



Development of Micro Waqf Bank Strategic Management in Islamic Boarding Schools

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ABSTRACT

This study aims to analyze the management of Micro Waqf Bank development strategies in Islamic boarding schools. This study uses a qualitative approach to the type of phenomenological research, data collection techniques used

are interviews, observation and documentation. Analysis of the data used is an interactive analysis model. The results of this study indicate that the successful management of Micro Waqf Banks is influenced by the implementation of spiritual leadership values in the governance of Micro Waqf Banks Sumber Barokah Denanyar Jombang East Java Indonesia

Keywords: *Micro Waqf Bank, Governance, Spiritual Leadership.*

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INTRODUCTION

This article describes the development of a Micro Waqf Bank (BWM) in an East Java Islamic boarding school. The establishment of a Micro Waqf Bank (BWM) is one of the government's efforts to reduce poverty among the community, especially around Islamic boarding schools. Micro Waqf Bank is a Sharia Microfinance Institution with the aim of facilitating access to financing for the poor and MSMEs who do not have access to formal financial institutions. The Micro Waqf Bank (BWM) was inaugurated by the government in October 2017 (Panggabean & Anwar, 2019). The existence of the Micro Waqf Bank (BWM) as a provider of funds or capital in the lower middle class is recognized as very good and efficient. The presence of the Micro Waqf Bank (BWM) is believed to be able to increase access to micro-scale financing down, encourage increased economic empowerment and productivity and is believed to be able to increase people's income and welfare, especially for people with lower middle income and MSMEs (Arinta et al, 2020).

The ability of Micro Waqf Banks to survive and develop is a matter of pride for the government, it is proven that with the existence of Micro Waqf Banks in the pesantren environment there is a reduction in poor people who make loans to moneylenders, there are also people who are not able to be productive by financing/capitalizing on loans. Micro Waqf Banks are seen not only providing capital institutions with ease but also providing assistance which is considered by the community as a coaching institution in terms of business as well as religion to face a better life. Circumstances like this make Micro Waqf Banks develop and attract a lot of people from the lower middle class.

This study discusses the problem of how the management strategy of developing Micro Waqf Banks in the pesantren environment of East Java is. The purpose of this paper is to explore answers to the problems above, so the expected goal is to find out how the management strategy used by Micro Waqf Banks in the pesantren environment of East Java. Research with a similar theme was carried out by Yusvita Nena Arinta in 2020 with a focus on research on the Existence



of Micro Waqf Banks and Its Implications for Community Welfare in an Islamic Perspective (Arinta et al, 2020). Then Hari Sutra Disemadi and Kholis Roisah in 2019 conducted research with a policy focus on Micro Waqf Banks which later became the operational basis for community empowerment solutions (Disemadi & Roisah, 2019). Wizna Gania Balqis and Tulus Sartono in 2019 also conducted research on Micro Waqf Banks but the focus of this research lies on the role of Micro Waqf Banks, namely as a means of empowering micro, small, and medium enterprises (Balqis & Sartono, 2019).

Based on the previous research, there are differences in focus. Although this research has the same theme, namely Micro Waqf Bank, this time the researcher emphasizes on developing strategic management of Micro Waqf Bank in Islamic boarding schools. So that it produces a novelty in this paper as well as a comparison for further research.

RESEARCH METHODS

This study uses a qualitative approach to the type of phenomenological research. With this phenomenological method, it is hoped that later on we will get a concrete picture of the Micro Waqf Bank and the lower-class people as its customers. In addition, it also examines all forms of government policies related to the development of Micro Waqf Banks. This research was conducted at the Sumber Barokah Micro Waqf Bank, Denanyar Jombang, which is considered has the best management in East Java (Regional IV). The informants in this study were the financial services authority, the chairman of the Mambaul Ma'arif Denanyar Islamic boarding school foundation, the caretaker of the Mambaul Ma'arif Denanyar Islamic boarding school, managers, employees and customers of the Micro Waqf Bank Sumber Barokah Denanyar Jombang. Data analysis in this study used an interactive analysis model. The interactive analysis model consists of three streams of activities that occur simultaneously, namely data reduction, data presentation and conclusion drawing or verification.



