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## Unveiling Strategy of Developing Bank Waqf in Indonesia

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**Abstract:** This study aims to present an alternative to the current banking system, namely through the optimization of the cash waqf concept and its management within a waqf bank framework. This study uses the Partial Least Square Structural Equation Model (PLS SEM) with several assumptions related to the structure and operational system of the bank used, using a survey of 114 respondents from banking practitioners, regulators and waqf practitioners. In this study, variables used include capital contribution, credit security, ownership structure, margin, legal status and transaction agreements on the waqf bank structure. Empirical findings are based on the views of waqf administrators. The results of the analysis conclude that capital contribution and transaction agreement models affect the structure of waqf banks in Indonesia. Meanwhile, credit security, form of ownership, margin and legal status do not significantly affect the structure of waqf banks in Indonesia. This study is expected to help the development of waqf banks in Indonesia. This study can contribute to the effectiveness of institutions for the poor and society. These implications are not limited to a particular country. Charitable organizations and the poor in every society will benefit from this study if the idea of total social banking is implemented. This study is a pioneer study in empirically addressing the structure and operation of waqf banks in Indonesia.

**Keywords:** Waqf Bank, PLS SEM, Waqf Management

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**Abstrak:** Penelitian ini bertujuan untuk menyajikan alternatif bagi sistem perbankan saat ini, yaitu melalui optimalisasi konsep cash waqf dan manajemennya dalam sebuah kerangka bank waqf. Penelitian ini menggunakan Partial Least Square Structural Equation Model (PLS SEM) dengan beberapa asumsi terkait dengan struktur dan sistem operasional bank yang digunakan, menggunakan survey pada 114 responden dari kalangan praktisi perbankan, regulator maupun praktisi wakaf. Dalam penelitian ini digunakan variabel antara lain kontribusi modal, keamanan kredit, struktur kepemilikan, margin, status hukum dan akad-akad transaksi terhadap struktur bank wakaf. Temuan empiris didasarkan pada pandangan para pengurus waqf. Hasil analisis menyimpulkan bahwa kontribusi modal dan model akad transaksi berpengaruh terhadap struktur bank wakaf di Indonesia. Sementara itu, keamanan kredit, bentuk kepemilikan, margin dan status hukum tidak signifikan berpengaruh terhadap struktur bank wakaf di Indonesia. Studi ini

diharapkan dapat membantu pengembangan bank waqf di Indonesia. Penelitian ini dapat berkontribusi pada efektivitas institusi kepada masyarakat. Implikasi ini tidak terbatas pada negara tertentu. Organisasi amal dalam masyarakat mendapatkan manfaat dari studi ini jika gagasan total social banking dilaksanakan. Studi ini merupakan studi pioneer dalam mengatasi struktur dan operasi bank waqf secara empiris di Indonesia.

**Kata Kunci:** Bank Wakaf, PLS SEM, Manajemen Wakaf

**ملخص:** تهدف هذه الدراسة إلى تقديم بديل للنظام المصرفي الحالي، وذلك من خلال تحسين مفهوم الوقف النقدي وإدارته ضمن إطار بنك الوقف. تستخدم هذه الدراسة نموذج المعادلات الهيكلية لأقل المربعات الجزئية (PLS SEM) مع عدة افتراضات تتعلق بالهيكل والنظام التشغيلي للبنك المستخدم، باستخدام استبيان شمل ١١٤ مستجيبًا من الممارسين في القطاع المصرفي، والمنظمين، والممارسين في مجال الوقف. في هذه الدراسة، تشمل المتغيرات المستخدمة مساهمة رأس المال، وأمن الائتمان، وهيكل الملكية، والهوامش، والحالة القانونية، واتفاقيات المعاملات على هيكل بنك الوقف. تستند النتائج التجريبية إلى آراء مديري الوقف. وتوصلت نتائج التحليل إلى أن مساهمة رأس المال ونماذج اتفاقيات المعاملات تؤثر في هيكل بنوك الوقف في إندونيسيا. في حين أن أمن الائتمان، وشكل الملكية، والهوامش، والحالة القانونية لا تؤثر بشكل كبير على هيكل بنوك الوقف في إندونيسيا. يُتوقع أن تساعد هذه الدراسة في تطوير بنوك الوقف في إندونيسيا. ويمكن أن تساهم هذه الدراسة في فعالية المؤسسات الموجهة للفقراء والمجتمع. ولا تقتصر هذه الآثار على بلد معين، حيث ستستفيد المنظمات الخيرية والفقراء في كل مجتمع من هذه الدراسة إذا تم تطبيق فكرة البنك الاجتماعي الشامل. وتعتبر هذه الدراسة دراسة رائدة تتناول بشكل تجريبي هيكل وعمليات بنوك الوقف في إندونيسيا.

