

FINANCING SCHEME OF MICRO WAQF BANK (CASE STUDY AT ALMUNA BERKAH MANDIRI MICRO WAQF BANK KRAPYAK, BANTUL, YOGYAKARTA)

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ABSTRACT

(Micro Waqf Bank (BWM) is the newest program of the Indonesia government. This microfinance institution is based on waqf crowdfunding and it was allocated to the community around the Islamic Boarding School area. This study aims to reveal the financing scheme of Micro Waqf Bank at BWM Almuna Berkah Mandiri. In receipt of customer financing, it will be included in a smaller group with five members. The customer group in BWM Almuna Berkah Mandiri has a financing scheme called the 2-2-1 scheme. This study contributes to the Islamic microfinance financing model based on waqf through the Self Help Group.

Field of Research: *Waqf Financing, Micro Waqf Bank, Financing, Islamic Microfinance*

Purpose

Poverty is still a major problem that is of concern to the Indonesian people. According to data from the Indonesian Central Statistics Agency (BPS Indonesia) of 9.82% or around 254 thousand people. Until now, one of the biggest challenges is the lack of new jobs available in the community. Therefore, the way to solve it is to ask the community to open a new business field, so that it is agreed that employment will be broad. However, this was approved by the community because of the unavailability of capital to start a business. If you have to borrow at a community bank, you are also burdened with high-interest rates. Especially if you have to pay with loan sharks that make the poor worse off.

The Micro Waqf Bank (BWM) was recently present in the community to eliminate the role of moneylenders and bank loans in the provision of venture capital to communities in need. The purpose of the establishment of this Micro Waqf Bank itself is to provide access to capital or financing for small communities that do not have access to formal financial institutions. Micro Waqf Banks are expected to improve people's lives, to reduce poverty and social inequality (Indonesian Financial Services Authority (FSA), 2018). Not only through the provision of capital funding to the people in need, but BWM also plays an important role in the training and mentoring of these community businesses so that the output obtained can be maximized.

The Micro Waqf Bank began to attract the attention of the public since the end of 2017 when the President of the Republic of Indonesia Joko Widodo conducted the inauguration of the KHAS BWM in Cirebon, which was then continued with the BWM Al Fithrah Wawa Mandiri in Surabaya. The enthusiasm of the establishment of BWM also encouraged the legality of the business establishment so that it involved the role of the Indonesian Financial Services Authority (FSA) in granting permission to establish BWM. As of mid-2018, 20 BWMs in Indonesia have legally incorporated cooperatives with permits for Islamic microfinance institutions. The government sees that the potential development of BWM as one of the agencies that help the government in providing capital funding to the community is very large. This is evidenced by a large number of Islamic boarding schools, which are as many as 25,938 Islamic schools spread throughout Indonesia (based on the statistics of the Ministry of Religion of the Republic of Indonesia). If 60-70% of the number of pesantren in Indonesia has BWM, then the government's efforts to overcome poverty and social inequality are getting easier. Especially if the financial assistance made by BWM, it can produce a community that is independent and can be competitive so that it can improve its economic level.

The existence of the Micro Waqf Bank (BWM) itself already exists in Yogyakarta, currently there are three BWMs operating in 3 Islamic boarding schools namely BWM Almuna Berkah Mandiri in Al Munawwir Islamic Boarding School, BWM Usaha Mandiri Sakinah under the University of Aisyiyah Yogyakarta (UNISA) and the new three were inaugurated at Pandanaran Islamic Boarding School. In this study, the author interviewed BWM Almuna Berkah Mandiri. The reason is that BWM Almuna Berkah Mandiri was included in the first batch of BWM inauguration in Islamic boarding schools throughout Indonesia, besides BWM Almuna Berkah Mandiri has been running for almost two years and already has approximately 400 customers who are financing at this BWM.

This research was conducted to find out the financing scheme carried out by BWM Almuna Berkah Mandiri, considering that BWM is a product of the Syariah Microfinance Institution which was only inaugurated in the last two years. There has not been much in-depth research on BWM, so we want to know how the financing scheme is carried out by BWM Almuna Berkah Mandiri and what is the difference between the other LKMS.

