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# THE ROLE OF CASH WAQF LINKED SUKUK BASED ON MUDARABAH CONTRACT AS MSME CAPITAL SOLUTION

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**Abstract:** This study tries to present a capital solution for MSMEs through the Cash Waqf Linked Sukuk instrument with a mudharabah contract. When viewed from Mandiri Institute data in June 2021 regarding the causes of MSMEs closing their businesses, the main factor was caused by business capital problems with the highest percentage of respondents, namely 45%. Based on these problems, waqf is considered the best mechanism in funding MSME projects. Moreover, waqf has been growing and giving birth to new innovations, namely the Cash Waqf Linked Sukuk (CWLS) program. It can be seen from the increase in the SW-001 series CWLS product with the use of investment returns that have succeeded in providing recovery to the BMM and SME programs by providing capital financing to 100 MSMEs. The method used in this research is descriptive qualitative with a library research approach. The data taken is secondary data in the form of readings sourced from books, magazines or other sources from various literatures. This study found that Nazhir as waqf manager used cash waqf with a mudharabah contract to develop and optimize the basic assets of sukuk or waqf assets for the productive business sector. Then the proceeds from the sukuk base assets are returned to investors at maturity. Meanwhile, waqf assets are returned to business projects or *mauquf 'alaih*.

**Keywords:** Cash Waqf Linked Sukuk, Mudarabah, Capital, MSME.

**Abstrak:** Penelitian ini mencoba menghadirkan suatu solusi permodalan bagi UMKM melalui instrument *Cash Waqf Linked Sukuk* dengan akad *mudharabah*. Jika dilihat dari data Mandiri Institute pada Juni 2021 tentang penyebab UMKM tutup usaha, factor utamanya yaitu disebabkan oleh masalah permodalan usaha dengan persentase responden paling tinggi yaitu sejumlah 45%. Berdasarkan masalah tersebut, wakaf dianggap sebagai mekanisme terbaik dalam mendanai proyek UMKM. Apalagi wakaf telah semakin berkembang dan melahirkan inovasi baru yaitu program *Cash Waqf Linked Sukuk* (CWLS). Terlihat dari peningkatan produk CWLS seri SW-001 dengan pemanfaatan hasil investasi telah berhasil memberikan pemulihan pada program BMM dan UKM dengan memberikan pembiayaan modal kepada 100 UMKM. Metode yang digunakan dalam penelitian ini yaitu kualitatif deskriptif dengan pendekatan studi pustaka (*library research*). Data yang diambil adalah data sekunder berupa pembacaan yang bersumber dari buku, majalah ataupun sumber lain dari berbagai literatur. Penelitian ini menemukan bahwa nazhir sebagai pengelola wakaf menggunakan wakaf uang dengan akad *mudharabah* untuk melakukan pembangunan dan optimalisasi aset dasar sukuk ataupun aset wakaf untuk sector usaha produktif. Kemudian hasil aset dasar sukuk dikembalikan dananya kepada investor saat jatuh tempo. Sedangkan aset wakaf kembali diputar pada proyek usaha atau *mauquf 'alaih*.

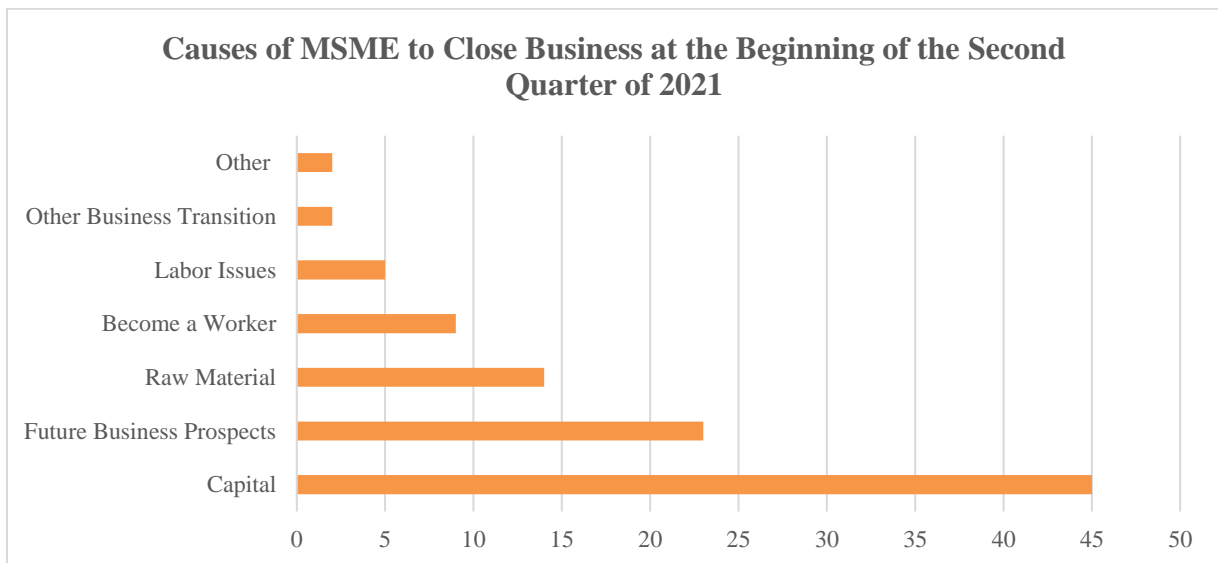
**Kata Kunci:** *Cash Waqf Linked Sukuk*, *Mudharabah*, Modal, UMKM.

