

Innovation on Islamic Microfinance Waqf Management: Problems and Strategies

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Abstract— Baitul Maal wa Tamwil (BMT) as Islamic microfinance has various business and social functions. This study aims to analyze the problems and its strategies of waqf management in Islamic microfinance institutions. This study employed the Analytic Network Process (ANP) method to discover the priority of problems and feasible strategies. Data were collected from in-depth interviews with experts like academics and practitioners. The finding of this study shows that human resources take priority over other problems with waqf management in BMT. The next top priorities are regulation, management, and literacy. The most feasible strategy is giving regular training to create qualified human resources (nazir). This study contributes to developing the social functions of BMT and so optimizing BMT in their effort to collect low-cost third-party funds as well as supporting BMT continuity.

Keywords- BMT; Strategy; Waqf Management.

I. INTRODUCTION

Waqf is an Islamic philanthropy form that has economic and social values and makes significant contributions to the country. In the last decade, several countries around the globe have collected waqf funds through their institutions (Ihsan, 2013). Indonesia, as a country with the most substantial Muslim citizen in the world, has the potential to collect waqf. The government has issued a regulation on waqf in Law No. 41 of 2004. According to data from the Ministry of Religious Affairs Republic of Indonesia, the distribution of waqf tends to be dominated by the construction of worship places (mosques and musallas). The number reaches more than 50% of total waqf fund utilization.

Many countries have applied Islamic financial institutions to manage waqf. In Indonesia, Baitul Maal wa Tamwil (BMT) as microfinance institutions based on cooperation become one of the financial institutions that manage waqf through their two roles, namely social inclusion and financial inclusion (Rahmawati, Ascarya & Sukmana, 2017; Adnan & Ajija, 2015; Hamzah, Rusby, & Hamzah, 2013). Indonesian Waqf Board records 52 BMT have been managing waqf funds so far (Siswanto et al., 2018).

BMT roles as a baitul maal mean a treasure house that receives funds from ZIS (zakah, infaq, and shadaqah) and distributes it optimally to the entitled people. BWI (Indonesian Waqf Board) has given its support to BMT by a policy stated in Regulation of Minister of Religious Affairs No. 4 of 2009. The regulation affirms BMT as the administration of Islamic Financial Institutions that receive cash waqf. This policy explains that Islamic financial institutions are permitted to accept cash waqf.

East Java is the second largest province in Indonesia after the capital, DKI Jakarta. Waqf land in East Java reached 58,239,272 M2 in 74,429 different places (Badan Wakaf Indonesia, 2016). Up to 2018, there had been 30 BMT that own a nazir certificate to manage waqf. Proper management and strategies are needed to seize the opportunity of managing waqf through BMT. Bank and the other financial institution have to be open for subscription to philanthropic individuals and waqf institutions (Mohammad, 2015). There have been a few studies that use the ANP method to discover the strategies and management of administration (Carlucci, 2010; Chand, 2018; Deniz, 2017). However, none has ever methodologically discussed the strategies for managing waqf in BMT.

This study explores the alternative strategies by breaking down problems with waqf management in BMT in East Java, Indonesia. There are numerous BMT that have not optimized their baitul maal function yet, mainly in waqf management. (Abdelkafi & Täuscher, 2015; Schaltegger, Hansen, & Lüdeke-freund, 2015) as previous study focuses on business model on social institution and (Zaki, 2019) formulated development strategies on Islamic microfinance. Moreover, there are no previous studies that focus on waqf as their central objectivity. Therefore, by using the ANP method, this study describes and analyzes the problems and alternative strategies for BMT to manage waqf.

II. LITERATURE REVIEW

For the last few years, there have been many studies offering waqf management models. Generally, Ismail & Mohsin (2014) proposed a waqf scheme model by the sale of waqf stocks for people to invest in social-economic sectors such as hospitals, schools, and rented buildings. Then, Thaker (2018) found an integration model of waqf and microenterprise investment by conducting interviews with several waqf administration boards in Malaysia. There is a full potential in developing cash waqf for small enterprises through a few different 'aqd (contract), particularly qard hasan. Financing by waqf funds could alleviate poverty (Thaker, 2016). Implement effective risk management practices to protect the capital and ensure the sustainability of the cash waqf. Develop a sound investment strategy that aligns with Islamic finance principles. Consider diversified investments in areas such as real estate, ethical stocks, and Islamic bonds (sukuk). Financing through sukuk is cheaper than Islamic bank financing (Ascarya et al., 2022).