RESULTS AND DISCUSSION

Micro Waqf Bank (BWM) is part of the Sharia Microfinance Institution (LKMS) which was established under the OJK permit and has the aim of facilitating access to capital and financing for small communities who have difficulty or do not even have access to formal financial institutions (Sulistiani et al., 2019). The Micro Waqf Bank (BWM) was inaugurated by the government in October 2017 (Panggabean & Anwar, 2019). The background underlying the establishment of the Micro Waqf Bank is to overcome the problems of poverty and social inequality that occur in the community by empowering productive businesses that can be directly managed by the community (Harahap, Mailin, & Amini, 2019). The main purpose of establishing a Micro Waqf Bank (BWM) is to facilitate public financing with the micro business sector in order to improve the welfare of the community. The main target of financing activities for Micro Waqf Banks (BWM) is in the pesantren environment (Nurhayati, et.al, 2019). The source of funds channeled in the Micro Waqf Bank (BWM) comes from waqf in the form of money.

Appropriate and productive management of cash waqf is a promising solution in realizing social welfare and can help overcome economic problems that exist in Indonesia (Medias, 2017). Another thing that underlies is that Sharia Microfinance Institutions are institutions that have great potential in terms of empowering the poor and are protected by law. The characteristics of the Micro Waqf Bank are providing a financing product and business assistance, based on groups, not raising funds, profit sharing of 3% and without collateral. In empowering and assisting the poor using sharia principles, group financing cooperation, easy, trustworthy, and blessing (Harahap et al., 2019). The legal entity of the Micro Waqf Bank is a cooperative but its supervision is under the Financial Services Authority (OJK) (Sulistiani et al., 2019).

One of the goals of establishing Micro Waqf Banks in Islamic boarding schools is for students to learn about banking, so that if Micro Waqf Banks grow large, the people's economy can run well because one of the elements of society that has a strategic function in improving the



economy in Indonesia is pesantren (Faujiah, 2010). 2018). Micro Waqf Banks today have grown rapidly. Until the end of 2019 the number of Micro Waqf Banks in Indonesia was 56 units with 25,631 customers and total financing of Rp. 33.92 billion or 179.8% higher than before. BWM is a microfinance institution which in essence not only addresses the funding needs of the poor in a moment but more than that BWM is expected to be a potential source of funds for the development of the nation and state if managed professionally, so that its existence is highly expected (Disemadi & Roisah, 2019).

Micro Waqf Bank (BWM) is a Sharia Microfinance Institution that has received a permit from the Financial Services Authority (OJK) whose purpose is to provide access to capital and costs for small communities who do not yet have access to formal financial institutions (Financial Services Authority, 2018). In general, the establishment of a Micro Waqf Bank (BWM) is based on the following legal grounds:

1. Law No. 1 of 2013 concerning Public Financial Institutions
2. Legislation No. 42 of 2006 concerning the Implementation of Law No. 41 of 2004 concerning Waqf
3. POJK No. 12 of 2014 sttd No. 61 of 2015 concerning Licensing and Institutional MFIs
4. POJK No. 13 of 2014 sttd No. 62 of 2015 concerning the implementation of MFI business
5. POJK No. 14 of 2014 concerning the Guidance and Supervision of MFIs.

In Islamic law itself, Micro Waqf Banks are regulated in PBI No. 7/46/PBI/2005 concerning Contracts for Collection and Distribution of Funds for Banks Conducting Business Activities based on Sharia Principles and based on MUI Fatwa No. 19/DSN-MUI/XI/2000 concerning Qardh (Balqis & Sartono, 2020). With legality, both in terms of Islamic law and legislation, it is fitting for Micro Waqf Banks (BWM) to be the main choice when people need assistance in capital. The shift of the community from initially relying on loans from moneylenders/lenders to following the financing of the Micro Waqf Bank (BWM) is expected to



be part of the concrete steps to realize the goal of the Micro Waqf Bank (BWM), namely to realize the welfare of the community.