## INTRODUCTION

The majority of the business world in Indonesia is currently still supported by micro, small and medium enterprises (MSMEs). Nationally, in 2018 the number of Micro and Small Enterprises in Indonesia reached 62,863,990 units (99.99%) with employment reaching 112,056,373 people. Meanwhile, the contribution of MSMEs to the national economy (GDP) was 61.1% and the remaining 38.9% was contributed by large business actors, which amounted to only 5.55. or 0.01% of the number of business actors (Nainggolan, 2020). But unfortunately, in the midst of excellence as the backbone of the Indonesian economy, especially in times of crisis, Indonesian MSMEs in general are still faced with the main

fundamental problem, namely limited capital and access to financing (LPPI, 2015). This can be seen in the following data:

**Figure 1. Causes of MSME to Close Business at the Beginning of the Second Quarter of 2021**



Source: Mandiri Institute, 30<sup>th</sup> of June 2021 (Data Processed)

The data shows that there are still 7.1% of micro, small, and medium enterprises (MSMEs) in Indonesia that will stop operating in March-April 2021. The main factor for these MSME actors to close their businesses due to capital problems. This is as stated by 45% of respondents. As many as 23% of respondents stopped operating because they considered their MSME business prospects in the future to be less attractive. Moreover, the Covid-19 coronavirus pandemic has also impacted trading activities. As many as 14% of respondents stopped operating because they admitted that it was difficult to find raw materials. Meanwhile, there are 9% of respondents who stopped operating due to changing professions to become workers (Mandiri Institute, 2021).

Based on business capital issues, waqf is considered the best mechanism in funding MSME projects. Even in Muslim countries, waqf is in the spotlight because it has been proven to have contributed to solving various state problems (Syamsuri et al., 2020). The financing of waqf development is not only for religious purposes, but also includes education, health, economy, social and others. It is said, the development of waqf carried out must be supported by the inflow of funds to ensure that waqf assets are produced and maintained as best as possible. Among the ways that can be taken are through income generation from the profits derived from the project itself or through continuous waqf donations from the community (Fazial et al., 2021).

The development of innovation from waqf gave birth to a new instrument, namely Cash Waqf Linked Sukuk (CWLS) by investing waqf funds into products in the form of State sukuk and providing returns so that they become a driving force in productive activities (Anindhita, 2021). The existence of Cash Waqf Linked Sukuk is a contribution of Islamic finance to strengthen the economy in Indonesia and increase the development of productive waqf for the benefit of the ummah (Siregar et al., 2021). The Cash Waqf Linked Sukuk policy provides space for stakeholders to be able to maximize their responsibilities in managing waqf funds. The three major institutions and organizations involved are the Indonesian Waqf Board (BWI),

Bank Indonesia (BI) and the Ministry of Finance (Rahman et al., 2021).

Optimization of the development of Cash Waqf Linked Sukuk can be seen from the increase in the SW-001 series CWLS product by utilizing investment returns on discounts, expansion of new waqf assets, namely by renovation and procurement of health facilities, as has been realized at Waqf Hospital Achmad Wardi Serang Banten, namely by holding free cataract eye surgery, procuring an ambulance whose benefits can be felt by many people during the pandemic. Likewise in the CWLS sector for the recovery of the national economy as evidenced by the existence of the BMM and SME programs with a target of approximately 100 MSMEs which are financed and provided with a business capital of Rp. 3 million, also get benefits in the form of mentoring and training for these MSMEs (Winarto et al., 2021).

