Abstract

Many poor people cannot access financial services because they are seen as unbankable. Bank Wakaf Mikro (BWM) is established to address this issue. This study aims to dissect the operation of BWM and its role on community economic empowerment. This research is a type of qualitative descriptive study, conducted at BWM in West Sumatra, Yogyakarta, Central Java and East Java. Data collection techniques are done by interview, observations and documentation data. All data are analyzed qualitatively. The results showed that BWM is a Sharia Microfinance Institution (LKMS) incorporated as a cooperative. The empowerment model carried out by BWM is to provide financing and assistance with the potential productive poor market segments around the Islamic boarding school. Distribution of funding and assistance uses a group approach to the joint responsibility system. In its journey, BWM has shown its role in community economic empowerment through providing training to prospective customers, then channeling financing to customers who pass the group feasibility test and provide assistance to customers who receive financing through weekly halaqah activities.

Keywords: Bank Wakaf Mikro, Islamic microfinance institutions, Cooperatives, Empowerment, Assistance, Joint responsibility.

Background

To encourage community empowerment, especially middle to lower income people who have micro-businesses, support from microfinance institutions is needed. This is because there are still many poor people who cannot access financial services because they are considered un bankable. Access to finance is an obstacle for people in the regions to boost...
productivity. Estimated 72% of people living in Islamic countries cannot access formal financial services.

To overcome this problem, a microfinance institution was established. Microfinance institutions according to Law Number 1 of 2013 concerning Microfinance Institutions are financial institutions that provide business development services and community empowerment, either through loans or financing in micro scale businesses to the community, as well as providing business development consulting services.

In this regard, the government has launched the Bank Wakaf Mikro program since October 2017. The Financial Services Authority (OJK) establishes the Sharia Micro Financial Institution (LKMS) in the form of a Bank Wakaf Mikro to facilitate financial access for the poor. This institution is managed based on Law Number 1 of 2013 concerning Microfinance Institutions. OJK sees an opportunity to bring together those who have excess funds with the people who need financing for businesses so that the funds can be donated through financing with very low yields. Therefore, in accordance with one of OJK’s tasks, namely to increase financial access for the wider community, in order to support government programs to overcome the problem of poverty and income inequality, according to OJK Chairman Board of Commissioners Wimboh Santoso, OJK facilitates the making of BWM business models with the Financial Institution with platform of Micro Sharia. The emergence of the BWM is in response to the government's response to complaints from people in the villages regarding the difficulty of accessing banking services.

Development of Sharia Microfinance Institutions (LKMS) is very important for the improvement of the standard of living and the economy of the community. Seeing this strategic position, LKMS is expected to be able to become the main supporting pillar of the national economic resilience system. Baitul Mal wa Tamwil as a Sharia Microfinance Institution has a significant role in helping small and medium businesses. The presence of this LKMS is considered capable in overcoming capital problems experienced by micro small traders who cannot access banking.

BWM provides access to finance to people who cannot access banking institutions. Head of the Sharia Banking Department (DPBS) Ahmad Soekro says as quoted by Hari Sutra Disemadi and Kholis Roisah that the Micro Waqf Bank is started from Islamic boarding school by looking at the potential of the surrounding community. BWM is a source of microeconomic financing, especially in Islamic boarding school environment. The Islamic boarding school is seen as having a strategic function in assisting to encourage the community's economy. The Islamic boarding school is the focus of BWM development because this educational institution has the potential to shape the business community and business ecosystem.

Tirta Rahayu Ningsih's research results state that Islamic boarding schools have strategic potential in the midst of community life not only as an educational and religious

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1Rashidah Abdul Rahman Soheil Kazemian, Sustainability of Islamic Microfinance Institutions through Community Development, International Business Research, 8.6 (2015), 196–207.
institution, because Islamic boarding schools have tried to reposition themselves in dealing with various social problems in society, such as economic, social and political. Islamic boarding schools have strategic potential in community life, especially in economic empowerment. With hundreds of students living in it, it becomes a separate path for Islamic boarding schools to empower the economy of their people. In addition, Islamic boarding school is also supported by the surrounding community where their needs can be met economically by the pesantren. Islamic boarding schools are seen as capable of being the center of economic activity for their people both inside and outside the boarding school. So the existence of Islamic boarding school today is not only in the field of enhancing the religious knowledge of its students, but has expanded to empower the economic community.

