

Designing Ziswaf-Based Financing Model for Enhancing Micro, Small, and Medium Enterprises

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) are important in advancing the economy. However, among some existing MSME actors, many of them face obstacles in developing their businesses. Some of those obstacles are the lack of competence and expertise, the lack of business networks, and the limited amount of capital. This research aims to design the development of a sharia financing model based on using zakat, infaq, sadaqah, and waqf (ziswaf) funds to develop MSMEs. This research uses qualitative methods by analyzing various data collected from several works of literature related to ziswaf and MSME studies. This research produces a design model for integrated ziswaf management in the MSME development program. This model describes the process flow starting from collecting ziswaf funds, with a distribution process that is adjusted to the characteristics of the funds. ZIS funds are channeled to the procurement of goods and business equipment, as well as to capacity-building programs for MSMEs. The waqf funds are distributed in the form of business capital investment with a *mudharabah* agreement. The profits received are given to the *nazhir* according to the agreement, to be managed by the *nazhir*, and distributed to the *mauquf alaih*. The entire process is carried out with supervision and monitoring to maintain conformity of procedures with existing rules and regulations. It is hoped that this model can become a new direction for the development of MSMEs by optimizing ziswaf funds in an integrated manner.

Keywords: Financing; MSMEs; Waqf; ZIS

Abstrak

Usaha Mikro, Kecil, Menengah (UMKM) merupakan unit ekonomi yang penting dalam memajukan perekonomian. Namun, di antara sejumlah pelaku UMKM yang ada, banyak dari mereka menghadapi kendala dalam pengembangan usahanya. Di antara kendala yang dihadapi antara lain terkait minimnya kompetensi dan keahlian, minimnya jejaring usaha, hingga jumlah modal yang terbatas. Penelitian ini bertujuan untuk mendesain pengembangan model pembiayaan syariah berbasis

pemanfaatan dana zakat, infak, sedekah, dan wakaf untuk pengembangan UMKM. Penelitian ini menggunakan metode kualitatif dengan menganalisis berbagai data yang dihimpun dari beberapa literatur terkait kajian ziswaf dan UMKM. Penelitian ini menghasilkan sebuah rancangan model pengelolaan ziswaf terintegrasi pada program pengembangan UMKM. Model tersebut menggambarkan alur proses yang dimulai dari penghimpunan dana ziswaf, dengan proses penyaluran yang disesuaikan dengan karakteristik dana. Dana ZIS disalurkan pada pengadaan barang dan perlengkapan usaha, serta pada program peningkatan kapasitas pelaku UMKM. Adapun dana wakaf disalurkan dalam bentuk investasi modal usaha dengan akad mudharabah. Keuntungan yang diterima diberikan kepada nazhir sesuai dengan kesepakatan, untuk nantinya dikelola oleh nazhir dan disalurkan kepada para mauquf alaih. Keseluruhan proses tersebut dilakukan dengan pengawasan dan monitoring untuk menjaga kesesuaian prosedur dengan aturan dan ketentuan yang ada. Model ini diharapkan dapat menjadi arah baru pengembangan UMKM dengan mengoptimalkan dana ziswaf secara terintegrasi.

Kata kunci: *Pembiayaan; UMKM; Wakaf; ZIS*

INTRODUCTION

The Covid pandemic has had a very significant impact on Micro, Small and Medium Enterprises (MSMEs). Many MSMEs have disbanded and gone out of business due to various reasons, such as regulatory restrictions, disruptions in the supply of raw materials, as well as a decline in demand (Mohamed & Abro, 2021). One of the main problems faced is the limited amount of capital and limitations in access to banking institutions. Apart from capital problems, MSMEs are also faced with several operational management and business development problems, such as limited quality of human resources, limitations in marketing products, and minimal business networks, including business licensing. Moreover, MSMEs are also faced with a lack of adequate infrastructure (Majid, 2022). However, these various problems do not hinder the growth of the number of MSMEs in Indonesia.

According to data from the Ministry of Cooperatives and SMEs in 2018 which is explained on the website of the Indonesian Ministry of Finance, the number of MSMEs in that year reached 64.2 million units and absorbed a workforce of 117 million workers or 97% of the workforce absorption capacity of the business world. The contribution of MSMEs to the national economy (GDP) is 61.1% (Sasongko, 2020). This figure shows the enormous contribution of MSMEs to the stability of the national economy and also its sustainability. Units that can improve the welfare of society in general by increasing income and absorbing thousands or even millions of workers. Apart from that, the number of MSMEs is also recorded as the highest number among MSMEs in ASEAN countries. According to data published in the 2022 ASEAN Investment Report, the number of Indonesian MSMEs in 2021 reached 65.46 million units. From this data, MSMEs have absorbed 97% of the workforce and contributed 60.3% of GDP (The ASEAN Secretariat, 2022).

