

# Micro waqf bank and its impact on micro-enterprise productivity in Indonesia

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## Abstract

This study aims to examine the mechanisms and schemes implemented by micro waqf bank (Bank Wakaf Mikro, BWM) in enhancing the productivity of micro-enterprises in Indonesia. Using a descriptive qualitative methodology with a literature review approach, this research analyzes secondary data from various relevant academic sources. The findings indicate that BWM combines the concept of waqf with microfinance services, which includes the collection of cash waqf funds through Islamic banks, waqf institutions, and digital platforms. Fund management is conducted by *nāzīr* who invests the funds in sharia-compliant instruments to support BWM operations and microfinance programs. The financing schemes used by BWM include *qarḍ al-ḥasan*, *muḍārabah*, *mushārahah*, and productive waqf. The *qarḍ al-ḥasan* scheme provides interest-free loans, while the *muḍārabah* and *mushārahah* schemes involve partnerships in business management with profit-sharing based on agreed ratios. The productive waqf scheme utilizes waqf assets to generate income used for microfinance. The implementation of these schemes requires collaboration with various parties and innovations in digital technology to enhance efficiency and transparency. Overall, BWM has provided inclusive financial access, improved micro-enterprise capacity, and created a sustainable business ecosystem for micro-enterprises in Indonesia.

**Keywords:** micro waqf bank (Bank Wakaf Mikro, BWM); cash waqf; microfinance; micro-enterprises; waqf management.

## Introduction

Micro, small, and medium enterprises (MSMEs) play a crucial role in the national economy of Indonesia. According to data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, MSMEs accounted for 99.99% of the total business entities in Indonesia, reaching 62.9 million units in 2017 (Santoso, 2020; KNKES, 2021). Additionally, MSMEs absorbed 97.02% of the national workforce, comprising 89.17% micro-enterprises, 4.74% small enterprises, and 3.11% medium enterprises, or approximately 3.7 million workers (Santoso, 2020; KNKES, 2021). The strategic role of MSMEs in employment absorption and income distribution

makes this sector an essential instrument in reducing economic disparities among communities.

However, micro-enterprises in Indonesia face numerous challenges, such as limited access to capital, lack of managerial capacity, and restricted access to broader markets. A study by PricewaterhouseCoopers (PWC) in 2019 revealed that 74% of Indonesian MSMEs had not yet accessed financing from formal financial institutions. This situation hampers the growth of micro-enterprises and obstructs their contribution to the national economy. Many MSME actors rely on non-formal financing such as loan sharks, often characterized by high-interest rates and unfavorable conditions (Rofiah, 2011). Hence, the state has a significant responsibility in enhancing the welfare of society through the development of financial institutions that support micro-enterprises.

One of the main issues faced by micro-enterprises in Indonesia is the limited access to formal financing. Conventional banks tend to serve medium to large enterprises, often leaving micro-enterprises unqualified for loans. As a result, they depend on non-formal financing sources with high-interest rates, potentially trapping them in a cycle of debt (Rahib et al., 2021).

A common solution to this problem is establishing microfinance institutions operating under Sharia principles. Islamic Microfinance Institutions, such as Micro Waqf Bank (Bank Wakaf Mikro, hereinafter BWM), offer alternative solutions by providing interest-free financing with simpler requirements. BWM aims to improve living standards, reduce inequality, and eradicate poverty by enhancing the productivity of micro-enterprises (Rahib et al., 2021).

BWM is an innovation within the Islamic financial system, aiming to empower the poor and underprivileged through wakaf-based microfinancing. Cash waqf is a form of waqf where funds are collected and invested for sustainable social and economic purposes. The Indonesian Ulama Council (Majelis Ulama Indonesia, MUI) has issued a fatwa affirming the permissibility of cash waqf, which can only be used for purposes allowed in Islam (Fakhrurozi et al., 2021; Kamal, 2021).

