

Is it Possible to Provide Cash-Waqf Based Musyarakah Financing for Micro-Small Enterprises (MSEs) Business through Islamic Microfinance?

Rianto Anugerah Wicaksono*

Universitas Islam Negeri Sunan Ampel Surabaya, Indonesia

*(Corresponding Author) email: riantoanugerah@uinsa.ac.id

Mochammad Andre Agustianto

Universitas Islam Negeri Sunan Ampel Surabaya, Indonesia

Email: mochammad.andre@uinsa.ac.id

Abstract: the development of asset waqf collection methods has moved to cash waqf collection. Islamic Microfinance, such as Baitul Mal Wa Tamwil (BMT) and Micro Waqf Bank, have tried to develop financing products based on cash waqf funds. The big question is how big is the risk of losing waqf funds due to financing scheme carried out by this Islamic Microfinance. In this research we try to develop a model to form of cash waqf-based musyarakah financing by providing suggestions for improvements, based on the literature and potential losses that arise from our simulation results. We use a dynamic simulation approach to obtain overall system behavior patterns in the next 5 years. The improvements that we propose include (1) Allocation of reserve impairment of non-performing financing, (2) Assistance and supervision efforts for financing, (3) evaluation of total waqf funds allocated for musyarakah financing, and (4) evaluation of the profit-sharing rate provided on Musyarakah Financing. Our final results show that Islamic Microfinance has the potential and feasibility to create a Cash-Waqf based Musyarakah Financing model, with several conditions, such as (1) being able to increase the ability to collect waqf gradually (2) allocating costs as an efforts to mitigate the risk of losing waqf funds using reserve impairment costs and financing supervision costs (3) optimizing the distribution of funds to the productive sector and (4) determine a profit-sharing ratio that is able to minimize the risk of loss of funds.

Keyword: Cash Waqf; Musyarakah; Islamic Microfinance; MSEs Business

Introduction

Waqf is philanthropy that has extraordinary economic potential which is able to improve the welfare of society at large, both in the form of cash waqf and immovable asset waqf.¹ The potential utilization of cash waqf in Indonesia is very high. In 2010, Suhrawardi once simulated the acquisition of Cash Waqf funds in Indonesia to reach three trillion per

¹ Mochammad Andre Agustianto, "Wakaf Sebagai Strategi Pemberdayaan Ekonomi Masyarakat," *El-Qist: Journal of Islamic Economics and Business (JIEB)* 9, no. 2 (2020): 143–63, <https://doi.org/10.15642/elqist.2019.9.2.143-163>.

year.² Slowly but surely, the realization of the simulation is increasingly evident with the report submitted by the Indonesian Waqf Bank in the 2023 National Waqf Index which shows the brilliant achievement of the increase in the acquisition of cash waqf at 1.8 trillion rupiah.³ The slow realization of the simulated cash waqf potential in Indonesia is due to many factors,⁴ including the paradigm of Indonesian Muslim society that has not fully accepted the concept of cash waqf.⁵

Cash waqf can simply be interpreted as an activity of giving the right to utilize the benefits of cash to Nadzir to be developed so that the profits from the process will be distributed for the benefit of the people, provided that the value of the main capital or principal of the cash waqf object must remain and cannot be reduced.⁶ This operational definition is derived from drawing a common thread over the various definitions of waqf put forward by jurists by considering aspects of contextualism (waqf'i) and benefit.⁷ The practice of cash waqf itself has not been recognized in the classical fiqh treasures, it can be seen from the absence of this practice in the Qur'an and hadith, even if it is examined historically, the practice of cash waqf was not found in the classical era.⁸ It is only natural then that the dynamics of public understanding of the permissibility of cash waqf practice becomes a fundamental thing that must be addressed to maximize its potential.⁹

² Suhrawardi K. dkk. Lubis, *Wakaf Dan Pemberdayaan Umat* (Jakarta: Sinar Grafika, 2010).

³ "Indeks Wakaf Nasional 2023," Badan Wakaf Indonesia, 2023, <https://www.bwi.go.id/8706/2023/04/16/indeks-wakaf-nasional-2022/>.

⁴ Rizda Octaviani and Radha Marsya Nurfatwa, "Pengaruh Pemahaman Masyarakat Terhadap Pengumpulan Wakaf Tunai," *JEBI (Jurnal Ekonomi Dan Bisnis Islam)* 7, no. 1 (2023): 58, <https://doi.org/10.15548/jebi.v7i1.449>.

⁵ Ridwan Munir and Ulfah Nurpadilah, "IMPLEMENTASI WAKAF TUNAI DALAM PERSPEKTIF HUKUM ISLAM (Studi Kasus Di KUA Tarogong Kidul)," *Jurnal Hukum Ekonomi Syariah (JHESY)* 1, no. 1 (2022): 235–40, <https://doi.org/10.37968/jhesy.v1i1.221>.

⁶ Mochammad Andre Agustianto, "Wakaf Sebagai Strategi Pemberdayaan Ekonomi Masyarakat," *El-Qist: Journal of Islamic Economics and Business (JIEB)* 9, no. 2 (2020): 143–63, <https://doi.org/10.15642/elqist.2019.9.2.143-163>.

⁷ Munir and Nurpadilah, "IMPLEMENTASI WAKAF TUNAI DALAM PERSPEKTIF HUKUM ISLAM (Studi Kasus Di KUA Tarogong Kidul)."

⁸ Neni Hardiati, "Wakaf Tunai (Cash Waqf) Menurut Perspektif Ulama Dan Tinjauan Maqashid Syari'ah," *AKSELERASI: Jurnal Ilmiah Nasional* (academia.edu, 2020), <https://doi.org/10.54783/jin.v2i3.322>.