Talking about MSMEs, it cannot be separated from business financing activities by financial institutions, banks and non-banks with a profit-sharing financing model, namely mudharabah. When it comes to waqf, several studies have discussed the implementation of cash waqf based on mudharabah contracts. As in the study (Fazial et al., 2021) which found that mudharabah has the potential as a financing instrument for the development of waqf in cottage institutions. In another study, (Istikomah, 2019) found that to encourage active cash waqf in the community, it was not enough to do socialization and education. According to him, with the mudharabah scheme, Bank Waqf Tani is expected to be a partner for farmers to achieve prosperity.

Also on research (Majid, 2021) that formulates innovative financing models and sustainable business assistance through the mudharabah linked waqf scheme. The scheme is an innovation and integration of MSME financing with a composition of funding sources originating from commercial funds and cash waqf. According to him, this model has implications for strengthening the role of the Berkah Bersama Syariah Cooperative and the Indonesian Muslim Entrepreneurs Community in Surabaya in encouraging literacy, inclusion, and innovation in deepening sustainable Islamic financial products in order to strengthen the community's economy in the real sector. However, in this study, the author wants to focus more on how the role of Cash Waqf Linked Sukuk in helping to alleviate MSME capital problems in Indonesia.

## **LITERATURE REVIEW**

### **Cash Waqf Linked Sukuk**

Cash Waqf Linked Sukuk is one of the waqf crowdfunding platforms in Indonesia. It is a sovereign sukuk which is issued by the Government of Indonesia that is form of waqf crowdfunding integrated with sukuk (Muhammad Nabil Al-Munawwar, Patricia Ordonez de Pablos, Zhang, 2021a). Cash Waqf Linked Sukuk are also understood as a combination of religious social funds and commercial social funds allocated to the development sector of the Indonesian economy. The Indonesian government on October 9, 2020 innovated to issue Cash Waqf Linked Sukuk Retail (CWLS Retail) series SWR 001 which is a cash waqf investment in state sukuk, the rewards are distributed by Nadzir (manager of waqf funds and activities) to finance social programs and economic empowerment of the people. Cash Waqf Linked Sukuk (CWLS) is a manifestation of the productive waqf program of the Indonesian Waqf Board in

collaboration with the Ministry of Finance and Bank Indonesia as a facilitator (Syarif, 2021).

In general, the allocation is starting from the collection of cash waqf by the Indonesian Waqf Board as Nadzir through BNI Syariah and Bank Muamalat Indonesia as a Sharia Financial Institution Recipient of Cash Waqf, then it will be managed and placed on State Sukuk or State Sharia Securities issued by the Ministry of Finance (Paul & Faudji, 2020). The aim is to make it easier for people to make safe and productive cash waqf, support the development of social investment funds and productive waqf in Indonesia, support the development of social investment funds and productive waqf in Indonesia, support the National Waqf Movement, strengthen the waqf ecosystem in Indonesia and encourage sustainable economic growth. inclusive and sustainable (Rahayu & Agustianto, 2020).

### **Mudarabah**

Mudarabah etymologically comes from the word *dharb*, which means hitting or walking, the notion of hitting or walking is more precisely the process of someone hitting his foot in running a business (Antonio, 2015). Meanwhile, in terms of terminology, *mudarabah* is a business collaboration between the two parties, where the first party (*shahibul maal*) provides all the capital, and the second party (*mudharib*) acts as the manager (Fathoni, 2020).

So that it can be interpreted that *mudharabah* is a business reality operational funding system, where both as the owner of capital (*shahibul maal*) by providing 100% of capital to entrepreneurs as managers (*mudharib*) to carry out productive activities on the condition that the profits generated will be divided between them in accordance with agreement stated in their contract. If after the agreement the business managed by the *mudharib* suffers a loss due to intentional negligence or is beyond the control of the entrepreneur, the investor (*shahibul maal*) will bear the entire loss, because this investment activity is usually carried out by investment banking, not by commercial banking (Subakti, 2019).