Islamic Microfinance

Microfinance Institutions is one of the tools to reduce poverty and socio-economic inequality in the communities. Microfinance Institutions provide small peoples to get venture capital, but can the capital be used in Islamic principles? Therefore, Kaleem and Ahmed researched about the guidance and the theoretical of Islamic Microfinance Institutions (IMFs) based on the Qur'an. Based on this study, Kaleem and Ahmed stated that the system in Islamic microfinance institutions uses the concept of family empowerment and brotherhood where funds are obtained from Zakat, Infaq, Sadaqah, and Waqf. Then the funds are given to the community with the Qardul Hasan contract, known as a charity-based contract. The contract provides convenience for small communities to be managed as Startup capital and returned by the amount provided, without the interest expense as in conventional loans. This is expected to be one of the tools that help in alleviating poverty. (Kaleem & Ahmed, 2010).

Blake Goud in his research titled Islamic Microfinance: Principal, Sharing Risk, and Correspondent for the Americas, *The Islamic Globe*, explains there are so many products offered by Islamic microfinance institutions, including micro-credit, micro-saving, and micro-takaful. to simplify the function and implications of each product, it can be seen based on the existing case studies at

Islamic Bank Bangladesh Ltd. and the Rural Development Scheme in Bangladesh. The results of research done by Blake Goud are found in many Islamic microfinance institutions that use Mudarabah and Musyarakah agreements on financial products offered. As for the institutions, they also started the Murabaha contract as a form of buying and selling transactions (Goud, 2013). Generally, the application of Islamic microfinance institution products in a country's macroeconomy should be able to accelerate the development process of the country's economic industry. Merely, there needs to be considered in developing Islamic microfinance institutions as a means of poverty alleviation, specifically the relativity of the high cost of formation to produce quite high risks as well.

By examining the Rural Development Scheme of Islami Bank Bangladesh, Hassan and Shaleem critically reviewed the Islamic Microfinance program in the matter to reduce poverty in Bangladesh. To explore the perspectives in which Islamic Microfinance packages function in Bangladesh and the implication of its to approve the positivity relationship between Islamic Microfinance and socio-economic welfare of women, this study was developed based on a structured questionnaire survey. The result reveals that women's income and assets are played a very important role because women's income is capable of enhancing women's economic independence and sense of self-confidence. Also, based on the five elements (deen, nafs, nasl, aql, and mal) of Maqashid Syariah. Hassan and Shaleem reveal that Maqashid Syariah could bring the Islami Bank Bangladesh helped women in Bangladesh to establish an independent business. The program also helped women in Bangladesh to avoid loans with high-interest, so it will help them to make a saving from their incomes (Hassan & Saleem, 2017).

Community currency is defined as a medium for exchange goods and services in a community, where the community is defined as a group with shared ties. Based on research reveals by Rozzani et. al., said the community currency has not been used by the Islamic Microfinance Institutions in Malaysia as a medium for exchange goods and services (Rozzani et. al., 2015). Moreover, the benefits derived from the community currency could be utilized by the wider community, particularly to develop the community to reduce poverty and socio-economic's gap. Although, there are a lot of considerations that need to be considered for implementing this community currency in Islamic Microfinance Institutions, one of it is the community must be willing to accept the community currency for transactions. Which the wider community still needs a long time to be approved.

To overcome poverty, Islamic microfinance institutions exist to help in empowering the community. The number of products from Islamic microfinance institutions offered the particular concern of Halima Begum et. al., to research about sharia-based on microfinance products in the context of sustainable poverty alleviation approaches and provide them with financial benefits to increase income in their livelihoods. This qualitative study then reveals that Islamic microfinance is provided to fulfill two factors simultaneously, which is social and financial inclusion. In this case, credits and Zakah should be given to extremely poor people to satisfying basic living needs. In terms of social responsibility, Islam encourages people to be kind in terms of collecting loan money (Begum et. al., 2018). As a new concept, Islamic Microfinance Institutions could show better results in reducing poverty than conventional microfinance that still apply the interest system to their customers. Another benefit that could be obtained from the Islamic Microfinance Institutions is the programs and its concepts offered to lead the long-term sustainable development.

