

# DESIGN OF WAQF BANK ESTABLISHMENT IN INDONESIA: GROUNDED THEORY APPROACH

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**Abstract.** Indonesia, as the largest Muslim-majority nation, possesses significant potential for waqf to contribute to economic growth and enhance the welfare of its population; however, its development remains suboptimal. The importance of this study is to design the establishment of waqf banks that can be applied in Indonesia and fill the literature gap. The study employs a qualitative methodology grounded in theory, utilizing data triangulation to analyse in-depth interviews, with a focus on design thinking techniques. Theoretically, waqf banks can be established in Indonesia by considering the design of structure, ownership, capital, transactions, security, margin, and legality. The design thinking of waqf banks can be integrated within a domestic or national banking framework, characterized by cooperative ownership. Capital is sourced from the company, with transactions conducted through mudharabah. Government guarantees provide security, and profit margins may exceed 3%. Furthermore, waqf banks are recognized as legal entities within the Islamic banking system. The implementation of a more adaptive and reliable waqf bank design in Indonesia enhances the performance and benefits of waqf on a broader scale. Additional research is required to perform a quantitative analysis involving the waqf nazir of waqf collection institutions to promote the establishment of waqf banks in Indonesia.

**Keywords:** *waqf bank, design, Indonesia, establishment, grounded theory*

## Introduction

Indonesia as the world's largest Muslim population country has great potential to develop waqf. Based on the Indonesian Waqf Board (BWI), the potential of waqf reaches Rp. 180 trillion, but its utilization is still very low and the main obstacle is the lack of professional and transparent waqf financial institutions. The development of waqf significantly increases the broad benefits and quickly requires models and approaches according to the characteristics of society and the country (Ayuniyyah et al., 2019). Waqf is an instrument of Islamic philanthropy that has great potential to support economic development and community welfare. However, waqf management in Indonesia is often not optimal due to limited capital, institutional structure, and regulations (Beik et al., 2022). Waqf banks are one of the Islamic financial innovations that have great potential to encourage the economic empowerment of the ummah reduce social inequality and increase global economic growth. In the Indonesian context, the concept of waqf banks requires a strong design to be by Sharia principles and legal regulations, and able to answer the needs of the community (Harrieti and Abubakar, 2020). Waqf banks are a potential solution to increase waqf productivity by synergizing Sharia principles and banking professionalism is expected to be a solution to manage waqf funds with a modern Sharia-based approach.

This study is important because it offers a theoretical framework for the implementation of waqf banks according to the needs of the Indonesian people to support the achievement of Sharia economic goals and provide theoretical guidance for

the establishment of waqf banks in Indonesia. The results of the research are expected to enrich academic studies in the field of Islamic economics, especially related to the management of productive waqf. The study of waqf banks is still limited, especially in the dimension of institutional and operational design in Indonesia. This research fills the gap by providing a multidimensional perspective based on expert interviews. Although there are many studies on productive waqf, research that specifically discusses the design of waqf banks with a holistic approach is still very limited. This study fills the research gap by combining theoretical analysis through in-depth interviews with waqf and banking experts. Waqf bank entities in Indonesia have developed since the establishment of the Micro Waqf Bank (BWM) in 2017, where this micro waqf bank aims to provide financing, assistance and community empowerment through micro, small and medium enterprises (MSMEs) (Fauzi et al., 2024a; 2024b). Because of the great potential of waqf, waqf banks can conceptually be formed in banking regulations that serve more products and customers and refer to waqf laws so that they can optimize existing waqf. The idea of a waqf bank contains the design of the establishment and management of waqf in Indonesia, the implementation of successful waqf banks abroad and the best waqf bank model that is suitable and can be implemented in Indonesia to develop optimal management of money waqf (Havita et al., 2013).

