



## **Developing Cash Waqf Model for Micro, Small and Medium Enterprises (MSMEs) in Indonesia**

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### **Abstract**

MSMEs have played considerable role in the socio-economic development in Indonesia. However, the institutions continue to experience numerous challenges and constraints in various aspects. Among the prominent issues include the financing structure, lack of qualified human resources, complexity of government regulations and bureaucracy in some areas such as business start-up and etc. There is hardly any literature that has critically surveyed the issue of why the MSMEs shy away and whether there is an alternative financing model that they can adopt. The present study critically assesses the related literatures and proposes a viable cash waqf-based model which has the potential to benefit Islamic MSMEs. To ensure the successful running of the cash-waqf based model, it is recommended for the model to be established under the umbrella of a respectable Islamic body, namely Indonesia Waqf Council/Badan Wakaf Indonesia (BWI).

**Keywords:** Cash-waqf based model, Indonesia, challenges, economic performance, MSMEs

### **INTRODUCTION**

Micro, Small and Medium Enterprises (MSMEs) play a crucial role in developing the economy of most countries. Durrani & Bocock (2006) highlighted that MSMEs are viewed as powerful engine for growth in both developed and developing countries. Cravoy et al (2009) concluded that MSMEs assume an important role in promoting economic growth, creating job opportunities and further encourage social and development activities. Furthermore, Tambunan (2006) urged that the role of MSMEs are essential for economic development as they are the main source of employment generation and output growth, in both developed and developing countries. Unfortunately, the important role the MSMEs play in most countries has not been fully supported by robust governance infrastructure, full government reinforcement and strong capital structure. For that reason, the MSMEs present in most countries have not been tapped to its fullest potential.

In the case of Indonesia, MSMEs comprised bulk of the business activities, further reiterating on the significant existence of MSMEs. The data released by the Ministry of Cooperative and SMEs in 2012 shows that the number of MSMEs comprised 99.99% of market share of all businesses in Indonesia, absorbing 97.24% of employments. Table 1 depicts the profile of MSMEs in Indonesia in 2012.

**Table 1: Profile of MSMEs in Indonesia**

	Number		GDP		Labor	
- Micro	55,856,176	98,79%	2,951,120.2	35.81%	99,859,517	90,12%
- Small	602,195	1.11%	798,122.2	9.68%	4,535,970	4.09%
- Medium	44,280	0.09	1,120,325.3	13.59%	3,262,023	2.94%
Total MSMEs	55,206,444	99.99%	4,869,568.1	59.08%	107,657,509	97.16%
Large	4,952	0.01%	3,372,296.1	40.92%	3,150,645	2.84%
Total	56,539,560		8,241,864.3		110,808,154	

Source: Ministry of Cooperative and SMEs, 2012. Yearly revenues for small: <IDR 1 billion; medium IDR 1-5 billion; large >IDR 5 billion

However, despite the important role MSMEs play in Indonesia, the MSMEs are facing a number of complex issues and challenges. Tambunan (2008) identified some constraints in developing MSMEs in Indonesia which include high labour cost, expensive raw material, stringent financing procedures from the banking institutions, notably the limited access to the capital resources (Ascarya & Yumanita, 2007).

The Islamic concept of cash waqf is believed to offer an alternative approach for capital access and financing for MSMEs. The present study therefore explores the potential application of cash waqf model as a financing instrument

for MSMEs. Thus, the paper is organised into five sections. The first is the introductory section which sets out the framework of this paper. Section 2 surveys the related works on the concept and the significance of MSMEs for socio-economy as well as the practices of and challenges faced by MSMEs in Indonesia. Section 3 deliberates the concept of waqf and its significance as a viable alternative source of financing for the Muslim MSMEs in particular. Section 4 proposes the cash waqf-based model and discusses steps of its implementation and its merits. Section 5 concludes the paper and provides suggestions for future research.

### **Micro, Small and Medium Enterprises (MSMEs)**

This section will delve into greater details on the various aspects of MSMEs that need to be tackled further, covering definition, economic importance of MSMEs, challenges facing MSMEs and importantly discussion on MSMEs in Indonesia.