In detail, Haneef et al. (2014) suggested an integration model of waqf and Islamic financial institutions called IWIM (Integrated Waqf-Islamic Microfinance). According to the model, microfinance practices should be based on Islamic compliance to overcome the multidimensional aspects of poverty. The practices are also empowered to increase social-economic development and people's welfare. (Rahmawati & Sukmana, 2017) elaborated in detail on the integration of waqf and BMT by introducing four possible integration models. The four models concern with BMT as Islamic financial institutions that receive cash waqf and invest it in real and financial sectors. There are some other different studies on waqf, such as a model of waqf with venture capital strategies (Hamber & Haneef, 2017; Tanjung, 2018). BMTs are typically established to provide financial services in accordance with Shariah (Islamic law). Many BMTs and their stakeholders may lack awareness or understanding of the potential benefits and proper management of waqf assets. This can lead to underutilization of waqf resources and missed opportunities for social and economic development.

Waqf, an Islamic endowment, plays a crucial role in Islamic finance and charitable activities. Combined its potential management of Ziswaf (Ascarya & Sakti, 2022). When integrated into the operations of Baitul Maal Wal Tamwil (BMT), there can be several issues related to waqf management Wulandari (2016) researched the issues regarding BMT in Indonesia. The findings support BMT as Islamic financial institutions that provide qard hasan, zakah, and waqf could alleviate poverty. Managing waqf properties and ensuring their optimal use for generating income can be challenging. Issues such as maintenance, property valuation, and selecting

appropriate investment opportunities can impact the financial sustainability of waqf assets. The last one, Rusydiana (2018) compiled applicable general managerial strategies regarding waqf management in Indonesia.

III. METHODOLOGY

To achieve the research question this paper use ANP method. Answered complex and risky decision (Saaty & Sodenkamp, 2010). This study used primary data from six respondents and a literature review to compile the ANP framework. The respondents were competent experts in waqf and BMT, consisted of academics and practitioners with good ability and good understanding about waqf and BMT problems, they are Head of Indonesia Waqf Aboard, Head of Association of Sharia Co-operation in East Java, Professor in waqf, and 3 BMT Chairmen in East Java as practitioners. Besides completing a questionnaire, the experts were also interviewed in-depth to discover the reasons behind their answers. There were three next steps after that, namely:

First, count the Geometric Mean. This measurement was used to recognize the respondents' personal assessment and to appraise their opinions as a group. Second, count Agreement Rate. Agreement Rate is a measurement that shows the level of suitability of the respondents ($R1-Rn$) toward a problem in a cluster. The tool for assessing Agreement Rate is Kendall's Coefficient of Concordance. Third, the pairwise comparison data from the research were collected and input into a super decision software to be processed. The results from each respondent were input into a separate ANP network.

IV. DISCUSSION AND ANALYSIS

This study aims to discover problems with waqf management in Islamic microfinance. The model construction in this study is compiled by problem mapping through a literature review and in-depth interviews with the respondents

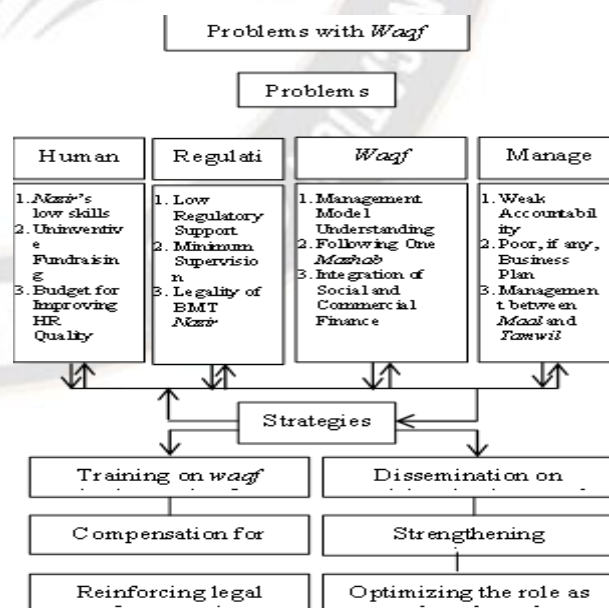


Figure 1.

ANP Model
The picture above shows the ANP model based on identification of waqf management problems and strategies in BMT. There are four problems in waqf management. Each cluster of problem has 3 sub-clusters. For the strategies, there are six cluster in developing waqf management.