⁹ Mutiah Assahrah, Agusdiwana Suarni, and Basri Basir Mr, "Analisis Pemahaman Literasi Wakaf Tunai Di Indonesia," *ANALYSIS: Accounting, Management, Economics*, 2, no. 2 (2024):

In principle, the concept of cash waqf opens up opportunities for the optimization of philanthropic financial assets to be used for a wider range of purposes, including the financing of the ummah's economy.¹⁰ In the context of Islamic microfinance, the potential of cash waqf to be used as a source of funding for micro and small enterprises (MSEs) is a very relevant topic.¹¹ Cash waqf models in Islamic finance are crucial for promoting innovative financial products and services.

Nowadays, the awareness of productive management of cash waqf assets by professional Nazirs has improved.¹² The many variations of cash waqf fund management models in an effort to provide increasingly widespread distribution results confirm Miriam Hoexter's optimism that waqf is an excellent philanthropy that transforms into a legal institution to achieve welfare for the wider community.¹³ Among the various forms of cash waqf asset management development is by investing it in the capital market.¹⁴ So far, the capital market has become a favorite of Nazirs to place waqf funds because of the guarantee of the security of the principal as required in the management of waqf assets.¹⁵

106–18, <http://journals.eduped.org/index.php/analysis>; Abdul Wahab, “Wakaf Tunai, Potensi Dan Pemberdayaannya: Sebuah Pemikiran,” *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah* 5, no. <http://dx.doi.org/10.30651/jms.v5i2.7825> (2020): 241–52, <https://journal.um-surabaya.ac.id/Mas/article/view/7825>.

¹⁰ Ani Faujiah, “Efisiensi Wakaf Tunai Dalam Meningkatkan Keuangan Dan Perbankan Syariah,” *JPSDa: Jurnal Perbankan Syariah Darussalam* 1, no. 2 (2021): 194–210, <https://doi.org/10.30739/jpsda.v1i2.1014>.

¹¹ Rizky Andrean et al., “Hasanah.Id: Inovasi Platform Securities Crowdfunding Syariah Berbasis Investasi Wakaf Tunai Untuk Pengembangan Umkm Yang Berdaya Saing Pada Masa Pemulihan Ekonomi Nasional,” *Studia Economica: Jurnal Ekonomi Islam* 8, no. 2 (2022): 219, <https://doi.org/10.30821/se.v8i2.13610>.

¹² Monzer Kahf, “Financing the Development of Awqaf Property,” *Makalah Disampaikan Pada Seminar Di Kuala Lumpur*, 1998.

¹³ Tuti A. and Ed Najib dan Ridwan al-Makassary, *Tuhan, Dan Agenda Kemanusiaan, Studi Tentang Wakaf Dalam Perspektif Keadilan Sosial Di Indonesia*, Cetakan Pe (Jakarta: Center for the Study of Religion and Culture (CSRS) Universitas Islam Negeri Syarif Hidayatullah, 2006).

¹⁴ Khamim, Asyharul Mualaa, and Muhammad Lutfi Hakim, “Cash Waqf Linked Sukuk for Islamic Social Welfare and National Development: Evidence from Indonesia,” *Global Journal Al-Thaqafah* 13, no. 1 (2023): 16–34, <https://doi.org/10.7187/GJAT072023-2>.

¹⁵ HEAR Farid, *Konsep Wakaf Tunai Menurut Muhammad Abdul Mannan Dan Mundzir Qahaf Dan Relevansinya Dengan Cash Waqf Linked Sukuk* (etheses.iainkediri.ac.id, 2021), <http://etheses.iainkediri.ac.id/4687/>; Aimatul Yumna et al., “The Impacts of Cash Waqf Linked Sukuk Empowerment Programs: Empirical Evidence From Indonesia,” *Journal of*

In this case, Islamic financial institutions as LKS PWU also take part. It's just that in terms of the form of management, it is still limited in the form of minimal risk financing.¹⁶ So that the benefits of waqf assets distributed to recipients are the profits from investment, not directly from the waqf funds themselves.¹⁷ The offer of cash waqf directly with financing capitalized on cash waqf assets has been tried to be offered and practiced directly by LKS to MSMEs.¹⁸ One example is that run by the Malang City Sabilillah Mosque Cooperative. In this research, the cash waqf funds obtained will be distributed to MSMEs using the Murabahah contract.¹⁹

The choice of murabaha contract is suspected to be a form of risk mitigation for potential defaults that have the effect of reducing the principal of waqf assets.²⁰ In fact, when talking about sharia theory related to capital cooperation assistance, musyarakah and mudharabah are the two most suitable contracts to be applied in this practice. Barriers to cash waqf contributions, such as low trust and transparency issues, can be overcome through the involvement of Islamic financial institutions and the introduction of innovative product offerings.²¹ The low level of human resources regarding the awareness and commitment of MSME customers poses a serious threat to innovation in the utilization of cash

Islamic Monetary Economics and Finance 10, no. 1 (2024): 5–34, <https://doi.org/10.21098/jimf.v10i1.1940>.

¹⁶ M A Agustianto and A S Sunarto, “Konsep Santripreneur Dan Kemadirian Pesantren: Studi Komparasi PP Al-Azhar Banyuwangi Dan PP Mukmin Mandiri Sidoarjo): The Concept of Santripreneurs and ...,” *El-Qist: Journal of Islamic ...*, 2022, <https://jurnalfebi.uinsa.ac.id/index.php/elqist/article/view/1273>.