#### **Definition of MSMEs**

There is no universally accepted definition of MSME, with proposed definitions differing from one country to another, and also according to the purpose. In America, for example, MSMEs are defined as firms that employ less than 500 people (Prananingtyas, 2001). 'The latest Department of Trade and Industry (UK) and EU definitions classify an MSME as having fewer than 250 employees, with sub-categories of "micro" firms (0-9 staff), "small" firms (10-49 staff) and medium-sized firms (50-249 staff) (Durrani & Boocock, 2006). In Philippines, MSMEs are categorized based on the number of employees whereby "micro" firms comprise of 1 to 9 employees; "small" firms comprise of 10 to 99 employees, "medium" firms comprise of 100 to 199 employees and "large" firms is more than 200 employees. Besides that, Some scholars also adopt different definitions of MSMEs. Covello & Martin (1999), for example, define MSMEs as providing financial services to both low-income and lower middle-class income households without access to formal institutions. This is further supported by Beck et al. (2005) who define MSMEs as a type of financing to alleviate poverty and enhance growth for MSMEs without access to official institutions. However, developed economies usually adopt a different definition for MSMEs, i.e. enterprises which are at the upper-end of the MSME size scale (Nixson & Cook, 2005:340).

#### **Economic Importance of MSMEs for Socio-Economic Development**

In light of the recent financial meltdown (2008-2009), doubts have been raised concerning the sustainability of many countries' economies. A powerful tool for growth is therefore needed in order to ensure the sustained and stable growth of an economy. MSMEs are considered to be a powerful engine for growth in both developed and developing countries (Durrani & Boocock, 2006), owing to the fact that a thriving MSME sector includes various factors, such as the reinforcement of industrial links, opportunities for generating employment, the creation of export revenues, and the endorsement of flexibility and innovation (Mehta, 1996; Harvie & Lee, 2001; Lerner, 2002). Furthermore, one possible goal of an MSME—and a crucial one—is the maximisation of social benefits as opposed to profit maximisation (Ahmad, 1993). This proposition receives support from Nixson & Cook (2005:334) who define the development of MSMEs as the achievement of greater economic and socioeconomic goals, which includes poverty alleviation. This idea is further supported by Cravoy et al (2009) who argued that MSMEs play an important role in promoting economic growth, creating job opportunities and further encouraging social and development activities. According to Rocha R., et al (2011), MSMEs have become strategic tool for improving firm's competitiveness, generating employment, and raising the income.

Generally, previous evidences indicated that MSMEs contributed over 65% of the total employment and over 55% of the GDP. In Indonesia, the MSMEs are regarded as a powerful tool for the engine growth of the nation's economy. Thus their development and contribution is constantly monitored by various ministries and government bodies. This was evident with the recent measures adopted by the Government in providing opportunities for the start-up companies, through a 'Startup Incubator Program'. The programme was implemented so as to promote local entrepreneurs and provide small business starters adequate opportunities for establishing a business. Besides that, the government is also providing opportunities for students to learn about practical business and market trends by implementing the incubator program in four major Indonesian universities.

#### **MSMEs in Indonesia**

According to Act no. 20/2008, MSMEs is defined as the enterprises which fall under categories below (Bank Indonesia, 2011):

- a. Enterprises with net assets less than IDR 50 million (land and building are excluded) or;
- b. Enterprises which have total annual sales less than IDR 300 million.
- c. Small enterprises/businesses are enterprises which fall under category below:
  - Enterprises with net assets from IDR 50 million – IDR 500 million (land and building are excluded) or;
  - Enterprises with total annual sales from IDR 300 million – IDR 2.5 billion.
- d. Medium enterprises/businesses are defined as:
  - Enterprises with net assets from IDR 500 million – IDR 10 billion (land and building excluded) or;
  - Enterprises with total annual sales from IDR 2.5 billion – IDR 50 billion.



