

## Integrated Quality Management Toward Community Economic Empowerment at Micro WAQF Bank

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### Abstract

*The issue of poverty that occurred for years brings the government's attention until it appears breakthroughs. One of the breakthroughs in the economic sector is to establish Micro Waqf Bank (BWM) which is expected to improve community economic development surrounding the Islamic Boarding School. This research aims to describe Integrated Quality Management (IQM) theory toward the BWM management process, to explain the management of Micro Waqf Bank (BWM) Tebuireng in detail, and to show how the implementation of IQM in Micro Waqf Bank (BWM) Tebuireng. This research involved an empirical study with a qualitative approach. While the primary and secondary data sources were collected through interviews and documentation. The research results indicated that the concept of IQM can be used as a benchmark for whether the quality management of financial institutions has been linked to Islamic values or vice versa. The fund management of BWM Tebuireng is divided into three stages, such as fundraising, fund distribution to customers, and regular reports. Finally, the management has been based on the six principles of IQM which include a focus on customers, process improvement, total involvement, avoiding speculation (gharar), avoiding ambiguity, and no coercion.*

**Keywords:** Integrated Quality Management, Micro Waqf Bank, Economic Empowerment of the Ummah

### Abstrak

*Persoalan kemiskinan yang berlangsung selama bertahun-tahun selalu menjadi perhatian pemerintah sampai akhirnya dicetuskan terobosan-terobosan baru. Salah satu bentuk terobosan tersebut dilakukan pada sektor ekonomi melalui pendirian Bank Wakaf Mikro (BWM) yang diharapkan mampu meningkatkan perekonomian masyarakat di sekitar pesantren. Penelitian ini bertujuan untuk memaparkan tawaran teori Integrated Quality Management (IQM) untuk proses pengelolaan BWM. Kemudian menjelaskan pengelolaan BWM Tebuireng secara rinci. Diakhir, akan ditunjukkan bagaimana implementasi IQM di BWM Tebuireng. Penelitian ini termasuk kajian penelitian empiris dengan pendekatan kualitatif. Lalu sumber data primer dan sekunder dikumpulkan melalui serangkaian proses wawancara dan dokumentasi. Hasil penelitian ini menunjukkan bahwa konsep IQM dapat digunakan sebagai tolok ukur apakah pengelolaan lembaga keuangan sudah mempunyai kualitas mutu yang sesuai dengan nilai-nilai ke-Islaman atau justru sebaliknya. Kemudian pengelolaan dana BWM Tebuireng dibagi menjadi tiga tahap, yaitu penghimpunan dana, penyaluran dana kepada nasabah, dan laporan rutin. Terakhir, pengelolaan tersebut sudah sesuai dengan enam prinsip IQM yang meliputi fokus kepada pelanggan (focus on customer), perbaikan proses (process improvement), keterlibatan total (total involvement), terhindar dari spekulasi (gharar), terhindar dari ketidakjelasan, dan tidak adanya paksaan.*

**Keywords:** Manajemen Mutu Terpadu, Bank Wakaf Mikro, Pemberdayaan Ekonomi Umat

**Citation suggestions:** Syahriana, N. A., Ni'ami, M. F., & Sudirman. (2023). Integrated Quality Management Toward Community Economic Empowerment at Micro WAQF Bank. *Jurnal Ilmiah Ekonomi Islam*, 9(02), 1705-1713. doi: <http://dx.doi.org/10.29040/jiei.v9i2.8990>

**DOI:** <http://dx.doi.org/10.29040/jiei.v9i2.8990>

### 1. INTRODUCTION

Poverty becomes a serious problem for a nation that has occurred for years, so it needs to find a significant breakthrough. Based on the latest data from

the official website of the Central Statistics Agency (BPS), the percentage of the poor in March 2022 reached 9.54%, or equivalent to 26.16 million people (*Persentase Penduduk Miskin Maret 2022 Turun*

