

Cash Waqf Models of Baitul Maal wat Tamwil in Indonesia

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ملخص

الوقف النقدي هو من إحدى أنواع الوقف المعاصر الذي استعمل في شتى هينات الوقف وهيئات المالية الإسلامية في الدول غالبة المسلمة أو الدول أقلية المسلمة. حاول هذا البحث في التحليل عن نموذج الوقف النقدي الذي استعمله ثلاث بيت المال والتمويل الحاصل على شهادة الناظر المعينة وهي ليس فقط الحصول على الثلاث الخط الأدنى (الوصول الخارجي، الإستمرار، التأثير على الرفاهية)، إرتفاع الدور كوكيل (Holistic Financial Inclusion) وبناء الشركات المستثمرة الصغيرة (MEs (Micro Enterprises) بل الحصول على إرتفاع نظام اجتماعي أيضا كي يرتفع درجة الإستقرار والسهم على استقرار نظام مالية.

إن إدارة الوقف المالي، مباشرة أو غير مباشرة، سوف تنتج الربح ليس فقط النتيجة الأخيرة (متنوع الربح من برنامج الإقتصادي بيت المال والتمويل) من الموقوف عليه وإنما في المنتصف (بيت المال والتمويل وأعضاء MEs) سوف يحصل الموقوف عليه ربحا من دخل أموال الوقف في حساب الوقف وودائع الإستثمار. إن الربح المحصول ليس فقط من المال الموقوفة وإنما فيها أيضا مخاطر السبولة الأفضل وتخفيض عدم التناسب التي مع مرور الزمان سوف ترفع استقرار بيت المال والتمويل وقوة احتماله من صدمات خارجي. أعضاء بيت المال والتمويل (BMT) والشركات المستثمرة الصغيرة (MEs) سوف تحصل على الربح من خفض تمويل الصغرى. وفي الآخر سوف يحصل الموقوف عليه على الربح من كثر التنوع وجودة برنامج الإقتصادي.

وتزويد المشاركة في إدارة الوقف المالي ببيت المال والتمويل (من المفوض مع إعطاء السلطان والتشجيع) هي إعطاء الحوافز والأنظمة المطلوبة كي يدير الوقف المالي حريا. وبجانب ذلك إن من أهم العوامل لصحة بيت المال والتمويل ليس فقط الإهتمام ببيت التمويل وإنما الإهتمام ببيت المال أيضا.
كلمات مفتاحية: الوقف، الوقف المالي، بيت المال والتمويل.

Abstract

Cash waqf is one type of contemporary waqf which has been widely applied by waqf institutions and Islamic financial institutions in Muslim majority countries as well as in Muslim minority countries. This study is intended to identify and analyze the cash waqf model applied by three Baitul Maal wat Tamwil (BMT) as certified Nazhir with their unique characteristics, not only to achieve triple bottom-line (outreach, sustainability and welfare impact), strengthen its role as the agent of holistic financial inclusion (HFI) and develop micro enterprises (MEs), but also to improve its social programs, to improve its stability as well as to contribute to financial system stability.

The results show that managing cash waqf (direct and indirect) will benefit not only final mauquf alaih (beneficiaries of BMT's social programs), but also intermediate mauquf alaih (BMT and its MEs members). BMT would benefit from the placement of cash waqf funds in its waqf equity and investment deposit accounts, not only as source of fund, but also provides better liquidity risk and reduce mismatch, which in the long run would improve BMT stability and its resilience to external shock. BMT members and MEs would benefit from cheaper cost of micro-financing. Final mauquf alaih would benefit from more variety and better quality social programs.

To improve the participation of BMTs in managing cash waqf, BMT should be authorized and encouraged, with incentives and necessary regulations, to independently manage its own cash waqf collected. Moreover, the determinants of BMT soundness should not only include its Baitut Tamwil performance, but also include its Baitul Maal performance.