MSMEs in Indonesia serve as an important pillar of the Indonesian economy since long decades. It is particularly true given the fact that almost all economic sectors are dominated by MSMEs, covering 99.99% of total business (Ascarya & Yumanita, 2007). The data released by Centre of Statistic Bureau of Indonesia (BPS) regarding MSMEs growth in 2011-2012 shows that MSMEs form 99.99% of enterprises in Indonesia. Specifically, in 2011, 98.82% of business activities consist of micro enterprises; 1.09% of small enterprises; 0.08% of medium enterprises; and 0.01% of large enterprises. In 2012 the number of small enterprises increased by 1.11%; medium enterprises increased to 0.09%; micro enterprises dropped to 98.79% of total Indonesian business; and large enterprises remain the same. In general, the number of small and medium enterprises relatively climbed from 2011 to 2012.

In term of employment generation, MSMEs absorbed 101,722,458 people in 2011, representing 97.24% of total employees in Indonesia. In 2012, the number of employment under MSMEs slightly increased to 107,657,509 people. This proves that MSMEs play crucial roles in developing the economic condition, reducing unemployment rate and supporting the household income in Indonesia. Furthermore, contribution of MSMEs to GDP represented more than half of the total GDP of Indonesia in 2011 (58.05%) and slightly increased in 2012, representing 59.08% of total GDP.

It is noteworthy to note that the contribution of MSMEs to the GDP significantly increased even during the financial crisis in 1997 and 1998 i.e. from IDR 363.200,440 billion in 1997 to IDR 552.945,40 billion in 1998, accounting 52.24%. This further evidenced that MSMEs in Indonesia are able to survive and sustain even during the financial turmoil. One of the reasons is that generally the MSMEs capital is mostly sourced from the entrepreneur's own fund. In general, the role of MSMEs in the Indonesian economy can be understood from the followings (Juriyah, 2013):

1. Its position as a major player in economic activities in various sectors;
2. The largest provider of employment;
3. An important player in the development of local economic activities and community development;
4. The creator of new markets and innovation; and
5. Contribution in maintaining the balance of payments through its contribution in generating exports.

Despite the significant role MSMEs play in Indonesia, there are a number of complex challenges for their development. Tambunan (2006) identified 3 main common problems of MSMEs in Indonesia. These are infrastructural issue, institutional issues and economical issue. The infrastructure issues include, but not limited to, poor and/or expensive infrastructure i.e. transport, storage facilities, water, electricity, and telecommunication, lack of working premises, and poorly developed physical markets. The institutional issues include lack of access to formal training which results to lack of skills required, lack of formal schooling sometimes even resulting in illiteracy, limited access to property rights, limited access to formal finance and banking institutions, complexity of government regulations and bureaucracy in some areas such as business start-up, lack of information on prices, viability of products and etc. The economic issues include excessive registration and transaction costs of starting or operating businesses, limited access to technology, lack of opportunities for bulk purchase of inputs, lack of working capital and stringent financing procedures from the banking institutions (UN, 2001). These eventually cause a hindrance to the MSMEs to attain financing as MSMEs are facing inadequate financing infrastructure in keeping track of their performance mainly due to the high costs associated with the preparation and maintenance of proper accounting records. Instead MSMEs generally keep track of their performance through simple accounting records only. Thus with the time-consuming credit processes, cumbrous financing techniques, sophisticated documentation procedures and the requirement for collaterals and guarantees, MSMEs will eventually express their reluctance to apply for financing from banking institutions. Consequently credit will be obtained from informal sources such as friends or relatives or non-banking financial agencies with unfavourable terms and interest rate, and finally insufficient funds will hamper the MSMEs from further investments and growth.

In view of the above in mind, it is vital to look for alternative approaches which can allow MSMEs to attain proper financing without shying away from the financial institutions due to their cumbersome financing procedures and etc. Accordingly, one such promising alternative is the concept of the Islamic cash waqf.

## The Concept of Waqf

In order to understand waqf as a promising alternative for the extremely poor Indonesian Muslim MSMEs to attain financing, it is vital to firstly understand the background of waqf, followed by highlighting on the beneficiaries of waqf. The subsection to follow will highlight the glorious role of waqf in the past and how it is applied in the current context particularly for an alternative financing tool for MSMEs.