Abul Hassan explains more about the social capital used for a small community to build a business. The social capital that used in Islamic Microfinance was collected from the Zakah and Waqf funds. Social Capital becomes new dimensions to develop the community to be more independent

and empowered. In the Islamic perspective, Social Capital can be conceived of as networks of horizontal and vertical linkages. Not only for the one who receives it but also for the giver. That's why Islamic Microfinance has a lot of roles in empowering the community. Hassan also describes the result of his research is Islamic Microfinance linked their financial services into environmental resource goals. So, the group lending system through mutual guarantee is based on strong Islamic cooperative behavior and mutually reinforces positive incentives in poverty alleviation. There is some evidence of its effectiveness for two main objectives of the Islamic microfinance program: increased income and production which are elements of improving the economy of the poor (Hassan, 2014).

Not only establishing Islamic microfinance institutions to reduce poverty in the community but thinking about the sustainability of the program and the benefits provided by Islamic microfinance institutions is also important. Therefore Abdul Rahman, Al Smady, and Kazemian research on how the sustainability of micro-Islamic institutions, especially those in Malaysia, along with suggestions for overcoming obstacles to independence by establishing an Islamic Microfinance Community (IMC). This qualitative research then explains the purpose of the IMC for the poor. Suggested strategies in the establishment of the Islamic Microfinance Community include a strong drive for membership and source of funds, Islamic Product Innovation, improvement in Technology, and Education, Spiritual Development and Financial Literacy (Abdul Rahman et al., 2015).

Waqf

Waqf is a voluntary charity, unlike zakat which one of the five pillars of Islam and it has to be fulfilled. Zakat can only be given to Muslims, while endowments and other charities can be given to Muslims and non-Muslims. Waqf is a narrower concept of 'charity', which in Islamic law includes alms, grants, inheritance, loans, and endowments (Stibbard et. al., 2012). The consensus of Islamic scholars explained if zakat cannot be used to fund waqf, because zakat funds should be given to 8 predetermined Asnaf. Furthermore, waqf could be an organization with not-for-profitable purposes. Waqf organizations are not part of the government, yet they perform to serve public services. Waqf organizations could offer many operational dovetails to all sectors of economics and a wide range of industries such as education, health care, real estate, recreation, and social services (Mohsin et al., 2016). The main reason why waqf could offer many operational dovetails, it is because waqf is unlike the ordinary sadaqah, waqf is a sadaqah that could be repeated in perpetuity so that a single act of giving becomes sadaqah ghariya (recurring charity). So, waqf can generate the economic benefits that are non-quantifiable value though they are not-for-profitable institutions. It also gives a huge impact on the national economic force on welfare and lifestyle in the community.

As for waqf, its ownership belongs to Muslims so it can be managed by any Muslim. Furthermore, many companies that set aside their income through CSR as a community empowerment program in the vicinity. The company's CSR is judged to have the same function as waqf because its benefits are aimed at creating an independent and empowered society. Based on research conducted by Raimi et. al., explained that CSR is a form of funding provided by companies that use the same concept as waqf and zakat. As for the data obtained based on Muslim Majority Nations (MMNs), it is stated that the poverty level of some Muslim majority countries in the world is quite high. Raimi also explained that the CSR potential channeled by companies as a form of waqf was able to help in reducing socio-economic inequality around Muslim societies (Raimi, Patel, & Adelo, 2014). In another case, Darus et. al., also explained the concept of Islamic waqf could be applied in CSR funding for Islamic companies as an alternative source as long as the CSR funds were used for social purposes (Darus et al., 2017).

Malaysia is known for the applications of Islamic economics in the order of the government. Based on the study of Harun et. al. in *“Issues and Economic Role of Waqf in Higher Education Institution: Malaysian Experience”* explained waqf is one of large financial source for Malaysia, but it has not been fully explored. Majority, waqf fund was used for educational needed such as operational cost, books, teachers and staffs salary, including student scholarship. With the policy established by the government related to the management of waqf funds in supporting education in Malaysia, it was able to help the Malaysian government to reduce the expenditure on education sector (Harun, Possumah, Mohd Shafiai, & Nor, 2016). The impact of the use of waqf in the field of education is also not only felt by government in their expenditure but also for the public in various forms of free education services. It proves that in addition to being capital in community empowerment, waqf also aims to help the community alleviating poverty by providing an appropriate educational services for the community.