JEL Classification: D60, G210

Keywords: Waqf, Cash Waqf, Baitul Maal wat Tamwil

A. Introduction

One of major distinction of Islamic Economics and conventional economics is on the issue of helping the other in need. This issue has not been thoroughly discussed in many refereed books on conventional economics, rather it focuses on how to adopt self interest motive to get the ultimate goal that is to enrich themselves and as a result poor and the needy are getting much less attention. Meanwhile the introduction of zakah (obligatory charity) as part of the five principle of Islam shows that Islam requires muslim to take care of the poor and needy.

In general, Islam introduces various kinds of charity which can be broadly classified into two, firstly obligatory charity which known as zakah. It is a charity by muslim whose income has passed the nishab (certain amount of value) and haul (one year). Secondly it is a general charity or voluntary charity whereby it does not have any specific requirement . Everyone can donate in any amount and in anytime.

Among the general charity above, there is also waqf. It is a type of charity in which the principle can not be reduced. For example, wakif (a person who donate waqf) is donating a certain squared meter of land to be used as a mosque. Land is a type of an asset which can be used as waqf since it can not be reduced. Meanwhile, a glass of water

for the needy cannot be treated a waqf since it will be finished once it is consumed.

Waqf gets a lot of attention since Allah will give continous reward for the wakif. Based on the relevant hadits, three things that Allah will give the continous reward, those are children who make doa for the parents, meaningful knowledge which is distributed and charity (shadaqah jariyah). waqf is part of the shadaqah jariyah. A good example of waqf is "The well of Rumah" during the time of Utsman bin Affan (RA). He commercially bought half of the well with sweet water (tasted a lot like Zamzam) that never dry throughout the year in Madinah close to Nabawi Mosque for two million Dirham (one Dirham = Rp65 thousand) from the previous owner, a Jew named Rumah. Half means that the alternate day. For example on Sunday, the well will be owned (for that he can sell to others) by jews the following day, the well is the owned by Utsman so that Utsman can sell it.

However, both jew and utsman treat the water differently. For a jew, he would sell to others in a high price. Whereas Utman sell it for free to anybody. Therefore, many people likes to get water during the utsman time with unlimited amount of water. Hence during the jew time, only a few people are buying. Utsman did this, since Utsman bin Affan envisioned the great shadaqatun jariyah for years to come, up until today. In this case, the

waqf is the well (not the water) which has been bought by Utsman and the profit is distributed to others who is in need.

As time goes, another type of waqf was introduced. This is because land and building which has been donated as waqf normally owned by the rich. As a result, those of the people who is not rich may not be able to donate waqf. Hence the introduction of cash waqf opens a way for those not rich people to donate waqf

The best practice for the second type is shown by the case in Singapore. Initially, it was a land given as waqf for mosque by Al Junied which act as wakif which demised in 19 century. The waqf land is located in the prime location whereby the price is increase continuously. Hundreds years later, part of the land is used to build the rental office in which the profit of the obtained rental fee is used to pay the operational expenses of the mosque and therefore it does not need to request funds from the government.

Meanwhile, for the past decade, there has been a pertinent issue of the social inclusion and financial inclusion, also known as holistic financial inclusion (Ascarya, et al., 2015), which could be carried out by Islamic microfinance institution (IMFI), especially Baitul Maal wat Tamwil (BMT) with its social and commercial orientations, to help the poor and micro enterprises. Attempt has been done by Badan Wakaf Indonesia (BWI) which could support holistic financial inclusion (HFI) functions of BMT with a policy stated in Ministry of Religion Regulation No. 4 year 2009, called administration of Islamic Financial Institution – Recipient of Cash Waqf or IFI-RCW (Lembaga Keuangan Syariah-Penerima Wakaf Uang or LKS-PWU). This policy states that Islamic financial institution (IFI or LKS) is allowed to receive cash waqf. Moreover, based on Waqf Act No.41 year 2004, BMT as KSPPS can become a certified Nazhir to manage cash waqf,

so that it could better achieve holistic financial inclusion objectives. A part of being a mutawalli/nazir of cash waqf, BMT plays a role as the IFI-RCW. It is because BMT fulfils the requirement as the IFI RCW according to the government regulation No.42 year 2006 chapter 24 that is an Islamic financial institution which has Wadi'ah as the raising funds instruments.