Support for the development of MSMEs is very important referring to this contribution. One of the forms of support is reflected in Government Regulation No. 23 of 2020 concerning Implementation of the National Economic Recovery Program in the Context of Supporting State Financial Policy for Handling the COVID-19 Pandemic and/or Facing Threats that Endanger the National Economy and/or

Financial System Stability and Saving the National Economy. This regulation emphasizes the Government's focus on MSMEs in implementing the PEN program by providing credit interest subsidies, tax incentives, and business capital credit guarantees.

Not a few MSME traders face various obstacles, from limited human resources, product marketing capabilities, business networks, including access to financial and banking institutions such as capital constraints (Muannasa, 2022). These obstacles ultimately forced them to stop operations. These obstacles are felt starting from administrative and legal aspects which often hold MSMEs hostage from entering formal institutional circles such as banking, collateral aspects which require assets with a high enough value as a condition for applying for capital, to aspects of the ability to repay loans (Harianto et al., 2023). Apart from that, the availability of access to capital does not necessarily eliminate the business problems faced by MSMEs. As Muslims, MSMEs are also required to develop their businesses while maintaining principles that do not conflict with sharia. This includes maintaining Islamic values in business such as honesty, transparency, including halal products (Andriyani et al., 2021). A capital scheme is needed that is free from elements of *maysir*, *gharar* and usury (*riba*) which are prohibited by Islamic law.

The Islamic economic system targets the welfare of the people as its target and goal. With the various financial instruments it has, Islamic economics encourages Muslims to remain productive with various schemes and transactions that are permitted by the sharia, starting from buying and selling transactions, loans, capital investments, and service transactions. Access to capital, which is an obstacle faced by MSMEs, is also an aspect that is of concern to Islam, in order to encourage a productive and economically empowered Muslim society.

Zakat, infaq, sadaqa and waqf are typical Islamic financial instruments that also target the welfare of the people. With various distribution and utilization programs designed by its managers, ziswaf funds have become a source of financing that is a solution to the problems faced by MSMEs, especially the problem of losing sources of income due to the pandemic (Mohamed & Abro, 2021). Moreover, Indonesia has a very large potential for ziswaf which can be 'ammunition' in economic development. The Republic of Indonesia's National Zakat Amil Agency (Baznas) notes that the potential for national zakat in 2022 reached IDR327 trillion (Rosana, 2022). From this potential, the realization of national zakat collection reached IDR22.43 trillion. The realization of this collection was supported by hundreds of institutional networks of zakat management organizations spread across various regions in Indonesia. This number consists of one Central Baznas, 34 Provincial Baznas, and 514 Regency/City Baznas. Apart from Baznas, there are 34 Amil Zakat Institutions (LAZ) on a national scale, 28 LAZ at provincial level, and 51 LAZ at district/city level. Through various zakat management organizations, it is recorded that IDR14.2 trillion in ZIS funds have been collected in 2021 (Direktorat Kajian dan Pengembangan ZIS DSKL Nasional, 2023).