Cash waqf has significant potential in economic empowerment and supporting small enterprises while contributing to community

development (Kamal, 2021; Saiti et al., 2021). Effective management of cash waqf requires strategic planning, collaboration, and sound financial management. Increasing literacy about cash waqf and professionalizing waqf managers are crucial to maximizing the benefits of cash waqf (Hadiyati et al., 2020; Izzah, 2022).

Islamic microfinance institutions, such as Baitul Maal wa Tamwil (BMT), have proliferated in Indonesia and play a vital role in empowering small and medium economies. They provide financing following Sharia principles, ensuring fair and transparent transactions, and focusing on social and economic development (Mulyaningsih et al., 2016; Suhartono & Selamat, 2022).

Previous research indicates that while cash waqf has considerable potential, its use in funding sectors such as MSMEs remains suboptimal (Amuda et al., 2016; Nurjanah & Hasanah, 2021). For instance, Rafita et al. (2023) found that strategic planning and effective collaboration are critical to the success of cash waqf programs. Conversely, a study by Labetubun and Angga (2022) highlighted the importance of increasing literacy about cash waqf and professionalizing waqf managers to optimize the benefits of cash waqf.

The literature also suggests that Islamic microfinance institutions play a significant role in poverty alleviation and economic development. However, challenges persist in ensuring transparency and accountability in cash waqf management and mitigating moral hazard risks (Muthmainnatun et al., 2022; Prabowo & Fairuzzaman, 2023). Therefore, further research is needed to explore how Bank Wakaf Mikro can address these challenges and optimize the role of cash waqf in empowering micro-enterprises.

This study aims to examine the mechanisms and schemes implemented by micro waqf bank (BWM) in enhancing the productivity of micro-enterprises in Indonesia. By exploring the mechanisms for collecting and managing waqf funds and the financing schemes used, this research is expected to provide practical and theoretical contributions to the development of Islamic microfinance institutions.

## Literature review

### Cash waqf

Cash waqf, a concept gaining prominence in contemporary society, involves the deposit of cash in financial institutions like banks, with the funds typically being invested in profitable ventures. The returns generated from these investments are then utilized for socially and religiously beneficial purposes (Labetubun & Angga, 2022; Rafita, 2023). Cash waqf can take the form of cash or other securities, managed by a trustee (nadzir) who invests the funds in halal business sectors, with the profits donated (Fakhrurozi et al., 2021).

Cash waqf has historical roots dating back to the Ottoman era and is considered an innovation in Islamic public finance (Azhaar, 2022). In Indonesia, cash waqf has played a significant role in economic empowerment, supporting small enterprises, and contributing to community development (Kamal, 2021). Additionally, cash waqf has been recognized as a tool to combat poverty in Muslim countries, offering a means to alleviate financial hardship (Saiti et al., 2021). Despite its great potential, the opportunities for cash waqf remain largely untapped, with possibilities to fund sectors such as fintech startups and support widows (Amuda et al., 2016; Nurjanah & Hasanah, 2021).

In Indonesia, the Indonesian Ulema Council (MUI) issued a fatwa in 2002 affirming the permissibility of cash waqf, stating that the funds can only be used for purposes allowed in Islam (Fakhrurozi et al., 2021; Kamal, 2021). Furthermore, cash waqf has been identified as a tool to combat poverty in Muslim countries, offering a means to provide financial support for various sectors such as tech startups (Nurjanah & Hasanah, 2021; Khamis & Salleh, 2018).

Efforts to promote cash waqf have been observed in various countries, with research indicating that strategic planning, collaboration, and effective financial management are crucial for the successful implementation of cash waqf programs (Izzah, 2022). Increasing literacy about cash waqf, enhancing the professionalism of cash waqf managers, and building public trust are key factors for optimizing the benefits of cash waqf (Hadiyati et al., 2020). Moreover, increasing public interest in cash waqf is seen as essential for further development as a productive waqf instrument.

In conclusion, cash waqf is a vital mechanism in Islamic finance to mobilize funds for activities beneficial to society. Its potential for economic empowerment, poverty alleviation, and support for various sectors underscores the importance of cash waqf in the contemporary financial landscape.