Islamic boarding schools as an integral part of the community have the responsibility to develop and empower the community in all fields including economic services. As done by BWM which makes boarding schools as a base for economic inclusion empowerment. BWM is unique, where this institution is not allowed to take deposits from the community because it focuses on community empowerment through financing accompanied by business assistance. Until the beginning of March 2018, the twenty Micro Waqf Banks have distributed financing to 2,784 customers totaling Rp 2.45 billion. This financial institution is expected to have a very important role in advancing and developing the people’s economy. To maintain the effectiveness of financing through BWM, according to Wimboh Santoso, Chairman of the OJK Board of Commissioners, there must be assistance to customers in accordance with their line of business. The financing scheme through BWM is financing without collateral with a maximum value of Rp. 3,000,000. In addition, the BWM funding scheme also provides entrepreneurial training and assistance. Bank Wakaf Mikro also initiates the formation of community groups who will make loans. The pattern of financing is made per group or joint responsibility. The Waqf bank segment is a micro small business actor. This is a model, a good system that is set as an example by other institutions. The BWM program can be replicated and expanded the scope of its founding areas so that it can be the basis for expanding access to finance and empowering the economic community. This study tries to explore how are the operations of the Micro Waqf Bank and what is the role of the Micro Waqf Bank towards Muslim community economic empowerment. The results of this study are expected to be a contribution to the government of West Sumatra to develop the Micro Waqf Bank in West Sumatra. The results of this study are also expected to be an inspiration for the management of the foundation that manages Islamic boarding schools in West Sumatra to establish a Bank Wakaf Mikro, in the context of empowering the Islamic boarding school-based economic community to be realized in this area.

This research uses a qualitative descriptive method that seeks to uncover and data
holistically\(^\text{11}\) about BWM and its role in the economic empowerment of the people. This research was conducted at 1) Bank Wakaf Mikro Al-Kausar Sari Lamak Harau District Lima Puluh Kota. 2) Bank Wakaf Mikro Usaha Mandiri Sakinah of Aisyiyah University (UNISA) Yogyakarta. 3) Bank Wakaf Mikro Almuna Berkah Mandiri at Islamic boarding school of Al Munawwir Krapyak Yogyakarta. 4) Bank Wakaf Mikro Al Mansur Barokahing Gusti at Klaten district. 5) Islamic Microfinance Institution of Waqf Bank Alpansa at Klaten district. 6) Bank Wakaf Mikro Alfitrah Wafa Mandiri at Islamic boarding school of As-Salafi Al-Fitrab, Kedinding Surabaya East Java, 7) Bank Wakaf Mikro at Islamic boarding school of Mambaul Maarif Denanyar, Jombang district, East Java, 8) Bank Wakaf Mikro at Islamic boarding school of Babud Ulum Tamhak Beras, 9) Bank Wakaf Mikro at Islamic boarding school of Tebuireng Jombang.

To get data about BWM, operations, and their role in muslim community economic empowerment, this research encompasses data with interviews, observations, documentation.\(^\text{12}\) Data obtained from interviews, official documents are analyzed by steps: write a memo during the research, encode the data, look for themes and categories, discuss data and draw conclusions. The next step taken is to carry out data reduction carried out by way of abstraction, arrange it in one unit. The units are then categorized. These categories are made while coding. The final stage of the next data analysis is checking the validity of the data.\(^\text{13}\) To test the validity of the data, the researchers conduct the extension of participation, triangulation, and discussions with peers.

The Operations of the Bank Wakaf Mikro

Bank Wakaf Mikro (BWM) is a Sharia Microfinance Institution (LKMS) established with permission from the Financial Services Authority (OJK). The purpose of BWM is to provide access to capital for small communities who do not have access to formal financial institutions. As an operational LKMS, BWM is subject to MFI Law, OJK regulations and standard operating procedures that have been established by the Small Business Business Incubation Center (PINBUK). The operational systems of the entire BWM throughout Indonesia are all the same because they are subject to the same regulations and are trained by the same institutions.

The Head of the OJK Sharia Banking Department, Ahmad Soekro said that BWM is just a name. BWM is an Islamic Microfinance Institutions that has a legal entity as a cooperative. Micro Waqf Bank is not an institution that carries out the functions of banks that collect funds from the public and distribute funds to the community. It is also not an institution that manages waqf, but an institution that runs the function of Islamic microfinance that focuses on financing and mentoring small communities.\(^\text{14}\)

The same thing was also explained by Puguh, the manager of BWM Sumber Barokah Jombang, that BWM is an Islamic Microfinance Institutions (LKMS) with a cooperative legal entity. The name of BWM is only as a brand. Micro Waqf Bank is not an institution that manages waqf as a waqf institution. Micro Waqf Bank is also not a bank that collects funds from the public and distributes it to the public. The Islamic Microfinance Institution functions to provide financing to the public, but does not

\[^{11}\text{Sugiono, Metode Penelitian Bisnis (Bandung: Alvabeta, 1999), p. 135-135.}\]
\[^{12}\text{Suharsimi Arikunto, Prosedur Penelitian Suatu Pendekatan Praktek, Edisi Revisi (Jakarta: Rineka Cipta, 2010), p. 172.}\]
\[^{13}\text{Lexy Moleong, Metodologi Penelitian Kualitatif (Jakarta: Rosda Karya, 2004), p. 247.}\]
accept savings from the public. In this case, BWM is trusted to channel funds obtained from donors that submitted to the National Amil Zakat Institution of Bank Syariah Mandiri (LAZNAS BSM). This institution has a program to empower people in the Islamic boarding school environment. The function of the institution in this case is to carry out the mandate to channel financing funds to the productive poor, especially around Islamic boarding schools.