¹⁷ Agustianto and Sunarto.

¹⁸ Azniza Hartini Azrai Azaimi Ambrose and Fadhilah Abdullah Asuhaimi, “Cash Waqf Risk Management and Perpetuity Restriction Conundrum,” *ISRA International Journal of Islamic Finance* 13, no. 2 (2021): 162–76, <https://doi.org/10.1108/IJIF-12-2019-0187>.

¹⁹ Muhammad Faiq Abdurasyid and S E., M E Moh. Athoillah, “Pengeloan Wakaf Tunai Untuk Pembiayaan UMKM Di Koperasi Masjid Sabilillah Kota Malang,” *Islamic Economics and Finance in Focus*, 2021, <http://repository.ub.ac.id/id/eprint/205549/>.

²⁰ Puji Nurmaya, Martina Ari Purnama, and Muh. Rosid, “Problematika Wakaf Tunai?,” *Jurnal Multidisipliner Bharasa* 2, no. 01 (2023): 11–22, <https://doi.org/10.56691/jurnalmultidisiplinerbharasa.v2i01.269>.

²¹ Rindawati Maulina, Wawan Dhewanto, and Taufik Faturohman, “How to Attract Wealthy Muslims to Contribute to Cash Waqf (Islamic Endowment) Held by the Islamic Banks? Case in Indonesia,” *Journal of Islamic Marketing*, 2024, <https://doi.org/10.1108/JIMA-11-2022-0312>.

waqf assets in cooperation-based financing.²² For this reason, many financial institutions still need to consider the allocation of cash waqf asset funds in musyarakah products.

Several previous studies have highlighted the importance of cash waqf governance in countries such as Indonesia, Turkey and Malaysia, and emphasized the need for professional management practices and responsible governance.²³ To develop integrated Islamic social and commercial microfinance strategies such as Baitul Maal wat Tamwil (BMT), various models have been proposed. The research suggests that allowing Islamic Microfinance to act as a Nazir and cash waqf receiver, along with associations representing multiple certified BMTs, can be effective²⁴. Implementing policies like Shiddiq, Amanah, and professional Nazir, inculcating Islamic values, and providing technical assistance for cash waqf management are crucial for optimizing BMT's cash waqf system²⁵. Balancing the management focus between maal and tamwil, strengthening human resources, and creating business plans are essential for improving waqf productivity within BMT²⁶.

This research will use a dynamic system simulation approach using Vensim software. We can describe the methodology of this research as follows: a) problem Formulation. In this step, we will try to (1) identify all variables: identify the key variables involved in the musyarakah financing scheme based on cash waqf, such as waqf fund amounts, profit-

²² M A Agustianto and M Alfafa, "Problematika Moral Hazard Pada Pembiayaan Mudharabah Di BMT Masalahah Cabang Ngoro Kabupaten Mojokerto," *Journal of Islamic Economics Studies*, 2021, <https://www.neliti.com/publications/423943/problematika-moral-hazard-pada-pembiayaan-mudharabah-di-bmt-maslahah-cabang-ngor>.

²³ Leny Nofianti, Murniati Mukhlisin, and Andi Irfan, "Cash Waqf Innovation in Islamic Financial Institutions and Its Governance Issues, Case Studies: Indonesia, Malaysia, Türkiye," *Journal of Islamic Accounting and Business Research*, 2024, <https://doi.org/10.1108/JIABR-12-2023-0420>.

²⁴ Ascarya Ascarya et al., "Developing Cash Waqf Models for Baitul Maal Wat Tamwil as Integrated Islamic Social and Commercial Microfinance," *Journal of Islamic Accounting and Business Research* 14, no. 5 (2023): 699–717, <https://doi.org/10.1108/JIABR-09-2020-0267>.

²⁵ Ascarya Ascarya and Atika Rukminastiti Masrifah, "Strategies Implementing Cash Waqf System for Baitul Maal Wat Tamwil to Improve Its Commercial and Social Activities," *International Journal of Islamic and Middle Eastern Finance and Management* 16, no. 1 (2023): 130–53, <https://doi.org/10.1108/IMEFM-10-2020-0504>.

²⁶ M Bastomi Fahri Zusak, "Improving Productive Waqf in Baitul Maal Wa Tamwil," *Jurnal Ilmiah Ekonomi Islam* 10, no. 1 (2024): 540, <https://doi.org/10.29040/jiei.v10i1.11216>.

sharing ratios, return rates, business risks, and (2) connecting relationship between variables: formulate how these variables interact and form a complex system. b) model development. In this step, we will (1) construct causal loop diagram: use Vensim to create causal loop diagrams that depict the relationships between variables within the system and (2) develop a stock and flow model: identify the main stocks and flows in the model, such as waqf funds (stock) and financing flows (flow). After the stock and flow diagram is built, the model will be calibrated to adjust the model based on empirical data or realistic assumptions to accurately reflect real-world conditions.

Simulation and Analysis, to obtain a model that matches reality conditions, the model will be tested in the simulation process, by (1) set a scenario setting: create various scenarios based on different assumptions, such as changes in waqf fund amounts or profit-sharing ratios, (2) running the simulation: run simulations using Vensim to observe how the system responds to changes in the defined scenarios, and (3) make an analysis of the result : evaluate the simulation results to assess the effectiveness of the musyarakah financing scheme based on cash waqf under different conditions.

