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CASH WAQF AS ALTERNATIVE SOURCES OF CAPITAL OF ISLAMIC MICROFINANCE INSTITUTIONS: IMPLEMENTATION IN INDONESIA

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ABSTRACT

One type of contemporary waqf is cash waqf. Cash Waqf provide more giving *mashlahah* because the money can be used for many things other than endowments. Form of cash waqf development is to be invested in Islamic financial institutions were profitable and secure. This paper aims to integrate the cash waqf as a social fund to the financial intermediation role on Islamic Microfinance Institutions. Endowments in cash will be an alternative source of capital Islamic Microfinance Institutions cheap and mashlahah. The pattern is divided into a cash waqf endowments temporary cash invested in syariah-term investment products, such as savings deposits and capital investments. Average cash waqf permanently included as a component of capital. Endowment funds will be disbursed on micro-finance, the results of which will be channeled to the social fund. With this pattern expected cash waqf and where Islamic Microfinance Institutions can benefit the wider community.

Keywords: *cash waqf , islamic microfinance institutions, micro financing*.

CHAPTER I
INTRODUCTION

In the current era of globalization Micro Finance Institutions (MFIs) still remains an important part of the economic system in most countries around the world. This is because the portion of businesses in the sector of micro and small is still very high. Even in some developing countries, including Indonesia, the micro, small, and medium enterprises (SMEs) take the lion's share of the proportion of the overall business[3].

One type of MFIs is currently gaining rapid development is the Islamic Microfinance Institutions (IMI) in cooperative form of sharia, or better known as the *Baitul Maal wa tamwil* (BMT). In 2014, the number of BMT spread in Indonesia amounted to about 3,900 BMT with assets reached Rp 15 trillion and serves nearly 3.5 million members (BMT Association, 2015).

IMI biggest problem today is the high cost of financing (high cost of financing) that due to the high cost of funds (cost of funds) given to the depositors or investors and the high administrative costs and high risks of financing (Obaidullah, 2008). The high cost of financing provided by IMI can be a burden on society. Even the competitive

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[3]. According To the data released by the Ministry of Cooperatives and SMEs in 2013 the proportion of SMEs amounted to 99.99% of the large enterprises in Indonesia, or contributed by 59% to Gross Domestic Product (GDP) of Indonesia.

value IMI with other financial institutions to be low. Therefore IMI should be able to provide the solution of problems related to this.

IMI in practice has two main functions, namely the function of financial intermediation and social intermediation. As a financial intermediary, IMI functioning collecting and distributing public funds with the purpose of obtaining profit (profit orientied). Being as a social intermediary institutions, IMI collecting and distributing function of social funds such as charity, donation, charity and endowment with the goal of social benefits.

As a manager of social Islam, IMI can take advantage of each of the social fund in accordance with the provisions of sharia. Innovation in the use of social funds allow growing prosperity and welfare of the people who receive. Among the innovative use of social funds on IMI is the integration of social functions and financial functions in the management of endowment funds.

Cash Waqf has different characteristics to the charity, donation and alms. Zakat, donation and charity are social funds consumables, means must be immediately distributed to the people who deserve it, while the endowment fund should remain their principal amount and are distributed is the result. Therefore, the level of benefit endowment can only be felt if they can be productive. This paper tries to discuss the possibility of utilization of funds for capital endowments IMI for micro and small community development

CHAPTER II
LITERATUR RIVIEW

2.1 Cash Waqf

2.1.1 Definition of Cash Waqf

In language, endowments meaningful al-habsu (resist). In Arabic the word waqafa-yaqifu-waqfan meaning is habisa-yahbasu-habsan. Being in terms of sharia, endowments mean to hold treasure origin (principal) and to be alms result in the cause of Allah. Or it could also be interpreted withstand principal treasure and utilize the results in the way of Allah (Sabiq, 2000).

