

Micro Waqf Bank:

New Sharia Financial Instruments in Indonesia

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Abstract—This research aims to study and improve the benefits of micro waqf banks as Islamic microfinance institutions that have only been pioneered since 2017 in Indonesia. The research method used was qualitative research using normative juridical through interview and literature study methods, and analyzed using descriptive analysis. The results of this study indicate that a micro waqf bank stands as a sharia cooperative, but from its naming aspect that uses the term 'waqf' does not make it a waqf institution. Micro waqf banks are institutions that represent financial institutions, the Indonesian government and Islamic boarding schools as the basis of Indonesian Muslims. The purpose of this micro waqf bank is to be able to reduce poverty by providing financing to the poor through routine assistance programs, allegedly the target of this program is the poor who cannot access formal financial institutions to help the capital aspects of community small businesses.

Keywords: *micro waqf bank, institution, Indonesia*

I. INTRODUCTION

Socio-economic deprivation otherwise called poverty is a global phenomenon irrespective of geographical locations [1], especially in Indonesia as the largest Muslim country in the world. Waqf can be one solution in answering socio-economic problems. The institution of waqf in the Islamic social finance frame work provides a useful vehicle to fill the gap in social intermediation [2].

Waqf is one of the economic instruments of Islam that has more flexibility than the zakat instrument, but the waqf institution has been considered as a non-profit institution that does not concentrate on profit oriented, and only focuses on the problem of worship so that its development only stops at the construction of places of worship [3]. The introduction of cash waqf in early fifteenth century opened a new insight for waqf development, specifically to encourage Muslims giving behavior. Many waqf institutions, for instance, in Syria, Egypt, India, Singapore and Malaysia embraced the idea of cash waqf which seems to have great potential and benefit [4].

Waqf was very instrumental in the socio-economic field in the history of Islam in the past. The development of new instruments in the Islamic economic sector for the sake of giving birth to the value of mashlahat more done, one of which is in the waqf sector. The use of the term waqf is a trend in the culture of developing Islamic philanthropy, especially in

Indonesia. In 2017 the Indonesian Government together with the financial services authority (OJK) initiated the existence of a Micro Waqf Bank in an effort to address the problem of poverty. The term Micro Waqf Bank was chosen because the government expects that the core of the funds distributed to the community is maintained essentially without reducing the benefits, besides being named BWM because it is located in the pesantren environment [5]. Micro waqf banks were initially thought to be related to institutions for collecting money waqf or cash waqf. however, institutionally, micro-waqf banks are registered as Islamic cooperatives or known as Islamic microfinance institutions, not as endowments, because of the difference between institutional status and the naming of research institutions interested in researching related institutions.

II. METHOD

This study uses qualitative research methods, through normative juridical research and uses library research in data collection, namely the type of qualitative research whose data is obtained from books, books, magazines, newspapers, journals and other records relating to issues related to endowments and endowments institutions micro. While other supporting data in the field, mostly related to micro waqf bank data and the number of pesantren in Indonesia.

In collecting data the author uses a documentary method that searches for data about things or variables in the form of writing, books, articles that are relevant to writing this theme.

In this research, data processing is only intended for qualitative descriptive data analysis, where the material or material will be discussed and analyzed for further content, so that the level of acquisition, the feasibility of norms, and delivery of new material can be studied. normative idea. Qualitative which means the analysis is based on efforts to find the principles of monographic and respondent information, the truth obtained from the results of research and questions for respondents, both oral and written to conduct research activities.

III. RESULTS AND DISCUSSION

Bank Wakaf Mikro (BWM) is a new institution in Indonesia, the term Bank Wakaf Mikro is also a new term especially in the pesantren education sector in Indonesia. Bank

Wakaf Mikro (BWM) is a Sharia Micro Financial Institution (LKMS) 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.