The existence of *mudarabah*, namely in the aspect of financing can help problems in MSMEs that require capital (Musdiana & Herianingrum, 2015). The results of profits and losses in the business can be determined by both parties to the contract, so that *mudharabah* financing has the potential to increase the business of MSME actors because it does not burden entrepreneurs as *shahibul maal* (Antonio, 2015). So it can be said that the *mudharabah* contract is a solution that can be given to the problems faced by MSMEs related to financing and capital, which in the end, the Islamic economy can contribute to economic development in Indonesia in the MSME sector which is an important sector because the population has low education and is active in business. modern or traditional (Chairunnisa et al., 2017).

### **MSMEs Development**

Micro, small and medium enterprises or referred to as MSMEs are the main players in economic activity in Indonesia which have an important role in opening job opportunities and sources of income for the poor, income distribution and poverty reduction (Sarmigi, 2020). In Law Number 20 of 2008, MSMEs are small companies that are owned and managed by a person or owned by a small group of people with a certain amount of wealth and income. It also explains that; 1) micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-enterprises; 2) Small business is a

productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a direct part of a medium or large business that meets the criteria of a small business; 3) medium-sized businesses, namely productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly from small and large businesses with total assets or results annual sales.

The development of MSMEs in Indonesia is able to overcome poverty. This is evidenced from data showing that MSMEs in Indonesia as of 2019 had a major contribution in several fields, namely: 1) the total number of business units was 65.5 million business units, with the number of MSME business units being 64.5 million (99, 9%), 2) the contribution to the number of workers is 123.4 million people, with the number of workers in MSMEs being 119.6 million (97%), and 3) the contribution to GDP is 15.832.535 billion with MSMEs contributing to GDP business world of 9,580,763 billion (61%) (Kementrian KUKM, 2021). So that efforts to develop MSMEs can improve welfare and can also reduce poverty levels (Suci, 2017). MSME business opportunities can go through various fields because they are not limited. The challenges for MSMEs that occur today are the competition that must be faced by producing a variety of innovations and services to be able to continue to survive in the international market (Lili Marlinah, 2020). A business can be said to be growing if it experiences changes or increases in terms of sales, increased profits and has capital for development (Febrian & Kristianti, 2020).

## **RESULT AND DISCUSSION**

### **Cash Waqf Linked Sukuk Based on Mudarabah Contract**

Cash Waqf Linked Sukuk based on a mudarabah contract, which is a cooperation agreement with a profit and loss sharing scheme, investment trust or trust financing between capital owners who submit their funds to entrepreneurs to be managed with profit sharing in accordance with the agreement (Indra & Hakim, 2020). Sukuk waqf with this contract can be profitable for MSMEs. This is because the interest rate received by the bank turns into a percentage of profit sharing which always fluctuates. The mudarabah contract is more profitable for both parties, both the customer and the bank (Chairunnisa et al., 2017).

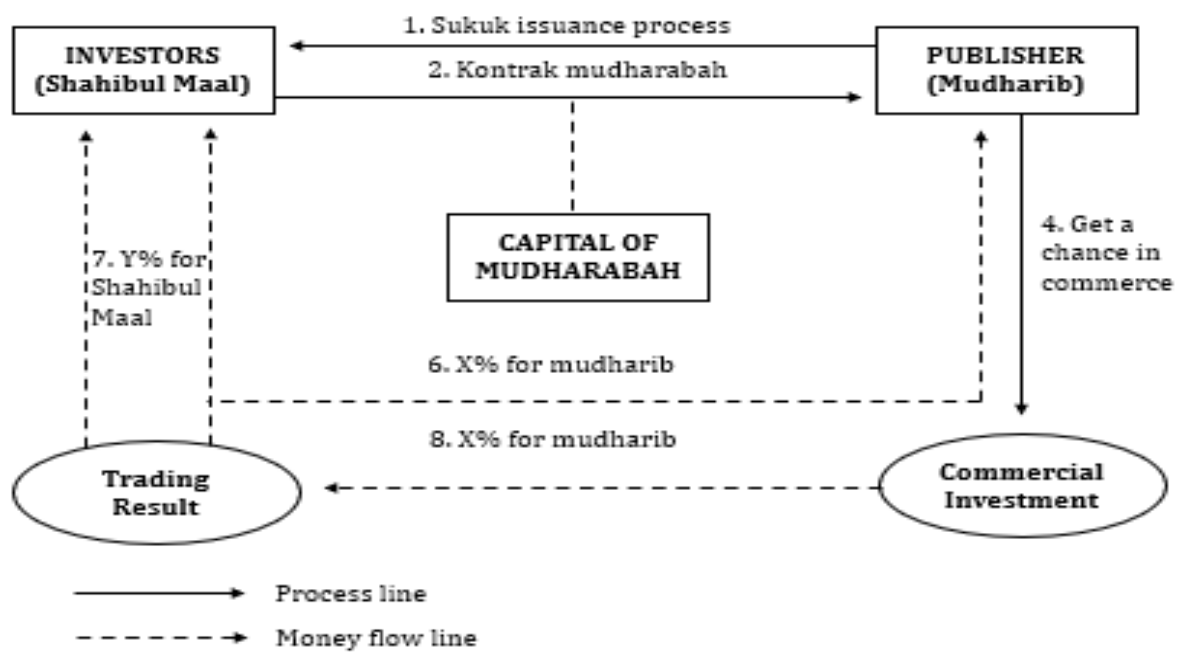
Mudarabah business profits are divided according to the agreement stated in the contract, while if there is a loss, it is borne by the owner of the capital as long as the loss is not due to the Negligence of the manager. If the loss is caused by fraud or Negligence of the manager, the manager must be responsible for the loss. On the mudarabah side this can be applied to (Antonio, 2001):