*Menjadi 9,54 Persen, 2022*). The government endeavors to have breakthroughs to decrease poverty and social inequality, as well as to achieve equitable distribution of development in all regions of the country. In the process of improving the community's economy through empowerment and assistance, the financial sector is one distribution that remains a concern for the government. Therefore, in October 2017 the government inaugurated a new program created by the Financial Services Authority (OJK) supported by Amil Zakat Institution (LAZ) and Center for Micro Enterprise Incubation (PINBUK) that declared Micro Waqf Bank (BWM) (Asror, 2018). OJK considers that it needs the role of some parties who have excess funds to help people who need business financing with very low yields. So that OJK facilitates the establishment of the BWM business model with a Sharia Microfinance Institution (LKMS) platform which has the characteristics: providing financial assistance, non-deposit taking, low yields (equivalent to 3%), group-based, and no collateral (*Siaran Pers Akhir Tahun 2017, 2017*). Based on OJK records as of November 2022, 62 BMWs spread across Indonesia have 59,975 cumulative customers with a total financing value of Rp. 97.2 Billion (*Statistik Data Nasional, 2022*). Several advantages were offered so that BWM continues to develop in the midst of society until now.

In some research relating to BWM, several previous studies discussed the role of BWM in empowering the community for economic development. Research conducted by Nur et al (Nur et al., 2019), Ramadhan et al (Ramadhan & Sukmana, 2019), Harto et al (Harto et al., 2022), Hidayat and Makhrus (Hidayat & Makhrus, 2021), and Apriliawan et al (Apriliawan et al., 2021). al showed that BWM plays a role in improving the community's economic development, especially customers. Furthermore, Assegaf and Mursyid in their research indicated that BWM Denanyar has waqf productive practice. This practice was conducted through the process of fund distribution to business owner customers which are carried out in a productive way, namely Community Business Group (KUMPI) system around the Indonesian Islamic Boarding School. Apriliawan et al also discussed BWM Tebuireng in their research (Apriliawan et al., 2021). His research results showed that BWM plays a role in improving the community's economy because the community has the ability to meet primary needs (dlaruriyat) and the principles of

maqashid shari'ah. Then according to Fauzi, one component of society that is prosperous because of BWM is farmers (Fauzi et al., 2022).

Although it also examines the management of BWM Tebuireng as the previous research, this research applied a different theory that uses the theory of integrated quality management to analyze the management. The theory is a new concept for evaluating the management of BWM. So this paper is interesting and much needed.

The aim is to explain an Integrated Quality Management (IQM) for investigating the management of BWM, to complement the shortcomings of previous studies by explaining the management of Tebuireng BWM in detail, and to show the implementation of IQM in BWM Tebuireng. This research brings out IQM as an effort to improve the economic empowerment of the community managed by BWM. IQM is a concept that integrates Total Quality Management (TQM) and the Trilogy of Islamic Economics. TQM concept consists of three points, it involves: focus on the customer, process improvement, and total involvement. While the concept of the Islamic Economics Trilogy consists of avoiding speculation (*gharar*), avoiding obscurity, and no coercion. The existence of BWM is expected to fulfill communities' needs, reduce poverty and inequality in Indonesia, and realize a world-class economic empowerment system that is linked to Islamic values.

This research is conducted since the presence of BWM in the community around the Islamic Boarding School has a very significant impact on the economic sector. Islamic Boarding School as a religion-based educational institution has great potential to contribute to empowering the communities' economy, reducing economic inequality, and alleviating poverty, especially for the community living around the Islamic Boarding School; (Irwansyah et al., 2022). Thus, the management process must be carried out based on quality standards and must follow the Islamic values taught in Islamic boarding schools.

## **2. RESEARCH METHODS**

This paper involves empirical research or field research because it is based on observation in BWM Tebuireng to obtain data. The method used was a qualitative approach. While the data sources are in the form of primary data and secondary data. The primary data were obtained from interviews with managers

and customers of BWM Tebuiheng. For the secondary data was collected in terms of Tebuiheng BWM documents, such as reference books, source of funds, customer documents, financing and simulation documents, report books, and Tebuiheng LKMS-BWM data on the internet. Data collection techniques were carried out through interviews and documentation. And the data collected was analyzed descriptively.

### 3. RESULT AND DISCUSSION

#### 3.1. Research Result

The fund management of BWM Tebuiheng has three stages, involving fundraising, fund distribution to customers, and regular reports. For that, the researcher would like to explain in detail the three processes of BWM fund management at the Tebuiheng Islamic Boarding School.

The first step is fundraising. Based on the interview results, Anwar as the manager of BWM Tebuiheng stated that the source of BWM funds is obtained from donors who offer their money to LAZNAS BSM UMAT. BWM funds for all over the Indonesian regions are deposited into Islamic banks. The fund is organized through conditional grants, which people have to return at a certain time. The difference between waqf and conditional grants is the involvement of a party (Anwar, 2023).