Model Validation and Evaluation, we will check if the model accurately represents the actual system and compare the simulation results with historical data or other research findings to ensure the model's validity. While carrying out validation, we will try to make evaluations in stages to see problems that arise in the model and provide suggestions for improvement. Conclusion, after the simulation and evaluation have succeeded in obtaining the most optimal conditions for the reality of implementing cash waqf-based musyarakah financing, we will provide overall conclusions and recommendations. We will provide the key findings from the simulation results and how these findings can impact the practice of musyarakah financing based on cash waqf, and provide practical recommendations based on the research results, such as policy suggestions or waqf fund management strategies.

Cash-Waqf Based Musyarakah Financing for Micro-Small Enterprises (MSEs) Business through Islamic Microfinance

The basic model built in cash-waqf based Musyarakah financing at least involves variables such as the allocation of cash-waqf in the

productive sector, the level of success in financing, the average waqf deposit collected every month, the income level of the Nadzir who received the financing, and the level of profit sharing for the Musyarakah financing. Musyarakah financing in microfinance is influenced by various factors. Research indicates that variables such as Non-Performing Financing (NPF), Financing to Deposit Ratio (FDR), and Capital Adequacy Ratio (CAR) have a significant impact on Musyarakah financing .

Additionally, knowledge of products in Sharia banking plays a crucial role in influencing the interest to choose Musyarakah as a financing product for SME agents. Furthermore, the study on Bank Syariah Mandiri highlights that Third Party Funds (TPF) significantly affect Musyarakah financing, while Return on Assets (ROA) does not have a significant impact. Understanding these variables and their effects can provide insights into enhancing the utilization and effectiveness of Musyarakah financing in microfinance institutions.

Based on these variables, total waqf funds, total financing, total performing financing and total non-performing financing can be obtained. The causality relationship for the cash waqf-based Musyarakah financing model can be seen in Figure 1.

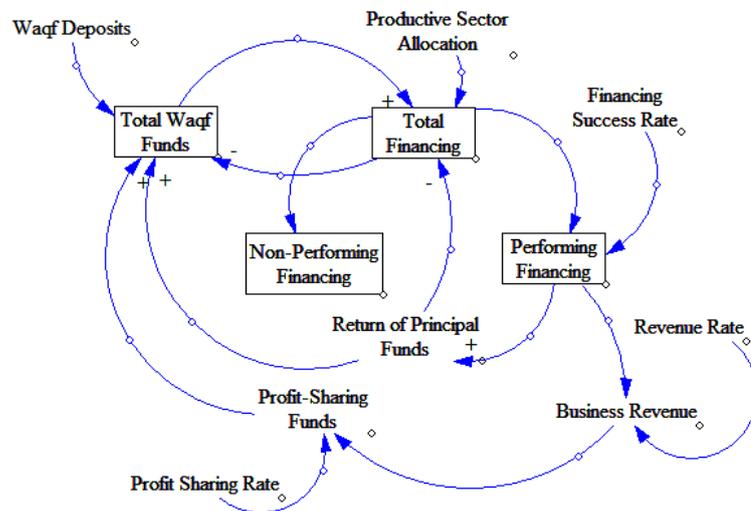


Figure 1. Causal-Loop Diagram Basic Model of Cash Waqf Based Musyarakah

In initial model testing, we used a set of constant values at the waqf allocation level for the productive sector of 70% of the total waqf funds, the Profit Sharing Rate was 10% of profits, and the average payback period for principal capital was 12 months.

The first scenario of initial model can explain as :

- a. Waqf Deposit : Random Uniform with Min (Rp. 1.000.000,-) and Max (Rp. 10.000.000,-)
- b. Financing Success Rate : Random Normal with Min (70%), Max (95%), Mean (80%), and Deviation (10%)
- c. Revenue Rate : Random Normal with Min (0%), Max (20%), Mean (10%), and Deviation (5%)

