

Improving Productive Waqf in *Baitul maal* wa Tamwil

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Abstract

Baitul maal wa tamwil (BMT) is Islamic microfinance institutions which utilizes waqf as a nazir. This research attempts to describe the model of improving waqf productive and baitul maal of BMT. So far, the implementation of the management concepts of baitul maal and baitut tamwil has not been balanced, BMT management is too focused on commercial financing of the function of baitut tamwil. This paper used qualitative approach, based on in-depth interview with experts of waqf and BMT practitioners and academicians. The results of the study show that good management in BMT is the existence of equality or balance between maal and tamwil. Human Resources baitul maal management needs to be strengthened in improvising productive waqf. The existence of a business plan that is made will create the direction and performance of the collection and utilization of waqf assets.

Keywords: Productive waqf, BMT, Baitul maal

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1. INTRODUCTION

Waqf practice has performed in the last several years. It was known that waqf asset, at the time, can gradually be managed productively, provide additional benefits from the assets that have been donated. Productive waqf have two visions, eliminating social inequality and providing well-being through productive land use (Ardiyansyah & Kasdi, 2021). In other hand, waqf has two orientation, social

and commercial. In Indonesia, waqf land beneficiary is still dominated by the direction of building places of worship (masjid and mushalla), total more than f the total utilization of waqf assets (Badan Wakaf Indonesia, 2018). This is due to the understanding of the people who still think that the management of waqf assets is used for places of worship. The community still lacks understanding of the management of waqf assets in a productive direction.

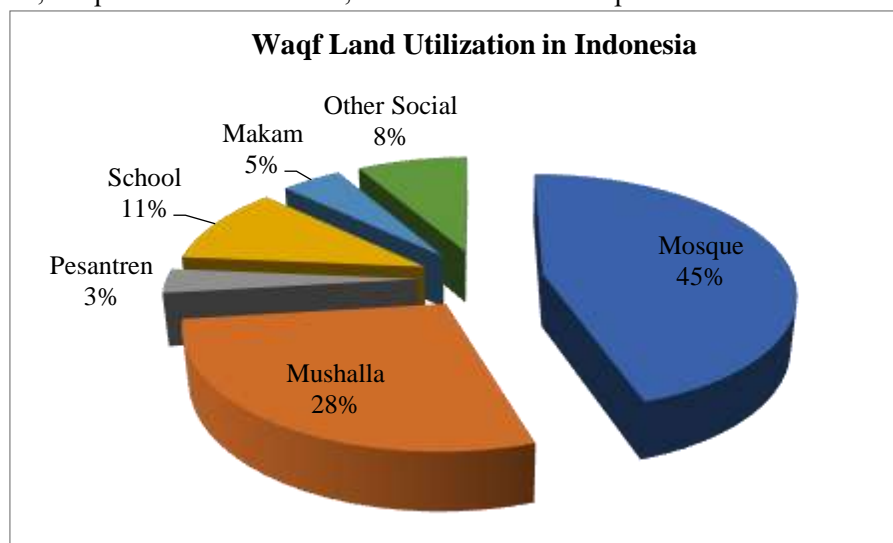


Figure 1. waqf land utilization in Indonesia

Source: Badan Wakaf Indonesia (2018)

Utilizing waqf in a more productive direction is definitely through developing the business sector (Thaker & Pitchay, 2018), entrepreneurship (Mohammad, 2015), social and economy (Zainol et al., 2014). Investment activities are carried out in order to develop, utilize, and provide added value and increase the value of benefits to waqf assets. The profit from the waqf investment (cash waqf on other productive waqf concepts) can be channeled to its destination. Waqf is also able to become a strategic financing model in the socio-economic sector (Majid, 2023).