Anwar also stated that BWM Tebuiheng received support funds as much as Rp. 4.250,000,000 (Four Billion Two Hundred Fifty Million Rupiah). This statement was confirmed by Apriliawan et al, that the fund is provided to fulfill the necessity of Tebuiheng BWM (Apriliawan et al., 2021). However, we can not fully claim the entire fund at one time, it is divided into several parts: 1). Rp. 250,000,000 (Two Hundred and Fifty Million Rupiah) for the necessity of legal entities, infrastructure, training, and purchase of equipment, 2). Rp. 100,000,000 (One Hundred Million Rupiah) for the initial capital of the Tebuiheng BWM business which is then distributed to customers, 3). Rp. 900,000,000 (Nine Hundred Million Rupiah) for deposit and can be claimed at 9 times, 4). Rp. 3,000,000,000 (Three Billion Rupiah) for an endowment in the form of a deposit at a Sharia Bank, to avoid unnecessary outputs. One of the requirements for the disbursement of deposit funds is to make plans and the number of customers to be financed. It also was conveyed by Kholiq who served as supervisor of BWM Tebuiheng (Kholiq, 2023).

**Table 1**  
**Tebuiheng BWM Fund Source**

Amount of funds	Description
Rp. 250.000.000,-	Granted for Mandatory and Primary Savings (initial operational capital for renovation and purchase of equipment at BWM Tebuiheng Mitra Sejahtera or the establishment of Micro Waqf Bank Tebuiheng Mitra Sejahtera)
Rp. 100.000.000,-	Given for BWM Savings Book as initial business capital
Rp. 900.000.000,-	Deposit I (Can be disbursed 9 times if the application of financing increases and the initial fund is deemed insufficient)
Rp. 3.000.000.000,-	Deposit II (Managed and must be kept by LAZ BSM Ummah) and organized by OJK

The second step is fund distribution to customers. Based on Anwar's statement, the financial services are managed by BMW Tebuiheng without applying an interest in the bank, it just involves a qard system, which uses a loan contract and a service contract of 2.5% - 3%.(Sulistiani et al., 2019a) Qard finance is a way for the success of a social mission that helps the lower middle-class community in entrepreneurship.(Rahman & Widayanti, 2021) BWM Tebuiheng has 63 Indonesian Islamic Boarding School Micro Business Groups (KUMPI) out of the total number of customers reaching 1,239 people (*Grafik Statistik BWM*, 2022). While there are 151 active customers and 28 Boarding School Micro Business Groups (KUMPI) (Hilmi, 2023). Anwar explained that BWM Tebuiheng will manage the funds and distribute the qard financing to these customers who have passed several procedures, such as identity verification, pre-Kumpi Compulsory Training (PWK), PWK, and due diligence. After all, the funds can be disbursed to customers.

Here is the registration process. First, submit an application with Identity Card (KTP), Family Card (KK), and a financing form. Customers can apply for financing in small micro business groups with a minimum number of 3 (three) groups, each group containing 5 (five) people (OJK, 2019). When it has completed 15 (fifteen) people in three groups, the groups in BWM are called KUMPI. Second, implement socialization that discusses the concept of Sharia MFIs empowerment such as mentoring and

financing methods (Sulistiani et al., 2019b). Third, apply identity verification. It aims to ensure the truth of family data because it is the responsibility of the manager and supervisor. Fourth, conduct pre-Kumpi Compulsory Training (PWK). On the 1st day of the meeting must at least spend 1 hour explaining, promoting, and advancing the program. Fifth, organizing Kumpi Compulsory Training (PWK). The five meetings will spend an hour a day. The meeting will be held for making groups and delivering material

on principles, programs, systems, and others. Besides, it will establish a feasibility test on the 5th day of PWK. Sixth, holding HALMI (Weekly Halaqah) activity which is held every week. This is commonly conducted by BWM in several Islamic boarding schools, such as BWM Denanyar Jombang(Assegaf, 2019) and BWM al-Hidayah Banyumas.(Hidayat & Makhrus, 2021)

The simulation of customer qard finance installments and wages is presented in the table below.