By September 2016, there have been 104 BMTs certified as Nazhir of cash waqf, while most of them have just started by the end of 2014. Consequently, they still have little experience and there is no model or best practices to follow on how to manage cash waqf optimally. Therefore, there should be a study pertaining to the evaluation of the BMT in managing cash waqf to improve its liabilities structure, its capital, its stability and its ability as the agent of holistic financial inclusion to help the poor and developing micro and small enterprises (MSEs).

This study aims to identify the cash waqf model of three BMTs as Certified Nazhir with their unique characteristics, in achieving triple bottom-line (outreach, sustainability and welfare impact), strengthening its role as holistic financial inclusion agent to help the poor and develop MSEs, improving its soundness and stability, as well as contributing to financial system stability, including BMT Bina Ihsanul Fikri (BIF), BMT Itqan and BMT L-Risma,.

B. Literature Review

1. Understanding of Waqf

Waqf etymologically defined as to hold, to prevent, constant, to revoke, to understand, to connect, to leave, etc (Haq, 2013:1). Indonesian Waqf Law no. 41 in 2004 defined waqf as “legal action exercised by wakif (endower) by separating and/or transfer part of his/her properties to be utilized forever or for some period of time in accordance with its importance for religious

and/or public welfare that comply with sharia". Moreover, waqf activities can be divided into at least five different categories based on its duration, beneficiaries, waqf's object, economic substance and management scheme.

Figure 1: Waqf Classification



Source: Atayya, Rahmawati & Sulastri (2016), based on Husq (2013); Indonesian Waqf Law (2004); Uka (2013); Ruzubola (2013)

Waqf activities can be divided into some categories based on certain perspectives. Based on its duration, temporary waqf has a duration and can be returned back to its initial owner (wakif), while perpetual waqf has no duration and its contract lasts forever. Based on its beneficiaries, family waqf addressed to certain persons, especially wakif's relatives and public waqf addressed to public in general without mention any certain persons as beneficiaries. Based on waqf's object, waqf can be divided into two categories, immovable waqf, such as land, building, plants on land, and apartment unit and movable waqf, such as money, precious metal, securities, vehicles, intellectual property, and rent right. Based on economic substance, waqf activities can be divided into some categories, including direct waqf which directly managed to provide religious and social services such mosques, schools, and hospitals; productive waqf which developed through investment in real sector to generate profit and its net profit will be used as funding source for religious and social activities; and cash waqf which money is endowed as waqf asset and become source of non interest revolving fund for businesses.

Moreover, waqf can be divided into some categories based on management scheme, such as traditional, semiprofessional and professional

waqf management. Traditional waqf management is marked by using waqf assets for religious and social activities only such as mosques, religious school and graveyard. In other words, no commercial activities are running in this waqf management. While semiprofessional waqf management is marked by development of some commercial unit in the existing waqf asset. For example, in certain mosques there are some halls which is rented to generate profit from public through events. Professional waqf management is marked by waqf productively managed into profitable business exercised by professional nazhir, such as share waqf in Malaysia and Zam-Zam Tower in Saudi Arabia. On semiprofessional and professional waqf management, profit generated from commercial activities become source of fund for religious and social activities.

2.1 Cash Waqf

The discussion of the cash waqf can be traced back since the classical period. According to Cizakca (2000:34), cash waqf fund is suggested to be invested in profit-loss sharing mechanism (mudharaba) as stated by Imam Zufar in eighth century in order to generate profit that can be used to bring benefits to original beneficiaries of waqf. But, in reality this suggestion did not have any application in economy. Most Islamic jurists (Shafi'i, Maliki and Hanbali) regarded cash waqf as movable object that is valid to be given as waqf asset because cash waqf may produce profit. Most important requirement on their view is the original capital of cash waqf should not diminish due to consumption and should be renewable from time to time by its usufruct (Cizakca, 2000:30).

Turki is one of the country which had massively adopted the cash waqf. According to Cizakca (2000:9), waqf had been involved in Turkish economy since the Ottoman era. In

the turn of 20th century, the ratio of individual employed by waqf system compared to persons employed by state was 8.23%. Moreover, there were around 30,000 self-employed retailers and small-scale producers which used waqf system to run their businesses. One of the most popular waqf system in Ottoman era was cash waqf. Since the beginning of fifteenth century, cash endowment had been popular in Turkey, especially in Anatolia and Rumelia (European territory of Ottoman) (Cizakca, 2000:34).