**كلمات رئيسية:** بنك الوقف، PLS SEM، إدارة الوقف

## INTRODUCTION

Waqf has great potential in national economic growth, many countries use waqf to develop their countries. Saudi Arabia has established a waqf management company to increase waqf in its economy. Bangladesh is expanding its waqf so that economic disparities and disparities can be reduced.

Al Azhar University shows how waqf plays an important role in the world of education, by providing beneficial results for the whole world. "In contrast to zakat, taxes, banks, insurance and pension funds, waqf that is saved and managed will essentially increase benefits, because waqf is an act of relinquishing personal rights to Allah without receiving any reward except Allah SWT's promise of heaven and satisfaction when it can provide benefits to the mauqf." aalih. Awareness of waqf has been implemented by the Indonesian Muslim community since before independence. And the Indonesian government has established a special law that regulates waqf in Indonesia, namely Law number 41 of 2004 concerning Waqf.

To complement this law, the government has also established Government Regulation number 42 of 2006 concerning the Implementation of Law number 41 of 2004. With the existence of the Waqf Law, waqf management is more measurable and can be followed. Previously, waqf was only carried out by people who had assets that were considered excessive in the form of land which was then used for burials, education and mosques, which in the law were referred to as immovable assets. Meanwhile, waqf for movable assets in the form of money and other assets is not yet widely known by the Indonesian people.

The idea of cash waqf was initiated by MA Mannan, which ultimately resulted in a new creation of the idea of investment waqf, which in Indonesia was started by Dompot Dhuafa Republika in collaboration with Batasa (BTS) Capital. PB. Matla'ul Anwar with his Firdaus Fund Program, and Bank Mu'amalat Indonesia (BMI) with its new institution Baitulmal Muamalat.

The existence of Waqf Banks has long been encouraged by ICMI, however, because they are still not recognized in OJK regulations, until now Waqf Banks have not been established. So the government encourages the establishment of Micro Waqf Banks (BWM). Micro Waqf Bank (BWM) is a program for establishing Sharia Microfinance Institutions (LKMS) initiated by the Financial Services Authority (OJK) through Laznas Bangun Sejahtera Mitra Umat (BSM Umat) in order to overcome the problems of inequality and poverty through financing by carrying out a mentoring function.

The Micro Waqf Bank was established at the Islamic boarding school so that students could get to know and learn about managing financial institutions. It is hoped that the Micro Waqf Bank (BWM) can grow and the people's economic activities can run well. Financing at the Micro Waqf Bank is in the form of qardh without collateral with a maximum loan value of IDR 3 million, a margin equivalent to three percent per year.

Micro Waqf Bank also provides training and assistance to participants with a financing pattern created per group using a joint responsibility system. Micro Waqf Banks are currently not permitted to take deposits from the community, because in the initial stages the focus is on community empowerment through financing accompanied by business assistance. This institution also has the status of a sharia microfinance institution which is licensed and supervised by the Financial Services Authority (OJK).

With this policy, it is necessary to evaluate the regulations from the Financial Services Authority (OJK) which restrict the collection of public funds or only focus on empowerment. It becomes inevitable when a financial institution is not allowed to collect (funding), unless the donor agency that supports this institution can continue and has a legal umbrella.

Likewise, for the sustainability of the program, when there is no funding and *ujroh* is limited to a year equivalent to three percent per year, then the profit sharing of deposits from funds held in BSM becomes the main support. The model practiced by the Micro Waqf Bank is almost similar to the *grameen* bank or joint responsibility system that has been implemented in Pakistan. Meanwhile, in Indonesia, the management of Micro Waqf Banks (BWM) refers to Law No. 1 of 2013 concerning Microfinance Institutions.

Microfinance Institutions are financial institutions specifically established to provide business development and community empowerment services, either through loans or financing for micro-scale businesses to members and the community, managing savings, as well as providing business development consulting services that are not solely for profit.

Meanwhile, what is meant by sharia microfinance institutions are MFI business activities in the form of lending or financing and managing savings based on sharia principles and must be carried out in accordance with sharia fatwas issued by the National Sharia Council, Indonesian

Ulema Council. Based on several definitions, it can be concluded that microfinance institutions are institutions that are established with business activities in the form of financing based on conventional and sharia principles (must be based on sharia principles and in accordance with the DSN MUI fatwa if using sharia principles).