Loan	3%	Week					
		40		30		20	
		Installment	Wage	Installment	Wage	Installment	Wage
Rp. 2.000.000	Rp. 60.000	Rp. 50.000	Rp. 1.500	Rp. 66.666	Rp. 2000	Rp. 100.000	Rp. 4000
Rp. 1.900.000	Rp. 57.000	Rp. 47. 500	Rp. 1. 425	Rp. 63.333	Rp. 1900	Rp. 95.000	Rp. 3.800
Rp. 1.800.000	Rp. 54.000	Rp. 45.000	Rp. 1. 350	Rp. 60.000	Rp. 1800	Rp. 90.000	Rp. 3.600
Rp.1. 700.000	Rp.51.000	Rp. 42. 500	Rp. 1.275	Rp. 56.666	Rp. 1.700	Rp. 85.000	Rp. 3. 400
Rp.1. 600.000	Rp. 48.000	Rp. 40.000	Rp. 1. 200	Rp. 53.333	Rp. 1.600	Rp. 80.000	Rp. 3. 200
Rp.1. 500.000	Rp. 45.000	Rp. 37.500	Rp. 1. 125	Rp. 50.000	Rp. 1. 500	Rp. 75.000	Rp. 3.000
Rp.1. 400.000	Rp. 42.000	Rp. 35.000	Rp. 1.050	Rp. 46. 666	Rp. 1. 400	Rp. 70.000	Rp. 2.800
Rp.1. 300.000	Rp. 39. 000	Rp. 32. 500	Rp. 975	Rp. 43. 333	Rp. 1. 300	Rp. 65.000	Rp. 2.600
Rp.1.200. 000	Rp. 36.000	Rp. 30. 000	Rp. 900	Rp. 40.000	Rp. 1. 200	Rp. 60.000	Rp. 2. 400
Rp. 1.100.000	Rp. 33.000	Rp. 27. 500	Rp. 825	Rp.36. 666	Rp. 1. 100	Rp. 55.000	Rp. 2. 200
Rp. 1.000.000	Rp. 30.000	Rp. 25.000	Rp. 750	Rp. 33.333	Rp. 1. 000	Rp. 50.000	Rp. 2.000

The table shows that the operational system for installment payments is made weekly in three payment times, within 20 weeks, 30 weeks, and 40 weeks. If the customer finance reaches Rp. 1,000,000 means the tax paid is 3% of the total of customer finance, or as much Rp. 30,000. The tax is not due to the timeframe of the customer in installment payments but the amount of financing applicated. The policy of this installment system has the same thing as BWM in Manahijussadat Islamic Boarding School Lebak (Nurhayati, 2019). This is implemented so that the community is able to manage a business with an affordable financing value because it is only around Rp. 1,000,000-Rp. 3,000,000 (Fatira & Nasution, 2019).

The responsible person for funds payment every week is the supervisor. Kholiq stated that the process of funds paid to customers has always been easier. BMW Tebui reng customers only need to make installment payments to the supervisors according to a predetermined schedule, and the supervisor records the customer and saves it to the teller for the online money input stage (Kholiq, 2023).

The third step is regular reports. In fund management operations, BWM Tebui reng Mitra Sejahtera is required to carry out regular reports, including 1) Weekly reports, it applies report once a week or every two weeks with some report formats, involving balance deposits, profit and loss, and financing history or records given to LAZNAS. 2) Monthly reports, it occupies reports once a month with some report formats, such as balance deposits, profit and loss, and financing history or records offered to LAZNAS and OJK. 3). Four monthly reports, it employs reports once in four months with some report formats, involving balance deposits, profit and loss, and financing history or records reported to OJK. 4) Annual Report, applies report at the end of a year with some reports, such as balance deposit, profit and loss, and financing history or records submitted to OJK. Furthermore, the annual report will be discussed in the annual meeting.

### **3.2. Integrated Quality Management as an Offer for Micro Waqf Bank Management**

Integrated Quality Management (IQM) is a new offer that provides the concept of Total Quality Management (TQM) and the concept of the Islamic

Economics Trilogy. TQM is a management model that prioritizes quality improvement to create high competitiveness. (Sudirman, 2013) To realize this quality is maximizing the potential utilization and opportunities by making continuous improvements. TQM is one of the management breakthroughs generally performed by large companies, such as Xerox, IBM Rochester, and Motorola, to improve product quality which can satisfy consumers. It means that TQM always relies on continuous improvement and needs the involvement of any organization to achieve customer quality requirements. The Islamic Economic Trilogy is designed based on the three principles of economic transactions that have been adapted to the concept of fiqh and Law Number 21 of 2008 concerning Islamic Banking. Through the concept of IQM, an institution is expected to realize a world-class economic empowerment system that is embedded with Islamic values.