The labeling of the Micro Waqf Bank in this Islamic Microfinance Institution needs to be criticized. First, the use of the term is not appropriate because there is no match between the concepts developed by PINBUK and OJK with practice in the field. Moreover, this provision is applied equally to all BWM throughout Indonesia. Banks with cooperatives are two different institutions. Cooperatives are financial institutions that collect and distribute funds from members and are channeled to its members. While the Bank is a financial institution that collects funds from the public and then distributes these funds to the public. Bank activity is not limited to its members.

Second, the naming of the Micro Bank raises the perception that this institution manages waqf assets. The funds are sourced from waqf funds or cash waqf. In fact, the source of funds managed by BWM comes from donations from unnamed parties, which are then channeled through LAZNAS BSM. Thus, the use of the name of the Micro Waqf Bank needs to be reviewed.

BWM has its own characteristics that make this institution a role model for the empowerment of productive poor people. BWM is not allowed to collect and manage funds either savings or deposits from the community (non-deposit taking), but provides assistance with financing in accordance with Islamic principles with the main market segments of the productive potential poor communities around Islamic boarding schools. Distribution of funding to Islamic microfinance institutions uses a group approach with a joint responsibility system. Prospective customers will receive basic training before being given funding. Customers will be given regular assistance on business development, household economic management and religious education. The contract used in financing is qardh, the yield of financing is equivalent to a margin of 2.5% to 3% per year. Meanwhile, financing is provided without collateral.

Qardh is a debt agreement between two parties, one party hands over money to another party provided that the party receiving the money returns the same value to the party giving the debt. The application of yields for qardh financing is contrary to the qardh principle itself. This contract is a tabarru’ agreement which is not justified to bring profit. In accordance with the hadith of the prophet:

عن قضالة بن يحيى صاحب النبي - صل الله عليه وسلم - أن قال : كُلُّ قَرْضٍ جَرَّ مَنْفَعَةً فَهُوَ وَجْهٌ مِّن وُجُوهِ الرِّبَا.

Narrated from Fadhalah ibn Ubaid, a friend of the Prophet. Indeed the Prophet said: "All debts that bring benefits are one form of usury.”

So, the application of the yield or margin on the financing contract at BWM is a fatal mistake. Transactions carried out contain elements of usury.

Recipients of funding at BWM are economically disadvantaged people who have small businesses and have the ability to develop their businesses. The target of this Islamic microfinance institution is the community living...
around the boarding school be it students, alumni, families of students, caregivers' families or the general public who have productive businesses within a radius of 5 kilometers from the BWM location, have a commitment to follow the community BWM procedures and programs who have business potential.

To get funding from BWM, the customer must meet the requirements, do the administration, own a business or plan to start a business. BWM conducts an assessment of the need for financing by the customer before it is approved. After all the requirements have been met, so that funding can be distributed, BWM carries out several stages, namely:

a) Identification of potential customers

Identification is carried out to determine the suitability of prospective customers with the criteria of program targets, such as distance of residence, type and place of business of prospective members. Identification of prospective customers is done by visiting the nearest village to get data on productive poor people. Customer identification is also carried out by visiting the Neighborhood Association, women in PKK and women in Moslem forum around Islamic boarding schools.

b) Socialization of Micro Waqf Bank Program

After getting data from the urban village, then BWM conducts socialization related to BWM institutions to the community, through women in Moslem Forum, or PKK social gathering and so on. Besides socialization, the manager also ensures that the public is interested in becoming prospective customers of BWM. This socialization aims to disseminate information about the conception, the stages of formation, participation requirements and KUMPI activities in the hope that prospective program participants understand the program's conceptions and provisions.

c) Surveying the situation of prospective customers

After obtaining the data of prospective customers, employees of BWM conduct a survey to each prospective customer's home by asking a number of things related to their business, and then a feasibility assessment is conducted.

d) Feasibility test of prospective customers

The feasibility test is intended to clarify or ensure the truth of poor family data obtained from identification activities and to select prospective program participants. The feasibility test is carried out by the BWM manager with a direct visit of the poor people's homes to see the condition of the residential house and an interview with the head or community members to obtain economic data and businesses that are currently or have been undertaken.

Indicators of assessing the eligibility of prospective customers are: 1) Home Index (IR). IR is used as a criterion because prospective members' homes reflect the socioeconomic status as poor. 2) Revenue Index (IP). Based on poverty criteria in Indonesia, families who earn less than the minimum income are less than Rp. 2,400,000 (according to local conditions) are classified as poor people. Residents who do not have jobs due to bodily disabilities that cause unable to work are not the target of the BWM program. 3) Asset Index (IA). Assets that are valued do not include land owned, which is valued only household assets (including agricultural equipment), livestock, liquid assets such as cash, savings. 4) Land Ownership Index (IT). The business capital program is intended for poor people who do not own land or own land but the land they own is not large and unproductive.