### Background of Waqf

Waqf (the plural is awqaf) is an Arabic word derived from the root verb waqafa, and it is identified by some as an Islamic endowment or known as an inalienable trust. Kahf (2007) identified the literal definition of waqf as to stop, to hold, confinement or prohibition. Kahf (1998) further explained that from the Shari'ah perspective, waqf is identified as holding an asset whereby the usufruct is for the benefit of an objective representing righteousness and/or philanthropy. Importantly, Lev (2005) argued that waqf is epitomized as the highest form of charity in Islam. And from an economic perspective, waqf can be economically demarcated as diverting of funds/resources from consumptions so as to invest it

in productive assets to further provide usufruct or revenues for future consumptions either by individuals or group of individuals (Kahf, 2007a). Thus waqf is known as a usufruct-giving asset as long as the principal is preserved the way that has been prescribed by the waqif (the owner of property put under Waqf). Furthermore, waqf, which is also termed as 'sadaqah jariyah' or 'continuous sadaqah', has a vital characteristic relating to its objective; that is, the idea of doing charity out of goodness (Ahmed, 2004). Importantly its benefits are not only restricted to the Muslim community alone, but it goes beyond the religious, sectarian, cultural and racial boundaries (Amitabh Mukerji, 1990, 1991). It is known as a special type of charitable act in Islam that assumes two main characteristics, namely permanence and the capacity to generate income.

There are no direct injunctions from the Quran on waqf. Bearman (2003) and Mahamood (2006) revealed that the concept of waqf is derived from the hadith. The most famously cited story on the creation of waqf is a hadith recorded by Sahih Bukhari on Sayyidina Umar (r.a.). According to Abdullah ibn Umar (r.a.), Sayyidina Umar (r.a.) attained a valuable land in Khaibar. He then went to the Prophet (pbuh) asking for advice on what he should do with his land. Prophet (pbuh) advised him that the best charitable act is to bequeath it and give it as charity, provided that it should not be sold, bought, given as a gift or inherited – devotion of your best property to Allah Almighty. Sayyidina Umar (r.a.) proceeded to give it as charity to the poor, relatives, slaves, wayfarers and guests (Al-Bukhari). From the hadith, it shows that the second caliph bequeathed his finest land. Due to this tradition, it can be identified that most of the waqf properties worldwide are properties of high value either in terms of their productivity or location.

### Beneficiaries of Waqf

The beneficiaries of waqf properties are essentially divided into two parts, namely the general public or a specific group of recipients that have been clearly stipulated in the waqf deed. According to Rahman (1980), the purpose of waqf must be religious, charitable or pious in accordance to the purview of Shari'ah. Besides the segregation of the two parts as identified above, the beneficiaries can also be popularly classified as in the table below.

As shown above, it is clear that all categories fulfil the definition of religious, charitable and pious. However, in the case of waqf ahli, it is notable that it has slowly been abolished since 1952 during the Egypt revolution as well as in in Tunisia, Syria and followed by other Muslim countries (Lobban, 1987).

**Table 2: Classification of Beneficiaries**

No.	Types of <i>Waqf</i>	Types of Beneficiaries
1.	<i>Waqf Zuhri</i>	Religious purposes – e.g. creation of mosques, <i>madrasahs</i> , supply of Quran and performing <i>hajj</i> .
2.	<i>Waqf Khayri</i>	Charitable purposes – e.g. poor and needy, the destitute, the orphan, the widow, scholarships, drinking water, medicine, etc.
3.	<i>Waqf Ahli</i>	Family members – e.g. relatives and descendants of the <i>waqif</i> .

(Source: Karim, 2010:28)

### Corporate Waqf - Cash Waqf

Waqf has a long history as an engine of growth in Islamic civilization. Unfortunately there were vast idle waqf lands attributed to the failure of waqf management and administration. In addition, many people perceive waqf as mostly associated with properties related to religious and educational purposes only and lack the knowledge of understanding the dynamic aspect of waqf. This is for that reason various new measures have been taken to resolve the problems currently faced in the administration and management of waqf. One of the methods popularly discussed in the recent development of waqf is corporate waqf. It is defined as an innovative mechanism towards income generation for the benefits of most society in the form of cash waqf, waqf shares and other assets investment methods (Ibrahim and Ibrahim, 2013). Many believe that corporate waqf is a new generation of waqf model offering innovative and effective mechanism for the functional, practical delivery of benefits in line with the principles of waqf. Nonetheless, the present study however focuses the discussion on one prominent part of corporate waqf, namely cash waqf.