To implement TQM practically, Deming proposes 14 management points to design a quality management transformation. Deming as one of the originators of TQM in his book entitled "Out of the Crisis" stated that these 14 points are important to maintain quality sustainability. These points include: 1) Creating a constant purpose towards improving goods or services to be more competitive. 2) Adopting the new philosophy, such as management transformation. 3) Stop depending on mass inspection for quality. 4) Cessation of business practice by relying simply on price. This can be done by fostering long-term relationships with suppliers based on loyalty and trust. 5) Performing continuous improvement of production and service systems to increase quality and reduce costs. 6) Implementing training on the job. 7) Applying leadership. 8) Eliminating fear to encourage everyone to work effectively. 9) breaking down barriers between departments. 10) getting rid of unclear slogans, exhortations, and targets for employees. 11) Eliminating production quotas and management by objectives. 12) Removing barriers that deprive workers of pride in workmanship. Also, the removal of barriers that rob people in management and engineering of the right to work for pride. 13) Implementing education and self-development programs seriously. 14) Mobilizing everyone to achieve the above transformation (Deming, 2002).

TQM is a concept that attempts to implement a world-class management system. So, it requires a

great transformation in the aspect of the culture and value system of an organization. Tenner-DeToro stated three main principles in TQM (DeToro, 1992). First, focus on the customer. It takes an organization or institution to put customer satisfaction, both internal and external. Quality is developed since the existence of customers. Customers' expectations and perceptions of services must be fulfilled continuously by an organization. Therefore, to determine customer desires, it carries out some investigations to avoid any mistakes.

Second, continuous process improvement. It is caused by one perception that a work result is an accumulation of a series of work actions until it produces an output. Continuous improvement in the work process is an effort to avoid inconsistent outputs and increase process confidence. The main goal of continuous improvement is a reliable process that refers to a stable output and can fulfill the specified standards. If the variation in output is reduced and the work results are not acceptable, it needs to redesign the production process to obtain better results and meet customer expectations.

Third, total involvement. It involves the active leadership of senior management and includes efforts by utilizing the employee expertise of an organization to gain a competitive advantage in the marketplace. Employees at all levels are equipped to have improvement and teamwork in a flexible work arrangement in solving problems, improving processes, and providing satisfaction to customers. Likewise, external partners must be actively involved by collaborating with educated employees to provide benefits to an organization.

Islamic economic trilogy has three points that will be discussed in this research. First, avoiding speculation (*gharar*). It means no transactions for unclear, unbelonging, and uncertain objectives, or even for unfulfilled standards in sharia. (*Penjelasan Undang-Undang Nomor 21 Tahun 2008 Tentang Perbankan Syariah*, n.d.) If it happens to a sale and purchase agreement, for instance, the practice of *ghoror* is performed by selling a cow but considering it as a dairy cow that can produce high milk production, so it has been involved in deception because of its uncertain quality (Az-Zuhaili, 2011). Meanwhile, if someone sells a dairy cow without mentioning the amount of milk production, then it is considered valid because it still carries the right provision. As for the practice of community economic

empowerment in BWM, this can happen in the process of financing or mentoring. The prohibition of ghoror in a transaction is stated in the hadith of the Prophet that the community has to avoid the sale and purchase agreement that involves gharar, for example selling animal fetuses that are still in the womb. In payments through digital applications, there are indications of gharar if the service provider gives prizes through a lottery after the user has reloaded (Noh & Fidhayanti, 2022).

Second, avoiding obscurity. It refers to excessive uncertainty in transactions or it raises complex conflicts, such as any dispute that caused several strong arguments from both parties. Uncertainty in a transaction is divided into four categories: 1) uncertainty in product for buyers, in terms of quality and quantity. 2) uncertainty in price. 3) Uncertainty in time limitations. 4) Uncertainty in warranty for deferred payments (Az-Zuhaili, 2011).

Third, no coercion. It allows people freedom. In this case, coercion is divided into two categories, comprehensive coercion, and partial coercion. The representation of comprehensive coercion offers frightening threats, such as scaring someone to death or hitting that harm his body. While partial coercion offers common threats. Such as imprisonment, persecution, or position abolishment (Az-Zuhaili, 2011).