When a prospective member meets all four criteria, he can be declared to pass the feasibility test and he must find four other members to
form a temporary group (prospective group). Candidates for this group can be approved to participate in the Pre-compulsory Group Training and Compulsory Group Training.

e) Pre-compulsory Group Training

This stage is carried out after the survey phase has been completed, prospective customers are collected. Pre-compulsory Group Training is a 60-minute meeting to carry out stabilization activities prior to the implementation of compulsory group training for prospective KUMPI members.

This activity is carried out to form a KUMPI group and prepare groups to participate in program implementation. The activities are carried out by KUMPI facilitators and prospective members with the aim of strengthening the determination and interest to participate in the program, forming group institutions, and introducing funding distribution mechanisms. Pre-compulsory Group Training is carried out by assistants and is followed by prospective KUMPI members.

KUMPI is a channeling medium so that members can take advantage of funding capital from BWM. This is due to the fact that BWM serves financing especially in groups, which is through KUMPI with a joint responsibility financing system. The objectives of forming a group at BWM include: 1) Strengthening the firmness and confidence of members that they can be trusted by the institution to obtain loans. 2) KUMPI acts as a social pressure when there are members or other parties who deliberately break the rules. Groups are a place to help one another with difficulties. Only groups are entitled to pass loans and guarantee repayment of members' loans. 3) The group replaces guarantees and guarantors; 4) KUMPI gives guarantees to institutions that they are responsible, trustworthy and members of the Clump are able to pay if someone is late in paying installments. When members receive loans, they are also able to pay the savings that have been set. 5) KUMPI members can help each other, contribute to overcome arrears because who else will help fellow group people. 6) KUMPI will encourage each member to comply with all rules, especially be present in group meetings and willingly repay loans every week.

f) Compulsory Group Training (PWK)

PWK is a program organized by BWM to provide a picture and understanding to prospective customers, regarding: 1) Principles, objectives and uses of business capital; 2) The system and procedures for its implementation; 3) Rights, obligations and responsibilities of members 4) Requirements for participating in Compulsory Group Training (PWK) are: Members concerned have passed the feasibility test submitted by field officers to those who have participated in pre-PWK. PWK is held after a minimum of three groups is formed consisting of five members. Members of groups in the group that have formed must meet customer requirements. All prospective customers declare that they are able to follow PWK and obey all regulations during PWK.

Compulsory group training is carried out for an hour in five consecutive days. In this training, it will be given some material related to institutions, rights and obligations of members and knowledge about managing finances. PWK is an exercise for all prospective customers as an effort to ensure that trainees understand the principles and procedures of venture capital assistance carried out.

Before the training, customers have been instructed to bring 2,000 rupiah on each training day. On the first day the customer is told to collect 2,000, the supervisor records the serial number and then entrusts it to the customer who sits at the back. The next day the money entrusted to the participants who received the mandate are asked to hand over to the supervisor to check the serial number whether it is still fixed or has changed. If the serial number of the 2,000 denomination is the same,
the customer is trustworthy. However, if the serial number has changed, it means that the customer is not trustworthy. At this time the supervisor will emphasize the importance of trustworthy behavior in each participant. At the end of the meeting on the second day the supervisor makes the same game of collecting 2,000 rupiah denominations, recording the serial number and entrusting the participants who sit in the penultimate sequence, and so on until the participants who sit at the front. According to Dafril, manager of the BWM Alkautsar Lima Puluh Kota to instill a disciplined attitude, at the time of PWK participants may not come late. If someone arrives late for no reason and is more than 10 minutes, the PWK at that time is dissolved and the process starts from the beginning again.

g) Group Training Test (UPK)
At this stage prospective customers are given 30 minutes to work on the questions that have been prepared by the supervisor. After finishing working, the manager immediately corrects the results of the prospective customer's answers and quickly assigns grades. All prospective customers are required to take the Group Endorsement Test (UPK). This test is conducted on the fifth day of PWK by BWM supervisors. If the prospective group member is considered to have understood enough of the training material, then the group member is declared to have passed and then the group concerned will be confirmed as a BWM customer and ready to form HALMI.

The assessment for UPK is not only focused on the results of the answers but there are also several categories such as discipline and trustworthiness. When the graduation criteria are not met, the proposal will be postponed or the amount of funding is reduced or the group will be liquidated.

h) Disbursement of Fund
After finishing the UPK, a meeting is held between the manager and the management regarding the prospective customer and the business they have. After agreeing with the management, the next step is to disburse the financing.

According to Devi Puspita Sari, Manager of BWM Mandiri Sakinah UNISA Yogyakarta, the disbursement is carried out in 3 stages because it uses a 2-2-1 pattern. This 2-2-1 financing disbursement pattern is a model that teaches caring attitudes are sorted by who needs it most, and he gets the funding disbursement first. Seat arrangement during the training is sorted by group agreement. The order is reversed from the back of the person who needs it the most; he gets a disbursement of the funding first and sits back and so on and the person who becomes the chairman sits at front.