### **Islamic microfinance institutions**

Islamic microfinance institutions (IMFIs) are economic entities providing financial services to poor households based on Sharia principles, with a primary focus on developing micro-enterprises through profit-sharing concepts to enhance the economic quality of micro-entrepreneurs and help in poverty alleviation (Mulyaningsih et al., 2016; Muthmainnatun et al., 2022). IMFIs, such as Baitul Maal wa Tamwil (BMT), provide financing to micro-entrepreneurs, farmers, and fishermen in accordance with Sharia principles (Mulyaningsih et al., 2016; Murizal & Soemitra, 2022). IMFIs have grown significantly in recent decades, particularly in Indonesia, and play a crucial role in empowering small and medium enterprises (Suaidah, 2023).

Islamic microfinance institutions hold a strategic role in building a sustainable and inclusive economy (Rafidah et al., 2022). They also play a role in poverty alleviation and economic development of the community by providing financial services in accordance with Sharia principles. Additionally, IMFIs contribute to increasing Sharia financial literacy within society.

In practice, Islamic microfinance institutions ensure fair, transparent transactions and are oriented towards social and economic development (A'yun et al., 2021). They differ from formal Islamic financial institutions due to their informal nature and foundation in non-governmental organizations (Suhartono & Selamet, 2022). IMFIs, like BMT, also play a significant role in inclusive finance by providing working capital financing for micro, small, and medium enterprises. Thus, Islamic Microfinance Institutions have a significant role in the economy, particularly in poverty alleviation, inclusive economic development, and enhancing Sharia financial literacy within society.

### **Micro waqf bank**

The micro waqf bank (BWM) plays a crucial role in providing financial access to the lower-middle-class community, particularly

MSMEs (Wijaya & Gumelar, 2021). This institution aims to empower communities by providing loan funds for productive business groups, especially those located around Islamic boarding schools (pesantren) (Jaya et al., 2022). BWM operates based on sharia principles, offering capital to productive individuals who are financially disadvantaged, enabling them to start or expand their businesses (Sumarwan & Himayasari, 2022). The presence of BWM contributes to poverty alleviation and economic development by providing capital to micro-entrepreneurs who may face challenges accessing funding from traditional financial institutions (Yati, 2023).

Furthermore, BWM is recognized for its innovative approach to community empowerment through Islamic philanthropy, aligning with the principles of maqāṣid sharia to enhance societal welfare (Dewanti et al., 2022; Fakhruudin & Pratomo, 2021). This micro waqf bank not only provides financial support but also contributes to job creation, business expansion, and overall economic prosperity. The implementation of risk mitigation practices at BWM ensures responsible financing and fosters positive relationships with borrowers, ultimately supporting community welfare (Arinta et al., 2020).

**Table 1.** BWM conditions in 2020

No	Item	Amount
1	Cumulative financing	53.1 billion
2	Outstanding financing	10.4 billion
3	Cumulative number of customers	37.5 thousand
4	Outstanding number of customers	11.6 thousand
5	Number of community business groups around the pesantren	4.4 thousand
6	Number of established BWMs	56

Source: (PEBS, 2021).

In summary, the BWM functions as a vital financial institution that drives economic growth, empowers MSMEs, and upholds Sharia principles to enhance community welfare. Through its innovative and collaborative strategies, BWM significantly contributes to local economic development and the prosperity of the communities it serves.

## **Research methods**

This study employs a descriptive qualitative methodology with a focus on relevant literature review related to the raised issue. This approach was selected because the research examines field phenomena based on existing literature, thus, the method applied is a literature review. The data used in this research is secondary data obtained indirectly from the research objects through library studies. The data collection process was carried out through several steps: identifying and collecting literature relevant to the research topic from academic databases, libraries, and other online sources. Subsequently, the collected literature was filtered based on established inclusion and exclusion criteria to ensure the relevance and quality of the sources. The selected literature was then organized into categories aligned with the research focus.

