesantren*, there are productive poor people; (2) Leadership of *pesantren* that has an understanding of sharia finance; (3) Prepare the prospective management who have integrity, good moral, and financial reputation; and (4) The administrators have the spirit and good competence in the development of microfinance and community empowerment; (5) *Pesantren* has a great social impact on society through religious activities (OJK, 2019).

As IMFIs, according Law No. 1 of 2013 on Microfinance Institutions, the legal entity of MWB must be a cooperative or limited liability (Article 5). Cooperative legal entities are appropriate to use BWM which is still in the pilot stage. Meanwhile, a limited liability company legal entity can be used if the BWM has developed. Although in the legal perspective of microfinance institutions the position of BWM is clear, but in the perspective of waqf law it has not been determined. Therefore, in the future, BWM must be positioned as a *nazhir* as required in the waqf law No.41 of 2004. The practice of BWM without involving *nazhir* is contrary to the conditions for the validity of waqf as stated in the law. *Nazhir* of BWM, apart from being given the authority to manage waqf, should also be given the authority to run a financial services business in order to develop their economic prospects. The existence of economic prospects, can be a motivation to manage BWM professionally.

BWM is believed to increase financial inclusion, particularly in the public and small and micro businesses (SMEs) to have the easy capital. These agency is not allowed to take deposits from the public because it has focused in communities empowerment through financing with business mentoring. The organization also existed as a microfinance institution of sharia that are licensed and supervised by the OJK (Azizah et al., 2021). *Pesantren* that have met the above requirements can establish BWM as a IMFIs with a cooperative as legal entity (Azizah et al., 2021). According Syalthut, the characteristic of cooperative is identical with mutual cooperation (*syirkah ta'awuniyah*) (Djannah & Rizal, 2019). Therefore, the legality of BWM is highly dependent on not only the characteristic of *syirkah* but also the fulfillment of the requirements for establishing a cooperative as a legal entity.

Every institution that is a cooperative legal entity, always requires a member deposits (Aufa et al., 2021). This means that BWM management members are required to submit member deposits as a condition for establishing a cooperative legal entity. Funds collected by members deposits must be placed in a separate account from the waqf funds. BWM membership funds can be used as capital in the provision of profit-oriented financial services. BWM that has received a permit can receive cash waqf from *wakif*. Mohammad (2011) suggests that the cash waqf model can be used to provide capital for the waqf bank (Shaikh et al., 2017). Cash waqf is not necessarily in the form of money only but can also be in the form of share certificates (Mauluddin & Rahman, 2018). BWM is an institution that

manages cash waqf. According the law, in managing of cash waqf, *nazhir* must cooperate with Islamic Financial Institutions - Cash Waqf Recipients (LKS-PWU) (Khairunisa et al., 2018; Rafiqi, 2019). The purpose of this collaboration is to avoid placing waqf funds in usurious-based of conventional financial institutions.

The fact that BWM is not allowed to take deposits from the public because it has focused in communities empowerment through financing with business mentoring (Nugraho & Hilal, 2019). BWM as an institution entrusted to channel financing is required to maintain a mandate in managing the virtue funds provided by LAZ. In carrying out its business activities, BWM as part of the MFIs supervised by the OJK coordinates with *pesantren*, village officials and local government (Putra et al., 2021). Although it is prohibited to collect funds from public, as a cooperative legal entity, BWM should be able to increase business capital through member savings. Thus, as a IMFIs, BWM must be able to collect profits from the business activity and earn wages as *nazhir*.