On other hand, *Baitul maal wa tamwil* (BMT) is the Islamic micro finance institution, with unique model of management, provide in *social inclusion* and *financial inclusion* (Ascarya et al., 2017). BMT with its commercial and social roles, is expected to be able to help overcome problems related to social and economic conditions in micro and small enterprises. As a commercial function, Adnan & Ajija, (2015) explained that BMT effectively can reduce the poverty. The unique BMT management as a microfinance institution, which consists dealing with Islamic social finance, as zakah, shadaqah, and waqf (Ascarya & Sakti, 2022).

This study explains the optimization of BMT as a nazhir in the development of productive waqf by looking at aspects of the problems that exist in the development of waqf fund collection carried out by BMT. Implementation as a reference for stakeholders in making decisions on productive waqf management through Islamic microfinance institutions, practitioners and academics.

Literature Review

Waqf

The definition of the waqf is efforts to withhold something from mentashoruf assets to be taken advantage of while maintaining the integrity of the goods (Az Zuhaili, 1985). Historically, waqf activity was in Muhammad SAW, there was a Jew named Mukhairiq, gave seven gardens before dying in the battle of Uhud (Al Yusuf, 2007). During the Ottoman government, there was a law regarding waqf in 1280 Hijriyyah. The law regulates the recording of waqf, administration and establishment of waqf infrastructure, as well as efforts to achieve waqf objectives (Al Hasani, 2007).

Waqf activities can be divided into several categories in terms of management, traditional, semi-

professional and professional (Ascarya et al., 2017). Productive waqf management can also be done through the implementation of cash waqf. Cash waqf is a deduction of a sum of money by founders (both individuals, companies, institutions, or private and public organizations) where the proceeds are eternally dedicated to public welfare (Ismail Abdel Mohsin, 2013). Waqf assets managed productively, Harta dikelola secara produktif dengan without reducing or eliminating the form of the assets so that the results can be utilized in accordance with the wishes of the wakif in accordance with Islamic law (sharia). In order to increase the value of waqf assets, it cannot but be carried out by carrying out economic activities. Waqf is a mu'amalah worship activity whose provisions are regulated by Islamic Sharia, so the management of waqf related to economic activities must be in accordance with the provisions of sharia economic regulations.

Baitul maal wa Tamwil

Baitul maal wa tamwil is Islamic microfinance that merupakan lembaga mikro syariah providing capital for people who run micro businesses, the majority of whom are poor people and are in the informal sector which needs attention (Wulandari & Kassim, 2016), difficulty in getting access to capital from formal financial institutions such as banks. In general, BMT operated in small management (Wahyudi, 2014). Therefore, BMT's business behavior is relatively related to the micro-small community, making BMT vulnerable to liquidity risk (Sakti, 2013).

In Indonesia, BMT is legally categorized as a sharia financial and services cooperative (Wahyudi, 2014), as well as consequently, have not been regulated and audited by Bank Indonesia. In establishing BMT, it is enough to be approved by the Ministry of Cooperatives and UMKM. BMT is currently under the guidance of the Small Business Incubation Center. BMT is a small people's economic institution that seeks to develop productive businesses and investments in increasing the economic activities of small and medium entrepreneurs based on sharia principles. The authority for this industry lies with the Ministry of Cooperatives and MSMEs.

Majid (2021) explained waqf model scheme in the agricultural sector using the salam-muzara'ah contract. Based on this model, BMT has roles as a facilitator in financing to the farmers who have not

agricultural lands. In other hand, Ascarya et al (2022) found that waqf institutions became the priority factor in enhancing productive waqf. Moreover, There are several other factors such as asset factors, benefits and financing. This showed that the implementation of productive waqf, public trust in the waqf management institution (nazir) is the strength of successful management.