Table 4.1

Table of Kendall's Coefficient of Concordance

KENDALL'S		Source: Author's analysis (2022)				
Policies	1. Training on <i>waqf</i> business plan for <i>nazir</i>	In total, whether according to the academics or practitioners who have given their assessment, human resources is a priority of all clusters with a value of 26.39%. The finding shows that in East Java, human resources becomes the most urgent problem to deal with in <i>waqf</i> management in BMT. If the agreement is broken down, it can be seen that the academics agree with the finding, and the value reaches 25.72%, while the value for practitioners reaches 25.86%. Following human resources, the next problems on the priority list are, consecutively, regulations (25.2%), management (24.9%), and <i>waqf</i> models literacy (23.4%).				
	2. Compensation for fundraising					
	3. Reinforcing legal framework					
	4. Dissemination on cash <i>waqf</i>					
	5. Strengthening accounting digitalization					
	6. Optimizing the roles as a <i>baitul maal</i>					
1.Human Resources	1. <i>Nazir</i> 's low skills (HR 1)	Each of the four main problem clusters was divided into three sub-clusters, as Table 4.1 shows. The ANP matrix evaluated every sub-cluster to find out the priority in each cluster and to determine the normalized value, whether differentiated between academics and practitioners or the respondents as a whole. In the in-depth interview, the questions concerning priority were further explained to find the reasons behind the respondents' choices.				
	2. Uninventive fundraising (HR 2)					
	3. Budget for improving HR quality (HR 3)					
2.Regulations	1. Low regulatory support (REG 1)	Table 4.3				
	2. Supervision on management (REG 2)	Problem Clusters				
	3. Legality of BMT <i>nazir</i> (REG 3)					
3. <i>Waqf</i> Models Literacy	1. Following one <i>mazhab</i> (LIT 1)	Cluster	Academic	Practitioner	All	
	2. Cash <i>waqf</i> management understanding (LIT 2)	HR 1	0.29627	0.36658	0.35162	
	3. Integration of social and commercial (LIT 3)	HR 2	0.355	0.33695	0.36785	
4.Management	1. Weak accountability system (MAN 1)	HR 3	0.34873	0.39647	0.28053	
	2. Poor business plan (MAN 2)	REG 1	0.30648	0.3506	0.35313	
	3. Management between <i>maal</i> dan <i>tamwil</i> (MAN 3)	REG 2	0.35872	0.33837	0.34715	
Source: Author's analysis (2022)		REG 3	0.3348	0.31103	0.29972	
The above ANP model construction depicts four main problem clusters, namely human resources, regulations, <i>waqf</i> models literacy, and management. There are three other clusters in each of the four main groups. From all the problem clusters, a cluster of strategies with six sub-clusters is derived. Score of Kendall's Coefficient show that rater agreement value of practitioners are higher in all aspects. Practitioners have directly perspective of management more than academics.		Literacy	LIT 1	0.34803	0.29774	0.33541
		LIT 2	0.36111	0.36646	0.37203	
		LIT 3	0.29086	0.3358	0.29257	
		Management	MA N 1	0.35728	0.32028	0.35825
		MA N 2	0.34904	0.34326	0.3567	
		MA N 3	0.29368	0.33646	0.28498	
The four main problem clusters with <i>waqf</i> management in BMT are human resources, regulations, literacy, and management. Table 4.2 shows the results of the normalized matrix in each sub-cluster.		Source: Author's analysis (2022)				
Table 4.2						
Problem Clusters						
•	• Academics	• Practitioners	• Total			
• Clusters	• Normalized	• Geomean	• Normalized	• Geomean	• Normalized	

HR 2 (uninventive fundraising) is the priority of human resources problems with the highest normalized value of 0.36785. *Nazir*, as the *waqf* administrator in BMT, ideally has their own jobs in the *waqf* management job description. However, it is not always the case. *Nazir* is also responsible for other duties, such as marketing in *waqf* fundraising. The dual functions trigger the next priority of human resources problems, which is *nazir*'s low skills in managing *waqf* (HR 1). Sharia supervisory board play an essential role in BMT (Wijaya et al., 2020).

In the regulations cluster, the low regulatory support (REG 1) in *waqf* management is the top of the priority list with a value of 0.35313. In this case, the opinions of the academics and the practitioners are different concerning regulations that support *waqf* management in BMT. The Head of BMT Association raised the Law that states *nazir* has a right to 10% of *waqf* management yield and suggested the amount is insufficient to cover BMT operational costs. According to BWI, however, the amount is high enough, especially when compared to Malaysia and Singapore that establish 5% and Bangladesh that sets 7%.

The inadequate understanding of cash *waqf* management (LIT 2) for lack of literature mastered by the administrators is the priority of literacy problems. The next priority is when the administrators are following a *mazhab* (LIT 1) in making decisions. Meanwhile, the last on the priority list of *waqf* models literacy problems is integration between social (*baitul maal*) and commercial (*baitut tamwil*) finance (LIT 3).

The ANP results for the cluster of managerial problems show that, generally, poor accountability (MAN 1) is the priority with a value of 0.35825. No applications or software integrates the *waqf* accounting system yet. Therefore, *waqf* management in BMT employs a manual accounting report, although it is already computerized. The second priority in the cluster is that there are no business plans (MAN 2) regarding the utilization of collected *waqf* funds. Business plans are essential to ensure that the *waqf* funds are perpetual and productive. However, not every BMT has a business plan to attract *waqf*.