BWM which was developed from the integration of the waqf concept and Islamic microfinance institutions certainly has uniqueness compared to just ordinary microfinance institutions. There are several characteristics inherent in BWM built through an integration model, namely:

- a. *Provide financing and assistance.* The main mission of BWM is to channel waqf funds in the form of financing. Financing is based on sharia contracts that are guided by the fatwa of DSN-MUI. Assistance is carried out through training, skills development, and religious awareness. The fact that assistance for micro entrepreneurs is very important because knowledge is often a barrier. Haneef et al. (2014) argue that lack of finance and business training requires institutional support to unleash the potentials of micro-entrepreneurs and to establish viable micro-enterprises (Shaikh et al., 2017).
- b. *Non-deposit taking.* The source of the BWM funds is from *wakif* directly in cash and/or from LAZ institutions that are partners. BWM does not collect the funds in the form of saving or investment like microfinance institutions in general. The source of income for BWM comes from return on financing and others service income. Although it does not collect funds from the public, as an institution that is a cooperative legal entity, BWM can still collect funds from its members. If the member's savings are large, then the BWM's capital to run a business will also increase. Profits from business activities can be used as income, in addition to receipts from waqf fund management fees.
- c. *Low yield 3% equivalent.* This yield is a stipulation from the OJK as a financial services authority (Bayuni et al., 2020; Hidayat, 2018). To avoid usury (*riba*), the yield should be only applied to commercial-based financing and not for non-commercial financing. The contracts that can be used in commercial-based financing are trading contracts (*al-bai'*), leasing (*ijârah*), and profit sharing investment (*mudhârabah*, *musyarakah*).
- d. *Group based financing.* The distribution of funds using the group based financing (GBF) approach is appropriate because the benefits of the funds can be felt collectively. The purpose of GBF is not only to financing equity but also to avoid misuse of funds by one customer due to the control of other

customers. In addition, accountability through groups collectively can reduce the risk of default.

- e. *No collateral*. Without requiring collateral, it will make easier for micro entrepreneurs to get access to financing. The fact that the main obstacle that prevents micro-entrepreneurs from obtaining financing from banking institutions is related to collateral requirements.

The mechanism for developing a BWM for community economic empowerment is through preparing sharia-based financing services without charging interest and only paying an administration fee. In addition to financing, BWM also provides training and assistance to customers in running their business to realize prosperity and economic independence (Bayuni et al., 2020). The criteria of BWM customers are: (a) The poor who have able to meet basic needs for his survival; (b) Poor people who already have productive businesses or have the will and enthusiasm to work; (c) The poor who have commitment to participate in empowerment programs (OJK, 2019).

As an IMFIs, BWM in financing the customer must be based on the Law of Microfinance Institution (MFI) Number 1/2013. According MFIs law, each providing financing based on sharia principles, MWB must be guided by the fatwa of the DSN-MUI (Article 12 [2]). Therefore, to ensure conformity with sharia principles, BWM is obliged to form a sharia supervisory board to advise and supervise all business activities (Article 13). There are several fatwas of DSN-MUI related to the contracts for micro financing:

Table 2. Contracts For Financing

No	Type of Financing	Islamic Contract Used	Fatwa of DSN-MUI
1	Non commercial financing	Loan-based financing (<i>Qardhul Hasan</i>)	– Fatwa No. 19/DSN-MUI/IV/ 2001 on <i>Qardh</i>
2	Commercial financing	Trade-based financing (<i>Murabahah, Istishna</i>)	– Fatwa No. 04/DSN-MUI/ IV/ 2000 on <i>Murabahah</i> – Fatwa No. 06/DSN-MUI/IV/ 2000 on <i>Istishna</i>
		Lease-based financing (<i>Ijarah, Ijarah Muntahiya bit Tamlik/ IMBT</i>)	– Fatwa No. 09/DSN-MUI/ IV/2000 on <i>Ijarah</i> Financing – Fatwa No. 27/ DSN-MUI/ III/2002 on <i>Ijarah, Ijarah Muntahiya bit Tamlik</i>
		Profit-sharing based financing (<i>Mudharabah, Musyarakah</i>)	– Fatwa No. 07/DSN-MUI/ IV/ 2000 on <i>Mudharabah</i> Financing