### **3.3. The implementation of Integrated Quality Management in the Process of Community Economic Empowerment at Micro Waqf Bank Tebuireng**

Integrated Quality Management (IQM) integrates the concept of Total Quality Management (TQM) and the concept of the Islamic Economics Trilogy. This concept carries six principles whose aim is to realize a world-class economic empowerment system that is appropriate to Islamic values. Those are: 1) focus on the customer, 2) process improvement, 3) total involvement, 4) avoiding speculation (*gharar*), 5) avoiding obscurity, and 6) not coercion. The review of IQM implementation will be presented in the paragraph below.

First, focus on the customer. BWM Tebuireng has external customers and internal customers. The external customers refer to people who live around the Islamic Boarding School. The presence of BWM Tebuireng is considered an intermediary for customers so that they can utilize its fund to set up a business,

such as selling chips, meatballs, fried foods, and chicken noodles. BWM Tebuireng endeavors to provide an excellent service to all customers by conducting economic skills training and being responsive to complaints and questions argued. Moreover, They commonly invite frequent direct interaction between the management and the community who become customers of BWM Tebuireng. In addition, BWM Tebuireng also provides payment times for customers regarding qard finance. Customers can choose within 20 weeks, 30 weeks, or 40 weeks. Through this offer, customers are free to choose as long as it does not burden them because it is adjusted to their daily needs. Kariatun as a customer also stated that the qard system proposed by BWM Tebuireng did not burden her at all because of the adjustable loan (Kariatun, 2023). Thus, it can be concluded that BWM Tebuireng provides three ways to satisfy clients or external customers. These three ways are promoted by conducting entrepreneurship training to improve customer skills and actively responding to customer complaints, so the service of qard system is comfortable and acceptable to customers.

The internal customers are managers and staff employees. Employees feel comfortable and enjoy working. The wages are considered sufficient to meet their daily needs. Especially, their dedication to working is a form of their remuneration for the boards and Islamic leaders of the boarding school. As confirmed by the community that working at BWM Tebuireng can help their economic family (Umah, 2023). Thus, this is proof of BWM Tebuireng's efforts to improve the welfare of employees to achieve good performance.

Second, continuous process improvement. The way to promote continuous improvements is to strengthen the quality, vision, and mission of BWM Tebuireng. Developing its process requires significant efforts to be controlled intensively. The efforts of BWM Tebuireng include a plan to stabilize finances to meet their operational needs, assistance for business consultations, and corrective action such as evaluation planning of BWM management. BWM Tebuireng customers hopefully can improve the quality of their business until their products are sold to the upper middle class and obtain more improvement besides fulfilling their necessity.

The efforts of the financial stabilization are to limit the number of customers to 300-350 people as

long as funds have not been increased. This is a form of the management's prudence in managing finances to save operational needs. For mentoring businesses, the effort is promoted through HALMI implementation as a weekly and annual activity. A weekly HALMI program involves customers and employees (supervisors) visiting communities' homes that have been mutually agreed upon to carry out routine activities, such as reading yasin and tahlil, small discussions, and returning loaned money due to the payment times. Meanwhile, the annual HALMI program employs customers to attend seminars with competent resource persons and the big families of Islamic Boarding School Tebuireng. Anwar said that the purpose of the annual HALMI program is to introduce and promote customer products on a wide scale (Anwar, 2023). However, an annual activity of BWM has not been working out collaboration on a seminar with the Cooperative Service which aims to train customers.

Third, total involvement. The implementation of the total involvement indicator is to strengthen the vision and mission together, and equality in partnerships. The strengthening of the vision and mission is supported by the presence of constructive suggestions to remain consistent in performing their respective duties and responsibilities. Kholiq as an employee admitted that they collaborate to promote the vision and mission (Kholiq, 2023). Furthermore, Kholiq also revealed that they were willing to provide solutions to each other and open-minded. The goal of BWM Tebuireng is to develop and bring harmonious management (Kholiq, 2023). Meanwhile, equality in partnerships refers to the managerial position between the chairman of BWM Tebuireng, employees, and customers to achieve these goals. Sifa' explains an equal position in partnerships can avoid superiority in carrying out tasks and creates comfortable and harmonious management (Sifa', 2023).