Waqf banks are expected to increase waqf knowledge, understanding, inclusion and literacy in the community as an Islamic social financial institution in Indonesia to increase the productivity and benefits of waqf itself. Thus, the consequence of the establishment of a waqf bank must be met by the provisions of banking regulations and laws as well as the fatwa of the national Sharia council. The establishment of a waqf bank can be a new alternative for Muslims who want to waqf their money as a waqf to fulfil their religious obligations and obedience to Allah SWT so that the waqf bank will be the right and correct place for brands by providing financing for those in need as an alternative to current loans provided by commercial banking institutions. There is limited literature on waqf banks in Indonesia except for micro waqf banks, and no regulations or policies lead to their formation. For this reason, this research is important to fill the gap in reference sources about waqf banks. Then, the role of waqf banks from micro waqf banks based on MFIs is to serve as social institutions for survival while banks manage funds for business continuity so that waqf banks have a clear, strong, and wide scope of benefits. For this reason, it is important to propose the establishment of a waqf bank that is to the needs of the people in Indonesia.

Previous research has been presented by Yusof (2023) aims to determine the contribution of waqf institutions to overcome financial inclusion with waqf banking products to overcome financial inclusion problems in Malaysia with a qualitative exploratory approach. Then Sarea (2019) examine the establishment of waqf banks in Bahrain using structural instruments, capital sources and transaction models with a quantitative survey approach. Moreover, Gabil (2017) exploring the establishment of a waqf bank in Saudi Arabia can help administer waqf and benefit the poor and beneficiaries in need with a qualitative descriptive approach. Meanwhile, this research is different, namely designing the establishment of a comprehensive waqf bank in Indonesia, covering the dimensions of structure, ownership, capital, transactions, guarantees, margins, and law with a grounded theory approach.

## ***Review of literature***

### ***Waqf concept***

The plural of "waqf" is "awqaf," which denotes the concept of "to prevent or detain" concerning the term "waqf." Its literal meaning is "confinement or detention." This is indeed the case, and it corroborates the assertion that waqf possesses property that can be utilized for its intended purposes without causing damage, wasting, or devouring the assets for the benefit of a large number of individuals. Law Number 41 of 2004 concerning waqf clarifies that the legal actions of an individual who endows (wakif) serve the interests of multiple parties, either by separating themselves or by providing benefits for external use or within a specified timeframe of the agreement. These legal actions are in the best interest of the broader community, including the provision of welfare benefits, social activities, and worship activities, all of which are based on the principles of Sharia. The waqf attitude, aligned with its specific or general objective, is converted into a virtuous action applicable in social life, whether explicitly or generally. The primary objective is to fulfil a social function by promoting compassion and providing assistance to the less fortunate, thereby enhancing one's relationship with Allah. This should be accomplished in a manner that is advantageous to both economic life and the interactions between individuals in social settings. The primary objective is to ensure the availability of facilities and infrastructure serving the public interest, thereby promoting shared prosperity across various dimensions, including worship and muamalah. Waqf is understood as a conceptualization of intention that is executed from the wakif to the nazir, applicable to both individuals and institutions. This intention is supported by commodities that can be utilized to deliver more extensive benefits both in the short and long term.

### ***Concept of waqf bank***

Waqf banks, by legal or regulatory definition in Indonesia, have not become a general provision that must be known along with the strengthening of regulations based on various factors. For this reason, literature is needed that can provide explanations and help the public understand what, how, and function of waqf banks. The definition of a waqf bank is an institution that collects charitable funds, known as waqf, for social and economic development. The goal is to utilise these funds for various community projects, including education, healthcare, and infrastructure. The value of waqf banks plays an important role in alleviating poverty and promoting sustainable development in areas with a majority Muslim population. The purpose of waqf banks is through the management of waqf land (with or without waqf money) for productive projects. In addition, it is obtained to issue sukuk and invest in the capital market (stocks, sukuk, mutual funds, etc.) with measurable risk. The form of waqf bank nazir institution can receive money waqf from individuals and domestic and foreign institutions. Meanwhile, the purpose of waqf bank financing can be allocated to halal livestock (on waqf land), including sheep, goats, cows, chickens, fish and animals that are not prohibited by sharia. The development of the orientation of waqf banks with domestic and export needs includes the halal food processing industry, the extraction of basic chemicals for drugs with raw materials from within the country and the empowerment of small and medium enterprises.