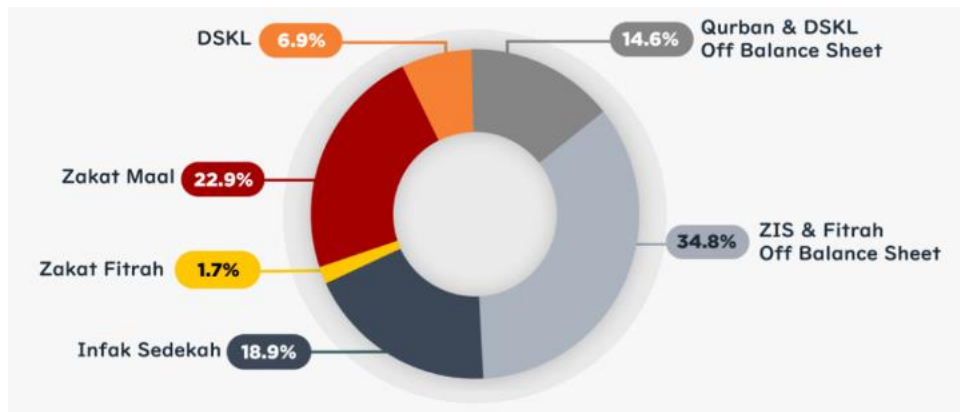


Figure 1. National Collection based on Types of Funds 2021

Source: *Outlook Zakat Indonesia 2023*

On the other hand, waqf also has potential that is also worth considering. The Indonesian Waqf Board recorded the potential for cash waqf in 2019 at IDR217 trillion. This potential is supported by various nazhir waqf institutions which reach 236 units, consisting of 157 sharia cooperatives and BMTs, 39 units in the form of foundations, 27 units affiliated with zakat amil institutions, 8 units affiliated with institutions or mass organizations, 5 units from elements of universities, as well as thousands of individual nazhir who are also supported by 21 sharia financial institutions receiving cash waqf (Majid, 2022). This huge potential for collecting ZIS and waqf funds is the main capital for efforts to improve community welfare, including for MSME traders. However, as part of Islamic law, each instrument of ziswaf has unique characteristics and is different in its use, especially for capital. A ziswaf based-financing model is needed for MSMEs to develop their business ventures while still complying with sharia provisions regarding ziswaf management.

The development of zakat and waqf management models has been designed by several academics in order to strengthen and develop MSMEs. This is an effort to contribute to improving the performance of MSMEs in the nation's economy, as done by Maesarach et al. (2022). In their research, they focused on studying the development of their model by linking the potential of CWLS with the empowerment of MSMEs. The results of their research show that the development of sukuk instruments reached 40.80% and they have provided business capital assistance with a profit-sharing scheme. Distribution of waqf through sukuk can be implemented to develop MSMEs by using various contract schemes (Maesarach et al., 2022). This research is in line with another research written by Majid (2022). In his research, he developed a waqf-based MSME financing model with a *mudharabah* scheme. The results of his research show that waqf funds can be channeled to low-risk MSME projects recommended by KPMI Surabaya, Indonesia, with a financing period of no more than six months. In its management, risk management is carried out by considering the provisions of guarantees, guarantors, including audits of financial performance (Majid, 2022). Based on the results of previous research, studies regarding the development of integrative zakat and waqf models have not been

carried out much, especially in efforts to develop the MSME sector.

A study related to strengthening MSMEs was also carried out by Rizki et al. (2022). In their research, they focused on optimizing Micro Waqf Banks (BWM), which is a collaboration between OJK and Baznas. The research concluded that strengthening MSMEs can be done by strengthening the sense of responsibility among members of the group receiving financing. Apart from that, strengthening is also carried out through support for Islamic boarding schools in marketing products produced by managed independent businesses, as well as beautifying the appearance of the room to attract the interest of potential financing customers (Rizki et al., 2022). This research is still limited to descriptive analysis which describes the efforts made by BWM in the context of developing MSMEs. Apart from that, this research has not yet designed the best model that can be implemented in various BWMs. In this way, it is necessary to develop a model that can be applied by various BWM managers who have an orientation and target of strengthening MSMEs.

This article aims to design an MSME development model based on ziswaf utilization by referring to various study results and relevant literature to strengthen the model being built. The model developed in this research focuses on aspects of utilizing ziswaf funds for empowerment, as well as monitoring and evaluation programs. Theoretically, it is hoped that the results of this research can provide input in adding to the treasury of studies on the utilization of ziswaf which is directed towards the development of MSMEs. On the other hand, this study is expected to have direct implications for practitioners managing ziswaf funds to be able to allocate their ziswaf utilization programs to the development of the MSME sector, thereby increasing their contribution to the level of community productivity, people's purchasing power, employment, and direct contribution to economic growth.

LITERATURE REVIEW

Concept of Zakat, Infaq, Sadaqa, and Waqf

Zakat, Infaq, Sadaqa, and Waqf (Ziswaf) is a form of *ibadah maliyah ijtima'iyah* (social and material worship), which means that ziswaf is an instrument of wealth worship which has direct implications for social life (Rohim, 2019). Because ziswaf is a form of philanthropy and community charity activity that shows the social attitudes that exist in someone who does it. However, there are differences between zakat, infaq, sadaqa and waqf in terms of management. Each has different meanings and understandings as well as unique management patterns based on fiqh literature which discusses these Islamic financial instruments.