Cash waqf is defined as "the devotion of an amount of money by a founder and the dedication of its usufruct in perpetuity to the prescript purposes" (Mohsin, 2009). It is also known as the dedication of some money from one's possessions as waqf based on that cash amount and contributing it to the benefit of people generally or a community particularly.

Waqf practice using money or cash is permitted in Islam as evident in the hadith narrated by Abu Daud and Nasa'i which reads: "A man said to Prophet Muhammad PBUH I have a dinar money. Thus the Prophet PBUH said you donate (waqf) your dinar money to yourself". All four Islamic schools of thought unanimously agree for the permissibility of waqf for moveable property (Abdullah, 2010). This is because all moveable property can be sold, which can receive benefit in return as well as retain its physical condition. As a result, cash waqf is permissible.

### Waqf in Indonesia

The development of waqf in Indonesia cannot be detached from the role of Indonesian Waqf Board (BWI) which was established in 2007. It is an independence body established based on the mandate outlined in Law no. 41 year 2004



on waqf mainly to promote and develop waqf in Indonesia, free from any influence from authority and it is accountable to the public.

Nevertheless, the innovation toward waqf concept was seen dynamically in 2001 where many practitioners proposed a new paradigm about the concept of cash waqf as to improve the role of waqf and maximize its potentials. In 2002, the Indonesia Ulema Council (MUI) resolved the permissibility of cash waqf (waqf nuqud). The fatwa of MUI was further backed and reinforced by the Law no. 41/20014 on waqf in which one of clauses stated that the waqf object is not only in the form of non-current assets but can also be in the form of current asset such as money or cash.

With the existence of fatwa and Indonesian law on waqf, cash waqf becomes an interesting and encouraging phenomena in Indonesia. This was pioneered by a non-profit organization, Dhompet Dhuafa Republika which was established in 1993. Through its dedicated waqf body known as Tabung Waqf Indonesia (Indonesian Waqf Box), the proceeds of the cash waqf are used for the beneficial purposes of the Muslim community in Indonesia which includes financing the poverty alleviation programmes; provision of free medical services; implementation of educational programmes and entrepreneur development programs. Its successful implementation further reiterated the dire need to develop a cash waqf model for MSMEs in Indonesia. The process flow of the Indonesian Waqf Box cash waqf scheme is further illustrated below.



Figure 1: Indonesian Waqf Box Cash Waqf Scheme – Dompet Dhu’afa

Cash waqf in Indonesia has great prospects (Nasution, 2001). According to him, if the cash waqf fund is collected from 10 million Muslim Indonesians it could amount to Rp3 trillion each year. This is further reinforced by Marsyita and Febrian (2004) who suggested that the cash waqf fund could reach Rp7.30 trillion each year based on the assumption that 20 million Muslim Indonesians contributed IDR 1.00 per day or IDR 30.00 each month. Antonio (2002) further identified four advantages of implementing cash waqf as follows:

1. Cash waqf is easy and does not require a lot of wealth, thus it is especially suitable for the poor. With that, everybody can contribute to cash waqf.
2. Waqf through cash money could generate more funds, which could be used to develop assets such as undeveloped waqf land and other abandoned land for business and agricultural purposes.
3. Cash waqf could help various institutions that have a cash flow problem by creating a backup fund for them.
4. Cash waqf could reduce the dependency of Islamic institutions on the government and allow these institutions to stand on their own by implementing the cash waqf fund.

With that, cash waqf can be regarded as the most appropriate type of waqf to be provided as a financing opportunity for the MSMEs in Indonesia. Through the cash waqf funds, it will assist the MSMEs to climb the economic ladder, and finally help to reduce the huge disparity gap between the rich and the poor in Indonesia. The proceeding section presents the proposed cash waqf model in developing MSMEs in Indonesia

### Cash Waqf Model as a Problem Solving Tool for MSMEs in Indonesia

Taking into account the above considerations, this paper proposes a cash waqf-based model with the necessary infrastructure—both social and physical—that is founded on Islamic principles, requiring no collateral. The cash waqf-based model shall be established under the auspices of a reputable and respected waqf organization, such as Indonesian Waqf Board and Indonesian Waqf Box as the two institution will have a moral authority to take leadership in the implementation of this model.