Data analysis in this study was conducted using data triangulation techniques. This technique involves the use of various data sources, analytical methods, and perspectives to verify the research findings. This aims to enhance the accuracy and credibility of the findings and reduce potential biases in the analysis process. The analysis process includes reading and understanding the collected literature to identify the main themes and concepts related to the research topic. Findings from various literature sources were then compared and contrasted to identify patterns, relationships, and gaps in previous research. The findings from various literature sources were subsequently integrated to form comprehensive and in-depth conclusions about the role of micro waqf bank (BWM) in enhancing the productivity of micro-enterprises in Indonesia.

## **Results and discussion**

Micro waqf bank (BWM) is an innovative solution within the Islamic financial system aimed at empowering the poor and underprivileged by providing microfinance based on waqf. BWM combines the concept of waqf with microfinance services to create significant social and economic impacts. This paper delves into the mechanisms and schemes applied by BWM and explores its implementation on the ground.

### **Mechanisms of waqf fund collection**

The collection of waqf funds is an essential aspect of BWM's operations, serving as the primary source of financing for various

productive activities aimed at enhancing the economic welfare of the poor and underprivileged. This section details the sources of waqf funds, collection methods, and waqf fund management implemented by BWM.

**Sources of waqf funds.** Cash waqf is a highly flexible form of waqf, where the funds can come from individuals or institutions wishing to contribute socially (Qolbi & Sukmana, 2022). Cash waqf can be collected through various channels such as Islamic banks, waqf institutions, and digital platforms (Rahmah, 2022). Islamic banks offer special services to collect cash waqf from their customers, such as waqf savings products where customers can periodically donate a portion of their funds. Additionally, waqf institutions focusing on the collection and management of cash waqf often collaborate with BWM to ensure funds are used as intended.

Productive waqf involves assets donated in a way that generates income, such as land, buildings, or other productive enterprises. Income from these productive waqf assets supports BWM's operations and microfinance programs. For example, agricultural land can be donated for farming activities, commercial buildings can be rented for business purposes, or capital can be provided for small businesses based on Sharia principles.

**Methods of waqf fund collection.** The collection of waqf funds through Islamic financial institutions is the most commonly used method. Islamic banks provide various facilities for customers who wish to donate cash waqf, such as waqf savings products and Sharia-compliant investment schemes where the returns are donated. This allows for larger and more sustainable fund collection.

Public campaigns and socialization play crucial roles in collecting cash waqf. Through seminars, workshops, and media advertisements, the public is educated about the importance of cash waqf and how to participate. These campaigns aim to increase public awareness and participation in waqf programs.

Digital technology has opened new opportunities for collecting waqf funds. Sharia crowdfunding platforms and digital waqf applications enable broader and faster fund collection. For example, through crowdfunding platforms, donors can choose which waqf projects to fund and contribute online. Mobile waqf applications also allow users to donate anytime and anywhere, making the fund collection process easier and more efficient.



**Waqf fund management.** *Nāẓir* or waqf managers have significant responsibilities in managing waqf funds. *Nāẓir* ensures that the waqf funds are used according to the donors' intentions (Sulistiani et al., 2023). In the context of BWM, *nāẓir* are typically Islamic financial institutions or special bodies formed to manage waqf. They invest the waqf funds in safe and sharia-compliant instruments such as sukuk, sharia mutual funds, or productive enterprises (Arijuddin & Nurwahidin, 2023).

The investment of waqf funds aims to generate returns that can support microfinance programs. *Şukūk* or Islamic bonds are popular investment instruments for waqf fund management, with returns used for BWM programs. Additionally, investments in sharia mutual funds provide a good option where funds are invested in various Sharia-compliant capital market instruments. Waqf funds can also be directly invested in productive enterprises that yield profits, provided these enterprises operate under sharia principles and are supervised by *nāẓir*.

The returns from waqf fund investments are used for various activities supporting BWM's operations and microfinance programs. The distribution of investment returns is conducted transparently and accountably to ensure funds are used efficiently and effectively. Most investment returns are used to provide microfinance to small and micro-enterprises. Funds are also used to develop new programs that can improve the economic welfare of the community and cover BWM's operational costs, including administrative expenses, training, and monitoring.