2. METHODOLOGY

This research used qualitative approach, on the scope of waqf management at BMT. Data was collected through in-depth interviews with experts in the field of waqf and BMT, such as academics, practitioners, and regulators. They are Professors in waqf (RS), Researchers of waqf and BMT (ASC), Heads of Indonesia Waqf Board (BWI) East Java (FH), Chiefs of BMT Association (AH), Heads of BMT Manfaat Surabaya (YN), and Head of BMT Mawar (CH). Triangulation is used to increase the reliability of the results to be achieved (O'Leary, 2004). Secondary data was taken from several journals, books and other documentation regarding waqf management and BMT. This research also uses data supporting the development of waqf by BMT in East Java as part of a case study.

3. RESULT AND DISCUSSION

3.1. Increasing Human Resource in *Baitul maal*

Based on interview results, shows that the biggest factor in managing waqf at BMT lies in the management of *baitul maal*, both related to inadequate reporting standards and the fund raising system implemented. Human resources placed in the *baitul maal* sector still receive little, or no pay attention. The large potential of waqf will be hampered by the absence of adequate resources. In other hand, only one staff of fundraising to manage all of tasks, most of them also hold the same position as the person in charge or nazir himself. In this situation, Nazir will not be optimal in improving waqf management. Dalam merealisasikan tujuan wakaf perlu peningkatan infrastruktur yang dapat menunjang kualitas sumber daya manusia dan manajemen pengelola (Ardiyansyah & Kasdi, 2021).

"In the cooperative itself, the Nazir usually still joins other tasks, there is no specific task. As combined with marketing duties. When there is a waqf collection, every marketing staffs

participates in collecting waqf. So, in the end, the evaluation couldn't be good. So it cannot be an indicator of nazir's success. It's happened on almost of BMT. The consequent is, BMT can not evaluate all of nazir activity." Result of Interview with AH.

On the other hand, as a BMT practitioner and supervisor of social finance of BMT, YN respondent said:

"I'am the supervisor of baitul maal in this BMT, However, as a supervisor in baitul maal, I did jobs in fudrising and marketing. It is happened in mostly BMT as well as nazir waqf, except the BMT has managed large waqfs of up to tens of billions."

Furthermore, the budget for existing training does not always decrease, sometimes it even does not exist. The consequence is Indonesia Waqf Board, in conducting training for Nazirs to improve the quality of Nazirs, it cannot be optimal. This opinion is based on an in-depth interview with the chairman of BWI East Java (FH):

"One of BWI's duties is to provide coaching or training for Nazirs using the Ministry of Religion budget, Every year there is a budget for Nazir training to improve the quality of human resources in managing waqf Budget from the religion ministry is not fixed, often the nominal budget goes down, and sometimes there is even no budget. If there is no budget, the company's CSR funds will be sought to provide the training. In other hand, BWI could also collaborate with companies, such as Pertamina and others, to carry out training related to cash waqf."

The budget for improving the quality of human resources is very important for now. The training carried out by BWI and the cooperative service was felt to be less than optimal. Practitioners are also aware of this aspect. Regarding improving the quality of human resources, good synergy between the Indonesian Waqf Board is really needed, Regional Cooperatives Department, and BMT. Training and technical guidance can be carried out routinely and periodically to provide material provision and direct supervision in management.

Good management in BMT is that there is equality or balance between *maal* and *tamwil*. The great potential of waqf that should be utilized by BMT is still not being utilized. However, This is a problem

in itself in managing *baitul maal* at BMT, considering the management function of BMT as regulated by Permenkop No. 11 of 2017 concerning cooperatives which states that BMT has 2 management, namely *baitul maal* (social fund management) and *baitut tamwil* (commercial fund management). As a structural managerial, in *baitut tamwil* backed up by manager, staff, and admin in their jobdesk, task gap occur in *baitul maal*, *a manager may play other roles such as marketing officer, staff, and even as administrator*. Therefore, ideal management structure of BMT is there are two managers (manager of *baitul maal* and manager of *baitut tamwil*) and each managers have staffs. Thus, the potential of Baitul Maal can be properly absorbed through existing human resources.