Recently, a number of studi related to waqf exists. Sadeq (2002:145) metioned that waqf can be used as source of fund for income generating projects that suitable to be operated by marginalized groups such as handicapped people, single mothers, workers with lack of literacy and skills. The project can be initiated through some trainings, for example training in handicraft making. Because of waqf's perpetuity, profit generated from productive project can be used as source of fund for other startup businesses.

According to Ahmed (2007:9), cash waqf can be the source of capital for IMFIs. New cash waqf can be generated through issuing waqf certificate to public. Waqf fund in the liability side should be combined with takaful to reduce effect from negative shocks in IMFIs along with profit equalizing reserves from small percentage of depositors' profit share plus economic reserves from IMFIs surplus in the past. On the other hand, the asset side should be maintained with combination of low risk assets and microfinancing that consists of Soft Loans (Qord al Hasan) and sharia based investments, such as murabahah, ijarah, salam, istishna, mudharabah and musharakah.

2.2 Regulation of Cash Waqf in Indonesia

In Indonesia, wakaf is regulated by Badan

Wakaf Indonesia (BWI). It is an Independent governmental body which focus on governing wakaf. Waqf act is already exist as a backbone for developing wakaf. Waqf is regulated in the waqf act No. 41 year 2004 whereby it also include the use of cash waqf. It states in chapter 28 that waqf can be in the form of money and has to be sent to Islamic Financial Institutions (LKS) appointed by minister.

In order to implement those regulations, a derivative regulation of government regulation is needed. Government regulation No.42 year 2006 on how to implement waqf act No.41 year 2004 on wakaf is issued. Chapter 23 and 24 explains on the type of institution appointed by minister as institutions which allowed to receive cash waqf. It is called IFI cash waqf receiver (LKS PWU), the form of this institutions is Islamic financial institution and so far the minister only appoint Islamic banks.

In the waqf act No. 41 year 2004 chapter 29, Cash Waqf Certificate (SWU) and Pejabat Pembuat Akta Ikrar Wakaf (PPAIW) are introduced. Further information on the issuance of SWU is explained in BWI (BWI) regulation No.1 Year 2009 chapter 3 on cash waqf collection. This chapter states that the one who has right to issue SWU is LKS-PWU. This is also important as the appreciation to the wakif who already donate waqf. Technically, the certificate will be issued once it reaches Rp1,000,000 (one million Rupiah).

2. Data and Methodology

This research will employ primary and secondary data. Primary data is obtained from field survey to selected Baitul Maal wat Tamwil (BMT), while secondary data is obtained from several publications of BMTs as Certified Nazhir, including BMT Bina Ihsanul Fikri (BIF) in Yogyakarta, BMT Itqan in Bandung, and BMT

L-Risma in Metro, Lampung. Other descriptive study will be done through literature studies from waqf act, regulation by minister of religious affairs, journals and other publications. Moreover, discussion with practitioners will be conducted through in-depth interviews.

This study will apply content analysis to identify existing cash waqf model of BMTs as Certified Nazhir in Indonesia. Other analysis tool employed in this study is research survey approach. This approach is suitable tool to seek for any factual data and other beneficial information from selected BMTs or any other related respondent research. Having survey method in this study would recognize and discover matters regarding BMT as certified Nazhir and would have justification toward the issues that came into emergence.

3. Result and Analysis

The characteristics of BMTs as Certified Nazhir in Indonesia can be illustrated from the characteristics of some selected BMTs, including BMT Bina Ihsanul Fikri (BIF) in Yogyakarta, BMT Itqan in Bandung and BMT L-Risma in Metro, Lampung. Areas to be discussed for each BMT include its short history of establishment, its development, its cash waqf model and its featured social programs.