The model proposed in this paper rests on the following twin objectives: (1) a social commitment to providing opportunities for the extremely poor Muslim MSMEs in Indonesia; and (2) a profit-orientated activity based on Islamic principles. This idea is powerfully reinforced by Metwally (1984), who points out that an Islamic producer's objectives should include both profit and charity. It is the belief of the paper that it is, in fact, more beneficial to produce viable economic MSMEs (as is the case with the proposed model) than outright charity. Essentially, the proposed cash waqf-based model seeks to utilise the waqf funds attained from the main founder for the purpose of providing technical assistance and start-up capital to MSMEs entrepreneurs in Indonesia. This idea is fundamentally supported by Elgari (2004), who had previously proposed the establishment of a non-profit financial intermediary using monetary (cash) waqf donated by wealthy Muslims as the capital of the intermediary.

Although one of the objectives of the proposed cash-waqf based model is the eradication of poverty, notable emphasis is also placed on offering opportunities to MSMEs in Indonesia in order for them to progress to a higher level of financial security. This paper will now progress on to provide an overview of the cash waqf-based model illustrated in figure 2 below.

The proposed cash-waqf based model is through the establishment of a corporate waqf financial institution (CWFI). Through the CWFI, the accumulated cash waqf fund will be situated within the CWFI. The funds will then be invested in accordance to Shari'ah principles and will be distributed to the beneficiaries. In this situation, MSMEs will be one of the main beneficiaries, which falls under the category of beneficiary waqf D (waqf khairi). The establishment of the CWFI suits the recent environment alongside the increased cost of living, the majority of people can no longer afford to create immovable waqf. Thus with the establishment of CWFI, people can contribute any amount of money according to their affordability, and similarly able to achieve rewards in the hereafter on one hand, and develop the societies on the other.

There are three categories of people involved in the establishment of the CWFI. They are the founders (main founder and additional founders), trustee and beneficiaries. The main founder who is usually reputable Islamic bodies, government corporations and etc. will also act as the role of the trustee. Being the trustee, it will be the responsibility of the main founder to manage the accumulated cash waqf fund. The additional founders are the individuals, companies, organizations and etc. that are invited by the main founder so as to ensure that the cash waqf funds meet its financial objective. Finally the beneficiaries are allocated to three different categories, such as the various general beneficiaries (which include MSMEs), management committee (MC) and a portion will also be allocated to the self-financing mechanism (SFM) so as to ensure that in times of low performance, the CWFI will remain stable. Figure 2 below illustrates a proposed cash waqf mechanism.