3.2. Innovation in Improving Waqf Management

ASC respondents through direct interviews explained that in Indonesia what has great potential is waqf through money considering the character of the people of the Shafi'iyyah school of thought. The understanding of the majority of people belonging to the Shafi'iyyah madzhab who do not want to manage cash waqf is by dwelling on the definition of waqf according to the madzhab which provides the criteria that waqf goods must be eternal. However, the understanding of waqf is rapidly changing with changes in meaning without changing the existing definition. The meaning that originally meant that the money donated would be used up to buy something changed to mean that the money had run out but the value of the money was still in the form of productive goods. Therefore, BMT which manages waqf does not only provide products in the form of cash waqf, but also cash waqf. This is a form of innovation in the cash waqf model where the value of the money is used for waqf. To the best a good literatures of waqf knowledge, Nevertheless, literature, and literacy carried out by managers still offer minimal models.

"Cash waqf or cash waqf is only useful if you spend it, but if you spend it, the money will run out. This is where they don't want to manage cash waqf. In fact, recently many people have begun to want to interpret that the money has run out but the value of this money is there, namely in the sand, in the cement, in the bricks. So, that's the value of the waqf assets. That's why now many people are starting to want it. So cash waqf is

now starting to expand." Statement of respondent FH.

The main problem in developing cash waqf in Indonesia is trust in waqf managers (Slamet Rusydiana & Devi, 2018). Unstructured management results from the absence of a business plan related to the planned use of the collected waqf assets. Indeed, waqf trust will increase with the planning in the use of waqf assets. (Abdullah, 2019). In other hand, Business plans are important for waqf assets, to remain sustainable and productive. However, not all BMTs have a business plan to attract waqf. Some BMTs already have neat business plans regarding the use of waqf funds in the future, this can be a particular example in the implementation of a business plan in consideration of the prospects of waqf utilization programs. Innovation in managing waqf funds at BMT in accordance with the business plan created requires consistent strengthening of the *baitul maal* system.

Priority that can be carried out is training for Nazir related to the waqf business plan. This training for Nazir is a strategy that can be carried out to overcome problems with human resources and management, especially regarding Nazir's skills and the existence of a business plan at BMT. One of BWI's duties is to provide guidance or training for Nazir using the Ministry of Religion's budget. Every year there is a budget for Nazir training to improve the quality of human resources in managing waqf.

"Not all BMTs have projects or business plans. That's right, the business plan is to attract endowments. For example, BMT manfaat have a business plan for the manage waqf funds. The project is establishing a maternity polyclinic for pregnant women. Most of the others don't have a business plan, so they are only told that later the waqf will be used for this, for example a scholarship." Statement of respondent YN.

In other hand, other innovations could be in the form of collaboration with other sharia financial institutions. On the other hand, there must be other regulations, not just laws and regulations. It can provide stimulation for Nazirs to be more innovative in managing waqf, such as the DSN MUI fatwa. One of them is the fatwa regarding insurance policy waqf which is able to provide innovation for BMT to carry out waqf collaboration with insurance companies.

Ascarya et al., (2017) built some integrated models of commercial financing and social

financing. One of them is the BMT model as nazir and LKS-PWU (Sharia financial institutions receiving cash waqf). In this model, BMT can utilize X% of the cash waqf to channel it into financing for small and medium businesses (SMEs), as a BMT's member. The remainder of the utilization (100-X)% can be invested by BMT in the real sector and financial sector. In other country, Haneef et al (2015) made an integrated scheme of waqf an Islamic micro finance, namely IWIM (Integrated Waqf-Islamic Microfinance) Model. To address the multi-dimensional aspects of poverty and empower it to improve socio-economic development and welfare of the people, microfinance is practiced in accordance with sharia compliance. The cooperative waqf model has high potential in improving communication and interaction between waqifs (people who gives waqf) and waqf institutions (Pitchay et al., 2018).