Waqf resources are the main force as capital for the development of people's welfare through various economic activities (Mahamood, 2007). Waqf as the pinnacle of achievement in the socio-economic realm in the Islamic perspective, is recognized as a solution system to overcome social economic development (Nizamoglu, 2016). Waqf is an integral part of the Islamic social framework (Imam, 2017). Optimization of waqf is expected to create justice, wealth, socio-economic welfare (Hassan, 2019). Waqf provides better social and economic benefits and impacts with the target of community welfare. Waqf is a forum for social institutions in Islam that can stimulate creativity, innovation in generating income (Mohsin, 2013).

Waqf Banks occupy an important role as a conceptual framework with a lot of potential in the management of a country's economic improvement. This is also a challenge to change the lifestyle and consumption literacy of the people through awareness of social solidarity so that there is an increase in community welfare through sacrifice solutions from the minority (rich) in order to improve the welfare of the majority (poor) party (Directorate of Waqf Empowerment, Fiqh Waqf, 2006). Productive management of waqf banks is the right medium in realizing social welfare and helping to overcome economic downturns.

The sustainability of the Micro Waqf Bank is considered important to help the economic defense of the lower middle class, therefore good strategic management is needed in the management of the Micro Waqf Bank financial institution. Strategic management is a way to guide the company to achieve a number of goals. Starting from corporate values & responsibilities, managerial capabilities, to administrative systems related to strategic and operational decision making at various hierarchical levels. Therefore, every company or institution needs the concept as well as the implementation of good corporate governance.



Good Corporate Governance is a system that regulates and controls companies that create added value for all stakeholders (Monks, 2003). There are four main components needed in the concept of good corporate governance (Kaen, 2003; Shaw, 2003) namely fairness, transparency, accountability, and responsibility. These four components are important because the application of the principles of good corporate governance has been consistently proven to improve the quality of financial reports and avoid manipulation in financial report which cause misleading in describing the real company's fundamental values.

The implementation of good corporate governance at Micro Waqf Banks in Islamic boarding schools has been done well/conducted well, but what makes the difference is the leadership style of Micro Waqf Bank managers in its implementation. At the Sumber Barokah Micro Waqf Bank, Denanyar Jombang, the implementation of Good Corporate Governance in an Islamic perspective or commonly called Islamic Corporate Governance is combined/is supported with a blend of spiritual leadership. The Micro Waqf Bank Sumber Barokah Denanyar has a different tradition from other BWM in terms of ritual traditions and coaching as well as an approach to its customers.

The strategic management with the governance of the Micro Waqf Bank is expected to change the behavior and mindset of the poor people to be more productive, and live a life according to Islamic law while providing opportunities for Micro Waqf Bank institutions to be more developed and sustainable. The existence of pesantren within the Micro Waqf Bank is relatively simple, because the pesantren in it only plays a role in education and religious studies, the Micro Waqf Bank only plays a role in its economy and management, for example, pesantren accommodates students or the younger generation.

The operations of sharia institutions must truly implement shariah compliance (fulfilling compliance with sharia principles) in this case are Micro Waqf Banks. On the other hand, the direction of development and regulation of Islamic financial institutions is to ensure the implementation of sharia compliance in their operations. (Trisasmita, 2018). Good Corporate



Governance according to Bank Indonesia (BI) is bank governance that applies the principles of transparency, accountability, responsibility, professionalism, and fairness. Meanwhile, shariah compliance is the obligation of sharia financial institutions to comply with sharia principles. Operations of Islamic financial institutions must strictly follow the provisions of sharia. The merger between the concepts of Good Corporate Governance and shariah compliance according to Wardayati (2011) is called Sharia Governance. Implementation of Sharia Governance (Islamic Governance) in Islamic financial institutions is a must and is expected to increase the reputation and public trust in Islamic financial institutions. Shariah Governance in Islamic financial institutions management is called Islamic Corporate Governance.