Waqf ain't aiming to make financial profitability, it became the advantage for Muslims to use waqf funds as business capital for giving sustainable benefits. Furthermore, to ensure the perpetuity of the waqf, it is suggested that only revenue from the waqf property will be waqf could be a new funding source for Islamic microfinance institutions. But it have to be supported by a strong legal basis as a protector for the IMFs to developing waqf funds. used for the microfinance fund (Abdullah & Ismail, 2017).

By using the literature review above, this study found that the appearance of waqf to alleviating poverty is very helpful. As forgiven an advantage to entrepreneurs for developing their business, waqf could be used as a low-cost capital fund. Furthermore, if waqf was collected by the crowdfunding model, it could be used as a new source of funding for Islamic microfinance institutions (IMFs). IMFs provide a low community to be independent and empowerment, it also creates new jobs for wider community. However, there is no study that explained the financing scheme of the Waqf fund that developed by an organization. So, this paper will explain the financing scheme of Micro Waqf Bank (BWM) with the study case of Almuna Berkah Mandiri Micro Waqf Bank as one of the new IMFs in Indonesia.

Approach

The research was conducted at Micro Waqf Bank (BWM) Almuna Berkah Mandiri at Sleman Regency, DIY. The research was carried out on Saturday, December 6, 2018. In the qualitative study there was no mention of the population and sample but rather referred directly to the research subjects. Subjects studied were the types of financing found in the BWM Almuna Berkah Mandiri. Data collection techniques used by the author uses two methods, namely with interviews and documentation. The interviewee is BWM Almuna Berkah Mandiri's field manager, Abdul Wahid Luthfi. The selection of the subject is based on the still new topic of discussion regarding the types of financing available at Micro Waqf Bank in general.

Findings

Islamic boarding schools are institutions that are very potential for the community as a means of economic and social empowerment, in addition to being an educational institution for Muslims. The involvement of pesantren institutions in the empowerment of the community is a manifestation of the commitment of the leadership to the surrounding community in improving the quality of the community both individually and in groups. It aims to achieve the optimum level of human resources so that it can improve the welfare and quality of the community which is based on

independence. This is one of the reasons why the government provides BWM programs to Islamic boarding schools in Indonesia.