1. Working capital financing such as trade and service working capital;
2. Special investment, also called *mudarabah muqayyadah*, where the source of funds is managed with special requirements as determined by the *Shahibul Maal*.

Financing with a sukuk instrument based on a mudarabah contract is a cooperation agreement between two or more parties, namely one party as a provider of capital and the other party as a provider of energy and expertise, the profits from the cooperation will be divided

based on a previously agreed ratio, while the loss will be fully borne by the capital provider, except for losses due to the negligence of energy and membership providers (Syamsuri et al., 2021). This contract has a schematic description as follows:

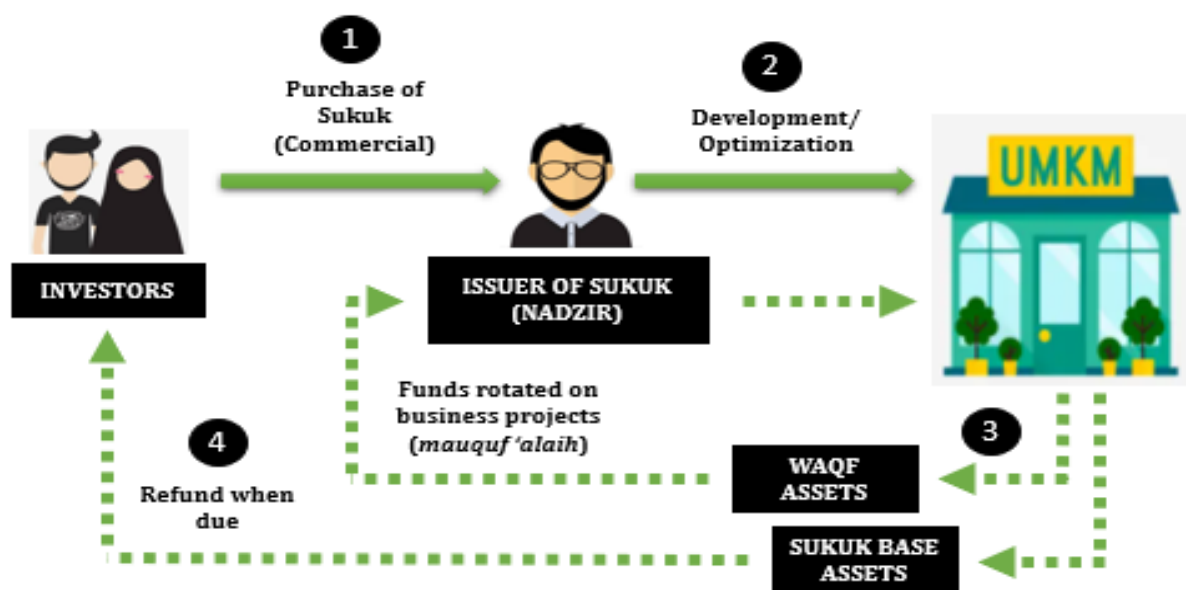
**Figure 2. Scheme of Mudarabah Sukuk**



Source: (Wahid, 2010) Data Processed

The scheme provides an explanation that; 1) The issuer processes the issuance of mudarabah sukuk for the purpose of mobilizing capital with a certain level; 2) The issuer (as *mudharib*) and investor (*shahibul maal*) make a mudarabah contract with an agreed profit agreement (X:Y); 3) On this contract, a certain amount of mudarabah capital was collected; 4) Publishers invest in commercial projects as a good opportunity in alternative commerce; 5) The investment made by the *mudharib* can generate certain profits (Fasa, 2016). Unlike the Cash Waqf Linked Sukuk instrument based on the mudarabah contract, which can be explained in the following scheme:

**Figure 3. Scheme of Cash Waqf Linked Sukuk**



Source: (Syamsuri, 2021) Processed data

The data shows that there are still 7.1% of micro, small, and medium enterprises (MSMEs) in Indonesia that will stop operating in March-April 2021. The main factor for these MSME actors to close their businesses due to capital problems. This is as stated by 45% of

respondents. As many as 23% of respondents stopped operating because they considered their MSME business prospects in the future to be less attractive. Moreover, the Covid-19 coronavirus pandemic has also impacted trading activities. As many as 14% of respondents stopped operating because they admitted that it was difficult to find raw materials. Meanwhile, there are 9% of respondents who stopped operating due to changing professions to become workers (Mandiri Institute, 2021).