The existence of Law Number 1 of 2013 concerning Microfinance Institutions is the legal basis for microfinance institutions to operate, including for Micro Waqf Banks which are OJK pilot projects in an effort to increase financial inclusion and develop microfinance products for the community which are developed through religious-based institutions. Islamic boarding school. Micro Waqf Bank is a manifestation of the government's seriousness in increasing financial inclusion for small communities.

BWM's institutional structure has never existed, the existing regulations only regulate one type of financial institution, so it is necessary to examine more deeply about Micro Waqf Banks which combine sharia cooperatives on the one hand with operations using permits from the Financial Services Authority (OJK) and a funding base that It is utilized from waqf sources so this institution must also be nazhir certified from the Indonesian Waqf Board (BWI).

Other issues that are also urgent to be researched are related to jurisprudence and institutions, business models and economic growth in society. The current model needs to be refined in order to maintain the continuity of the institution's activities, so that it can be used as an ideal role model for the Islamic boarding school-based community empowerment institution model.

## **LITERATURE REVIEW**

Bennett (1998) has suggested the establishment of conventional financial institutions linked to target groups (i.e. the poor) and the provision of microcredit through non-governmental organizations (NGOs), government agencies, cooperatives, and development finance institutions. Waqf banks fall into the second category, which can be run by Islamic NGOs (i.e. waqf institutions), government organizations responsible for waqf affairs, or corporate bodies, some private and some owned by non-private entities.

No matter who controls the bank, its primary function will be to extend loans at lower costs to the poor and needy, as well as investing its funds in ethical projects that benefit the poor and other good causes or at least do not conflict with the general welfare of society as a whole . Income from investments will be recycled, used, or distributed to beneficiaries (Figure 1).

This will be permitted in Islamic law analogically and based on its benefits and utility in accordance with the principles that have been established in Islamic jurisprudence. Analogical reasoning. According to Cizakca (1998), "cash waqf can actually function like a bank". Similarly, bank waqf can function like cash waqf; Thus, waqf banking can be permitted in Islam by applying cash waqf eligibility rules. In the absence of primary texts in Islamic law prohibiting the establishment of waqf banks, almost all waqf issues are rational, and since banks will eventually have waqf capital, the feasibility of cash waqf can then be extended to waqf banks.

The two functions of cash waqf, namely good credit to the poor and investment of productive funds, correspond to the main functions of banks. This is possible if the mudarabah-based investment proposed by the Hanafis (Ibn Humam, died 861 AH; Ibn Abidin, died 1252 AH; Ibn Nujaim, died 970 AH) could be expanded to include fund management, coin rental by the Shafi'is for ijarah-based transactions (Mawardi, died 450 AH) and the concept of tanmiyah (growth) by Ibn Taymiyah for forms of investment transactions that comply with Sharia, as carried out by Islamic banks.

Waqf banks can use cash waqf for the same purpose. Thus, the feasibility of waqf banks and their operations will not only be supported by the feasibility of cash waqf but also by the benefits for all parties involved. In fact, Cizakca (2004b) has argued about the use of mudarabah form of investment for cash waqf and regular Islamic banks.

He has proposed merging cash waqfs with Islamic banks to cure their funding gap. This can be seen as an attempt to use waqf as a tool through which Islamic capitalism is saved by the institution of waqf; However, if cash waqf is used as waqf bank capital, not only will the above criticism be avoided but the bank's chances of success will be higher both in overcoming the problem of poverty and attracting waqf funds.

Given the nature of waqf banks, one may question their suitability in Sharia law to carry out business as an intermediary, i.e. accepting deposits and deriving profits from them. However, this can be justified if one considers the implementation of the nazir's duty to invest waqf assets.

He has the power to involve experienced people who can use waqf funds as capital for a particular business (eg mudarabah). The fund manager then not only has to manage funds (as long as it takes the form of waqf bank management) but can also be involved in other businesses.

The founders of a waqf bank may have two goals: establishing a welfare organization and providing waqf capital to make the organization function. Such capital is waqf and must be treated separately from the banking organization.