Bank Wakaf Mikro (BWM) in the pesantren aims to enable students to learn to manage banking. The financial services authority (OJK) has issued licenses to 20 Micro Waqf Bank institutions in the boarding school environment. Until the beginning of March 2018, of the 20 Micro Waqf Banks, which are pilot projects, have been channeled financing to 2,784 customers with a total financing value of Rp 2.45 billion [6].”

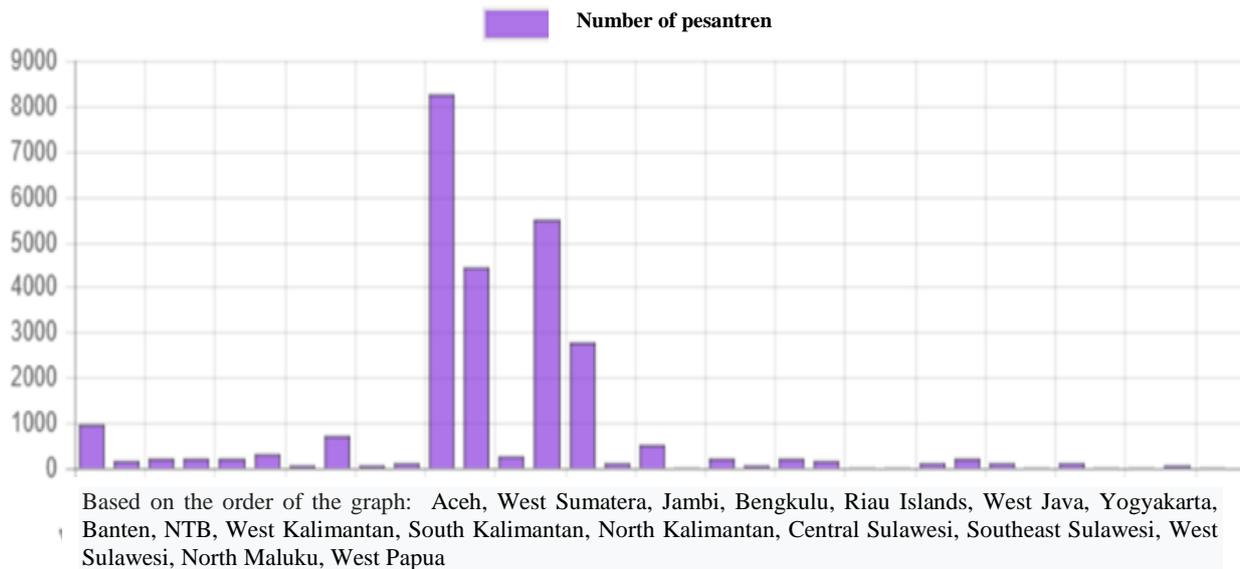
The term 'waqf' in the use of the name of a micro waqf bank institution (BWM) is inversely proportional to the legal basis and form of the legal entity. The legal entity of BWM is a Cooperative, while the BWM business license is a sharia microfinance institution so that its supervision is under the OJK [7]. 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, which operationally does not use a waqf legal basis, only the term waqf is considered to represent the pesantren environment where micro-waqf bank institutions are located. because a micro waqf bank is not a waqf institution, it does not have a function as nadzhir. waqf institutions generally function as nadzir waqf. Nādzir endowment according to Government Regulation Indonesia number 28 of 1977 is categorized into two groups, namely individual Nāzir and institutionalized Nāzir [8].

The mechanism for developing a Micro Waqf Bank for Community Economic Empowerment is through preparing sharia-based financing services without charging interest and only paying an administration fee of 3% per year, easy requirements, as well as providing business training and assistance for its customers, while the customers include

productive communities / small businesses and do not yet have access to formal financial institutions in rural areas and Islamic boarding schools. With Business Characteristics of Micro Waqf Bank: Providing financing and assistance, Non deposit taking, Low yields, equivalent to 3%, Group-based and Unsecured.