4.1 BMT Bina Insanul Fikri

a. Background

BMT Bina Insanul Fikri or BIF, located in Yogyakarta and established in 1996, was initially dedicated to serve micro and small enterprises (MSEs) who had technical difficulties to access financing from formal financial institution (i.e., commercial bank). BIF was established also because of people's ignorance to do business in accordance to Islam, so that MSEs who needed access to financing were forced to borrow money from loan sharks, although they were burdened

with high interest. The establishment of BMT BIF started with the formation of small committee responsible for setting up preparation for the BMT to start its operation. One of the initial tasks was to conduct survey to find strategic location of the BMT, and decided to choose "pasar gedong kuning" as the location for BMT BIF.

Currently, BMT BIF has 12 branches, 32,632 members, and total assets of Rp69 million in 2015, which has increased to Rp76 million in Sept 2016. BMT BIF has also been certified as Nazhir of cash waqf.

b. Featured Characteristics

BMT BIF has several featured characteristics in its social programs, such as Entrepreneurial Islamic Boarding School (EIBS) Al-Maun and Orphanage House Al-Amin. The background to the establishment of EIBS Al-Maun in 2014 was the concerns of BMT BIF founders where there were so many unemployed high school and university graduates in Yogyakarta, so that the founders wanted to establish entrepreneurial school to equip university graduates with entrepreneurial skills, which they did not learn in the university, so that BMT BIF could contribute in decreasing unemployment. Therefore, BMT BIF invites 5th semester university students to join EIBS Al-Maun, especially those who are poor, eligible as mustahik and eager to change their fate. They can stay in the dormitory to study entrepreneurship according to Islamic teachings. During their stay in EIBS Al-Maun, the santri (students) will not be charged. It is free and fully sponsored by Baitul Maal of BMT BIF.

EIBS Al-Maun has similar religious-based activities to other Islamic Boarding Schools (IBS). But, it has built-in entrepreneurship programs. The activities that have gotten underway are the Independent Entrepreneur Training (Diklat Wirausaha Mandiri) held once a week; the

Coaching of Independent Young Entrepreneur (Bina Kader Wirausaha Muda Mandiri) during the stay of students at the complex of Baiturrohman mosque Gedongkuning; business internships (Magang Usaha) where the students included in the business internship program are divided into several stages; and Islamic Study Group held every day after Maghrib, which is also open to the public.

During its 19th anniversary special programs in 2015, BMT BIF not only held social activities, such as distribution of staple food, scholarship and blood donors, but it also launched the establishment of Al-Amin Orphanage House. The construction of the orphanage was financed by the direct cash waqf collected by BMT BIF.

c. Cash Waqf Model

BMT BIF as certified cash waqf Nazhir collects and receives cash waqf from Wakif. It collects direct cash waqf as well as indirect cash waqf. Direct cash waqf collected is intended to build Orphanage House, which has reached Rp287.5 million by September 2016. Indirect cash waqf collected, which has reached Rp155 million by September 2016, should be first deposited in Islamic Bank as its LKS-PWU. BMT BIF then utilizes this indirect cash waqf to be channeled into micro-financing (maximum Rp2.5 million) to fostered micro enterprise (ME) members (78 members) who have been successful with and graduated from qardh financing, which means that they just graduated out of poverty as mustahik. Various trainings, such as skills, management, family financial management, accounting, and marketing, are required to help these new MEs to better manage their businesses. Moreover, micro takaful or taawun is necessary to mitigate the financing risk (see figure 2). The use of indirect cash waqf funds in this financing would make cheaper financing possible for these newly graduated MEs.

Figure 2: Cash Waqf Model of BMT BIF



This indirect cash waqf is placed as Waqf Equity in the liabilities side of the BMT's balance-sheets, where yearly return will be used to help cover the operational cost of the Orphanage House.

4.2 BMT Itqan

a. Background

BMT Bina Insani Fikri or BIF, located in Bandung and established in 2007, was founded by an informal group of Islamic studies (pengajian) in Bandung intended to implement Islamic values in the area of economy, social, education and health. The form of BMT was selected since, it not only has the function of Baitut Tamwil for commercial finance, it also has the function of Baitul Maal for social finance where it can utilize social funds such as Zakat, Infaq, Sadaqah and Waqf for the poor and the needy. Currently, BMT Itqan has 8 branches, 12,000 members and total assets of Rp35 billion, implementing Islamic Grameen model of group lending joint responsibility (GLJR).