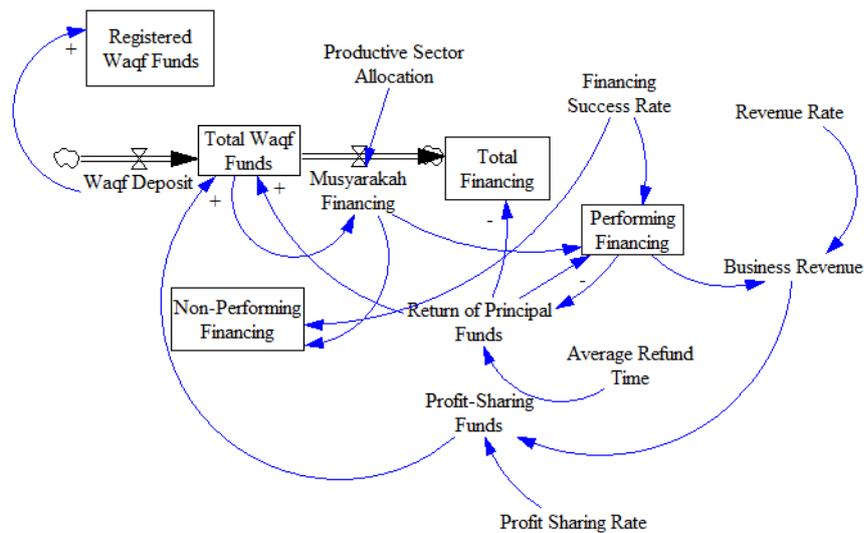


Figure 2. Stock and Flow Diagram Basic Model of Cash Waqf Based Musyarakah

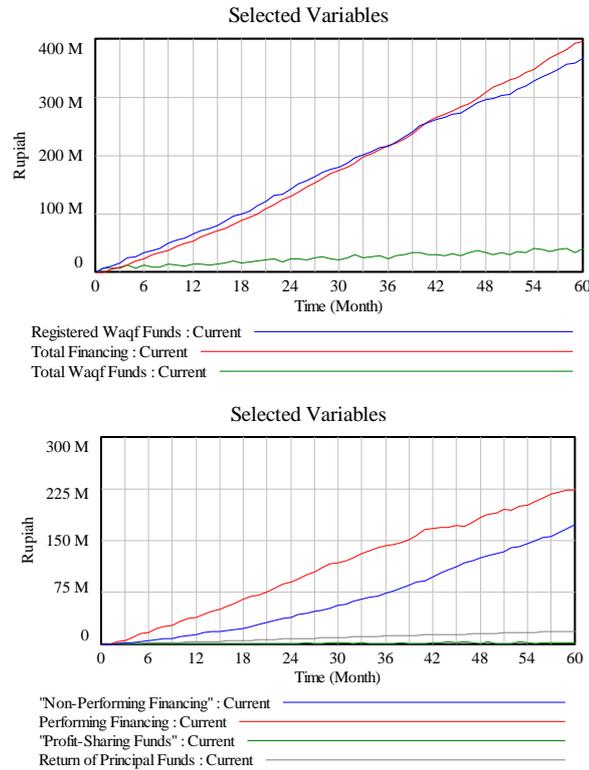


Figure 3. Simulation Result of Basic Model of Cash Waqf Based Musyarakah

In the initial simulation for 60 months, it showed that the total financing was able to exceed the total registered cash waqf deposits. The number of unallocated cash waqf also continues to increase over time. However, this growth was also accompanied by growth in non-performing financing (NPF). It can also be seen that growth in business results is still very low, so it has not been able to recover potential losses due to bad financing.

Analysing over these problems, we propose several improvements to the cash waqf-based musyarakah financing system, including: (1) Implementing a write-off mechanism for Non-Performing Financing (2) Optimizing the success rate of financing and Nadzir's business income level (3) evaluate the allocation of productive sector financing, and (4) evaluate the determination of the profit-sharing ratio for musyarakah financing.

1. Writing Off Non Performance Financing with Impairment Reserve Allocation

The first proposal to improve the Cash Waqf Based Musyarakah Financing model is to set aside profit-sharing funds. This allowance will be used to rescue non-performing financing, especially for Nadzir partners who are no longer able to repay capital due to bankruptcy or other causes.

We made several adjustments to the stock flow diagram, by adding the accumulated benefits from musyarakah financing. This is done to separate the benefit funds which will later be set aside partly for the reserve impairment allocation and some of the funds which will be channeled back into financing.

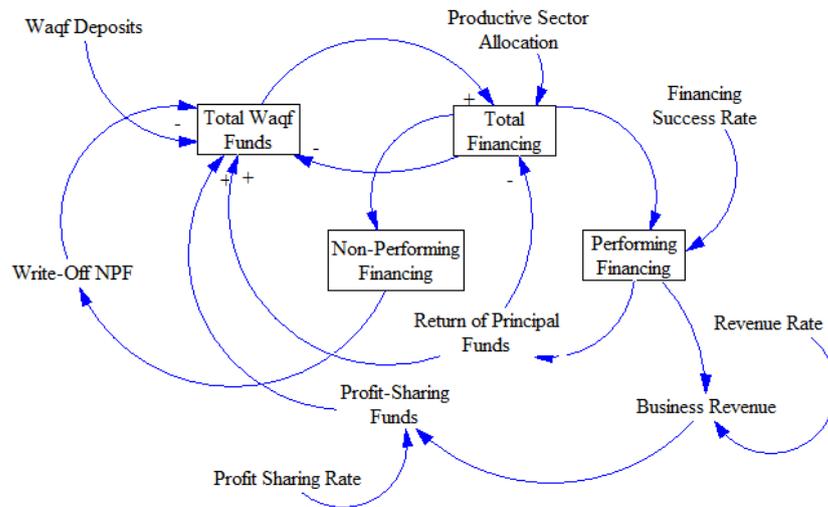


Figure 4. Causal-Loop Diagram of Cash Waqf Based Musyarakah with Write-Off Policy

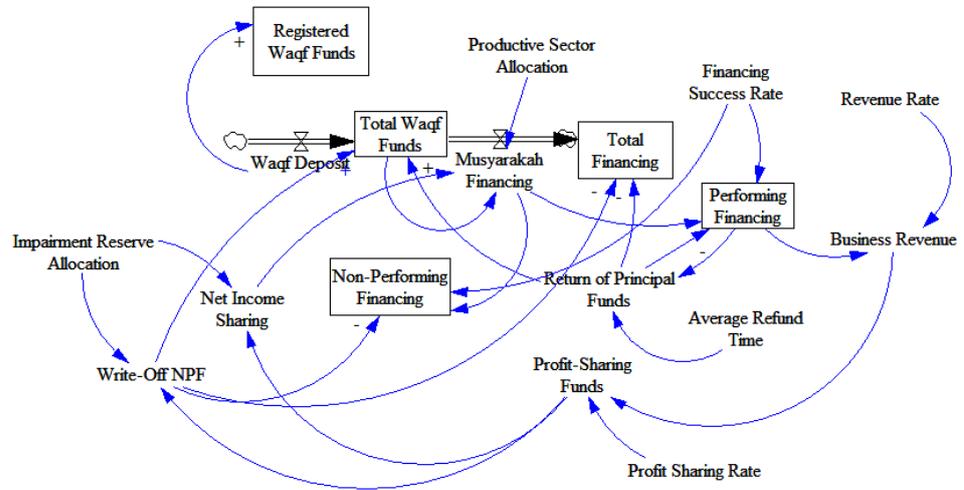


Figure 5. Stock and Flow Diagram of Cash Waqf Based Musyarakah with Write-Off Policy

By dividing 50% of the proceeds from profit-sharing on musyarakah for the reserve impairment allocation, it can be seen (on Figure 6) that Nadzir is able to reduce the number of non-performing financing. Although on the other hand, growth in performing financing is still lower than initial conditions.