If the wakif donates his money to a sharia bank, the sharia bank will issue and submit a cash waqf certificate to the wakif and nadzir as evidence that the transfer of the waqf property has been carried out. After the *waqif* appoints which nadzir he chooses, then nadzir with a partner of a sharia bank is considered profitable, but previously nadzir must consult with a sharia bank regarding sharia bank customers who are able to manage these funds and if there is a profit, the sharia bank partner will hand over the profits to *nadzir*. According to the mudarabah contract, then the profit is handed over by *nadzir* to *mauquf 'alaih*. However, if there is a loss on the management of the funds, it will be borne by the deposit insurance agency (Kamaluddin, 2020).

Therefore, the precautionary principle must be applied carefully by Islamic banks before lending funds from the cash waqf. Of course, the guarantor institution in the use of cash waqf funds is absolutely necessary to maintain all risks that occur in order to maintain the principal cash waqf funds.

### **Mudarabah Contract-Based CWLS as a MSME Capital Solution**

CWLS is a new creative financing product in Indonesia and the first in the world that has a beneficial impact over time. In Indonesia, the use of productive waqf is an indicator of progressive development of waqf, because if the assets are managed, they can provide economic benefits. In 2018 it was noted that Indonesia had 192 cash waqf *nadzir*, but the movement of waqf in Indonesia has not yet reached its potential (Putri et al., 2020).

The provision of business capital with the mudarabah model is not much different from using the *qardhul hasan* contract, in which MSME actors are only required to repay the loan without providing a profit. If the business suffers a loss, then the MSME actor is not obliged to return the capital. The difference with the use of the mudarabah contract is the return of business capital only. In the mudarabah model, MSMEs that have used capital funds for entrepreneurship are required to return the capital that has been lent and is accompanied by profit sharing from their business profits. In the event of a loss, the MSME is not required to return the capital that has been received (Indra et al., 2020).

This model has been applied by Baitul Maal Aceh (Yusuf, 2017), LAZ EL-Zawa UIN Maulana Malik Ibrahim Malang (Miftahul & Ekawaty, 2017) and BAZIS Dusun Pulosari, Jumono Village, Salam District, Magelang Regency. The two institutions not only use the mudarabah model, but also use the *qardhul hasan* model. In contrast to the mudarabah model in general, the model used by BAZIS Dusun Pulosari is a non-financial mudarabah model, in which BAZIS administrators provide *etawa* broodstock to muzakki. If the goat gives birth, then the children become *mustahiq* rights. Meanwhile, the broodstock is returned to the BAZIS management to be passed on to other *mustahiq* (Ascarya, 2021).