Bhatti and Bhatti, 2010 (Asrori, 2014) define Islamic corporate governance as corporate governance based on Islamic principles. Business and operational activities carried out must be based on morals and sharia values, the objectives of Islamic Corporate Governance are the same as conventional corporate governance, but in a moral code based on Islam. This is done to provide benefits for the bank and stakeholders. Financial institutions are required to carry out their business activities based on the principles of GCG in order to improve performance, protect the interests of stakeholders, and improve compliance with applicable laws and regulations and generally accepted ethical values in the financial institution industry. (Trisasmita, 2018).

Sharia compliance is an absolute requirement that must be met by financial institutions that carry out business activities based on sharia principles. Sharia compliance is the fulfillment of all sharia principles in all activities carried out as a manifestation of the characteristics of the institution itself, including in this case the Islamic financial institution of Micro Waqf Bank (Ilhami, 2009).

The Micro Waqf Bank development model in its strategic management of governance applies a combination of Islamic Corporate Governance and spiritual leadership possessed by the BWM manager so that the development of BWM can be sustainable and make its customers have knowledge about a better life according to Islamic teachings.



Micro Waqf Bank is one of the Islamic financial institutions in the environment around the pesantren which in its management of course has an organizational structure, including administrators, supervisors, sharia supervisory boards and operational managers, all of which are interrelated. The success of the Micro Waqf Bank can be realized with good cooperation from the managers.

The uniqueness in the strategic management of the development of the Micro Waqf Bank Sumber Barokah Denanyar Jombang as the locus and focus of this research include:

1. Identification is the initial stage for the manager of the Micro Waqf Bank Sumber Barokah Denanyar, the targets include the poor and productive people, the community in the pesantren environment, the type and place of business as well as the distance of residence.
2. Ta'aruf (socialization) which is an approach process to prospective customers of the Micro Waqf Bank Sumber Barokah Denanyar to convey all information related to the initial stage of participation in the financing program at the Micro Waqf Bank.
3. Feasibility test, in this case clarifying the data of prospective customers of the Sumber Barokah Denanyar Micro Waqf Bank by means of direct visits, and interviews so that the manager of the Sumber Barokah Denanyar Micro Waqf Bank knows the house index, income, ownership, assets and others.

The leadership style of the Micro Waqf Bank Manager Sumber Barokah Denanyar has its own peculiarities, the manager of the Micro Waqf Bank trains the awareness of its employees to work responsibly, voluntarily without coercion, so that the performance of the employees of the Micro Waqf Bank Sumber Barokah Denanyar is in accordance with the vision and mission and completed on time.

The leadership of the Micro Waqf Bank Sumber Barokah Denanyar applies ritual traditions that other Micro Waqf Banks do not apply them, with the hope of instilling and training its employees to work not only based on seeking the wealth but also seeking blessings in life in this world and hereafter. There are 4 ritual traditions applied, namely takhsisul 'adah,



khataman, sowanan and tahkiyah. The ritual that is applied every morning is takhsisul 'adah (specialization of habits). While khataman is held every two weeks on Fridays by inviting students from Islamic boarding schools. Sowanan (visit) is visiting to the homes of customers who have a disaster, and every afternoon the employees perform tahkiyah to the manager of the Micro Waqf Bank Sumber Barokah Denanyar.

The Manager of the Micro Waqf Bank Sumber Barokah Denanyar strongly applies the close relationship of friendship to customers and the Islamic boarding school environment, for example the BWM not only helps in terms of financing / capital but also helps in terms of distributing business products owned by its customers, for example: helping to promote cakes made by customer, etc. With the existence of istiqomah and disciplined activities, the Sumber Barokah Micro Waqf Bank Denanyar is recognized by the regional financial services authority IV as one of the best managed Micro Waqf Banks in East Java (Regional IV).

CONCLUSION

Based on the results of research and discussion, it can be concluded that the successful development of the Sumber Barokah Denanyar Micro Waqf Bank is influenced by the implementation of spiritual leadership values and the spiritual environment that results in Islamic-based governance at the Sumber Barokah Micro Waqf Bank Denanyar.



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