In terms of goals and benefits, this is different from the definition of a waqf bank, which fully aims to improve the welfare of Muslims and society at large but is profit-oriented or oriented to economic profits (Havita et al., 2013). Waqf banks are institutions that are independent of all orientations of economic benefits and are fully dedicated to social welfare, namely by providing financing for small businesses and

focusing on the economic development of marginalised communities (Mohammad, 2011). Thus, waqf banks can be understood as formal banking institutions that are sourced from waqf and comply with banking and waqf regulations, contributing to the long-term development of the country and society in a fair and prosperous manner.

### ***Ownership of waqf bank***

In the context of banking, a waqf bank is a financial institution established using waqf funds. The ownership structure of such a bank is unique ownership by the Waqf: the bank's capital originates from waqf contributions, meaning the bank is owned by the waqf itself. This structure ensures that the bank's assets are dedicated to serving the community's needs, aligning with the waqf's charitable objectives (Ahmed, 2007). This ownership model distinguishes waqf banks from conventional banks, as their primary goal is to fulfil charitable and social objectives rather than maximizing profits. The profits generated are reinvested into the community, supporting various social and economic development projects (Baharuddin and Possumah, 2022). For instance, the proposed model of a Sharia bank's share ownership through waqf funds suggests that the bank's capital could be sourced from monetary waqf donated by wealthy Muslims. This approach aims to provide an alternative source of capital for Islamic banks, ensuring that the ownership remains within the waqf framework and serves the community's interests. In summary, a waqf bank's ownership is vested in the waqf itself, with management entrusted to appointed individuals or boards. This structure ensures that the bank operates in line with Islamic principles, focusing on community development and charitable activities.

### ***Capital contribution of waqf bank***

Capital contribution because as a banking institution established by the provisions of Indonesian law, anyone is allowed to invest stocks or capital which, of course, hopes to get profits or benefits from what they have invested. However, on the other side of the waqf law, the nature of waqf is eternal. The amount of capital allowed to be included in waqf banks is very important because it concerns the provisions of the applicable regulations (Sarea, 2019). The clarity of the capital contribution determined will motivate the community to participate in the continuity of the Waqf Bank.

### ***Transaction mode of waqf bank***

These transaction modes enable Waqf Banks to offer Shariah-compliant financial services, promoting ethical investments and contributing to socio-economic development. By leveraging waqf assets, these banks can support community initiatives, provide financing to underserved sectors, and foster financial inclusion. For a comprehensive understanding of the theoretical and practical aspects of establishing an Islamic social (Waqf) bank, refer to the study by Mohammad (2015), which explores the viability and structure of such institution waqf bank by ijarah, mudharabah, murabahah, qordul hasan, musyarakah and istisna.

### ***Credit security of waqf bank***

Regarding credit security, waqf banks can play a pivotal role in providing interest-free microcredit to underserved populations. By leveraging cash waqf-monetary

endowments-the bank can offer financing without the burden of interest, thereby fostering financial inclusion and empowering economically disadvantaged groups (Tahiri-Jouti, 2022). This mechanism enhances credit security by reducing default risks, as borrowers are more likely to repay loans that do not accrue interest. An illustrative example is the Cash Waqf Certificate introduced by Social Islami Bank Ltd. (SIBL) in Bangladesh in 1997. This innovative financial instrument allows donors to contribute cash as waqf, which the bank invests. The profits generated are then used for social welfare projects, including providing interest-free microcredit to the poor, thereby linking Islamic commercial and social finance effectively (Mannan, 2018). In Indonesia, the concept of waqf banks has been explored to integrate Islamic jurisprudence with institutional professionalism. Studies indicate that such integration can lead to the development of waqf banks that are both Shariah-compliant and effective in financial management, thereby enhancing credit security for beneficiaries (Muhaimin et al., 2024). By combining the principles of waqf with modern banking practices, waqf banks can offer sustainable financial solutions that uphold Islamic ethical standards while addressing contemporary economic challenges.