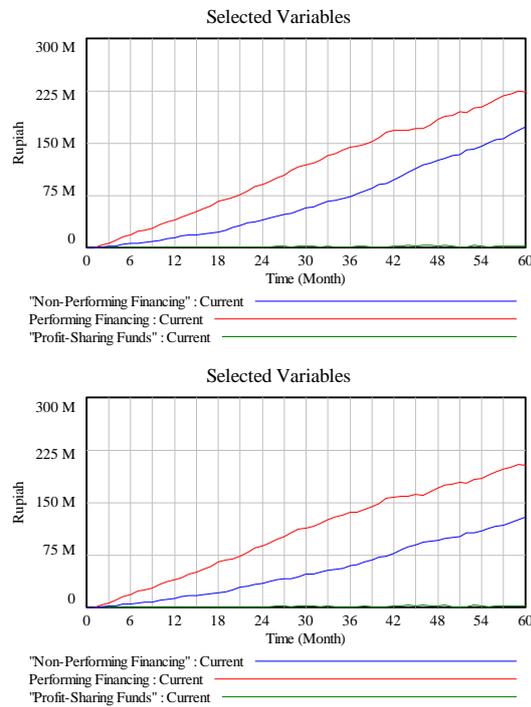


Figure 6. Simulation Result Before and After Write Off Policy in Cash Waqf Based Musyarakah

The Write-Off policy appears to only be able to mitigate the risk of potential loss from bad financing. As stated by Zusak (2024), strengthening human resources and creating business plans could be more essential to improving waqf productivity ²⁷. So the next step in improving the model is to provide assistance and supervision to Nadzir's partner who receive musyarakah financing. It is hoped that this assistance and supervision effort can increase the financing success rate and optimize business revenue from Nadzir's partner.

²⁷ Zusak, "Improving Productive Waqf in Baitul Maal Wa Tamwil."

2. Optimizing Finance Success Rate with Allocation for Assistance and Supervision Cost

As an effort to optimizing financing success rate and revenue rate, we propose an assistance and supervision to Nadzir who received the financing. This step has implications for the costs of carrying out supervision. The effect of supervision costs on non-performing financing in Islamic banks or Islamic Microfinance in Indonesia is a complex issue influenced by various factors. Several research indicates that higher supervision costs can lead to increased operational efficiency, which may reduce non-performing financing rates. For instance, effective supervision enhances risk management practices, thereby minimizing defaults on financing agreements ²⁸. However, some studies suggest that excessive supervision costs can strain financial resources, potentially leading to a higher incidence of non-performing loans if banks are unable to allocate sufficient funds for risk assessment and mitigation ²⁹. Moreover, the relationship between supervision costs and non-performing financing is not linear; it may vary based on the bank's size and operational strategies. Smaller banks might experience a more pronounced negative impact from high supervision costs compared to larger institutions, which can absorb these costs more effectively ³⁰. Thus, while effective supervision is crucial, balancing

²⁸ Zahrah Salsabila and Shinta Widyastuti, "Does Shariah Supervisory Board Moderate the Effect of Islamicity Performance Index and Intellectual Capital on Financial Performance ?," *Jakarta Economic Sustainability International Conference 2024* (2024): 152–75, <https://doi.org/10.18502/kss.v9i20.16498>.

²⁹ Rini Cahyandari, Weni Rahmawati, and Aep Saepuloh, "Markov Chain Analysis of Problematic Financing in Sharia Banks," *International Journal of Global Operations Research* 5, no. 2 (2024): 102–9, <https://doi.org/10.47194/ijgor.v5i2.292>; Ida Putri Utami, Rahmatullah, and Abdul Mujib, "Sharia Supervisory Board : Effectiveness in The Supervisory Function of Islamic Financial Institutions in Yogyakarta," *Jurnal Ilmiah Ekonomi Islam* 9, no. 02 (2023): 1838–48, <https://doi.org/10.29040/jiei.v9i2.8478>.

³⁰ Ali Hardana et al., "Factors Influencing Non-Performing Financing (NPF) In Sharia Banking," *Journal Markcount Finance* 1, no. 10 (2023): 87–97, <https://doi.org/10.55849/jmf.v1i2.87>; Abdullah Syakur Novianto, Mohammad Rizal, and

costs is essential to maintain financial health in Islamic banking or Islamic Microfinance.