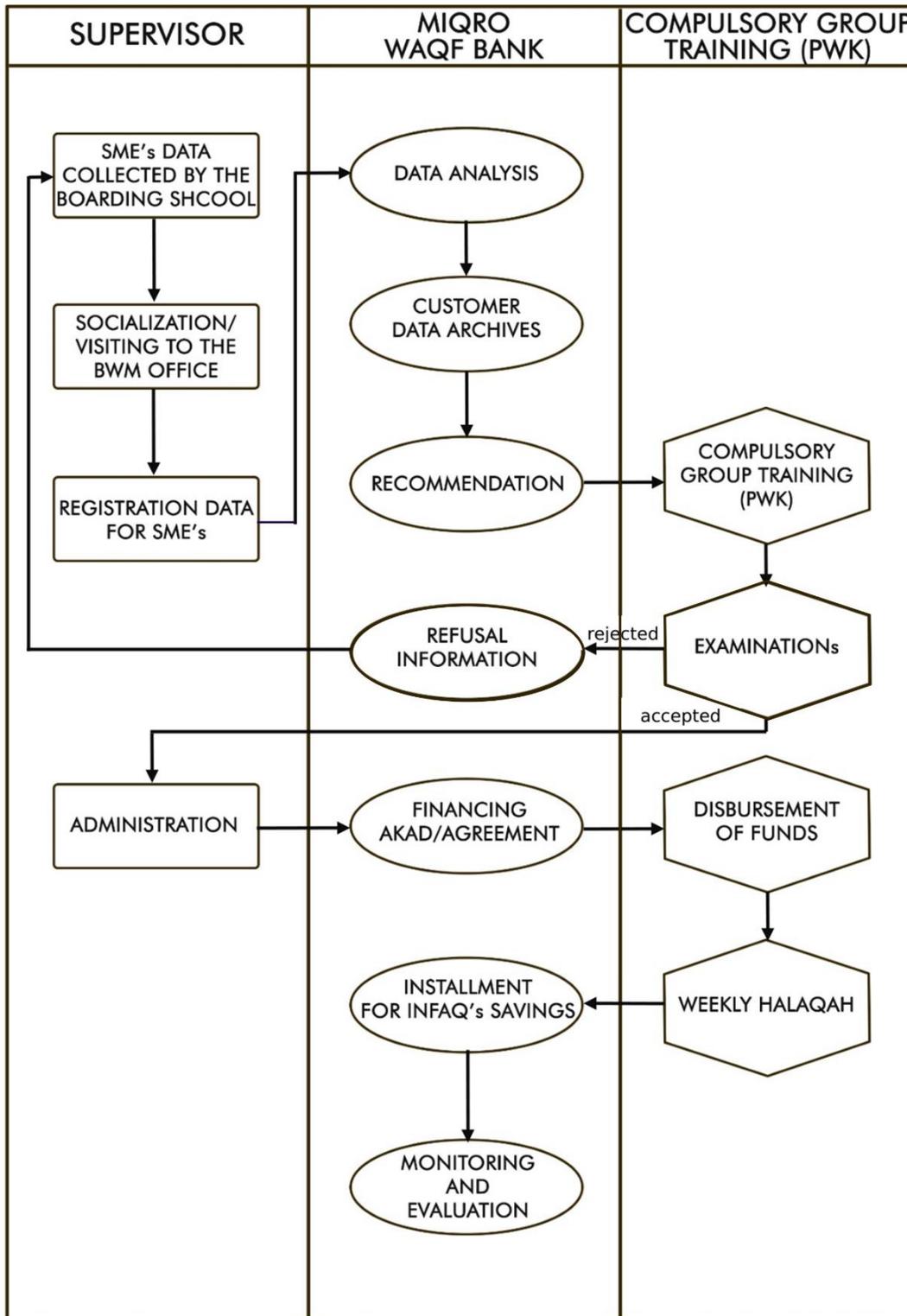
Four main legal bases are underlying the implementation of the Micro Waqf Bank. First, Law No. 41 of 2004 concerning Waqf which explains the property that can be represented not only on the scope of immovable property (land, buildings, mosques) but there is also movable property, like money. Second, in Law No. 21 of 2008 concerning Sharia Banking explained that the Bank is a business entity that collects public funds in the form of deposits, and is redistributed in the form of loans. Third, based on the law in Law No. 1 of 2003 concerning Microfinance Institutions that BWM provides business development services on a micro-scale to the community in the form of loans and financing. Last but not least, because BWM such a cooperative legal product, the implementation is also based on Law No. 17 of 2012 concerning Cooperation. It was explained that BWM applies cooperative family principles in developing the economic, social and cultural fields of the community.

The scope of waqf has only been understood generally and is limited to endowments such as land and building endowments. In the surrender of waqf assets, wakif can inherit part of his property in the form of money, precious metals, securities, vehicles or other movable assets. Allotment of waqf property is not solely for the interests of social and social facilities but also aims to advance public welfare by realizing the economic potential and benefits of the waqf property. This allows the management of waqf property to enter the economic sector on a wider scale, carried out based on the principles of Islamic management and economics.

Micro Waqf Bank (BWM) Almuna Berkah Mandiri is one form of Islamic Microfinance Institutions (LMKS) based on FSA law. Established in Yogyakarta with the permission of an institution supervised directly by the FSA based on the Decision of the Board of Commissioners of the Financial Services Authority Number: KEP-11 / KO.031 / 2017 and Decree of the Minister of Cooperatives and Small and Medium Enterprises Number: 005518 / BH / M.KUKM.2 / X / 2017. BWM Almuna Berkah Mandiri itself is an institution under the management of Krapyak Al-Munawwir Islamic Boarding School, Yogyakarta. In September 2017 the Al-Munawwir Islamic Boarding School was appointed to establish a Micro Waqf Bank as one of the government programs given to the FSA. The beginning of the establishment of BWM Almuna Berkah Mandiri was aimed at developing the economic potential of the community around the Al-Munawwir Islamic Boarding School in Krapyak.