### ***Margin of waqf bank***

The concept of a Waqf Bank refers to financial institutions that manage and develop waqf assets to generate income for social and charitable activities. These banks aim to enhance the financial sustainability of waqf properties, ensuring that the benefits reach the intended beneficiaries effectively (Nurjanah and Hasanah, 2021). For instance, the Awqaf Properties Investment Fund (APIF) participates in financing income-generating real estate properties to support social and charitable activities. Regarding margin in Islamic finance, it's important to note that traditional margin trading, which involves borrowing funds to invest in financial instruments, is generally prohibited in Islamic finance due to the involvement of interest (riba) and excessive risk (Gharar) (Rusydiana et al., 2021). Islamic finance principles emphasize risk-sharing and prohibit interest-based transactions. Therefore, financial products and services offered by Islamic financial institutions, including those managing waqf assets, are structured to comply with these principles, avoiding conventional margin trading practices. In summary, Waqf Banks are specialized institutions that manage waqf assets to generate income for charitable purposes, adhering to Islamic financial principles that prohibit interest and excessive risk.

### ***Legal framework of waqf bank***

The formulation of policies or regulations on waqf in Indonesia has undergone reform due to adjustments to the conditions and development of public needs, especially Muslims. The following are some forms of waqf regulations in 1960 Agrarian Affairs Law Number 5. Article 49 has these clauses. (a) State-controlled land may be used for worship and other holy purposes under article 14. (b) Government rules preserve and control owned land waqf (Law 5 in 1960). Government Regulation 28 of 1977, the definition of waqf is: waqf is a religious institution that may be used to improve religious life, especially for Muslims to accomplish spiritual and material well-being toward a just and successful Pancasila society Pancasila (PP28 in 1977). Waqf is defined as follows in Compilation of Islamic Law article 215 of 2011 paragraph (1). Islamic principles require a person or group to separate part of their property and

institutionalize it for eternity for prayer or other public purposes through waqf. According to Law 41 of 2004, article 1 paragraph (1), Waqf is a legal act of separating and/or handing up part of one's property for worship and/or public benefit, according to Sharia law (Law 41 in 2004). According to Government Regulation 42 of 2006 article 1 paragraph (1), the definition of waqf is the same as in Law 41 of 2004. Waqf is a legal act of wâkif that involves donating part of one's property for worship or general welfare, as per Sharia law (PP42 in 2006). f. Government Regulation Number 25 of 2018 amends Government Regulation 42 of 2006 to allow for new exchange processes. Thus, waqf rules in Indonesia have changed from 1960 to 2018, indicating that science and knowledge regulations must be amended since they underpin human needs. With legislation that quickly addresses waqf demands and issues in the future, stakeholders must be active.

### ***Structure of waqf bank***

Structure of Waqf Bank Many people need to know the enforced functions, flows, and SOPs so that all components are known and understood. Because of a weak structure in banking services, it will not be productive and tends to have the potential for uncertainty. The existence of a clear waqf bank structure will encourage the public to participate, both companies and individuals, to support an efficient bank structure (Ramli and Jalil, 2014).

### **Materials and Methods**

This study uses a qualitative method with a grounded theory approach. For this reason, Creswell (2014) *Explaining Qualitative Research* is a type of research that focuses on understanding or interpreting phenomena in a natural context to explore a deep understanding of the experiences, views, or perspectives of individuals or groups related to a phenomenon. Meanwhile, the grounded theory research approach, according to Strauss and Corbin (1998) focuses on the discovery of theories that can explain social or psychological phenomena based on patterns that emerge from data collected through interviews, observations, or documents. Data collection is derived from waqf and banking expert informants using semi-structured interviews to get perspectives on waqf bank architecture. Data validation through triangulation includes data gathering, reduction, presentation, and conclusion. Miles et al. (2005) said data analysis is defined as a process that entails repeated and continuous operations until data saturation is attained. This indicates that no data will be obtained if it is removed. Data analysis techniques use design thinking by designing the process of data collection, interpretation, and visualization to foster innovation in various fields and its popularity in practice and theory, the number of publications has grown rapidly (Rösch et al., 2023).