In the initial stage of establishment, BMT Itqan only managed a small portion of zakat funds and provided payment points of electricity bills as the main source to pay employee salaries with just only one teller. The growing of public confidence made BMT Itqan started to extend financing for micro enterprises (MEs) with the initial financing amount ranged from Rp0.2 million to Rp1.0 million in early 2008. In 2010, after conducting a study of the literature on micro-financing method on a Grameen Bank model, BMT Itqan decided to adopt a group-based financing similar to Grameen Bank model with some modifications in

accordance to Islamic teachings.

b. Featured Characteristics

BMT ItQan has several unique characteristics. One of its unique characteristics is the implementation of Islamic Grameen model (IGM) of group lending joint responsibility (GLJR). Islamic Grameen model of BMT ItQan has been proven to be more effective in outreaching the poor family, since IGM provides micro-financing without collateral specifically to eligible poor who have no access to affordable financing from formal financial institution.

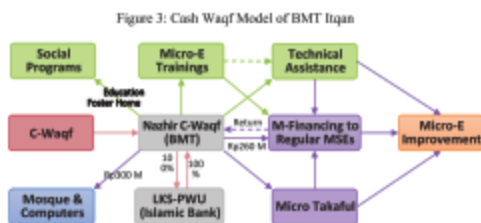
IGM financings are extended to groups in which its members have to gather in order to set up Rembug Pusat (Center Rembug). Each Center Rembug consists of 3 to 8 groups, where each group consists of 5 members. The activities of Center Rembug are conducted in a place that sufficient enough to gather all members. The meeting are carried out at 8 to 11 AM on weekdays (Monday to Thursday). Center Manager is BMT Itqan staff which manage Center Rembug in term of member recruitment, members' training in Latihan Wajib Kumpulan (compulsory group training), financial withdrawal, installment collecting, savings payment and savings withdrawal.

Baitul Maal of BMT ItQan has several featured social programs, including disaster relieve, education (TPA – Garden of Al-Qur'an, TKA – Kindergarten Al-Qur'an, Majlis Taklim – Islamic Studies, etc.), Rumah Bina Yatim Dhuafa – Foster Home for Orphans and Poors, Mosque development, Sembako Murah – Cheap Staple Food, free health services, free Ambulance services, etc.

c. Cash Waqf Model

BMT ItQan is a certified cash waqf Nazhir who collects and receives cash waqf from Wakif, including direct cash waqf as well as indirect

cash waqf. Strategies to collect indirect cash waqf include compulsory cash waqf of 2.5% employee salaries and compulsory cash waqf of 0.5% micro-financing disbursement. In long-term, BMT ItQan would transfer all of its assets into waqf through sale of waqf certificates. Direct cash waqf collected is intended to build mosque and to buy computers for schools operated by Baitul Maal of BMT ItQan, which has reached Rp300 million. Indirect cash waqf collected, which has reached Rp260 million by September 2016, should be first deposited in Islamic Bank as its LKS-PWU. BMT ItQan then utilizes this indirect cash waqf to be channeled into micro-financing (average Rp2 million and maximum Rp10 million) to regular micro enterprise (ME) members. There is no distinction between MSEs funded by cash waqf funds and MSEs funded by third party funds (or deposits). Extend financing to MSEs is the expertise of Baitut Tamwil, so that the need of technical assistance, mentoring and trainings to BMT officials and MSEs would be minimal. However, risk mitigation should be considered using micro takaful or ta'awun. The addition of cash waqf funds would reduce cost of funds, so that the cost of financing to MSEs could also be reduced.



The indirect cash waqf of BMT ItQan is placed as Waqf Equity in the liabilities side of the BMT's balance-sheets, where monthly return (equal to 12-month investment deposits rate of return) will be used to finance social programs, such as to help cover the operational cost of education programs and Foster Home. To encourage people to give

waqf, BMT ItQan promote cash waqf line with the tag line "Amal Abadi Pahala Lestari" (eternal charity with sustained reward).