			– Fatwa No. 08/DSN-MUI/ IV/ 2000 on <i>Musyarakah</i> Financing
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The fact that the funds distributed by BWM to micro-entrepreneurs are sourced from cash waqf property and/ or results of the development of waqf property. Ideally, the funds used to finance micro-entrepreneurs are the result of waqf property, so there is no risk to the waqf property itself. The results of the waqf property can be obtained from investments of other Islamic financial institutions or from the results of commercial-based financing to micro-entrepreneurs. BWM must always allocate waqf funds to provide financing to poor entrepreneurs and provide assistance to be successful in their business. As for the funds invested in other financial institutions are idle of waqf funds that have not been used for financing. In principle, BWM as *nazhir* must be able to guarantee the waqf property that has been mandated by the donors (*wakif*).

The fact that so far the practice of BWM has not involved SSB in its management structure. In fact, the ideal requirement for establishing a sharia microfinance institution is to involve SSB to ensure the realization of sharia compliance. In addition, the existence of SSB in BWM can also create positive perceptions and trust in the community. The more people trust, the easier for BWM to get waqf funds or partners in empowering the poor. Fukuyama (1995) said that without trust, many institutions, including business and government, would not be productive. Trust in the business context has been widely recognized as a key factor of organizational performance (Pirson et al., 2019). Previous literature also hypothesized that Islamic banks requisite to enhance their institutional image and reputation through sharia compliance quality, which is the unique feature that differentiates them from their conventional counterparts (Alam et al., 2022).

Table 3. Some Critical Notes and Solutions

No	Elements of BWM	Reality	Should
1	Legal entity	Cooperative just a formality	A real cooperative
2	Regulations	Regulations of MFI and cooperative	Regulations of MFI, cooperative, and waqf
3	Activity Scope	IMFIs	Integration of IMFIs and waqf institution
4	Program motive	Non commercial	Non commercial and commercial
5	Source of funds	Cast waqf	Cast waqf and member deposits
6	Financing contract basis	Loan contract (<i>qardh</i>)	- Loan contract (<i>qardh</i>) - Trading contract (<i>al-bai'</i>)

			- Leasing contcat (<i>ijarah/ Ijarah Muntahiya bit Tamlik</i>) - Partnership contract (<i>musyarakah/ mudharabah</i>)
7	Income of institutional	- Administrative fees - Wages as <i>nazhir</i>	- Administrative fees - Wages as <i>nazhir</i> - Business returns
8	Guarantee of waqf property	No guarantee of waqf property	BWM must guarantees waqf property
9	Existence of Sharia Supervisory Board (SSB)	Without SSB	In BWM there needs to be SSB

Conclusion

The development of BWM in Indonesia has great potential along with the large number of Islamic boarding schools. However, this potential has not been supported by a good BWM concept so that there are still many weaknesses, both from the aspect of sharia principles and regulations. As Islamic microfinance institutions (IMFIs), BWM should apply sharia principles related to fund distribution contracts that have been decreed by the DSN-MUI and also law of waqf. While from the regulatory aspect, BWM in addition to referring to the regulation of microfinance institutions and cooperatives, is also obliged to base it on waqf regulations. The reason is that in addition to BWM as a financial institution, it must act as a *nazhir* who manages waqf funds.

As an IMFIs, BWM can run a business to get profits with the capital raised through member deposits. As a *nazhir*, BWM can collect funds from donators (*wakif*) and then to be developed before it is distributed for the public benefit. *Nazhir* must guarantee the safety of cash waqf funds, so that the benefits can continue to be developed. For services in managing waqf funds, BWM personnel are entitled to receive wages, the amount of which has been determined by law. Diversification of the scope of activity and potential income for BWM will provide more hope for the welfare of its employees, so that the demands for professionalism can be applied. In order to realize the principle of sharia compliance, BWM needs to raise SSB from among sharia experts. The maturation of the BWM concept is important before its implementation. Without a good concept, a business or social institution cannot run well. This paper only focuses on developing the concept of BWM, as for the effectiveness of cash waqf management at the implementation level, further research is needed.

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