The design thinking model social evolution 6 (SE6) is employed to address this study. SE6 was developed as an evolutionary process toward design thinking and social innovation by integrating the evolution model 6 with the six-stage spiral model of social innovation (Murray et al., 2010). The Portuguese company Mindshake subsequently developed a model that enhanced the accessibility and intuitiveness of the social innovation process, thereby establishing it as a practical application in a variety of multidisciplinary disciplines (Moreira et al., 2021). Due to the social innovation spiral model and the design thinking evolution 6 of the model, the Mindshake team elected to

preserve the six-phase division. He has also emphasized the letter 'E' due to its rationality in not only enhancing and illuminating the aspect of 'Evolution' but also the logical form of the model that was used as the foundation for its creation through empathy, exploration, elaboration, exposure, execution, and expansion (Moreira et al., 2021). As illustrated in the accompanying *Figure 1*.



*Figure 1. Six social evolution model.*  
Source: Moreira et al. (2021).

The design thinking process model typically begins with observation and interview stages, followed by problem formulation, solution creation, prototype development, and ultimately, prototype testing to determine its efficacy in addressing the identified problem (Syed et al., 2021). This model was carefully evaluated in formulating recommendations for the enhancement of Islamic financial inclusion in Indonesia, particularly through the creation of waqf banks as a novel approach to waqf development. This is calibrated to the context of the field and aesthetic sensibilities. The characteristics that are considered appropriate for innovation and evolution whose context is by the number, composition, dynamics and available time (Pressman, 2019).

## Results and Discussion

The opinion that Indonesia has a significant potential to establish Islamic social bank services or waqf banks is supported by interviews with waqf experts and Islamic financial institutions in Indonesia.

*"The establishment of Waqf Bank in Indonesia holds significant potential, bolstered by the favourable evolution of micro waqf banks as social financial institutions since 2017, alongside the optimization of waqf funds, capital market investments, halal livestock, and land waqf. The primary concept for the construction of a waqf bank complies with requirements, encompassing the integration of banking law and waqf law. Then the structure comprises research, planning and innovation, capital ownership, collection, management, distribution, risk management, sharia rules and compliance and human resources"* (R1).

This is a reference to the establishment of Waqf Banks in several countries, one of which is Malaysia, where the People's Waqf Fund is managed by Bank Muamalat Malaysia Berhad (BMMB). Through Warees Investment, Singapore collaborates with the Islamic Religious Council of Singapore (MUIS), Turkey collaborates with Vakif Katilim Bankasi, and Bangladesh collaborates with Social Islam Bank. As a result, the growth of waqf throughout the world creates an environment that is favourable for the formation of waqf banks in Indonesia. Then, Bobby as a waqf practitioner argued:

*"The construction of a Waqf Bank in Indonesia has significant potential for the implementation of this concept, as there are no legal or Islamic prohibitions against its development. The foundation of a waqf bank must include ownership structure, capital contributions, transaction agreements, and profit distribution to provide clarity from the outset and to prevent fraud or neglect"* (R2).

The creation of a waqf bank presents a novel option for Muslims seeking to dedicate their financial resources as waqf, thereby fulfilling their religious duties and demonstrating obedience to Allah SWT. This waqf bank would serve as an appropriate and legitimate venue for brands, offering financial support to those in need as an alternative to the conventional loans available through commercial banking entities. According to the insights provided by waqf experts, including both scholars and practitioners, it is emphasized that the establishment of a bank-based waqf bank must consider various structural factors. These include the ownership structure, capital contributions, transaction modalities, credit security measures, profit distribution, and the overarching legal framework. Examine Aziz (2017) analysis on the establishment of Islamic waqf banks, which necessitates careful consideration of potential obstacles related to capital contributions, investment risks, and the pertinent legal frameworks (regulations). Subsequently, the Aziz and Yusof (2019) posited that the acceptability of cash waqf and the appropriateness of the capital structure of waqf banks may be regarded as waqf instruments in addressing the financial challenges faced by clients with existing loans.