Zakat means blessing, clean, and also means growing. Zakat is interpreted as a blessing because the assets for which zakat is paid, in essence, do not reduce the assets themselves, but will increase these assets in other forms. The meaning of zakat is not much different from infaq, sadaqa, and also waqf, where all of these instruments are a donation activity and provide part of one's assets for the benefit. As an analogy, it is a seed that will grow and develop into several branches and twigs,

and produce more seeds (Juzairy, 2014). This is because of the blessings of Allah swt. give to people who give alms, whether in the form of zakat, infaq, sadaqa, or waqf.

Zakat is also interpreted as clean because the activity of giving zakat will actually cleanse the property of those who pay zakat from sin and dirt that sticks to their property because other people have rights to their property. This meaning also applies to infaq and waqf, both of which are carried out in the same form, namely giving a portion of property to people who are entitled to it in the way of Allah swt. Specifically, waqf is interpreted as the legal act of waqif to separate property or assets owned and hand over part of these assets to be utilized by other parties in order to fulfill the interests of the community, whether for worship or public interest within a certain time period or forever (Majid, 2022). Thus, this meaning is the basis that actually zakat, infaq, sadaqa, and also waqf (ziswaf) are concrete forms of helping each other between people by giving some of their assets for the benefit of the community which has an impact on increasing the welfare of the people.

Waqf has actually been known in society since classical times. Islam recognizes this very noble tradition and places it as an eternal religious teaching, so that waqf has flourished in Islamic society throughout history. These teachings and values have been implemented until now, so that we can find various results of the implementation of their management in various public facility procurement programs, especially in the construction of mosques, schools, hospitals, drinking water sources, and assistance for the poor (AK & Nasution, 2019). In this way, waqf becomes a very relevant instrument to support development and to redistribute income in society (Rohim & Ridwan, 2022).

More than that, the instruments of zakat, infaq, sadaqa, and also waqf (ziswaf) given by a Muslim also become a characteristic of a Muslim's personality. Ziswaf is a form of representation of a servant's devotion to Allah swt. Apart from that, the activity of paying ziswaf to people in need is a concrete form of helping each other in the good things that Islam commands. So, this ziswaf also becomes an important instrument for social security in Islam, so that between one Muslim and another Muslim a spirit of high social concern will be awakened. Apart from that, economically, ziswaf is also an instrument of income redistribution that can support equitable economic distribution and improve the welfare of the people.

Micro, Small, and Medium Enterprises (MSMEs)

Based on Law No. 20 of 2008, Micro, Small and Medium Enterprises (MSMEs) are productive businesses carried out by individuals or business entities by meeting the standards and criteria that have been regulated and determined. MSMEs are productive business lines that can expand employment networks, and provide various economic services for the community, as well as contributing to equal distribution of community income. Moreover, MSMEs are economic pillars that contribute to increasing national economic growth (Rizki et al., 2022).

Eliada in Faisal (2021) explains that MSMEs are the support of the national economy which focuses on a small people's economy with a local scale, local resources, and a simple production process whose products are sold locally, thus making MSMEs able to survive even when hit by the storm of crisis. The performance of MSMEs continues to develop in line with the basic values that are maintained which are the characteristics of MSMEs, where the basis of MSME work is kinship, economic democracy, togetherness, fair efficiency and sustainability. Apart from that, MSMEs also aim to grow and develop their businesses in an orderly manner and build a national economy based on just economic democracy (Faisal, 2021).

RESEARCH METHOD

This research uses qualitative research methods by analyzing various data and information collected from several relevant literature related to studies on the management of zakat, infaq, sadaqa and waqf as well as studies of MSMEs. There are several documents and sources referred to in this research, including scientific journal articles, official websites, and relevant classical books. Data were analyzed descriptively by describing the concepts of zakat, infaq, sadaqa and waqf as well as the concept of MSMEs. This research was then carried out by examining the relevance of ziswaf and MSMEs, as well as building a ziswaf based-financing model as the final output of this research.

RESULTS AND DISCUSSION

Distribution of ZIS to Increase the Capacity of MSME Traders

ZIS has a significant role in overcoming poverty problems. As part of Islamic law, ZIS is oriented towards efforts to create prosperity for society. So ZIS becomes an important instrument in freeing people from poverty (Hamidah et al., 2017). One of ZIS's contributions in this regard is through various community empowerment programs by increasing the capacity and competence of human resources through various education and training programs. Education and training programs are one of the main forms of social investment for development because they will provide long-term benefits to a country. Among the benefits obtained from education and training programs include the development of knowledge, producing skilled human resources who have reliable abilities, producing innovative and creative individuals needed by industry (Suprayitno et al., 2017).