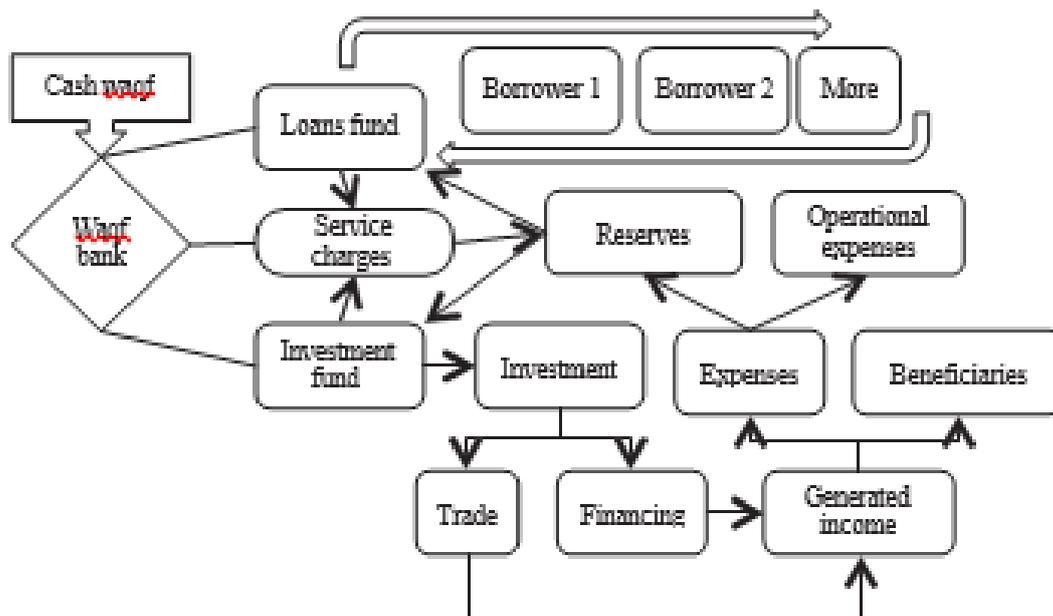


Figure 1. Waqf Bank's Proposed Operation

Source: Sabit (2011a, 2011b)

The organization can be funded with waqf capital, and the income, as well as returns from its professional services, can be provided to the community. Therefore, the function of the organization will not only make waqf assets grow but also earn money by providing banking services to waqf bank clients who can claim service fees. There are no Shariah impediments to such an arrangement, and therefore, banks will be permitted to accept deposits from the general public.

Twenty benefits of waqf bank. A waqf bank can be permitted based on its own intrinsic utility, namely the interests of the waqf or institution and its responsibilities, its beneficiaries, and society in general (Figure 2), provided that its structure and operations are in accordance with Sharia.

The bank will provide benefits to the waqf and its recipients. Because it can attract term deposits and on-demand deposits, earning hundreds of millions through its fees, financing, and investments, it may:

- a. supplying adequate liquid waqf capital;
- b. financing the development and redevelopment of existing or new unproductive or underdeveloped waqf properties;
- c. banks can make waqf institutions financially independent from conventional and Islamic banks and government benefits;
- d. saving waqf property from destruction and collapse;
- e. enabling existing and new waqf assets to generate more revenue;
- f. enable waqf institutions not to lose property and benefit non-waqf entities;
- g. protect cash waqf from misuse and risky ventures;

- h. can help federal and state waqf institutions navigate federal and state jurisdictional barriers in countries that have a federal government;
- i. helping waqf contribute to many high-value socio-economic projects;
- j. banks can benefit waqf beneficiaries who can access more aid and have more income (Sabit, 2011b); And
- k. Apart from that, the waqf bank will provide liquidity for waqf institutions.

Liquidity will help these institutions fulfill their obligations in reviving unproductive and productive waqf properties, maintaining or making them productive and generating income so that the waqf will be more useful and beneficiaries have more income. Currently, it is difficult for administrators to carry out their duties because: The Waqf has very strong assets that can only be used for cultivation or rental, which are relatively few and inadequate to finance new investments; and financing their development through the conventional banking system is not easy because there is no collateral for these properties.

Waqf banks can certainly save these institutions from failure both to make waqf a source of great utility and failure to provide adequate income to beneficiaries (Sabit, 2011b). On top of all the above, even if waqf has no drawbacks, a proposal to withdraw more funds through waqf bank is necessary. This bank will allow waqf institutions to have access to more funds, which will enable them to provide credit at low cost without collateral and without any hassle for borrowers. Banks may offer employment opportunities within the bank or at the borrower's workplace. All of this will certainly increase a country's gross domestic product (Sabit, 2011b).

The establishment of a waqf bank as a social bank is the need of the hour. The widening gap between the rich, income inequality, the concentration of wealth in a small 20 percent of the global population, high levels of poverty in Muslim and other developing countries, and the increasing number of older people in developed societies make the need for social banking even more urgent Again.