4.3 BMT L-Risma

a. Background

BMT L-Risma, located in Metro – Lampung and established in July 28, 2009 with initial capital of only Rp150 thousand, was founded by a group of mosque Islamic youth "Lingkar Remaja Islam Masjid" who concerned with the widespread practice of usurious loan transactions and loan sharks in its surrounding community. These youths, then, came up with the idea to form Islamic microfinance institution (IMFI) to free these poor people from loan shark entrapment by providing qardh or interest-free loan. The Baitul Maal of BMT L-Risma started to operate formally in May 2012. By September 2016, BMT L-Risma has 21 branches, 16,000 members and total assets of Rp100 billion.

b. Featured Characteristics

BMT L-Risma has several featured characteristics, such as two-phase micro-financing model and cash waqf real investment. Micro-financing model of BMT L-Risma can be divided into two phases. The first phase is called Maal phase, consisting of three-stage financing, namely: 1) 'Sahabat Ikhtiar Mandiri' financing, with limit Rp100-500 thousand using infaq fund; 2) 'Sahabat Mudharabah Kebaikan' financing, with limit Rp600-1500 thousand using zakat fund and qardh scheme; and 3) 'Mentas Unggul' financing, with limit Rp1.6-2.5 million using zakat fund and qardh scheme. Members of Maal phase financing are poor family eligible as mustahik, which are formed in 15-member group (currently there are three 15-member groups) named 'Majelis Keluarga Utama (MKU)' or 'the Primary Family Assembly', including pedicab drivers, traditional

market porters, merchants (dhuafa) and group of people which could be categorized as mustahik. Novice member who needs financing above the qardh limit would still get the financing using mixed zakat and infaq funds. Among 45 members of MKU, five members have graduated from Maal phase to Tamwil phase in two years, which means that they have successfully out of poverty.

The second phase is called Tamwil phase, where BMT L-Risma offers three types of financing, namely: 1) L-Risma Loyal; 2) L-Risma Prioritas; and 3) L-Risma Family, averaging Rp10-40 million and maximum Rp50 million.

c. Cash Waqf Model

BMT L-Risma has also been certified as cash waqf Nazhir since 2014, who collects and receives mostly indirect cash waqf from Wakif. The strategies to collect cash waqf include compulsory cash waqf for its employees and members in the amount of Rp5 thousand to Rp10 thousand, as well as Friday waqf program, where the money is collected using Friday kencleng (moneybox).

BMT L-Risma invests its cash waqf in two ways, after it is deposited in Islamic bank as its LKS-PWU. First, it is channeled into Tamwil micro-financing to its regular ME members, which has reached Rp345 million. Second, it is invested in the real sector, such as cassava plantation and rubber plantation, which has reached Rp1.5 billion. Cassava and rubber are two primary commodities of this province. For these two real sector investments, BMT L-Risma offer cash waqf products named 'Si Abad Keong' or 'Simpanan Abadi Kebun Singkong' (eternal deposit of cassava plantation) and 'Si Abad Kekar' or 'Simpanan Abadi Kebun Karet' (eternal deposit of rubber plantation). The cash waqf deposits can be purchased by square meter, including the production costs. Waqf for each square meter of cassava plantation is Rp20.5 thousand, while waqf

for each square meter of rubber plantation is Rp20 thousand.

Investing in the real sector might not be the best expertise of BMT. Many waqf institutions bigger than BMT usually establish unit or subsidiary specifically to manage investment of cash waqf funds in the real sector. Therefore, the management of cassava and rubber plantations are collaborated with members who are also cassava or rubber farmers.

The indirect cash waqf of BMT L-Risma is placed as Waqf Equity (for cassava and rubber plantation) and as Investment deposits of 3, 6 and 12-month (for micro-financing) in the liabilities side of the BMT's balance-sheets, where monthly and annual returns will be used to finance social programs, such as Maal phase financing, education programs and health programs.