#### **Micro waqf bank financing schemes**

BWM utilizes various financing schemes to support micro-entrepreneurs in developing their businesses and improving their economic welfare. These financing schemes are designed to comply with sharia principles, which prohibit *riba* (interest) and promote justice and social welfare.

*Qarḍ al-ḥasan scheme.* *Qarḍ al-ḥasan* is a form of interest-free social loan, where funds are provided to beneficiaries without additional interest or fees, and the recipient is only required to repay the principal loan amount at an agreed-upon time. This practice involves providing financing to individuals in need, typically without collateral, focusing on social welfare and economic empowerment (Falikhatun et al., 2016; Mustofa & Khoir, 2019).

Loans are provided by BWM to qualified micro-entrepreneurs, usually for working capital or other business needs. The beneficiaries must repay the principal loan amount within an agreed-upon period, which is typically flexible according to their capabilities. BWM conducts regular monitoring of the financed businesses to ensure funds are used as intended and the businesses are operating well.

*Qarḍ al-ḥasan* promotes financial inclusion without burdening beneficiaries with interest or additional fees, which is crucial for micro-entrepreneurs who often face financial constraints. However, the risk of default is relatively high since beneficiaries are micro-entrepreneurs who may experience income fluctuations. Therefore, strict monitoring mechanisms and intensive mentoring approaches are necessary.

***Muḍārabah* scheme.** *Muḍārabah* is a partnership scheme where BWM (*ṣāḥib al-māl*) provides capital, while the beneficiary (*muḍārib*) manages the business. Profits generated from this business are shared based on a pre-agreed ratio, while losses are borne by the capital owner unless caused by the beneficiary's negligence or error (Prabowo & Fairuzzaman, 2023).

In this scheme, BWM provides all the necessary capital for the business, while the beneficiary is fully responsible for business operations and management. Business profits are shared between BWM and the beneficiary according to a pre-agreed ratio. BWM also supervises to ensure the business is managed well and in compliance with sharia principles.

The *muḍārabah* scheme allows micro-entrepreneurs to access capital without providing collateral, which is often challenging for them. This scheme also encourages cooperation and shared responsibility between BWM and the beneficiary. However, ensuring transparency and accountability in business profit reporting can be challenging. Additionally, BWM must have effective supervision mechanisms to reduce the risk of moral hazard.

***Mushārahah* scheme.** *Mushārahah* is a financing scheme where BWM and the beneficiary collaborate to provide business capital. Both parties share the capital, responsibilities, profits, and business losses based on the proportion of capital contributed (Qayyum et al., 2023).

In this scheme, BWM and the beneficiary each contribute capital for the business. The amount of capital is determined based on mutual agreement. Both parties are involved in managing the business, although the beneficiary is usually more active in day-to-day operations. Business profits and losses are shared according to the proportion of capital contributed by each party.

The *mushārah* scheme encourages active participation from both parties in the business, potentially enhancing performance and business sustainability. The shared risk also makes this scheme fairer and compliant with sharia principles. However, difficulties in determining the proportion of capital contributions and joint management can arise, especially if there are disagreements or conflicts of interest. Therefore, clear and transparent agreements are needed at the start of the collaboration.

**Productive waqf scheme.** Productive waqf is a scheme where waqf assets are used to fund productive enterprises that provide sustainable economic benefits (Aisyah et al., 2020; Hafizd et al., 2022). The income generated from these waqf assets supports social purposes and BWM's operations.

In this scheme, waqf assets such as land, buildings, or productive enterprises are used to generate income. These assets remain under waqf ownership, while the income is used for microfinance. Waqf assets are managed by nazhir responsible for ensuring they are used productively and in compliance with Sharia principles. Income from waqf assets supports microfinance programs, social activities, and community development.

Productive waqf ensures the sustainability of waqf funds and provides ongoing economic benefits to the community. This scheme also encourages the optimal and productive use of waqf assets. However, managing waqf assets to remain productive requires specific skills and knowledge. Nazhir must manage assets well and ensure the generated income is sufficient to support BWM programs.