Waqf banks can fill this gap and can become truly pro-poor by distributing national wealth management tools for a country's micro and macro economic planning. The proposed waqf bank could reduce the burden on the State in providing a decent standard of living for its citizens, including housing, education, health care, employment, and the like (Sabit, 2011b).

To summarize, a waqf bank is possible to establish, as it will be valid based on the validity of the cash waqf and its own utility in accordance with the principles of Islamic jurisprudence. Whether it is legally feasible, the next section will explain.

## RESEARCH METHODOLOGY

### Theoretical Framework and Research Hypothesis

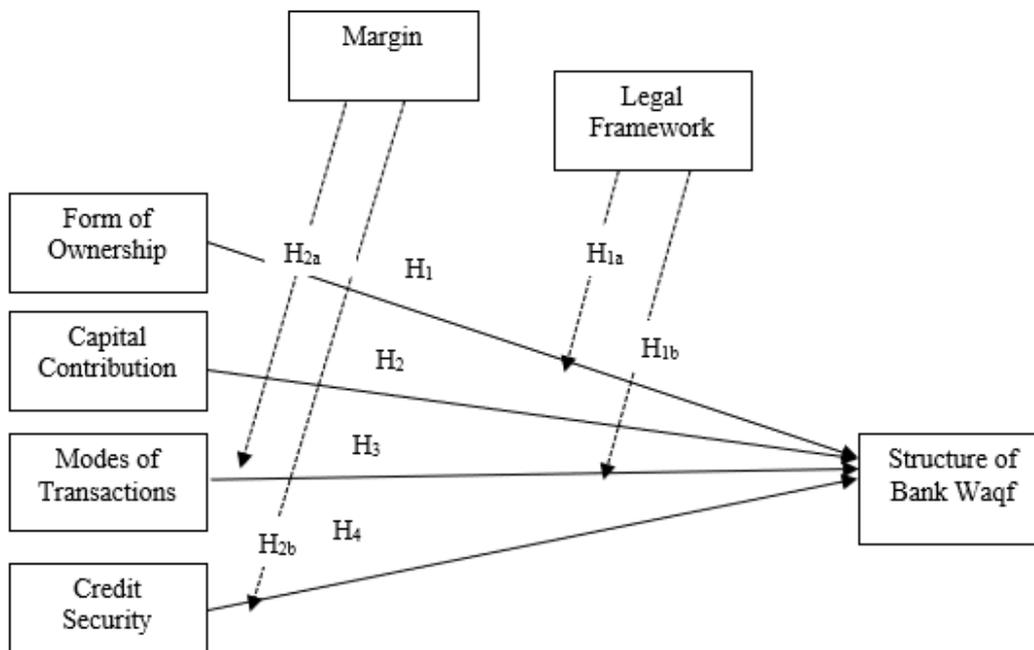


Figure 2. Theoretical Framework

This research is a research survey using primary data collected through questionnaires. A survey is a system of collecting data from or about individuals to describe, compare, and explain attitudes and behavior (Fink, 2011). In survey research it is very important to avoid sampling error in determining sample size (Bartlett et al., 2001). The population in this study were Micro Waqf Bank customers. The samples selected were based on a simple random sampling method of 400-450 samples. Questionnaire questions (attached) will be distributed online via googleform.

#### Data collection technique

Data is collected through a survey of respondents who will answer questions related to the variables studied using a 5-point Likert scale via GoogleFrom. The questionnaire distributed in the research was divided into 2 parts. The first is demographic questions regarding gender, age, education, use of micro waqf banks. In the second part of the questionnaire, questions are measured using a Likert scale. The Likert scale is commonly used to measure perceptions and attitudes (Sekaran & Bougie, 2016). The Likert scale points used in the research are as follows: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 Strongly Agree.

## RESULTS

After the data screening process was carried out, normality, linearity and multicollinearity tests were carried out on the data to meet the assumptions in the multivariate analysis. For the normality test, statistical tests based on skewness and kurtosis values show that the normality

assumption is met in all data. Based on Coakes & Steed (2003) if the skewness and kurtosis values for a variable are +/- 2.58 then it is considered normal.