3.3. Productive Waqf and BMT Model

The followings are steps that BMT can take to implement productive waqf to improve waqf management at BMT. First, The manager in the *baitul maal* division makes a business plan for a project that will be funded by waqf (For example, a health clinic building, integrated mosque and rental building, Islamic-co working space, etc.), The business plan

explains in detail the business feasibility of the program which looks at the break even point (BEP), payback period, and other investment assessments based on waqf. Each business plan must be thoroughly studied, until its feasibility is declared.

Second, BMT as the waqf manager collects waqf funds from waqifs, which can be in the form of cash waqf or cash waqf with the minimum cash waqf eligible for waqf certificate. based on Waqf Act No.41 year 2004, BMT as Sharia Financing Savings and Loans Cooperative (KSPPS) can become a certified Nazhir to manage cash waqf. Oleh sebab itu, model ini dapat diaplikasikan oleh BMT yang telah terdaftar sebagai nazir wakaf. In this case, It is necessary to separate the recording of cash waqf and cash waqf.

Third, the collected waqf funds are used for financing following the business plan that has been made, which then amounts to x% of profits for operations and x% for improving social programs *baitul maal*. Baitul maal managers can also use the profits from productive waqf projects for other beneficiaries. In case, there is collaboration program with other social funding (zakah, infaq, and shadaqa). Figure 1 shows the productive waqf development model that can be carried out by BMT which is based on a business plan made by management.

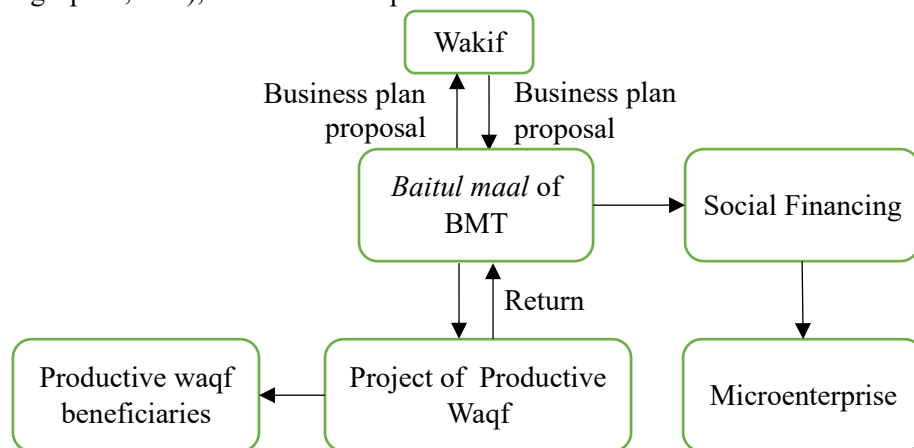


Figure 1. BMT-Productive Waqf Model

4. CONCLUSION

Based on the results and discussion, BMT needs to improvise in waqf management by providing a balanced role in the *baitul maal* function. In BMT's productive waqf management model, the role of *baitul maal* management is very important. The business plan created by the management in the design of utilizing waqf assets will increase the trust of wakifs so that there is a need to strengthen human resources in waqf management at BMT. Therefore, Management

separation between *baitul maal* and *baitut tamwil* can be done to improve HR competency. The realization of productive waqf management will provide beneficiaries through projects carried out and distributed in accordance with *mauquf alaih*. In other hand, Productive waqf management can also involve microenterprises as a form of empowering MSMEs.

This research provides recommendations for BMT practitioners. Social management in *baitul maal* cannot have a small portion in its management, At

least there is a separate manager with the same structure as the one in *baitut tamwil* in order to optimize BMT's social functions. For the government, BMT as an Islamic microfinance institution is unique with great potential. In other hand, there are already regulations governing the permissibility of BMT as cash waqf managers. There needs to be socialization regarding its implementation, so that BMT is not only focused on its Baitut Tamwil function, which has so far received great attention from the government through the Ministry of Cooperatives and MSMEs.

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