From such understanding can be formulated that "cash waqf" are funds or money collected by the management institution of waqf (*nadzir*) through the issuance of cash waqf certificates purchased by the public. In another sense cash waqf can also mean giving waqf property in the form of money or securities that are managed by a banking institution or a financial institution whose profits syari'ah wherewithal, but capital can not be reduced to donations, while the endowment funds collected can then be rolled out and invested by *nadzir* into various business sectors are lawful and productive, so that profits can be utilized for the development of the people and the nation as a whole (Haq, 2012)

Definition of waqf endowments suggests some distinctive characteristics, namely: (1) Detention (prevention) of belong and objects owned. Detention means

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nothing to keep that Wakif and objective being mauquf 'alaihi (receiver waqf). (2) Treasure, explains that in the waqf is a treasure. (3) That may be utilized, without the vanished object, explain the terms treasure in the endowment. (4) By way of not taking action on the object, explaining that the waqf property is not sold, assigned and inherited. (5) Disbursements to the permissible and there, explained that the result was channeled to endowments that are not prohibited by Islam. Meanwhile, passes to the haram is haram (Rahman, 2009).

2.1.2 Legal provisions Cash Waqf

The scholars differed on cash waqf (Sahroni & Karim, 2015) are :

First, some scholars have argued that the law should not be cash waqf

Second, some scholars argue that cash waqf is permissible if it is destined jewelry

Third, some scholars argue that cash waqf is permissible if it is intended receivables to others

Fourth, some scholars-including Malikiyah and Mohammed Abdullah Al Ansari, Ibn Taymiyyah, cash waqf is permissible absolute

For scholars who allow cash waqf, they argued that the money does not run out benefits after invested. As for the scholars who do not allow cash waqf, consider the benefits once invested the money runs out.

In Indonesia, MUI has issued Fatwa No. 29 of 2002 on Wakaf Money stating that:

1. Money Waqf (Endowments Cash / Waqf Al-nuqud) are endowments that a person, group, institution or legal entity in the form of cash.
2. Included in the definition of money is securities.
3. Endowments Money jawaz legal (allowed).
4. Endowments Money should only be channeled and used for things that are permitted by syar'iy (حابم فـرصـم).
5. The principal value of Endowment Money must be guaranteed its preservation, may not be sold, assigned, and / or inherited.

So it can be concluded that the waqf money / cash waqf permissible given the money has grace and a great benefit not shared by other objects. Even more strategic than cash waqf-waqf endowments because of money as a means to buy and more capital is needed by society rather than items that do not move. For example, land that can only be used as agricultural land or rent, but money becomes a multipurpose; can be used as venture capital into productive or consumptive costs (Sahroni & Karim, 2015).

In Act No. 41 of 2014 has been legalized as part of a cash waqf endowments kinds of objects moving and governing the management of waqf money. In addition Indonesian Waqf Board (BWI) has also issued a regulation on guidelines for the management and development of waqf property moves in the form of money

Under the provisions of the conditional cash waqf utilization is not spending capital or principal cash waqf as investing in businesses that are not contrary to the sharia and the results are routed to the object endowments, qardh al-hasan, and others. This provision allows the utilization of cash waqf channeled to micro and small businesses with financing schemes through Islamic microfinance institutions.

2.1.3 Investing Cash Wakaf

BWI through rules on guidelines for the management and development of property in the form of cash waqf move set about investing cash waqf as follows:

1. Investing waqf money intended for productive projects for the benefit of the people through investing directly and indirectly
2. Investments is investing directly in projects managed by Nazhir
3. Investments is indirectly investing through institutions that meet the eligibility criteria of institutional and mutual
4. Investing waqf money can be made through deposits at Bank Syariah with expectations for the most favorable outcome