Some examples of the implementation of waqf fundraising programs in Indonesia that contribute to MSMEs are (Muhammad Nabil Al-Munawwar, Patricia Ordonez de Pablos, Zhang, 2021b):

1. Ikadi Waqf, which was established by the Indonesian Da'i Association through the [wakafikadi.or.id](http://wakafikadi.or.id) website. This platform has a livestock waqf program, livestock and fishery management for MSMEs.
2. Wakavia, through the [wakavia.com](http://wakavia.com) website which was established by the Directorate of Sharia Economics, Alumni Association of the Faculty of Economics and Business, University of Indonesia. The composition of waqf management on this platform is 70% for the social assistance program, 20% is given back to waqf, and 10% is used for operations and Wakavia partners in managing assets. This platform also has a poverty alleviation program with entrepreneurs through business assistance for MSMEs.
3. Passive Charity, through the [passiveamal.id](http://passiveamal.id) site. This platform is managed by the Indonesian Mosque Council (DMI) of the Special Region of Yogyakarta in collaboration with BTN Syariah. To help the MSME sector, capital is carried out using *mudarabah muqayyadah*. Every Rp. 1 billion collected will be channeled from cash waqf benefits of Rp. 200 MSMEs without collateral, interest, fines and confiscation.
4. Independent Waqf, through the [wakafmandiri.org](http://wakafmandiri.org) site. this platform is a digital donation program belonging to LAZNAS Yatim Mandiri. This program helps contribute to MSMEs by educating students to gain knowledge in preparation for becoming entrepreneurs in the field of agribusiness.
5. Global Waqf on the [globalwakaf.com](http://globalwakaf.com) site. The forms of waqf developed in this platform are Food Waqf, Educational Waqf, and Health Waqf. To help MSMEs, there is a form of Economic Waqf which includes Livestock Waqf and Retail Waqf. Through livestock waqf, Global Waqf drives the economy by raising it through fattening and breeding. Meanwhile, with Retail Waqf, waqf funds are optimized through the integration of the concept of "business and charity" in the form of retail outlets with the Sodaqo brand.
6. Then there is Cash Waqf Linked Sukuk (CWLS) as a new blended finance in fiscal instrument in Indonesia. However, the CWLS funds collected by the government were not initially allocated to MSMEs. Aceh will be the first province in Indonesia to adopt CWLS to strengthen MSMEs. There are two projects to be worked on, namely the cargo and agro sectors. In the cargo sector, CWLS funds are planned to purchase cargo planes to transport various Aceh's leading export commodities, especially those that cannot last long in transit. In the agro sector, CWLS funds will be used for the development of agricultural or plantation-based commodity businesses, including for the purchase of land and the construction of simple houses for farmers or planters.

Regarding a number of waqf-crowdfunding platforms for MSMEs in Indonesia that

have been described, it can be concluded that not all platform owners or managers are at the same time nadzir of waqf funds. Most of these waqf management work with several nadzir to distribute waqf funds in various forms, including for MSMEs, mudharabah financing, business assistance, and educational scholarships to become entrepreneurs.

Based on several examples of implementation above, it can be illustrated that the role of cash waqf linked sukuk based on mudharabah has the potential to support the problem of lack of capital in micro, small and medium enterprises (MSMEs). Although currently it has not been widely implemented and is still a new government program. At least some of the examples above can serve as examples and can be developed and re-optimized for other mudarabah-based waqf sukuk innovation models.

## **RESEARCH METHOD**

The method used in this research is descriptive qualitative method with a normative legal approach or legal research literature. Normative legal research is legal research conducted by examining library materials or secondary data. The normative approach is used with the intention of reviewing and analyzing library materials or secondary data related to research materials in the form of primary legal materials, secondary legal materials and tertiary legal materials (Mamudji, 2010). For this reason, in order to obtain new information that is closely related to the problem, the library data sought must be selected that is relevant and up-to-date.

## **CONCLUSION**

Cash Waqf Linked Sukuk based on a mudharabah contract, which is a cooperation agreement with a profit and loss sharing scheme, investment trust or trust financing between capital owners who submit their funds to entrepreneurs to be managed with profit sharing in accordance with the agreement. Sukuk waqf with this contract can be profitable for MSMEs. This is because the interest rate received by the bank turns into a percentage of profit sharing which always fluctuates. The mudharabah contract is more profitable for both parties, both the customer and the bank. The role of sukuk waqf with this model has the potential to support the problem of lack of capital in MSMEs. Although currently it has not been widely implemented and is still a new government program. At least some of the examples above can be examples that can be developed and re-optimized other models of innovation based on mudharabah waqf sukuk.

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