In this case, zakat, infaq and sadaqa funds can be allocated to education and training programs for mustahik, as part of their needs. Remembering that education and improving skills are the main things in developing and improving human quality so that they are able to adapt to the world of business and industry and can generate income. This includes MSME traders from the mustahik community, who also need training and self-development programs to improve their abilities in the business they are running. Such capacity building and human resource development programs

are an important means of enhancing economic growth and strengthening the economic foundation.

Distribution of Waqf for Business Development

As one of the Islamic social financial instruments, waqf has an important role in supporting economic growth. In its management, waqf funds are generally distributed in three forms, namely distribution to the financial sector through sharia financial institutions, the real sector in projects managed by Nazirs, and also investment financing in BMT (Wardy Putra et al., 2023). Through various distribution programs, waqf can grow communities to become economically independent. On this basis, waqf becomes a very relevant instrument to be distributed in the form of revolving capital for small entrepreneurs (Faisal, 2021).

In its implementation, waqf is distributed in the form of micro and small business development programs that require access to capital. Managed waqf funds can be utilized by being distributed to business actors in the form of loans (*qardhul hasan*) or in the form of investments in accordance with sharia principles. Where the results of management are distributed back to the beneficiary communities (*mauquf alaih*) (Majid, 2022). Apart from that, waqf can also be optimized in various economic activities as long as it does not reduce the value of the waqf assets. It is even possible to invest waqf funds in various financial instruments on the capital market. The main thing is that waqf can be channeled to the real sector, which includes financing for MSMEs and investment in the productive waqf sector (Mahanani & Kassim, 2021).

Waqf shows its contribution in providing access to economic resources for the community. Several studies have also found that waqf-based microfinance has succeeded in proving to be an effective medium in alleviating poverty through financing MSMEs and strengthening the business potential of the poor (Haruna & Ibrahim, 2021; A. Y. Sanyinna et al., 2018).

The practice of managing and distributing the benefits of cash waqf has been carried out in various countries in various programs, including poverty alleviation programs such as providing free health services, providing educational programs such as scholarships, and assistance for business development. In Indonesia, waqf funds are managed in the form of Cash Waqf Linked Sukuk (CWLS), issued by several sharia banks in collaboration with several nazhir institutions. The CWLS management is distributed to several MSME empowerment programs, such as the MSME Capital Assistance program at LazisNU, the MSME Empowerment program at Lazis Muhammadiyah, Friends of MSMEs (Sahabat UMKM) at Baitul Maal Muamalat, to the MSME Capital Waqf at Global Wakaf (Maesarach et al., 2022).

Ziswaf Distribution Model for MSME Development

Ziswaf funds can be used to develop MSMEs by channeling them to various programs to increase MSME capacity and capital. This scheme can be implemented using zakat, infaq, sadaqa and waqf funds in an integrated manner while still

considering sharia provisions regarding limits on distribution of ziswaf. Figure 1 shows the ziswaf-based MSME development model.