**Table 1 Statistical Results of Skewness and Kurtosis for All Variables (N31)**

	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness	Number of Observations Used
Capital Contributions	0.193	-2,077	1,411	1,000	-0.592	-0.269	114
Credit Security	0.232	-2,848	1,258	1,000	0.521	-0.613	114
Form of Ownership	-0.784	-0.784	3.103	1,000	1,572	1,347	114
Margins	-0.073	-1,578	1,433	1,000	-0.922	-0.013	114
Legal Status	-0.130	-2,456	1,167	1,000	0.224	-0.627	114
Modes of Transaction	0.386	-2,560	1,502	1,000	1,002	-0.763	114
Structure of Waqf Bank	-0.158	-2,653	1,334	1,000	0.093	-0.421	114

Table 1 indicates that the skewness value of all variables is less than +/- 2.58, which indicates that all variables meet the normality assumption. The value of kurtosis is also less than +/- 2.58 so it can be concluded that all variables are normally distributed.

### Multicollinearity

Multicollinearity test based on tolerance values and variance inflation factor (VIF). Table 2 shows the VIF values for all construct variables.

**Table 2 Multicollinearity Tests**

	VIF
CC2	2,474
CC3	1,863
CC4	2,992
CC5	2,457
CS3	1,000
F01	1,000
LS3	1,428
LS4	1,428
M3	1,000
MT1	1,580
MT2	1,580
STR1	1,595
STR2	1,595

If the tolerance value is less than 0.10 and the variance inflation factor (VIF) is more than 10, then it has the potential to contain a multicollinearity problem (Pallant, 2020). Table 3 shows the VIF values for all construct variables with VIF values less than 10. So, it can be said that there are no multicollinearity problems.

### Partial Least Squares Structural Equation Modeling Path Model

Partial Least Squares Structural Equation Modeling (PLS-SEM) Path model illustrates assessment measurement models and structural models. In the measurement model assessment, items in each construct are shown in yellow in Figure 1 Theoretical Framework of Study. Path Coefficient in a structured model indicates the structural relationship between exogenous and endogenous variables such as the research hypothesis. Figure 2 is a visualization of the measurement model assessment and structural model assessment.

Figure 2 depicts the results of the 1st run Partial Least Squares Structural Equation Modeling (PLS-SEM) Path model where items from each latent construct are included. To determine the items included in each latent construct, a measurement model assessment was carried out for the purpose of testing the reliability and validity of each latent construct. Average Variance Extracted (AVE) and Composite Reliability are used to measure validity and reliability. Table 4 presents the Average Variance Extracted (AVE) and composite reliability values for each latent construct in the 1st Run of PLS-SEM Path Model.