The financing product used by BWM Almuna Berkah Mandiri uses two schemes, namely Qardh and Murabaha. Qardh is used at the beginning of the financing contract after the first contract is completed, then uses the Murabaha contract with the financing margin scheme. The financing margin applied for the Murabaha contract is 2.5% - 3%, which has been determined by the Financial Services Authority (FSA). Funding funds owned by BWM Almuna Berkah Mandiri come from the National Amil Zakat Institution (LAZNAS) in the form of conditional funds with a total of Rp. 4 billion. The use of conditional funds is divided into two; The first Rp. 1 billion was used by BWM to fund the community around the Islamic boarding school. Second, the remaining Rp 3 billion is deposited in Bank Mandiri Syariah so that it can be developed. The stipulation of this conditional fund aims to ensure that the financing carried out by BWM can be controlled and monitored easily by LAZNAS.

Financing Scheme of Micro Waqf Bank Almuna Berkah Mandiri



(Source: Documentation from BWM Almuna Berkah Mandiri, Yogyakarta, Indonesia)

The financing system implemented by BWM Almuna Berkah Mandiri has been established by FSA as the owner of the Micro Waqf Bank program. The financing scheme is formed by the flow as in the table above.

First, the supervisor who is an officer of the FSA records the Small and Medium Enterprises (SMEs) that are around boarding schools. Based on the purpose of establishing BWM in the pesantren area is to prosper the community around the boarding school. This is also in line with the principles of Islamic boarding schools as the institution closest to the community.

After data collection on SMEs around the supervisor boarding school socialized the BWM program to SMEs around boarding schools, so that SMEs get an understanding of BWM as a new government program that is a means to improve community welfare in terms of social, spiritual and economic community around. Socialization will also be carried out to provide insight into Islamic boarding schools that will run the BWM program. This socialization was carried out so that Islamic boarding schools knew and understood the social and economic conditions of the surrounding community.

The next step after the socialization was carried out was that SMEs who were interested in applying for funding could fill in the data to BWM. This data entry is intended so that BWM can analyze the business carried out by SMEs. Business analysis is carried out so that BWM can find out whether the SME has met the financing proposal criteria following the standards determined by the FSA. This analysis can be done with several principles that are often known as 5C framework. After an in-depth analysis of SMEs applying for funding and stated following predetermined standards, BWM will archive customer data that has passed the selection for funding. Customers who have passed will be recommended to BWM as the next recipient of financing.

The most differential in the financing scheme applied in BWM with other Islamic microfinance institutions is located in the Compulsory Group Training (PWK) program. Before customers are given funding, they are required to attend PWK as one of the financing procedures, where each customer will be included in the group and each group contains approximately fifteen people. Here BWM does not want customers to only receive financing without assistance and training from both business administration and entrepreneurship methods that are under Islamic teachings. The PWK program aims to have more trained customers on how to run a business with good management and also a business that can be developed well. The contents of the PWK program are the introduction of members, the introduction of discipline and a system of responsibility to customers and carried out for approximately three days. This PWK program will be honored with a Group Endorsement Examination (UPK), and for customers who do not pass, LKMS will receive rejection information which will then be included in the data supervisor.

Customers who graduate from the PWK program will carry out further administration to obtain the proposed funding. The first financing is carried out using a Qardh contract (loan) so that customers do not need to provide financing margins for the profits obtained. In receipt of customer financing, it will be included in a smaller group with five members. . Each customer group will carry out a financing agreement with the BWM with a periodic qardh procedure every week. The first two members will get funding in the first week, then 2 other members in the second week and the last funding will be given to the last one member in the third week. That was the reason why this financing scheme is called the 2-2-1 scheme. Each customer group will carry out a financing agreement with the BWM with a periodic qardh procedure every week. The first two members will get funding in the first week, then 2 other members in the second week and the last funding will be

given to the last one member in the third week. That was the reason why this financing scheme is called the 2-2-1 scheme. This periodic reduction in the funding system is carried out to train the social spirit of each customer.