The funding disbursement mechanism at BWM follows the following provisions: For the first disbursement, each group customer with a 2-2-1 mechanism, namely the first week HALMI is disbursed for 2 customers, then the second HALMI is 2 more customers and the last is for 1 customer that is the chairman of the third HALMI.

For the initial disbursement, from the BWM provides funding to customers in the amount of Rp1,000,000 per person. Every KUMPI customer repays his loan every week from the time of the HALMI meeting until it is paid off. In addition, KUMPI customers must have joint responsibility savings managed by the KUMPI chairman (not BWM). This group savings function as a group guarantee in the event of arrears in installments from KUMPI customers. If there is a lack of installments, a joint responsibility mechanism is carried out using funds or group joint savings. At the time of disbursement the customer must sign a receipt of money from BWM as much as 2 copies, 1 for LKMS with a stamp duty 6000, and one duplicate for the customer.

i) Weekly Halaqah (HALMI)
The empowerment model applied at BWM is weekly Halaqah. Weekly Halaqah or HALMI
is done once a week. It is held for 1 hour accompanied by a BWM supervisor. Customers get assistance and guidance every week on weekly Halaqah activities. At this weekly Halaqah, customers receive guidance on business development, household economic management and Islamic religious knowledge.

In order to foster mental attitude of BWM customers according to Fajri Rahman, BWM of Supervisor Al Kautsar HALMI, activities are carried out routinely and must be followed by every customer. In this activity the customer must not be late. HALMI is done to build an attitude and a sense of togetherness, commitment, consistency, and discipline. In addition, it also builds an attitude of solidarity, responsibility, and group collaboration through a joint responsibility system in the payment of loan installments. HALMI is carried out at rotating members' houses or by agreement. HALMI is an activity to provide guidance to KUMPI members and distribution of funding funds and payment of installments, group savings, taziyah and business assistance.

The installment payment for six customers who have received financing for the first time has been made. The financing installment at BWM is Rp. 25,000 per week with a period of 40 weeks. After that, the funding is disbursed for six customers on the second turn. When the installment payment process takes place, customers who attend together read Asmaul Husna.

The contract that is applied in financing the BWM is qardh. In the first round of the financial ceiling is channeled to customers in the amount of Rp1,000,000. Customers repay 25,000 for 40 weeks or 20,000 for 50 weeks. It all depends on the agreement of group members. According to Devi Puspasari, Manager of BWM Mandiri SaktiNah UNISA Yogyakarta, customers are charged an assistance fee of 3% per year. The same thing is also acknowledged by Fajri Rahman, Supervisor of BWM Akautsar Payakumbuh that customers are charged a fee in the form of a 3% assistance. But unlike BWM Alpansa which states that customers are charged an operational fee of 3%. This is conveyed by Luthfiatul Umami, Customer of BWM Alpansa Klaten.

For customers who have already received financing, they will make the installment payments at weekly Halaqah (HALMI). Phase I financing of Rp. 1,000,000. - 23,000 installments for 50 weeks with details of Rp. 20,000 is the principal installment financing. Rp.3,000 consists of Rp. 600, - ujrah assistance and 2,400, - group savings used for joint responsibility or social money. So, the total customer installments for 50 weeks is Rp. 23,000 x 50 weeks = Rp. 1,150,000, with details of the principal repayments of Rp. 1,000.00 back to BWM, Rp. 120,000 returned to the group or customer, Rp. 30,000, - ujrah assistance.

For the sake of joint responsibility and other social interests, the customer sets aside the amount of savings agreed upon by each group. Because in financing at BWM joint responsibility is a must. As explained by Eni Karrika Sari, Chairperson of BWM Almuna Krapyak Yogyakarta, if there is a group member who is unable to pay the installments that week, then all customer members will bear the installments of group members who are unable to pay the installments financing. Sources of joint responsibility funds are taken from group savings deposited by members of the KUMPI chairman. Based on the results of interviews with BWM managers, in reality there is a problematic customer caused by financial mismanagement or business customers who are experiencing problems such as customer desertion. In this case, the group is charged with overcoming it, so that the financing installments to BWM remain smooth. This model is a joint responsibility pattern in fiqh term known as 20 Sources of joint responsibility funds are taken from group savings deposited by members of the KUMPI chairman.
kafalah. The kafalah agreement is an agreement between two parties where the first party bears the responsibility of the second party, to pay off debts.21 In this kafalah agreement a person who is unable to pay the debt is borne by another party to pay off his debt.