After the elaboration of the existing problems with *waqf* management in BMT, strategies need to be put forward. From the in-depth interviews with the experts, it is known that there are six strategies BMT could use. Table 4.4 sorts them based on the priority value.

Table 4.4

Results of ANP Strategies

Strategies	Academics	Practitioners
Strategies' Sub-cluster	Normalized	Geomean
1. Training on business plans for <i>nazir</i>	0.21579	0.044957
2. Compensation for fundraising	0.10936	0.022784
3. Reinforcing legal framework	0.19101	0.039793
4. Dissemination on cash <i>waqf</i>	0.18541	0.038628
5. Strengthening accounting system digitalization	0.16771	0.034939

6. Optimization of the roles as a Baitul Maal

0.13071

0.027232

0.3

Source: Author's analysis (2022)

First, training for *nazir* is a feasible strategy to overcome problems with human resources and management, especially for the cluster of *nazir*'s low skills and poor business plan in BMT. In terms of *waqf* management, *nazir* needs to master the knowledge of three subjects. The three items are knowledge of management, *waqf* administration, and dispute resolution.

Second, minimum literacy, as explained above in the cluster of *waqf* models literacy, impacts the inadequate understanding of cash *waqf*. In this case, academics must be able to contribute to cash *waqf* dissemination through up-to-date problem solving of cash *waqf* development models. Therefore, practitioners in BMT could disseminate information and trust the community at large to develop the *waqf* funds.

Next is reinforcing the legal framework. To date, there have been Law and Minister Regulation that regulate *waqf*. However, there should be other regulations than those that encourage *nazir* to be more innovative in running *waqf* management, such as DSN MUI fatwa. In particular, a fatwa on insurance policy *waqf* that becomes an innovation for BMT to do *waqf* cooperation with insurance companies.

The fourth priority strategy is strengthening accounting system digitalization. Software or applications that have patterns for *waqf* transaction recording are an excellent strategy to standardize *waqf* bookkeeping. A feasible approach regarding accounting digitalization is encouraging cooperation between *baitul maal* administrators and other *waqf* and *zakah* boards to specify a functional and modern accounting system.

The next strategy is optimizing the roles as a *baitul maal*. In the problems cluster, it has been elaborated that BMT roles as a *baitut tamwil* and a *baitul maal* are unequal. BMT more actively play their roles as a *baitut tamwil*. Therefore, the feasible strategy is to optimize the functions as a *baitul maal* to capture potential *waqf*. In the structure of BMT, there should be a balance between *baitut tamwil* and *baitul maal*. Although many BMT in East Java already manage their *baitut tamwil* and *baitul maal* separately, the structures are still very much different. There are managers, administrative assistants, and staff in the formation of *baitut tamwil*. However, in *baitul maal*, the managers might also function as marketing, staff, and even administrative assistant. The ideal structure of BMT should consist of a chief or president director with a *baitul maal* administrator and a *baitut tamwil* manager as their subordinates. The two managers are in charge of their department, and each of them is responsible for their own tasks and job description.

The last strategy is giving compensation for fundraising. The incentive is necessary considering the double tasks in the existing structure of *baitul maal*. Besides lifting the employees' spirit, compensation would also strengthen their loyalty to BMT.

CONCLUSION

This paper discussed the aspect of strategies of *waqf* management in BMT. Its management has to understand the point of *baitut tamwil*. Up to now, BMT, as Islamic financial institutions based on cooperation, has been permitted to be *waqf nazir* that could receive and manage *waqf*. With their uniqueness

and strengths, BMT should be able to seize the opportunities in waqf. Four factors become the problems with waqf management in BMT in East Java. Based on the priority, the issues are human resources, regulations, management, and waqf management models literacy. So, qualities of human resources must be increased as well as modernization of technology. In terms of strategies, there are six feasible actions on the priority list, namely 1) training on business plan for nazir, 2) dissemination on cash waqf, 3) reinforcing legal framework, 4) strengthening accounting system digitalization, 5) optimizing the roles as a baitul maal, and 6) compensation for fundraising.

BMT as institutions of waqf have unrealized potential to collect waqf. Professional management and good policy is needed to be able to eliminate the imbalance between financial functions and social functions to realize the potential. Six strategies above have been recommendation related to the policies implemented for set up waqf management and development of its strategy.

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The preferred spelling of the word “acknowledgment” in America is without an “e” after the “g”. Avoid the stilted expression, “One of us (R.B.G.) thanks . . .” Instead, try “R.B.G. thanks”. Put applicable sponsor acknowledgments here; DO NOT place them on the first page of your paper or as a footnote.

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