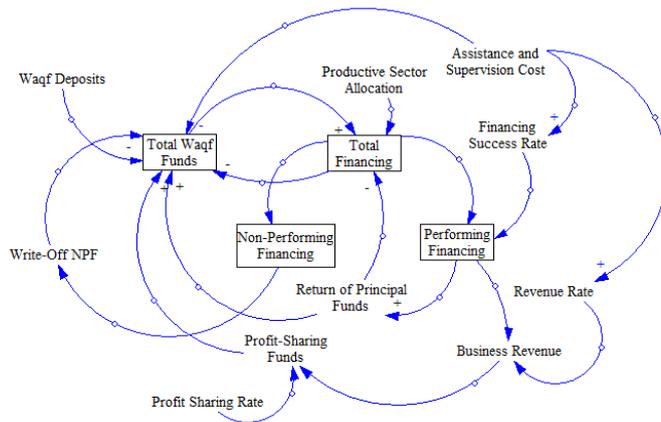


Figure 7. Causal-Loop Diagram of Cash Waqf Based Musyarakah with Assistance and Supervision Effort

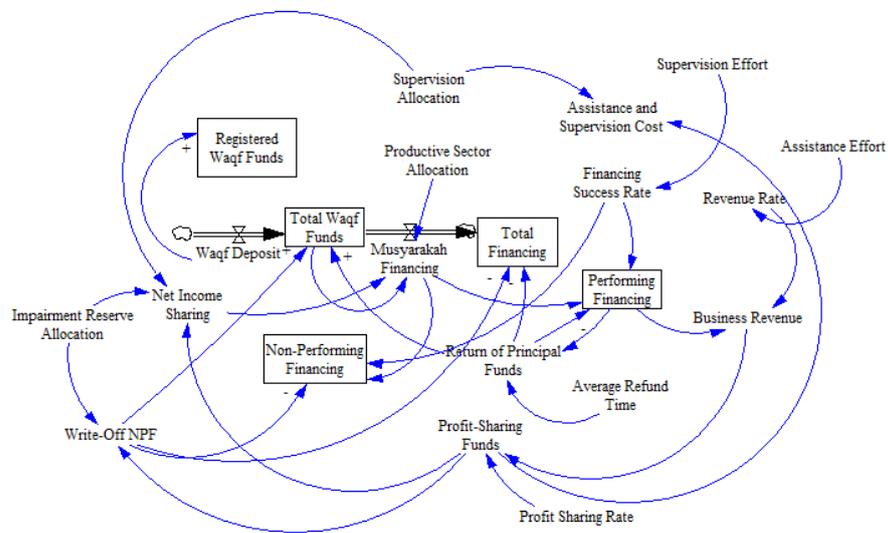


Figure 8. Stock and Flow Diagram of Cash Waqf Based Musyarakah with Assistance and Supervision Effort

Nafadzila Wahyuniar Asri, “Journal of Islamic Economics Perspectives , Volume 5 . Issue 2 (2023) Journal of Islamic Economics Perspectives , Volume 5 . Issue 2 (2023) E-ISSN 2715-0445,” *Journal of Islamic Economics Perspectives* 5, no. 2 (2023): 33–41.

The form of supervision and assistance can be realized in the form of appointing an account officer. If we assume that the placement of 1 account officer can increase the level of financing success by 0.5%, then it can increase the level of performing financing and reduce the level of non-performing financing quite significantly, as shown in Figure 9.

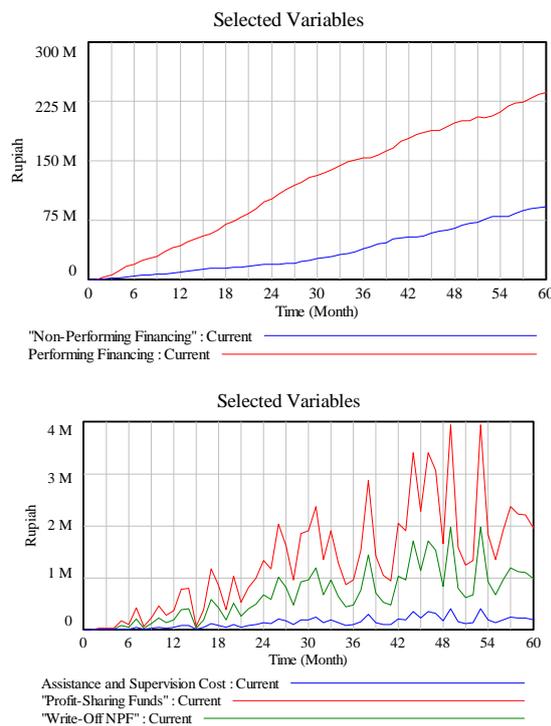


Figure 9. Simulation Result After Write Off Policy, Assistance and Supervision in Cash Waqf Based Musyarakah

However, it can be seen in Figure 9 that the cost allocation for paying account officers is too small and tends to be very unrealistic. This means, for Islamic Microfinance or Waqf Managers with the ability to collect waqf below Rp. 10,000,000 (as initially set in the simulation) are very difficult to allocate the placement of account officers as assistants and supervisors. This is in accordance

with previous research, that microfinance institutions will experience insufficient funds in carrying out supervision and monitoring.

3. Evaluation on Musyarakah Financing Allocation

In principle, Nadzir must optimize cash waqf funds as much as possible for the greatest benefit. However, in several cases of term-cash waqf (temporary cash-waqf), Nadzir has to allocate waqf funds which are planned to be withdrawn by the Waqif. In this case, the allocation of reserve funds to anticipate temporary cash-waqf is also a consideration. The simulation results (Figure 10) show that the differences in the results of the cash to deposit ratio (CDR) or Total Waqf Funds to Register Waqf Funds Ratio are insignificantly different. By allocating 70% of the total waqf funds, Nadzir was able to maintain a CDR with an average of 10.2% at the end of year 5. Meanwhile, by allocating 100% of the total waqf funds, Nadzir was able to maintain a CDR with an average of 7.38% at the end of the year 5. When it's compared with the Cash Ratio in banking, these values are still very good.