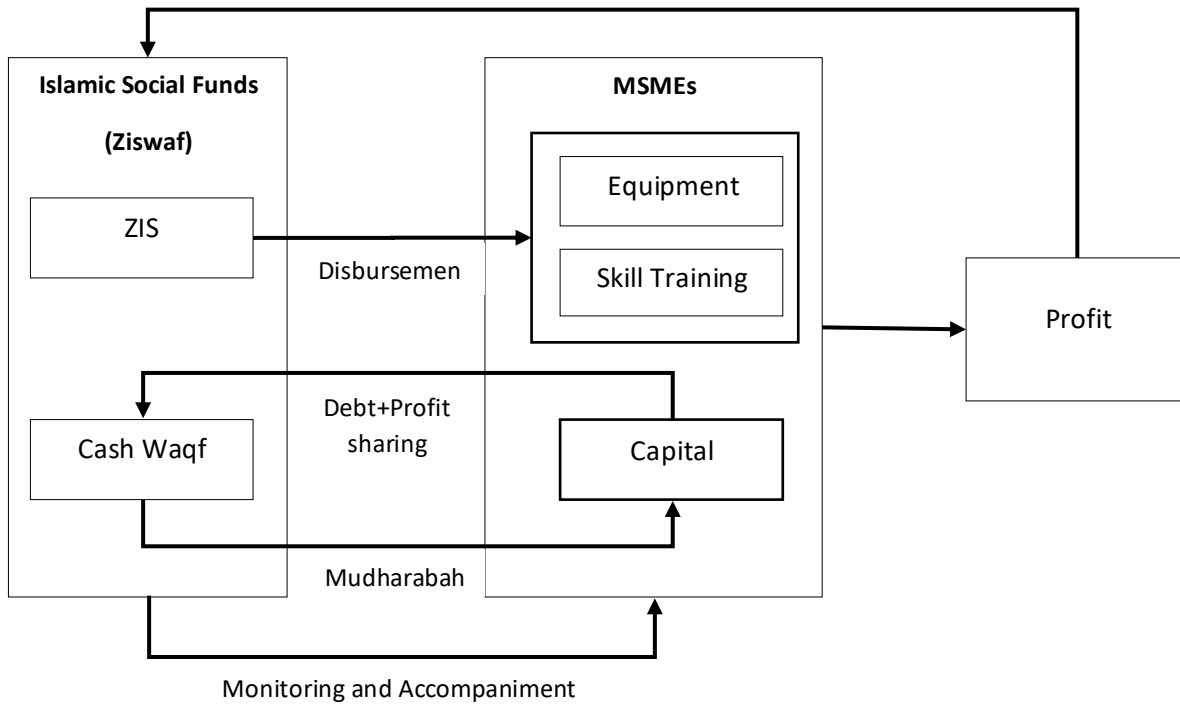


Figure 1. Ziswaf based-Financing for MSMEs Enhancement (ZiFME) Model

Source: Author (2023)

Ziswaf based-Financing for MSMEs Enhancement Model (ZiFME Model) is a design pattern for managing zakat, infaq, sadaqa and waqf that is integrated into the MSME empowerment program. Based on Figure 1, the ZiFME model is implemented in several stages as follows:

Collection of ZIS and Waqf

The Zakat Management Organization (ZMO) collects zakat, infaq and sadaqa funds from various muzakki elements and donors. The waqf is collected by nazhir waqf institutions and sharia financial institutions that have permits as recipients of cash waqf. In its implementation, several ZMOs also have operational permits as cash waqf nazhir. That way, one institution can collect zakat, infaq, sadaqa and waqf funds at the same time. Although it does not rule out the possibility, some ZMOs and nazhir waqf are separate institutions, so the process of collecting ZIS and waqf is carried out separately. In this condition, the two institutions collaborate in distributing ZIS and waqf in one empowerment program.

The mechanism for collecting ziswaf funds is carried out in several mechanisms and channels, both direct channels and digital channels. Current technological developments that have penetrated various sectors have encouraged ZMO and cash waqf nazhir institutions to transform towards digitalization, including in collecting ziswaf funds. It cannot be denied that the current development of digital finance has

made it easier for people to access various financial products. This includes raising funds to be used as capital for business development (Harianto et al., 2023). This transformation pattern is carried out by raising funds through various digital platforms, both those owned by internal institutions and through collaboration schemes with other digital platform providers.

In general, ziswaf funds are collected from individuals or from institutional or institutional elements. Ziswaf funds are collected from individuals or individuals who have met the criteria as *muzakki*, *munfiq* or *wakif*. Apart from that, ziswaf is also collected from institutions as *syakhsyiyah i'tibariyyah* which pays ziswaf through funds reserved from company profits or from assets owned, by paying company zakat (Pusat Kajian Strategis, 2018).

Digital-based fund collection schemes allow managers to receive funds ranging from relatively small amounts to large amounts. Apart from that, digital-based fund raising is also known as an efficient and economical means of reducing operational costs (Muannasa, 2022). From an Islamic perspective, this digital fund collection scheme can be carried out by collecting small amounts of funds from individuals or organizations in large amounts to fund a particular program or project through a website or other digital platform based on sharia principles (Sulaeman, 2020).

Distribution of ZIS for Business Equipment and Training

Zakat is an Islamic social financial instrument that has absolute targets and objectives and has been determined by Islamic law, namely to be distributed to the eight mustahik asnaf. Each of the asnaf has the right to receive zakat in accordance with the conditions and provisions that exist in each. In terms of developing MSMEs, zakat can be allocated to MSME actors who are in the poor category. Namely those who have income but it is not sufficient to meet their daily needs. In an effort to help the poor, zakat is allocated in the form of assistance in the form of money so that it can be used to meet the daily needs of mustahik (Waldan et al., 2022).