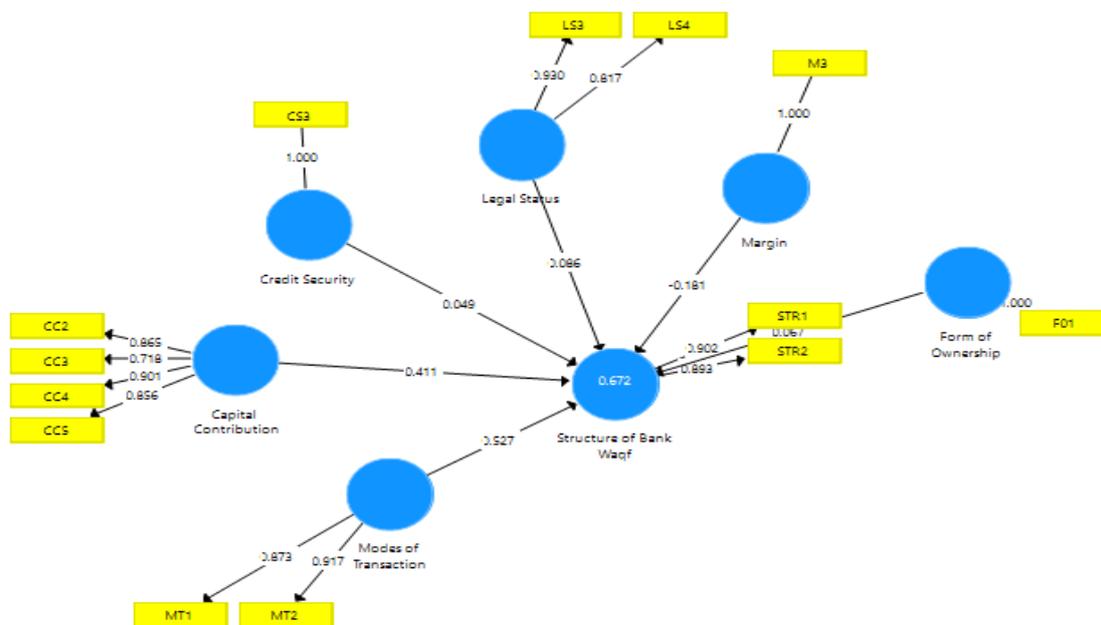


Figure 3. 1st Run PLS SEM Path Model- Inner Model

Table 3 AVE and Composite Reliability in the 1st Run of PLS-SEM Path Model

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Capital Contributions	0.861	0.897	0.903	0.702
Credit Security	1,000	1,000	1,000	1,000
Form of Ownership	1,000	1,000	1,000	1,000
Margins	1,000	1,000	1,000	1,000
Legal Status	0.708	0.808	0.867	0.766
Modes of Transaction	0.755	0.776	0.890	0.801
Structure of Waqf Bank	0.758	0.759	0.892	0.805

Note: The acceptable levels for AVE and composite reliability are 0.5 and 0.7, respectively.

As discussed in the previous section, the purpose of the performing measurement model is to identify the items that will be included in each construct before conducting a structural model assessment. To carry out a measurement model, this research measures the outer loading of each construct to obtain a high outer loading so that the minimum level of composite reliability and Average Variance Extraced (AVE) is sufficient (Hair et al., 2014). If the outer loading value of an item is low, this research will delete the item until the minimum level of Average Variance Extraced (AVE) and composite reliability is achieved. Based on (Hair et al., 2014) the AVE acceptance level and composite reliability are 0.5 and 0.7. Table 3 indicates that all latent variables have met the minimum AVE level and have passed the reliability and validity tests.

### Assessment of Measurement Model

The purpose of the measurement model assessment is to determine the items included in each construct based on validity and reliability tests. The validity and reliability tests used in the assessment measurement model are composite reliability and Average Variance Extraced (AVE). The purpose of using composite reliability is to measure the consistency and reliability of the construct. On the other hand, the purpose of measuring the Average Variance Extraced (AVE) value is to evaluate convergent validity (Hair et al., 2014). Convergent validity measures the degree to which the independent construct explains the dependent construct (Hair et al., 2014).

Table 4 Capital Contribution Outer Loading, AVE and Composite Reliability

Construct	Items	Outer Loading	AVE	Composite Reliability
Capital Contributions			0.702	0.903
	CC2	0.865		
	CC3	0.718		
	CC4	0.901		
	CC5	0.856		

Table 5 Credit Security Outer Loading, AVE and Composite Reliability

Construct	Items	Outer Loading	AVE	Composite Reliability
Credit Security			1,000	1,000
	CS3	1,000		

Table 6 Form of Ownership Outer Loading, AVE and Composite Reliability

Construct	Items	Outer Loading	AVE	Composite Reliability
Form of Ownership			1,000	1,000
	FO1	1,000		

Table 7 Legal Status Outer Loading, AVE and Composite Reliability

Construct	Items	Outer Loading	AVE	Composite Reliability
Legal Status	LS3	0.930	0.766	0.867
	LS4	0.817		

Table 8 Margins Outer Loading, AVE and Composite Reliability

Construct	Items	Outer Loading	AVE	Composite Reliability
Margins			1,000	1,000
	M3	1,000		

Table 9 Modes of Transaction Outer Loading, AVE and Composite Reliability

Construct	Items	Outer Loading	AVE	Composite Reliability
Modes of Transaction			0.801	0.890
	MT1	0.873		
	MT2	0.917		

Table 10 Structure of Waqf Bank Outer Loading, AVE and Composite Reliability

Construct	Items	Outer Loading	AVE	Composite Reliability
Structure of Waqf Bank			0.805	0.892
	STR1	0.902		
	STR2	0.893		

### Assess the Significance and Relevance of Structural Relationships

Table 11 Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Capital Contribution -> Structure of Bank Waqf	0.411	0.415	0.169	2,440	0.015
Credit Security -> Structure of Bank Waqf	0.049	0.052	0.169	0.291	0.771
Form of Ownership -> Structure of Bank Waqf	0.067	0.065	0.181	0.370	0.711
Margin -> Structure of Bank Waqf	-0.181	-0.141	0.116	1,566	0.118
Legal Status -> Structure of Bank Waqf	0.086	0.191	0.262	0.329	0.742
Modes of Transaction -> Structure of Bank Waqf	0.527	0.426	0.241	2,182	0.030