2.2 ISLAMIC MICROFINANCE INSTITUTIONS (IMI)

2.2.1 Definition IMI

According to Law No. 1 of 2013, the Microfinance Institution is a financial institution that is specifically established to provide business development services and community empowerment, either through a loan or financing for micro enterprises to members and the public, the management of deposits, as well as the provision of consulting services business development that is not solely for profit. Thus, Islamic microfinance institutions are microfinance institutions that run their business based on Sharia principles

Forms IMI in Indonesia which are found include *Baitul Maal wa Tamwil* (BMT) with legal status of cooperatives. BMT which is under the supervision and regulation of the Ministry of Cooperatives and SMEs called Credit Unions and Islamic Financing (KSPPS). Average BMT supervision and regulation under the Financial Services Authority (FSA) called Islamic Microfinance Institutions (IMI).

Microfinance Institutions aims to:

a. Improving access to micro-scale funding for the community;
b. Help increase the economic empowerment and productivity of society; and
c. Help increase incomes and welfare; especially the poor and / or low-income

2.2.2 Capital IMI

IMI capital consists of paid-in capital to locally incorporated IMI PT or savings, compulsory savings, and grants for IMI are legal entities with massive Cooperative[4]:

a. Business area Village / Sub: Rp 50,000,000
b. Subdistrict business areas: Rp 100,000,000
c. The business area District / City: Rp 500,000,000

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[4] See the relevant OJK regulations LKM

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Moderate to KSPPS, provision of capital as follows:

(1) Venture capital early on any establishment KSPPS collected from principal savings and mandatory savings of its members and can be added to the grant.

(2) The initial venture capital KSPPS on deposit with the Islamic Bank with the following details:

a. Venture capital KSPPS with membership in the region of the Regency / City set at Rp 15,000,000, - (fifteen million rupiah);

b. Venture capital KSPPS with the membership area of cross Regency / City in 1 (one) area of the Province set at Rp 75,000,000, - (seventy five million rupiah).

c. Venture capital KSPPS with the membership area across the province set at Rp 375,000,000, - (three hundred and seventy five million rupiah).

2.2.3 Business Activity IMI

IMI business activities include[5]:

a. Collecting deposits from members who run business based on sharia principles with *wadiah* or *mudaraba* contract;

b. Channelling loans and Islamic financing to members, potential members and other cooperatives or their members in the form of loans based on the principles qard and financing agreement *murabaha, salam, istishna, mudaraba, Musharaka, Ijara, Ijara muntahiya bittamlik, wakalah, kafalah and hiwalah*, or covenant not contrary to the sharia;

CHAPTER III
RESEARCH METHOD

This study used qualitative approach with the method of literature riview. Literature-based reaserch is a form of research that used literature as an object of study. The literature riviewed is books and journals or articels with cash waqf and islamic micro finance reseacrh topics.

CHAPTER IV
RESULT AND DISUSSION

4.1 Cash Waqf Development Model in IMI

As part of social intermediation, IMI can conduct maal activities in order to empower community members and the social and economic field. Maal activities conducted through the collection and management of zakat, donation, charity, endowments, and other social funds appropriate legislation and sharia principles. In the case of endowments, IMI can be the manager (nadzir) cash waqf by investing in sectors that do not conflict with sharia. IMI as nadzir waqf money should distinguish cash waqf fund management temporary / permanent and temporary cash waqf. Management of temporary cash waqf funds may be invested in product IMI that for a certain period, either short term or long term.