### **Implementation and impact of micro waqf bank financing schemes**

Implementing micro waqf bank financing schemes requires cooperation from various parties, including Islamic financial institutions, the government, and the community. Several critical steps in implementing these schemes include education and

socialization, strategic partnerships, supervision and accountability, and innovation and development.

Education and socialization aim to increase public understanding of the waqf concept and Sharia microfinance schemes. This education is essential to build public trust and participation in BWM programs. Strategic partnerships with Islamic financial institutions, community organizations, and the government are crucial to support BWM operations and ensure adequate resource availability. Strict supervision and accountability are needed to ensure that waqf funds and microfinance are managed transparently and effectively. Innovation and development of new products and services that meet community needs and follow technological developments are also essential to enhance efficiency and transparency.

### **The role of micro waqf bank in enhancing micro-enterprise productivity**

#### **Inclusive financial access**

Inclusive financial access is a crucial aspect of empowering micro-enterprises. BWM provides inclusive financial access to micro-enterprises that often do not qualify for financing from conventional banks. Through waqf-based financing schemes, BWM can offer interest-free loans with more flexible terms, helping micro-enterprises overcome capital constraints and start or grow their businesses.

BWM offers flexible financing schemes, unlike conventional banks that often have strict requirements and high-interest rates. Micro-enterprises often struggle to obtain initial capital to start or grow their businesses. By providing the necessary funds, BWM enables micro-entrepreneurs to purchase raw materials, equipment, and increase production capacity. Financing through BWM is provided interest-free, in line with Sharia principles prohibiting *riba*, and the simpler administrative requirements allow more micro-enterprises to access funds.

BWM provides financing to the lowest layers of society compared to sharia rural financing bank (Bank Pembiayaan Rakyat Syariah, BPRs) and Baitul Maal wa Tamwiil (BMT). The average financing ranges from Rp 1,000,000 to Rp 3,000,000 without collateral. The annual financing margin is around 3%, with mentoring for borrowers. BWM itself does not function as a waqf institution but rather as a Sharia microfinance institution. The financing is group

lending (PEBS, 2021). One of BWM's main advantages is interest-free financing. In the conventional financial system, interest often becomes an additional burden for micro-enterprises, especially in unstable economic conditions. Interest-free financing from BWM allows micro-enterprises to grow without the additional pressure of interest obligations. This aligns with the principles of fairness and sustainability in Islamic finance.

### **Capacity building**

Capacity building for micro-enterprises is a crucial effort by BWM to support the sustainability and growth of micro-enterprises in Indonesia. In addition to providing financing, BWM also offers training and mentoring for micro-entrepreneurs. Training programs cover financial management, marketing, and technology use, aiming to enhance the managerial capacity of micro-entrepreneurs to manage their businesses more efficiently and productively.

Good financial management is key to the success of micro-enterprises. Many micro-entrepreneurs lack knowledge and skills in financial management. BWM provides intensive training in financial management, including basic bookkeeping, cash flow management, and financial planning. In addition to receiving additional capital, borrowers also receive basic training in religious education, business development, and household economic management to sharpen their entrepreneurial skills and increase productivity (OJK, 2022). BWM also provides training in marketing strategies, branding, and social media use for product promotion. This training helps micro-enterprises increase their visibility in the market and reach more customers.

In addition to training, BWM also provides ongoing technical and business mentoring. This mentoring includes direct consultations with business experts and mentors who help micro-entrepreneurs overcome daily operational challenges.

BWM's digitalization development includes financing operations and the development of borrowers' businesses through application platforms and BWM websites to improve performance. OJK developed BWM mobile, including digital wallet provision, allowing borrowers to make installment payments and receive financing disbursements. Additionally, the BWM mobile application offers daily needs payment options such as electricity bills, digital wallet top-ups, and more. For the digitalization of borrowers'

business development, OJK developed the BWM Bundes marketplace ecosystem (PEBS, 2021). Thus, through the application of digital technology, the management of cash waqf has significantly improved efficiency, accessibility, and its social impact on the community.