In the context of the MSME development program, zakat funds and also sadaqa donations can be allocated to productive utilization programs (Riyadi et al., 2021). This program is provided under the condition that MSMEs have had their primary needs met, such as food. When primary needs have been met, zakat is allocated to them through a capacity development program. This mechanism is carried out through various training programs to increase the skills and competencies of MSME traders. Such as expertise in marketing products to increase product sales, competence in improving product quality, and the process for applying for halal certification of products. The process of distributing ZIS in the capacity building program will have a positive impact on the quality of human resources in general.

Apart from increasing human resource capacity, training programs can also be oriented towards increasing the skills of MSME traders which can have an impact on the quality of the products produced. Like food or beverage MSMEs, they can improve skills and knowledge related to healthy food and beverage processing,

environmental cleanliness, and increase the variety or taste of product quality. Skill improvement can also be directed at the ability of MSME traders to market and distribute their products. Such as by providing digital marketing training, so that the products produced can be marketed via digital platforms, so that they can reach a wider market, which in turn can have an impact on increasing sales levels. In these capacity building activities, ZMO can organize various trainings by presenting experienced experts and practitioners to provide insight to MSME traders. It is also hoped that MSME traders can increase their capabilities and sales capacity.

After MSME entrepreneurs have received training and have experienced an increase in their skills and competencies, ZIS funds can be channeled in the form of providing assistance with goods and equipment to support their business. Especially equipment that supports increasing the scale of the business or which can be a production factor. Especially in supporting the digitalization program, ZIS distribution can be carried out by providing the assistance of digital devices so that it can improve the digital marketing process carried out. In this ZIS distribution format, ZMO distributes ZIS funds to MSMEs by providing assistance in the form of goods and equipment that supports the production and distribution or marketing processes of their products, and is also distributed in the form of training and assistance to increase their capacity.

Distribution of Waqf for Business Capital Loans

Waqf is a financial instrument that has great potential for development. Therefore, waqf must be managed productively and provide added value to the waqf assets and will bring wider benefits (Faisal, 2021). Cash waqf *nazhir* institutions are required to manage and develop the waqf assets they receive, including managing cash waqf. Funds received as waqf assets must be managed, developed and maintained intact. Because this is the main characteristic of waqf. With this pattern, the waqf funds that are developed can provide benefits to the beneficiaries or *mauquf alaih*.

Waqf has a social function and acts as a means of community empowerment. This step can be taken by distributing capital assistance to small businesses to increase their capital through cash waqf, so that their business activities do not stop due to business capital problems. Through this business capital assistance scheme, business actors can continue their business so that they can improve their standard of living (Faisal, 2021). Because cash waqf is a tool that can be used for investment and development and becomes a means to overcome various socio-economic problems (Fauziah & Kassim, 2022). In a study it was shown that waqf can be an effective medium for alleviating poverty and increasing the income of the poor, especially through financing schemes for MSMEs (A. B. Y. Sanyinna et al., 2017).

In terms of supporting increasing the capacity of MSMEs, waqf funds can be channeled in the form of capital assistance. However, it is widely recognized that the distribution of waqf funds to finance MSMEs is a risky scheme. For this reason, risk

mitigation efforts need to be made to avoid financing problems when waqf funds are distributed. Among the risk mitigation patterns implemented is by placing other waqf funds in profit-based products. Apart from that, in several other schemes, several waqf managers also channel funds to MSMEs in the form of customer groups with joint responsibility. This is an effort to minimize financing problems that could potentially occur when distributing waqf funds to MSMEs (Mahanani & Kassim, 2021).

Considering that waqf funds are assets that must be kept intact, waqf funds are distributed as business capital assistance under the *mudharabah* scheme. As a consequence, MSME traders who receive capital assistance from waqf funds are required to manage this capital as well as possible so that they can return the loaned capital to the *nazhir*, along with the agreed profit amount. The portion of the profits given to the waqf *nazhir* will later be distributed to the *mauquf alaih* to improve welfare. However, if the business run by MSME actors cannot provide a level of profit, then MSME actors can return only the principal value of the capital assistance received. This process is of course carried out based on the monitoring and supervision process carried out by the waqf *nazhir*, as part of the risk management implemented.