Every week customers who have received funding from BWM will continue to be monitored and given input through the Weekly Halaqah program. The Weekly Halaqah program means to be the customers business sharing session. In addition, the Halwy program was held by a mentor that prepared by the BWM, to guide the *Halaqah*. The mentor was taken from the students from the boarding school. The activities during Halwy is not only aiming to improve economic knowledge and social experience but also from its spiritual side.

Weekly Halaqah is conducted in every week and the customers are encouraged to invest at least Rp. 500,- as the mentor's salary. The customers also pay for the installments on previous funding to BWM. The installment will be a substance for BWM to evaluates the customers who have applied for financing. BWM also monitors the development of the customer's business and also can provide solutions for businesses that stop making installments, so that the business can operate again.

Evaluation conducted by BWM at the end of the financing contract aims to find out whether the customer can make further financing. Then if the customer agrees to continue the second financing, it will be carried out using the Murabahah contract. Before calculating and determining the financing margin ratio, BWM as a Sharia Microfinance Institution and the customer prepares several things as follows:

- a. Project the cash flow (income projection) from the management of the customer's business during the financing plan requested by the customer until the time of repayment.
- b. Make the value of LKMS-BWM ratio and customer ratio based on the calculation of cash flow projections made.
- c. Make a profit-sharing payment schedule sheet according to the LKMS-BWM ratio obtained from the cash flow projection and the plan to repay the capital received by the customer.
- d. The cash flow projection sheet, capital repayment schedule and profit-sharing payment schedule are signed by the customer.
- e. The selection and preparation of the projection sheet for income cash flow are adjusted to the profit-sharing method and other policies agreed upon by LKMS-BWM and customers.
- f. The entire sheet above must be attached to the mudharabah agreement between LKMS-BWM and the customer as an inseparable part.
- g. For businesses that have a clear annual income but the monthly income is not fixed, such as contractors, the income depends on the employer under the Work Agreement, then the acquisition of capital does not need to be the same but adjusted to the Work Agreement.

The results obtained will be deducted with a financing margin of 2.5-3% for the customer's profit to BWM. The financing margin received will be used for the operational activities of BWM itself. The BWM management salary is obtained from conditional fund deposits of Rp 3 billion.

The funding used in BWM Almuna Berkah Mandiri. Financing at BWM Almuna Berkah Mandiri is not classified as a problem faced by SMEs who want to apply for financing. The types of financing offered are also of a minimum type, namely Qardh and Murabahah. BWM Almuna Berkah Mandiri provides funding with an agreement of Qardh. Because of Qardh agreement does not allow any additional loan repayments, it helps the customer to develop their business with the earned profit. After the final loan repayment, the customer could choose to continue the agreement with BWM Almuna Berkah Mandiri or stop it. If the customer choose to continue, they will make a new agreement with Murabahah. Furthermore, the BWM Almuna Berkah Mandiri does not explain the Murabahah agreement, because this study will only focus on the first financing scheme using the Qardh agreement.

Relevance

From the explanation, it can be concluded that the funding in the BWM Almuna Berkah Mandiri is in the form of Qardh and Murabahah. The financing scheme in figure (1) explains that the financing procedure starts from the collection of SMEs conducted by Islamic boarding schools, socialization, and business analysis. Furthermore, customers who will conduct financing are given guidance in advance with Group Compulsory Training (PWK) for three days, to train discipline and customer responsibility. After PWK, the customer carries out a test, and the customer who passes will be given the first funding with a Qardh contract. The method of financing is carried out using method 2: 2: 1, which is that funding will be periodically reduced to customers. The purpose used method 2: 2: 1 is to train the social soul in each customer. Finally, BWM will conduct mentoring and evaluation of the customer's business development. If progress and increase in profits are obtained, then the customer is entitled to submit second financing with Murabahah agreement.

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