### **Creating a sustainable business ecosystem**

A sustainable business ecosystem is an environment where micro-enterprises can thrive harmoniously with various supporting elements such as infrastructure, markets, policies, and business networks. BWM plays a key role in creating a sustainable business ecosystem for micro-enterprises. Through collaboration with various stakeholders and providing holistic services, BWM helps micro-enterprises overcome structural challenges and achieve sustainable growth.

BWM collaborates with the government and various non-governmental organizations to create policies and programs supporting micro-enterprises. The government, through the Ministry of Cooperatives and SMEs, provides regulations supporting micro-enterprise growth and promoting financial inclusion. For example, policies on microfinance and tax incentives for registered micro-enterprises. Non-governmental organizations such as the Dompot Dhuafa Foundation also play important roles in supporting BWM programs. They provide training and mentoring to micro-entrepreneurs and assist in product marketing.

BWM not only provides financing but also helps micro-enterprises develop business networks and market access. Through partnerships with large companies, BWM creates opportunities for micro-enterprises to become part of larger supply chains. Business incubation programs organized by BWM also help micro-enterprises access international markets. With guidance and support from experienced mentors, micro-enterprises can prepare to compete in the global market.

Adequate infrastructure is one of the key elements in a sustainable business ecosystem. BWM collaborates with local governments to provide the necessary infrastructure for micro-enterprises, such as markets, distribution centers, and storage facilities. These facilities help micro-enterprises reduce logistics costs and improve operational efficiency. In addition to physical infrastructure, BWM also supports the development of digital

infrastructure. In the digital era, access to information and communication technology is crucial for micro-enterprises to grow. BWM provides digital platforms that allow micro-enterprises to market their products online. According to a survey by OVO and CORE Indonesia in 2021, 84% of MSME partners felt helped by digital payment facilities or e-wallets during the pandemic. Moreover, 70% experienced an increase in daily income since using digital financial services, 68% gained broader access to financial services, 71% had more orderly transaction recording, and 51% reported better understanding of technology use to sustain their businesses. Thus, digitalization has supported financial inclusion programs, particularly for MSMEs (Kominfo, 2022).

Continuous training and development are integral parts of a sustainable business ecosystem. BWM organizes various training programs that cover business management, marketing, finance, and technology usage. These training programs are designed to enhance the managerial capacity of micro-entrepreneurs and assist them in managing their businesses more effectively. BWM's training programs also encompass specific aspects such as environmental sustainability and social responsibility. Micro-entrepreneurs are taught to run their businesses in environmentally friendly ways and to contribute positively to the local community.

Through these collaborative efforts, BWM helps create a business ecosystem that is conducive to the development of micro-enterprises. With comprehensive support from various elements of the ecosystem, micro-enterprises have greater opportunities to grow, innovate, and contribute significantly to the local and national economy. The creation of a sustainable business ecosystem not only improves the economic well-being of the community but also supports inclusive and sustainable development for all segments of society.

## **Conclusion**

This study found that micro waqf bank (BWM) plays a significant role in enhancing micro-enterprise productivity through financing based on the principles of waqf. BWM combines the concept of waqf with microfinance services to empower the poor and underprivileged communities. The mechanism of waqf fund collection involves cash waqf and productive waqf, where these funds are gathered through Islamic banks, waqf institutions, and

digital platforms. Fund management is conducted by *nāzir*, who invests the waqf funds in sharia-compliant instruments to support BWM operations and microfinance programs.

The financing schemes used by BWM include *qard al-ḥasan*, *muḍārabah*, *mushārah*, and productive waqf. The *qard al-ḥasan* scheme provides interest-free loans, while the *muḍārabah* and *mushārah* schemes involve partnerships in business management with profit sharing based on agreed ratios. The productive waqf scheme utilizes waqf assets to generate income used for microfinance. The implementation of these schemes requires collaboration with various parties and innovations in digital technology to enhance efficiency and transparency. Overall, BWM has provided inclusive financial access, improved micro-enterprise capacity, and created a sustainable business ecosystem for micro-enterprises in Indonesia.

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