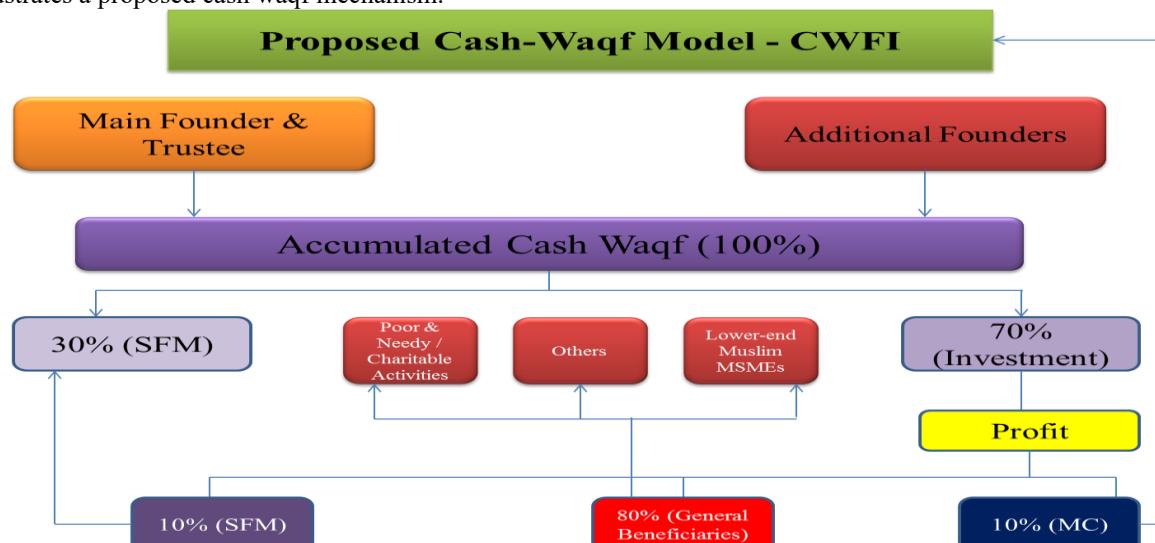
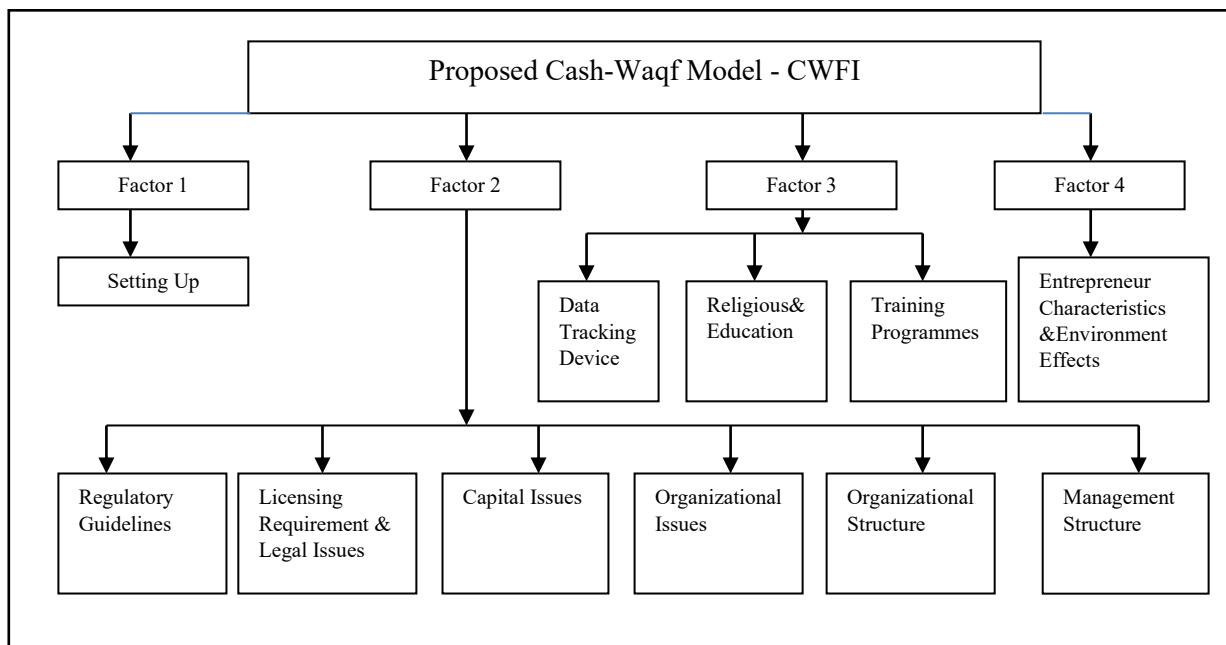


Figure 2: Proposed Cash Waqf Model - CWFI

It is expected that the establishment of the proposed cash-waqf model – CWFI will subsequently lead to income growth, poverty alleviation, self-employment, asset ownership and a more active participation of Muslims in the labour force (Ahmed, 2000). The proposed model will also lead to substantial economic development for MSMEs. The activities undertaken by the model are also considered to be in accordance with the tenets of the Islamic religion, especially when it is under the flagship of a reputable Islamic body. It is argued that having a model which is in harmony with faith and culture will help the members of the Muslim community develop high morale attitudes and values. Furthermore, the embedding of Asabiyah within the demand and supply sectors of the model will eventually lead to the establishment of firm justice, which is a defining characteristic of Islamic life and which will ultimately act as an indispensable part of the legal, social and economic benefits on offer (Ahmad, 2003).