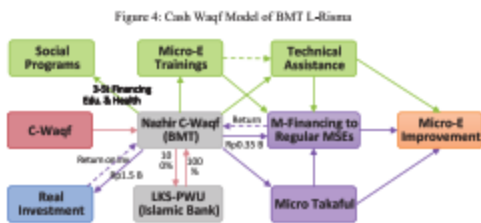


Figure 4: Cash Waqf Model of BMT L-Risma

4.4 Analysis

In current regulatory setting, illustrated in figure 2-4, BMT is authorized as Nazhir of cash waqf only, while waqf fund collected should be placed in Islamic bank as “Lembaga Keuangan Syariah – Penerima Wakaf Uang (LKS-PWU)” or Islamic Financial Institution - Cash Waqf Manager (IFI-CWM). To optimize the management of cash waqf by BMT, BMT should also be authorized as LKS-PWU, so that all waqf funds could be directly utilized for productive activities, such as financing to MSE or investing in the real sector, as illustrated in figure 5.

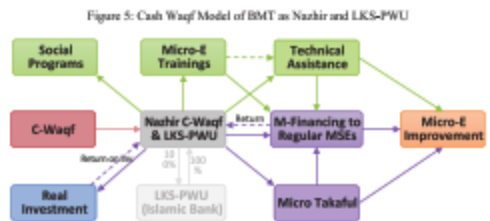


Figure 5: Cash Waqf Model of BMT as Nazhir and LKS-PWU

Moreover, management of cash waqf by BMT will benefit BMT in several ways. First, cash waqf fund could become source of fund of BMT, which could reduce cost of fund, replace Islamic bank financing, and free BMT from funding dependency. Second, cash waqf fund could reduce asset and liability mismatch drastically when it placed in the liability of BMT as waqf investment deposits or waqf equity. Third, cash waqf fund could also reduce liquidity risk since waqf fund would never been withdrawn. Fourth, as cash waqf fund building up from time-to-time, BMT would become more sound and stable, which could improve the resiliency of BMT to external shocks.

Table 1: Balance-Sheets of BMT Managing Cash Waqf

ASSETS	LIABILITIES
Cash	Wadiah Deposits
Bank Deposits	Investment Deposits
Receivables (Murabahah, Qardh, etc.)	Bank Financing
Financing (Mudharabah, Musharakah, etc.)	Waqf Investment Deposits
Long-term Investment	Waqf Equity
Fixed Assets	Capital

The management of cash waqf by BMT would complement and improve the capability of BMT in doing social finance by Baitul Maal division, as well as improve the capability of BMT in doing commercial finance by Baitut Tamwil division. These improvements would increase the possibility of BMT to achieve triple bottom-line, namely outreach, sustainability and welfare impact, simultaneously.

4. Conclusion and Recommendation

The development of Islamic economic and finance is not only concern with commercial aspects, but also it concerns with social aspects (such as zakah, infaq and waqf), which could not only achieve triple bottom-line (outreach, sustainability and welfare impact) and improve holistic financial inclusion, but also it could improve financial system stability.

Baitul Maal wat Tamwil or BMT is one well-known type of Islamic microfinance institution (IMFI) combining social finance (managing zakat, waqf, infaq and other Islamic charities) and commercial finance (providing microfinance services) to service its members, including the poor and micro and small enterprises (MSEs), and the surrounding community, which is an ideal model of Islamic institution to carry out the above goals in micro-small scale.

BMT has a structural problem of funding independent (Ascarya, et al., 2015), where it has always been depended on external fund as its source of fund. Therefore, BMT is an ideal institution to participate in managing cash waqf which could benefit not only the poor and the needy as final mauquf alaih, but also the BMT and its members as intermediate mauquf alaih.

Cash waqf would not only provides BMT immediate benefit as a source of fund, but also provides lower liquidity risk and reduce mismatch, which in the long run would improve BMT stability and its resilience to external shock. Meanwhile, BMT members and MSEs would benefit from cheaper cost of micro-financing.

In a country adopting dual financial system, financial system stability could be enhanced by developing Islamic social finance, not only in microfinance but also in regular finance. In microfinance, BMT should be authorized and encouraged, with incentives and necessary regulations, to manage its own cash waqf to

improve its social and commercial financial performance to achieve triple bottom-line (outreach, sustainability and welfare impact) according to Maqashid Shariah, as well as to contribute to financial system stability.

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