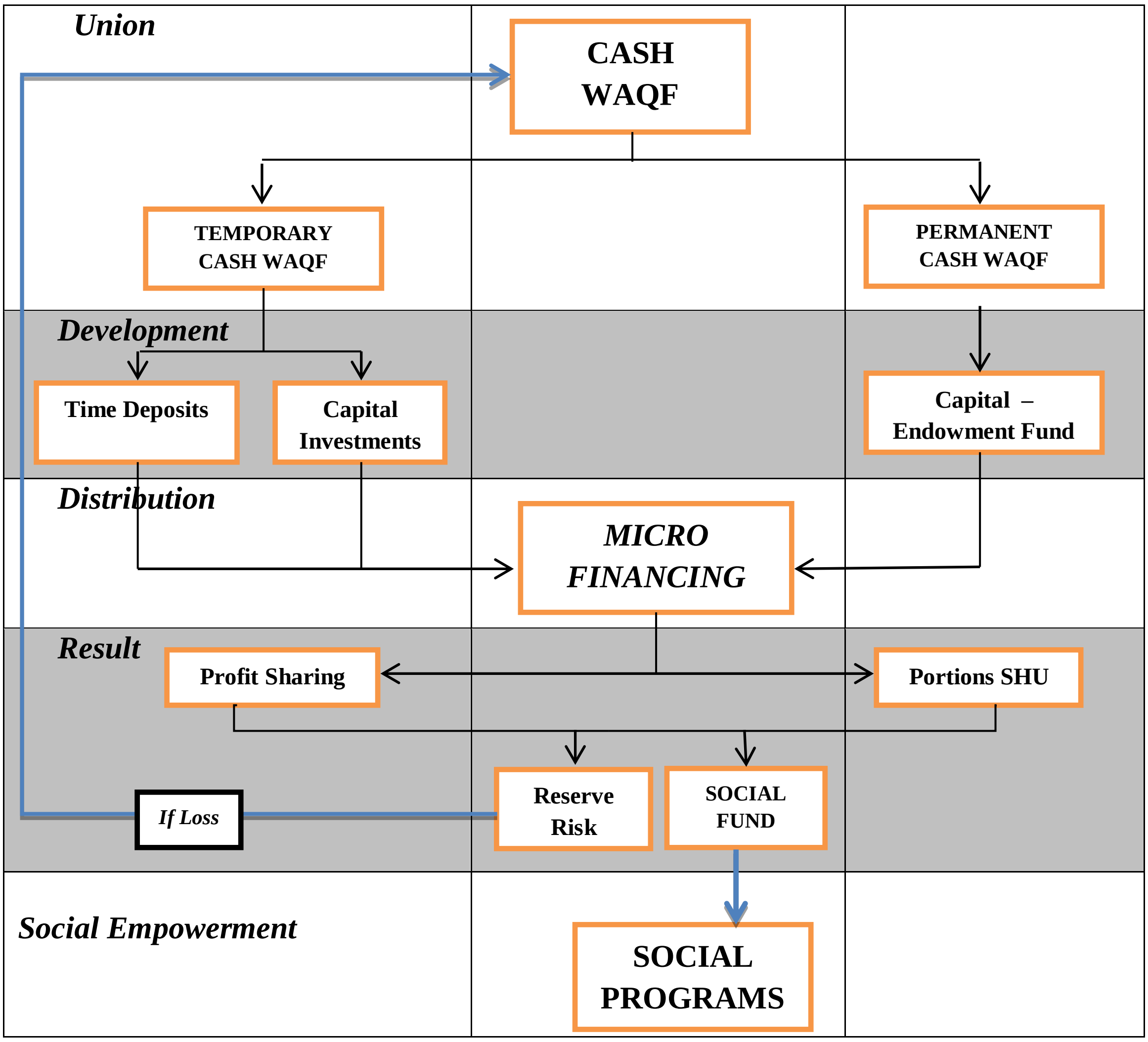
[5] See Permen KUKM No 16 /Per/M.KUKM/IX/2015

Management of short-term temporary waqf money can be invested in product savings deposits / deposits with a period of 1-12 months. Average cash waqf management of long-term temporary product may be invested in Capital Investments with maturities of 3-5 years. In managing cash waqf while, IMI should be able to ensure the payment at maturity.

Permanent management of waqf money can be invested as part of a capital component IMI. Endowments money will become a component of capital in addition to savings, compulsory savings, reserve fund, and grants.