The financing model carried out by BWM is a group-based model of empowering the poor. Although the financing is received by each customer for business development, each group member is responsible for paying the installments to the group. With a joint responsibility pattern known as kafalah in Islamic economics, each group member is mutually responsible for the payment of installment financing. If one person experiences difficulties in paying installment financing, then the other group members are responsible for paying the installments of the problematic members. This model has been applied by Muhammad Yunus with a pattern of social entrepreneurship at Grameen Bank in 1983 in Bangladesh.22

The Role of the Micro Waqf Bank on Community Economic Empowerment.

Microfinance institutions are seen as an alternative method to overcome economic problems, especially the problem of poverty.23 As an Islamic microfinance institution, BWM is a financial institution that is oriented towards efforts to improve the welfare of members and the community. The Islamic microfinance institutions has a significant role in empowering economic society,24 becomes partner for Small and medium-sized enterprises with providing assistance and financing.25 So BWM has a role in community economic empowerment around Islamic boarding schools.

The role of BWM in empowering the economy of the community can be seen in the provision of training to prospective customers, distribution of funding and assistance conducted by BWM to customers who receive financing.

a) Providing Training to Prospective Customers

Before BWM distributes funding funds to the public, the manager first provides guidance to prospective customers. The coaching program is carried out in the form of compulsory group training (PWK) conducted for five consecutive days. At this time the manager in every material given to prospective customers places great emphasis on the character of the customer in the form of discipline, trustworthiness, responsibility, and care for others.

b) Channeling Financing

Islamic microfinance institutions or in this case BWM in prospering the community around the boarding school is to provide loans or financing for businesses and most importantly without asking for guarantees from them. Communities are relieved in terms of loans to improve their standard of living in entrepreneurship. In the provision of financing the criteria taken are productive poor people around the boarding school, meaning that people who are funded by BWM are people who have small-scale businesses such as fried food sellers, sewing, buying and selling goods online, selling cakes, laundry and etc.

21 Rozalinda.
In addition, the purpose of establishing BWM is also to reduce poverty. People who borrow funds from BWM are used for venture capital that aims to improve their living standards. The purpose of the establishment was also to maximize the role of Islamic boarding schools in the productive empowerment program of the poor. To prosper the community, financial institutions are needed that provide convenience to the community. One way to prosper the community is by providing business capital loans to micro businesses. BWM as an Islamic microfinance institution (LKMS) has proven its role in realizing financial inclusion. Easy financing mechanism, as explained by Ningsih, customer of BWM UNISA Yogyakarta, administrative requirements are only a photocopy of ID card, photocopy of family card, submitting an application form signed by husband and wife, financing without collateral, financing patterns are carried out in the form of groups and joint responsibility by using the qardh contract.

The process of empowerment at BWM Al Fithrah Wava Mandiri is to provide funding to the community around the boarding school. BWM provides a concrete example to the community in the economic empowerment of micro businesses. BWM al Fithrah Wava Mandiri Surabaya helps the development of micro businesses with qardh financing schemes. The alignments program of BWM Al Fithrah Wava Mandiri Surabaya is realized in the provision of group-based financing and business assistance programs with low yields (equivalent to 3% per year) and without collateral. The example of customer of BWM Al Fithrah Wava Mandiri Surabaya is Harsini, a businessman of cassava chips and banana chips, starting from the business carried out with her husband. Thanks to funding from BWM, her business has increased, now she has several employees. Because the purpose of BWM to conduct empowerment programs is to improve the living standards of microbusiness people and to help them with unsecured loans with a margin of 3% per year.

c) Assisting customers who receive financing

In the community empowerment program, BWM uses a mentoring model through the Weekly Halaqah (HALMI). Assistance to customers who receive financing is done in the form of Islamic religious guidance, household economic management, and business development guidance. As explained by Fajri Rahman, supervisor of BWM Alkautsar Payakumbuh in HALMI activities, customers are given guidance in the form of Islamic spiritual material, family economic management and business improvement. These three materials are directly given by BWM supervisors. Islamic spiritual guidance is the most material given to customers in each HALMI. Supervisors also receive customer consultations regarding business problem solving and business improvement. If the customer needs more intensive consultation, the customer is given the opportunity to consult with the BWM Secretary who is more knowledgeable in economics and business.

Ahmad Chairuddin Saifuddin Zuhri al-Hadi Ilal Haq, Founder of BWM Alpansa Klaten, explains that the training is given directly by the supervisor or by bringing in external speakers, for example at the Weekly Halaqah Akbar. This great HALMI is done by BWM by presenting external sources, for example motivators, entrepreneurs, which are aimed at all BWM customers. In addition to channeling financing to the public, BWM Alpansa also provides assistance to customers through Compulsory Group Training (PWK) which is then followed by HALMI activities. In

27 Laznas BSM Team.
addition, BWM Alpansa provides regular assistance on business development by bringing in related speakers through Islamic boarding school activities.