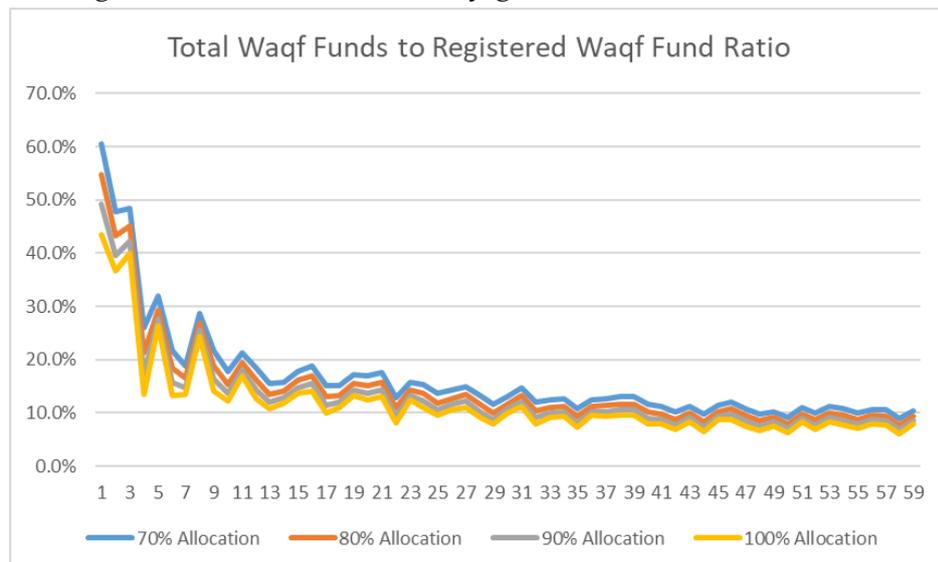


Figure 10. Simulation Result Allocation Waqf Funds to Financing

4. Evaluation in Profit Sharing Rate

In the final simulation, we want to test the profit sharing rate that Nadzir must set for Nadzir Partners. By continuing to use the Write-off allocation of 50%, financing allocation of 70% and Supervision Allocation of 10%, the results obtained are as shown in Figure 11.

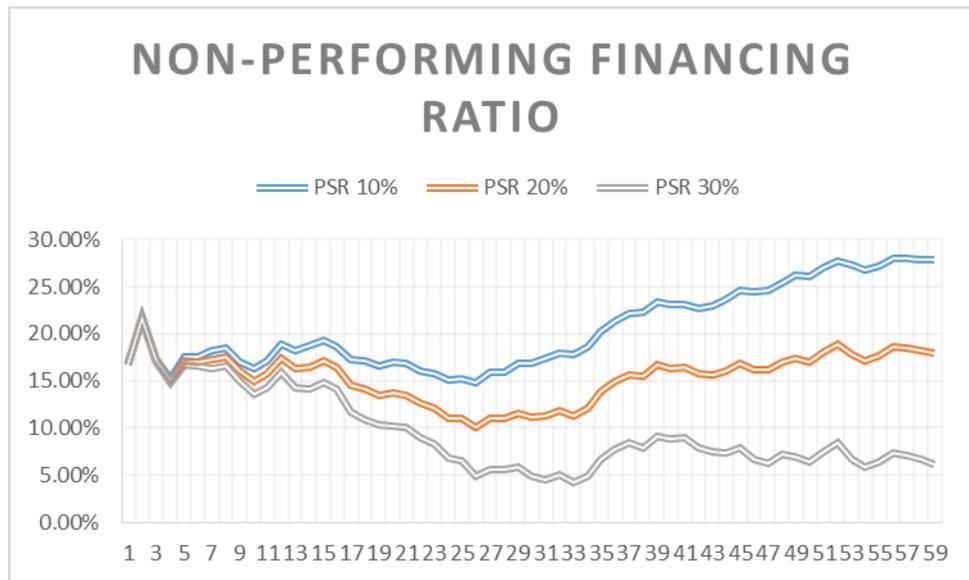


Figure 11. Simulation Result on Profit Sharing Rate

In the simulation on three different profit-sharing rates, it can be seen (in Figure 11), that the application of a profit sharing rate of 30% for financiers has a significant impact on NPF. Non-performing finance can be reduced to an average of 6.87% at the end of the 5th year.

Conclusion

In the entire simulation and several model modifications that we carried out, several conclusions were obtained, including: 1) Islamic Microfinance as the waqf manager is obliged to carry out reserve allocation for potential impairment. The recommended reserve allocation is 50% of the profit sharing. With these reserves, Nadzir was able to reduce non-performing financing numbers significantly. 2) Allocation of

Assistance and Supervision Costs is really needed to increase the financing success rate and optimize profit sharing. However, Islamic Microfinance with the ability to raise funds of less than 10 million per month will find it very difficult to provide significant supervision and assistance. 3) Cash Waqf Managers can maximize the allocation of waqf funds for the financing sector by up to 100% because in the long term, Nadzir will still be able to maintain the cash to deposit ratio at a safe number. 4) Determining a higher profit sharing rate will be able to reduce the non-performing financing ratio. However, our simulation results show that a profit sharing rate of 30% for financiers is enough to maintain the non-performing financing ratio at around 5-6%.

Our final conclusion shows that Islamic Microfinance has great potential and is feasible for creating a Cash-Waqf based Musyarakah Financing model, with several conditions, namely (1) being able to increase the ability to collect waqf gradually (2) allocating costs as an efforts to mitigate the risk of loss of funds waqf by at least making allowances for reserve impairment costs and financing supervision costs (3) optimizing the distribution of funds to the productive sector and (4) determining a profit-sharing ratio that is able to minimize the risk of loss of funds.

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