Endowment funds obtained by IMI can be supplied to a special program, namely the micro-finance program (micro financing) with a margin or profit sharing is relatively lower. Endowment funds channeled to the micro-finance sector by using contract *murabaha, mudaraba, musharaka, Ijara and qardh*. Income from the endowment fund distribution is to be divided in accordance with the ratio between IMI and endowment funds. IMI rights will be IMI income, being right endowment fund will be entered into a social fund to be distributed to beneficiaries.

Cash Waqf Development Model at BMT



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Benefits to be derived from the investment of temporary cash waqf is the result, either every month or every end of the year. Average investment permanent endowment money will get a portion of SHU during the Annual Meeting of Members (RAT). The advantage gained will go to the social fund and the reserve risk. Social funds will be channeled by the social division IMI (Baitul Maal) for social empowerment programs such as compensation for the poor, orphans, and other people programs. Medium risk reserve is used if there is a loss of invested cash waqf, so the risk of a reduced number of cash waqf can be minimized.

4.2 Cash Waqf as Capital Component IMI

In addition to providing mashlahah for the people of the investment, cash waqf also provides for IMI maslahah namely strengthening the composition of the capital or capital adequacy ratio (CAR). Most IMI have low capital adequacy ratios due only from the principal savings and mandatory savings are limited. Cash waqf fund would be an alternative source of capital IMI. Permanent endowment funds in cash are recorded as capital in the equity section IMI. This is in line with the opinion of Ahmed (2007) which places waqf as part of the capital component of the balance sheet.

In the legal aspect in Indonesia has not been set on endowment funds as part of the composition of capital IMI. Law No. 25 of 1992 divides the capital into two components, namely cooperatives own capital and borrowed capital. Own capital consists of principal savings, mandatory savings, reserves and grants. Average loan capital comes from members, other cooperatives and / or its members, banks and institutions, issuance of bonds and other debt securities, and other legitimate sources. Being in the Minister of Cooperatives and SMEs No. 16 /Per/M.KUKM/IX/2015 on the Implementation and Financing Business Savings and Loans Cooperative Sharia by itself KSPPS mentioned that capital is the amount of savings, compulsory savings, reserves set aside from the rest of the operating results , grants, and other deposits that have the same characteristics with compulsory savings.

With the provisions of the legislation, then the incoming endowment fund capital items as "other legitimate source" (Qomarudin & Barlinti, 2013) or as grants. As grants for endowments and grants are donations. But according to the author, endowment funds are presented separately as part of other legitimate sources.

4.3 Accounting Treatment of Endowments Cash on IMI

Until now, the new IAI issued PSAK 110, Accounting for Zakat and Infak / Charity, but has yet to issue accounting endowments. Although waqf and zakat and donation / charity have in common as an Islamic social fund, but the endowments have different characteristics to the charity and donation / charity. The fundamental difference is related to the distribution, which is only distributed endowments result is not the point.

Besides zakat and donation / charity there is no acceptance of the results of the development / investment, if any value is not great. While endowments there is acceptance of the results of the development of endowment funds (Nurhayati & Wasilah, 2015).

4.3.1 *Recognition and Measurement*

Acceptance endowments are recognized on a cash or non-cash assets received. Endowments received from wakif recognized as an addition to endowment funds at the amount of cash received or the fair value of non-cash assets. Endowments are classified according to type, ie endowments temporary or permanent endowments and the recording was also done separately.

Currently endowment fund has received a certificate from the cash waqf LKS-PWU, the endowment fund can be invested in accordance with its designation. Investment cash waqf while for Capital Investments Time Deposits or recognized as a temporary investment of cash waqf. Average cash waqf permanently allocated for capital IMI and recorded as part of the equity component IMI.

The investment return cash waqf while recognized as a social fund and reserve fund risk. Social funds will be channeled to social programs. Reserve funds are being used for the risk of investment losses. Average SHU of cash waqf as a component of equity IMI as well as additions to the social fund and reserve fund risk. Delivery of cash waqf investments are recognized as a deduction from the social fund.