The *mudharabah* scheme implemented provides its own purpose for MSME traders. This includes building enthusiasm for work and avoiding dependency on the assistance received. This *mudharabah* scheme can trigger enthusiasm for work for MSME traders to be able to work optimally and produce the expected level of profit. With this achievement, they will be able to return the principal of the funds lent, and provide a share of the profits for the benefit of other communities. This also takes into consideration businesses that may experience failure and loss. As a result, they are unable to provide their share of the profits, or return the principal. In these conditions, the waqf *nazhir*, after going through the assessment process, can provide relief in the form of just returning the principal, or can also donate the funds that have been distributed. The shortage of donated waqf funds will later be covered by the *nazhir* through funds that have been reserved or from the *sadaqa infaq* fund scheme, in accordance with the implemented risk management procedures.

Model Implications for Increasing Income

Through the business capital assistance provided, as well as the distribution of assistance in the form of business equipment, MSMEs are expected to be able to run their businesses better and be profit-oriented. This business process is also supported by various training needed to increase the capacity of the business and individual MSME actors. With the assistance received, they will be required to make maximum efforts to generate the expected profits and income.

It is hoped that good business processes can have an impact on increasing income for MSME traders. The income received from the business will later be allocated to four aspects which are the main targets. First, this income is a medium

for fulfilling daily needs that must be met regularly, including clothing, food, shelter, education and health needs. Second, part of the income is distributed in the form of profit sharing to the *nazhir* waqf to be distributed to the *mauquf alaih*, along with the return of the principal. And third, income received from improving business processes, and resulting in an increasing amount of income, is allocated for the sustainability of businesses that are run independently. Fourth, in line with the development of their business and the increase in income, MSME actors are directed to allocate part of their income for infaq, sadaqa, waqf and zakat. The process of distributing ziswaf funds to MSME businesses will later be transferred from one MSME to another, so that a resilient business ecosystem will be built, especially in the MSME sphere.

Monitoring and Assistance

Supervision and monitoring of the distribution of ziswaf funds is an important thing to do. This is needed as a form of evaluation of the distribution program being implemented as well as to track and measure program performance, impact and effectiveness. Supervision and monitoring is carried out on the utilization of assets and funds from ziswaf, the sustainability of the financial system, the resulting social impacts, and accountability (Putra et al., 2023).

As a trust fund manager, ziswaf fund managers are required to distribute funds in a measurable manner with the principles of prudence, openness and benefit-oriented. The process of distributing ziswaf to develop MSMEs is carried out with good management and risk management processes. Distribution of ZIS funds must pay attention to aspects of the criteria for asnaf for zakat recipients, and consider the benefit. Meanwhile, the distribution of waqf funds must maintain the integrity of waqf assets as a standard provision in waqf management. For this reason, in the process of distributing and utilizing funds received by MSMEs, monitoring and supervision mechanisms are needed to ensure the achievement of the expected targets. Apart from that, the mentoring process in terms of business operational mechanisms is also needed to ensure that business processes are carried out in accordance with the direction and mentoring provided. It is hoped that this monitoring and mentoring process can become a medium and means for continuous consultation and reporting regarding the progress of the business being carried out.

CONCLUSION

MSMEs are economic units that have an important role in driving economic growth. In practice, MSMEs face various obstacles in developing their businesses, one of which is the capital aspect. Zakat, infaq, sadaqa and waqf (ziswaf) are alternative instruments that can be optimized in empowering and developing MSMEs. Basically, ZIS is a very relevant instrument in increasing the capacity of MSME actors. With the limited human resources faced, ziswaf can be directed at increasing the competence and skills of MSME actors through various training schemes. As for business

development, especially in terms of capital, waqf fund instruments can be an alternative by being managed through an investment scheme. The ZiFME Model is offered by integrating zakat and waqf funds in the MSME empowerment program. The management process is carried out starting from collecting ziswaf, and continuing with the distribution of ZIS funds for business equipment and also to programs to increase the competency of MSME traders. Apart from that, waqf funds are channeled for business capital using a *mudharabah* scheme. The distribution of this capital assistance will later have implications for increasing the income of MSME traders. All processes and stages are carried out with supervision and evaluation both by the zakat amil and by the waqf *nazhir*. It is hoped that this model can become a new direction for the development of MSMEs by optimizing ziswaf funds, especially to increase community productivity.

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