Fourth, avoiding speculation (*gharar*). BWM Tebuireng applies the kinship system to establish the concept of avoiding speculation (*gharar*) in the Islamic economy. It aims to avoid any deception or anything that can damage one party until it causes a loss of agreement in transactions (Kholid, 2018). This concept has been implemented in the management of qard system at BWM Tebuireng. The qard system in BWM Tebuireng consistently avoids interest on the loan, it only practices service contracts of 2.5% to 3%. Guritno feels comfortable with the service contract

because he has agreed to and received the registration information. Guritno also explained that BWM Tebuireng never ask for a service contract out of the agreement (Guritno, 2023). This indicates that BWM Tebuireng is consistent to realize sharia principles in the economy. Anwar as chairman of BWM Tebuireng also revealed that *gharar* is not allowed in Islam since harms one party (Anwar, 2023).

Fifth, avoiding obscurity. Based on the findings, there are two important things in the sustainability of BWM Tebuireng. First, the management process and fund distribution to customers are built on transparency. Second, the mentoring process and customer economic empowerment. As the first point, customers who register will be given a simulation of qard financing installments with a nominal loan and a service contract of a maximum of 3%, completed with a predetermined repayment time and mutually agreed upon. So that the customer understands the nominal amount of loans, the installments, and wages.

Furthermore, assistance and customer economic empowerment are unambiguous. The administrator of BWM Tebuireng and the customers are open to each other and transparent in performing fund distribution. In addition, customer infaq funds will be returned to them but in a form of drinks and food for consumption activities. As for fund distribution, Suwarni emphasized that if a customer borrows Rp. 2,000,000 then he should return or deposit Rp. 67,000 and the service rate remains at 3% or Rp. 2,000. The total amount of customer payment is Rp. 69,000, but generally customers pay Rp. 70,000. Customer bill of Rp. 1,000 will be shared into the infaq fund which is organized by the supervisor. The infaq funds will be used to fulfill routine agendas (Suwarni, 2023). Thus, BWM Tebuireng strongly upholds the principle of transparency as contained in the principles of Islamic economics. (Kholid, 2018)

Sixth, no coercion. The implementation of noncoercive acts is shown through customer registration. In detail, BWM Tebuireng does not recruit customers forcefully but offers them to take BWM Tebuireng to avoid moneylenders. Consciously, the community is interested to join BWM Tebuireng without any coercion. Mudrikah admitted that she was interested as a customer of BWM Tebuireng on a personal initiative (Mudrikah, 2023). Moreover, it allows a customer to choose the repayment times within 20 weeks, 30 weeks, or 40 weeks and invites them to establish HALMI activity.

Thus, BWM Tebuireng has explicitly implemented the TQM concept by integrating Islamic economic principles or known as Integrated Quality Management (IQM). Therefore, it is well-known that BWM Tebuireng is capable of easily inviting the community around the Islamic Boarding School Tebuireng to join as customers. This is shown in the graph of the cumulative number of customers that continues to increase with a total of 1,239 customers and there are 151 active subscribers (Hilmi, 2023). And the cumulative financing amount that reaches Rp. 2,029,000,000 (*Grafik Pembiayaan Kumulatif*, 2022).

#### 4. CONCLUSION

In summary, it is indicated that the six principles of IQM can be implemented for the management of financial institutions to improve qualities that are appropriate to Islamic values. While the fund management of BWM Tebuireng possesses three stages. These are fundraising, fund distribution to customers, and regular reports. Based on the findings, the management of BWM Tebuireng has achieved the concept of IQM. First, the service to customers and the performance of BWM management have produced a great effort. This is shown through the programs that have been successfully implemented. Second, the administrator of BWM Tebuireng continues to improve the process through periodic evaluations as well as strengthening the financial sector and mentoring. Third, continuous cooperation between the management and customers of BWM Tebuireng, and equality in partnerships. Fourth, the absence of gharar in transactions. Fifth, the management process, fund distribution, mentoring, and economic empowerment are performed clearly. Sixth, no coercion between the management of BWM Tebuireng and customers.

This research only focuses on investigating the concept of IQM toward the management of BWM Tebuireng. The next researcher can discuss a topic on the integration of Islamic values and the quality of Islamic institution management in in-depth observations, such as examining BWM and LKMS (Islamic Microfinance Institutions) in Indonesia. Thus, the implementation of IQM towards sharia institutions is more comprehensive and quality management can be achieved properly.

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