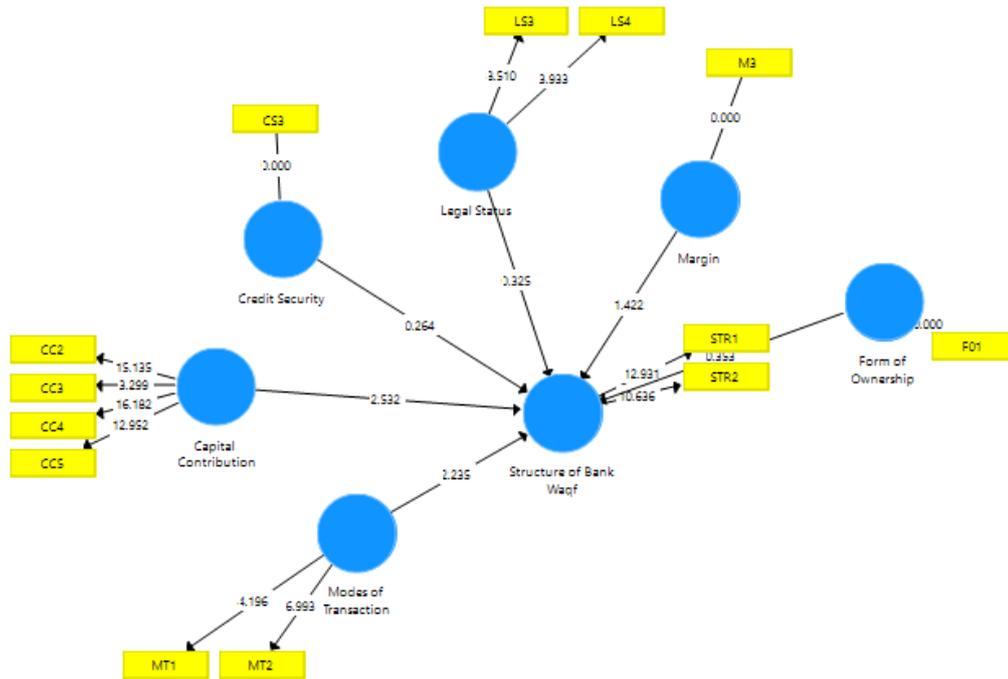


Figure 4. 1st Run PLS SEM Path Model - Outer Model

Assess Coefficient of Determination (R2 and Adjusted R2)

Table 12 Model of Fit

	R Square	R Square Adjusted
Structure of Waqf Bank	0.672	0.590

Table 13 Model of Fit

	Saturated Model	Estimated Model
SRMR	0.104	0.104
d_ ULS	0.993	0.993
d_ G	0.882	0.882
Chi-Square	139,622	139,622
NFI	0.484	0.484

	AIC (Akaike's Information Criterion)	AICu (Unbiased Akaike's Information Criterion)	AICc (Corrected Akaike's Information Criterion)	BIC (Bayesian Information Criteria)	HQ (Hannan Quinn Criterion)	HQc (Corrected Hannan- Quinn Criterion)
Structure of Waqf Bank	-21,576	-13,642	17,969	-11,538	-18,304	-11,238

### Assess the Effect Size $f^2$

$f^2$  effect size measures the change in  $R^2$  when a specific exogenous construct is omitted from the model to evaluate whether the omitted exogenous construct has a substantive effect on the endogenous construct. The formula for  $f^2$  effect size is as follows:

$$f^2 = \frac{R^2_{\text{included}} - R^2_{\text{excluded}}}{1 - R^2_{\text{included}}}$$

where  $R^2$  included and  $R^2$  Excluded is  $R^2$  from the endogenous construct when the exogenous construct selected is included or excluded from the model. As a standard rule, an  $f^2$  value of 0.02 is classified as small, 0.15 medium, 0.35 substantive effects (Hair et al, 2014; Cohen, 1998).

**Table 14 Effect Size,  $f^2$**

	Structure of Waqf Bank
Capital Contributions	0.391
Credit Security	0.005
Form of Ownership	0.009
Margins	0.082
Legal Status	0.012
Modes of Transaction	0.577

### CONCLUSION

In this research, it is concluded that capital structure and transaction contracts have a significant influence on the strategy for establishing waqf banks in Indonesia. Meanwhile variable Credit security, form of ownership, margin and legal status do not significantly influence the structure of waqf banks in Indonesia. It is hoped that this study can help develop waqf banks in Indonesia. This research can contribute to the effectiveness of institutions for the poor and society. These implications are not limited to any particular country. Charitable organizations and the poor in every society will benefit from this study if the idea of total social banking is implemented. This study is a pioneer study in empirically addressing the structure and operations of waqf banks in Indonesia.

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