To ensure the successful running of the proposed cash-waqf based model, it is imperative to have a strong management structure. Figure 3 below depicts the proposed management structure for the cash waqf model.



**Figure 3: Management Structure of the Proposed Cash Waqf Model - CWFI**

For illustrative purpose, the paper will only discuss in detail 3 important factors, namely the database and data-tracking device; religious supervisory committee and the training programs to be conducted for the participants.

#### Database and Data-Tracking Device

Adopting the practices of a successful Small and Medium Industries Development Agency (KOSGEB) in Turkey, the proposed cash-waqf based model should also set-up a database which holds the details of all members wishing to benefit from the CWFI. Members with similar characteristics or those facing similar problems would be grouped together in the database, whereupon they could be provided with the most appropriate type of permissible Shari'ah financing instruments. This would simplify the tasks of the employees of the CWFI, and hence improve efficiency. Apart from the database, a data-tracking device should also be established. Through the data-tracking device, the developments of the participants will be monitored, and the appropriate financial services will be provided as the participants' progress towards a higher development in their economic prospects. This device will also determine whether the participants are qualified to proceed to the next level of financing with the CWFI.

#### Religious Supervisory Committee

A religious supervisory committee should also be established under the CWFI. The role of the committee would be to provide religious classes in order to increase the spiritual and ethical sensibilities of the employees, applicants and future members. This could be achieved by continuously instilling the concept of Asabiyah in both the supply and demand elements, as it is this which promotes positive values, such as establishing a sense of co-operation and developing a sense of belonging towards the company itself. Such values, which are founded upon an Islamic religious paradigm, are likely to ensure the success of the CWFI. In turn, this will indirectly reduce the costs as it creates a working environment characterised by a sense of social responsibility.

#### Training Program

Nevertheless, merely supplying an entrepreneur with capital is not sufficient, since most do not have adequate knowledge or skills to enable selecting a suitable business and running it well; therefore, various training program must be organised. General training program would need to be arranged in conformity with the training requirements of the extremely poor Muslim MSMEs, and an entrepreneurial workshop should be set up for those who plan to either establish their own business or to otherwise improve their current enterprise. The future participants would also undergo several weeks of training aimed at familiarising themselves with various rules and procedures of the company. This will lead to an increase in both productivity and revenue, which will ultimately enhance the viability and profitability of the company, and similarly alleviate their economic status. Hence it will be a win-win situation for both the CWFI and the Muslim MSMEs.

## CONCLUSION

MSMEs play an important role in promoting economic growth, creating job opportunities and further encouraging social and development activities in Indonesia. Thus, a successful and thriving MSME sector in Indonesia can play an important role in the success of the economy. Unfortunately, the establishment of small-scale businesses cannot be

reached by the financial institutions alone—especially in the current climate of debate regarding the opinion that the financial institutions do not provide a social purpose of distributive justice and social equity beyond their narrow role. This has consequently led to the proposal in this paper for the establishment of a cash-waqf based model to fill in the gap of financing to MSMEs.

However, the success of this proposed model will essentially depend upon the willingness and resources of all the related bodies. Hence, the recommendations in this research for developing a proposed social infrastructure founded upon the concept of brotherhood and solidarity may remain a tentative suggestion only. Notably, however, if the proposed cash-waqf based model under the flagship of a respectable Islamic body, such as Indonesian Waqf Board and Dompet Dhuafa with its Indonesian Waqf Bos is accepted and founded, it is believed that this would help to renew the confidence of the Indonesian community and further confirm the importance of the waqf institution as an important tool for poverty alleviation. Moreover, through a process of enlightenment partly encouraged by the positive example provided by the proposed cash-waqf based model, the target community's trust will be restored. Furthermore, the model proposed in this paper, founded upon social capital and religious ideals, is expected to be a valuable tool in terms of promoting a greater flow of information between both lenders and borrowers. Ultimately, it is hoped that this model will combat unfavourable economic discrimination, alleviate the poverty currently endemic in a major section of the Indonesian Muslim society, whilst simultaneously benefitting the society as a whole by providing a robust and just defence against instability and upheaval in the credit market.

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