BWM Denanyar Sumber Barokah Jombang as one of the Islamic microfinance institutions (LKMS) has since proven its role in realizing financial inclusion. Similar to other BWMs, BWM Sumber Barokah Denanyar Jombang also distributes funding to micro businesses. As explained by Puguh, BWM Manager Sumber Barokah Denanyar Jombang Market segment of BWM is productive poor people and the majority of its customers are women who have micro businesses. The microfinance has a positive impact on economic empowerment of women. The women who are micro entrepreneurs are able to help the family economy, especially helping the husband in providing for their family. The amount of funding provided by BWM is in accordance with the customer's ability to manage the funds and the customer's ability to pay the installments. With financing of Rp1,000,000, they are able to pay installments at BWM in the amount of Rp20,600.00 for 50 weeks paid at HALMI and the payment period. (20,000 principal installments, 600 margins for operations). This installment amount according to the customer does not burden them.

Meanwhile, the role of BWM Al Fithrah Wava Mandiri in empowering the productive poor around the Al Fithrah Kedinding Islamic Boarding School is to provide capital loans and guidance. The form of guidance carried out is guidance on family financial management, religious education and business development. The assistance provided is in the form of three things, namely assistance through the provision of religious knowledge, household financial management and customer business development, namely:

a. The Improvement of Customer Business

In assistance related to increasing customer business, entrepreneurship development assistance is provided through mentoring and entrepreneurial assistance such as marketing managerial, bookkeeping training, display training and services, as well as capital access training and business expansion. Based on the explanation of Devi Puspitasari, Manager of BWM of Aisyiyah University in Yogyakarta, this activity is filled by professional presenters such as successful entrepreneurs who are invited by BWM, as well as from supervisors of BWM to directly provide assistance such as guidance on packaging of food products, improving product quality (for example tips reducing oil content of fried products) and the like is done by supervisor of BWM Aisyiyah University Yogyakarta. In addition, it also helps facilitate the marketing of customer products at certain events such as seminars and exhibitions.

b. Household Financial Management

BWM provides family coaching assistance so that a prosperous family can be realized. The assistance provided is about managing family finances, communication between families, and so on. Members in one HALMI group also give each other skills. For example, there is one member who has the ability to knit, the member then shares her knowledge with other members. Sharing knowledge and experiences between members is carried out after the main HALMI study program, for example members who previously only guarded the shop, now get a new busy life by making knits with the effect of increasing income. As conducted by BWM Bank Wakaf Alfitrah Kedinding Surabaya, it provides household guidance and household.


finance management to its customers. The same thing is recognized by Ahmad Dawwam Anwar, Manager of BWM Tebuireng Mitra Sejahtera Jombang in providing household financial management to his customers.

c. Spiritual Formation

The meaning of spirituality itself increases the height of diversity that exists in HALMI members. In this case, it is filled with religious studies which have brought a number of religious teachers from Islamic Boarding Schools. The material discussed is about religion such as worship, alms, educating children, and so forth. According to Aisyah, Supervisor of BWM Al-Fithrah Wava Mandiri Kedinding Surabaya, the mentoring activity carried out by BWM Al Fithrah in accordance with the purpose of the establishment of BWM is to prosper the community around the boarding school by providing assistance in the form of three things: assistance through the provision of religious knowledge, financial management household and business development for BWM customers, said Ali Hamdan, supervisor of BWM al Fithrah, Surabaya.

d. Business Development Consultancy

BWM customers are given the opportunity by BWM managers to consult about business development. Eni Kartika Sari, chairman of BWM al-Muna Berkah Mandiri Krupyak Yogyakarta said that customers can come to the BWM office to consult about business development. BWM also facilitates customers to market customer products online by guiding customers to create online trading accounts, either through Instagram, Facebook and WhatsApp. In addition, waqf banks also facilitate customers to sell their products at certain events.

For the program assistance customer, household financial management and business development, there is an evidence to suggest that Islamic micro-finance has a comprehensive approach towards human empowerment, leading to human development in Muslim societies.30

Funding obtained from BWM affects the increase in production and sales of businesses that are cultivated by customers. As experienced by BWM customer who is involved in the eel cultivation business, he is usually only able to produce 10kg of eels before there is financing, now after being able to finance, the production results to be 15-20kg of eels resulting in an increase of about 10%.

With the increase in production, this will increase sales. This situation certainly affects income, as recognized by Lina, customer of BWM Yogyakarta Aisyiyah University. She experienced an increase in income because the amount of production increased, the increase was approximately about 10% of the original income. This situation affects the increase in economic conditions when income and profits rise, the economic conditions can be better. According to her, there was an increase of about 10% from before, although it was not significant, about more than 10% because it was only Rp1,000,000.00. From the example above it appears that the presence of BWM has been able to implement the direction of the development of Islamic finance in Indonesia, namely supporting efforts to increase the distribution of social welfare and address inequality in national development.

The same situation was also felt by BWM AlPansa customer, Maryoto traveling vegetable trader, he received financial assistance from BWM AlPansa, he used it to increase his business capital in trading vegetables around. Funding funds provided by BWM Al-Pansa can increase the volume of vegetable sales, so that the income increases, but not yet significant because the financing provided is only Rp1,000,000.00 to Rp2,000,000,00.