So that the mechanism in channeling funds at the existing micro Waqf Bank is not based on Law No.41 of 2004 concerning specific endowments related to money endowments, because in the endowment Act it is stated that the distribution of money endowments must go through Islamic financial institutions receiving abbreviated endowments of money abbreviated as 'The LKS-PWU 'is officially designated by the Ministry of Religion, but the term' waqf 'is in the micro waqf bank as the name of the institution is used so that it is easily accepted by the pesantren environment. the target of BWM is Pesantren-based community economic empowerment, given the very large potential of Pesantren empowerment according to MoRA data, there are 28,194 Pesantren throughout Indonesia [9], and the largest number is in West Java. So with this amount, it is hoped that great potential can be explored to empower people and play a role in eroding economic inequality and alleviating poverty, especially the community around pesantren.

Related to economic empowerment in the pesantren environment especially through waqf, according to Dhofier today there has been a paradigm shift in the pesantren body [10]. Islamic boarding school is trying to change the future of Islamic boarding school, not only able to produce clerics, preachers, hadith experts, and readers of the yellow book, but more than that, with intermediaries the path of education is able to produce knowledgeable human resources, mastering all fields of science and able to unite the religious sciences with general knowledge concerning community life.



(Source: pesantren information center 2018, ministry of religion of the republic of Indonesia 'pbsb. ditdpdponren. kemenag')

Fig. 1. Graph of number of Islamic boarding schools per province in Indonesia.

Based on the graph, the province of West Java has the highest number of pesantren, with more than 8000 pesantren, and from this picture illustrates that the potential of Islamic boarding schools is very large in Indonesia, so that making boarding schools as the basis for economic development is very potential in Indonesia. due to the quantity of Muslims in Indonesia is very large, and become the largest Muslim country in the world. However, it should be noted that the pesantren community better understand the meaning of waqf as a term in the social environment of worship so it needs to be considered by policy makers in making a product for economic empowerment so that it does not go out of its purpose, bearing in mind that the presence of the Micro Waqf Bank is believed to increase public financial inclusion, especially Small and Micro Business (UKM) actors will easily get capital.

In its operation, BWM is not permitted to conduct fundraising activities. Furthermore, BWM comes with several benefits including [11]:

- Helping small communities to avoid being caught in moneylenders.
- Providing funding for businesses in a cheap and easy way for unbanked people.
- Help develop community businesses so that they can advance their welfare.

Micro waqf bank business scheme in poverty alleviation. Among the explanation of the scheme are as follows [8]:

- Donors are all Indonesian people who have excess funds, especially entrepreneurs and / or large companies who have a concern for the empowerment program for the poor and alleviation of inequality in Indonesia.
- Productive poor people are:
 - who has been able to meet the basic needs for survival.
 - The poor who already have productive businesses or have the will and enthusiasm to work,
 - The poor who have a commitment to take part in an empowerment program. The target financing customers are productive poor people who cannot access formal financial institutions. The micro waqf bank business model is present as an incubator to be able to prepare customers for the sector of formal financial institutions such as Islamic banking, Islamic financial institutions, Islamic ventures and financial institutions with similar complexity structures.
- Non-deposit taking is not managing public funds, like savings, savings, time deposits and similar products.

Micro waqf banks focus on empowering productive poor people through mentoring and microfinance. As for the source of micro-waqf bank income comes from the profit sharing of Islamic deposits, the results of financing and other service revenues. The process of monitoring and supervising the micro waqf bank is carried out by OJK in coordination with the

Ministry of Education, Boarding Schools and trustworthy community leaders.



(Source: 'OJK' 2018)

Fig. 2. BWM monitoring and supervision process.

IV. CONCLUSION

Micro waqf bank is an Islamic microfinance institution that was established in 2017 in Indonesia, this institution 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. This institution has no direct relationship with the known waqf institutions in general. The use of the term 'waqf' is only as a form of adjustment to the pesantren environment which is the basis of its establishment and development.

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