Table: Cash Wakaf Illustration Transaction Journal

No	Transaction	Ilustration Journal
1	When the reception cash waqf while	Db. Cash Cr. Temporary Cash Wakaf
2	When tuning a permanent cash waqf	Db. Cash Cr. Cash Wakaf Permanent
3	Investing cash waqf after obtaining certificates of LKS Cash Waqf - a PWU	a. Temporary cash waqf Db. Temporary cash waqf Cr. Capital Investments / Time Deposits b. Cash Wakaf permanent Db. Cash Wakaf Permanent Cr. Wakaf fund
4	Results Development of a endowment fund. Temporary cash waqf	a. Temporary cash waqf Db. For-Invested Capital Investments / Time Deposits Cr. Social Fund - Results Endowments / Backup b. Cash Wakaf permanent Db. SHU Cr. Social Fund - Portions endowments on SHU / Backup Risk
5	At maturity investments	Db. Temporary cash waqf. Capital Investments / Time Deposits Cr. Temporary Cash Wakaf
6	When the return on temporary cash waqf to wakif	Db. Temporary Cash Wakaf Cr. Cash

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4.3.2 *Presentation*

Cash waqf endowments temporary and permanent cash is presented separately in a liability position. Wakaf temporary cash invested in Time Deposits and Capital Investments presented on Temporary Syirkah Fund. Presentation on Syirkah Fund Temporary position (DST) for savings deposits and capital investments using *mudharabah* or *Musharaka*.

Temporary syirkah funds can not be classified as a liability, because IMI not obliged to refund if there is a loss that is not due to negligence or breach of contract IMI. Temporary syirkah funds also can not be classified as equity because they have the time to maturity and do not have voting rights (IAI, 2014).

Average cash waqf IMI permanent capital is presented as equity / capital, presented as a component savings, compulsory savings, grants and reserve funds.

Illustration Balance Sheet
KSPPS/IMI BMT X
As of Desember 201X

ASET	XXX	**LIABILITIES**	XXX
Current Assets	Xxx	Liabilities Immediately	Xxx
- Cash and cash equivalents	Xxx	- Deposits Wadiah	Xxx
- Receivables	Xxx	- Temporary Cash Wakaf	Xxx
- Microfinance **(muharabah, musharaka & murabaha)**	Xxx	- Cash Wakaf Permanent	Xxx
		Long-term obligation	Xxx
		DANA SYIRKAH TEMPORARY	XXX
- Investment and Inclusion Fixed Assets	Xxx	- Time Deposits	Xxx
		- Capital Investments	Xxx
		EQUITY	XXX
		- Principal	Xxx
		- Deposit Required	Xxx
		- Reserve Fund	Xxx
		- Grants	Xxx
		- Waqf Fund	Xxx
		- SHU	Xxx
Total Asset	**XXX**	**Total Liabilities+ DST+ Equity**	**XXX**

CONCLUSION

Waqf enormous potential to be managed well in order to produce broad benefits and risks reduced number of waqf property can be minimized. Management of cash waqf by Islamic Financial Institutions is one way, including Islamic Microfinance Institutions (IMI).

IMI as nadzir cash waqf can integrate endowment fund as a social fund to function as an intermediary institution IMI microfinance community. The goal is to make earning cash waqf to be felt by many.

The pattern of development in IMI cash waqf is cash waqf IMI as a collector, then investing in financial products IMI. Endowments temporary cash is invested in futures products in the form of time deposits and equity, cash waqf is being permanently invested as capital components IMI. Cash waqf investment funds will be distributed to the community through micro-financing. Profits from the cash waqf fund distribution is divided between IMI as a manager and fund endowments. Rights endowment funds in the returns of investments channeled to social funds will eventually come back to the people who deserve it. In addition, as a component of cash Waqf IMI capital can help IMI capital adequacy ratio.

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