Even though the empowerment program conducted by BWM is felt to be insignificant by customers, empowering micro businesses as an objective of community empowerment programs around Islamic boarding schools through Islamic Microfinance Institutions conducted by BWM can enable and empower communities that have been economically powerless.

Cholipah, customer of BWM al-Mansur Barokah Gusty Klaten, has a laundry business. Within a day she can receive 5-10 KG. Cholipah is a customer who has entered the second phase with a loan of Rp1,500,000 and the installment every week is Rp 37,500. Cholipah feels very fortunate to be funded by BWM because previously she borrowed from loan sharks. While in BWM Denanyar Jombang, loans are given without interest. A similar situation is also directed at customers of BWM Tebuireng Mitra Sejahtera Jombang. As emphasized by Ahmad Dawwam, Manager of BWM that to disburse financing to customers, a feasibility test is conducted first by ensuring that these customers are not being overshadowed by loan sharks. He stressed to prospective customers that financing funds should not be paid to pay off debts to loan sharks. Funding funds must be used for business.

The financing program provided to customers using the group pattern with existing provisions is starting from the requirements of group members consisting of 15 to 25 people in large groups called HALMI. According to the Chairperson of KUMPI, this kind of activity can be a bond of friendship among KUMPI members, strengthen friendship, and establish closer kinship. So it's not just about getting funding, but there is also assistance, friendship, and studying religion. Funding provided by BWM can help increase customer business. As acknowledged by customer of BWM al-Fithrah Wafa Mandiri Kedinding Surabaya, Siti Aminah, since becoming a micro waqf bank customer, her business has been greatly helped, now the results have improved. In addition, it can also interact with other members and increase religious knowledge.

BWM Denanyar Jombang has 300 customers. These BWM market segments are all female because women can be invited to attend weekly meetings in the weekly Halaqah which is a routine activity that focuses on the economic empowerment of businesses around Islamic boarding schools. Women are also seen as better able to manage finances. With financial assistance of only Rp1,000,000, it is proven that women can develop their businesses. Customers feel the increase in business and strong friendship ties between members. As acknowledged by customer of BWM Sumber Barokah Jombang, Nur Hayati, the owner of a grocery shop. She has a warung business that has been running for 5 years. Nurhayati is the chairman of KUMPI BWM who is one of the customers who received financing at BWM Denanyar Sumber Barokah Jombang in the third stage that received 2,500,000 financing. Applying for funding to BWM is to increase business capital even though not much loan funds are provided but at least the funds can be used to increase screen printing business, said Luthfiatul Umami, customer of BWM AlPansa.

The financing model undertaken by BWM is no different from the financing model that was carried out by Muhammad Yunus in Bangladesh in 1976-1979. The empowerment program conducted by the Doctor of Philosophy Vanderbilt University graduate in Tennessee, United States of America founded the Grameen Bank by providing group-based financial assistance to women in Bangladesh.
microcredit to poor people who have businesses without collateral. Muhammad Yunus programmed each loan applicant to form a group of five people. Group members cannot borrow simultaneously, but must take turns. Other members can only borrow if the member who borrowed first can prove discipline and honesty in paying installments. In addition, in his empowerment program, Muhammad Yunus applied a joint responsibility mechanism. In this mechanism, if a group member is in a condition of not being able to pay installments, other members will joint venture to pay the installments of members who are experiencing difficulties. Every loan can only be used for productive purposes or to support a business. Mit Ghamr Bank which he founded is for small business loans where 97% of his customers are women.

The success of Grameen Bank in developing microbusinesses lies in its efforts to utilize and develop social capital to encourage and guarantee the microfinance business. Social capital in question is the values and norms, trust and social networks that support cooperation to achieve certain economic goals. This social capital is an advantage for Bank Wakaf Mikro in empowering communities around the boarding school.

Conclusion

Bank Wakaf Mikro (BWM) is an Islamic Microfinance Institution (LKMS) incorporated as a cooperative. The operation of BWM is to provide funding and assistance with financing with the main market segments of the productive potential poor people around the boarding schools. Loans or financing uses a group approach with a joint responsibility system. The roles of BWM in community economic empowerment are providing the training to prospective customers, channeling financing to customers who pass the group feasibility test and providing assistance to customers who receive financing through weekly halaqah activities. The investment program conducted by BWM runs in accordance with BWM's establishment, which is to improve the welfare of the community. It can be seen from the implementation of the BWM funding and assistance program to customers that have an economic impact in the form of increased production and increased customer income, although the increase has not been significant which is caused by the small amount of financing received by customers. In addition, this program can free the community from loan sharks. Empowering micro businesses as the goal of community empowerment programs around Islamic boarding schools through Islamic Microfinance Institutions conducted by BWM can enable and empower the community economically.

References

Books


**Journals**


**Other resources**