The form of ownership, when viewed from the principle of waqf, is that the owner of the waqf is Allah because all waqf contracts are addressed to Allah for the benefit of humanity. If the depositor owns it, there is a return, violating the waqf rules. The form of waqf banks must pay attention to the sustainability of their business so that the ownership factor is a concern in determining its future orientation. The clarity of the form of ownership of the Waqf Bank will determine the public's certainty in utilizing it as an investment, depositor, development, and so on. Capital contribution because as a banking institution established by the provisions of Indonesian law, anyone is allowed to invest stocks or capital which, of course, hopes to get profits or benefits from what they have invested. However, on the other side of the waqf law, the nature of waqf is eternal. The amount of capital allowed to be included in waqf banks is very important because it concerns the provisions of the applicable regulations (Sarea, 2019). The clarity of the capital contribution determined will motivate the community to participate in the continuity of the Waqf Bank. Transaction mode ('aqad) is a banking service where capital owners, creditors, and managers who have all been regulated in the banking law and DSN fatwa are allowed to conduct transactions per Sharia principles. However, is the contract that has been used in banking applied differently to waqf



banks? The nature of waqf banks is a Sharia principle, so the transaction model determined includes laws that local authorities have set (Sarea, 2019).

Credit security due to banking services: Some customers submit waqf as savers/waqif and hand it over to the nazir, the waqf bank as the manager, and then lend or use it for the wider community. Is it possible that the level of security and confidentiality is very good? Loan security for the public is an important motivation to provide a sense of calm and certainty in transactions. This has a logical consequence: anyone wants their business transactions to be safe and smooth. As a professional and accountable financial institution, margin is required to have sustainable business value because it involves existing resources. So, Waqf bank managers continue to maintain the level of profit obtained as a service in management, for example, employee salaries, provision and improvement of infrastructure, marketing, socialization, operations, and investment. This should not burden creditor customers by making a policy that the profit level for Waqf bank managers is very high. Legal framework or regulation is a business's most important basic framework, especially banking services that prioritize service, security, and legal certainty. Unfortunately, there are no regulations on waqf banks in Indonesia, so it is necessary to know the regulations, policies, or rules for its establishment (Havita et al., 2013). The clarity of the legal framework in the Waqf Bank will provide certainty to the public about the guidelines or restrictions imposed so that there are no aspects that are detrimental or beneficial to other parties.

Structure of Waqf Bank Many people need to know the enforced functions, flows, and SOPs so that all components are known and understood. Because of a weak structure in banking services, it will not be productive and tends to have the potential for uncertainty. The existence of a clear waqf bank structure will encourage the public to participate, both companies and individuals, to support an efficient bank structure (Ramli and Jalil, 2014). Previous research has been presented Yusof (2023) aims to determine the contribution of waqf institutions to overcome financial inclusion with waqf banking products to overcome financial inclusion problems in Malaysia with a qualitative exploratory approach. Then Sarea (2019) examine the establishment of waqf banks in Bahrain using structural instruments, capital sources and transaction models with a quantitative survey approach. Moreover Gabil (2017), exploring the establishment of a waqf bank in Saudi Arabia can help administer waqf and benefit the poor and beneficiaries in need with a qualitative descriptive approach. In contrast, this study examines the design of the establishment of waqf banks in Indonesia (*Table 1*). Therefore, with the design thinking of the six social evolution models, waqf banks in Indonesia can be designed according to needs and implemented with a domestic or national bank structure, ownership of waqf banks by cooperatives, capital for waqf banks is obtained by companies, the transaction mode of waqf banks is mudharabah, the security of waqf banks is guaranteed by the government, waqf bank margins are possibly more than 3%, and waqf banks are legal as sharia banks.

**Table 1.** Six social evolution models analysis.

Empathy	Exploration	Elaboration	Exposure	Execution	Expansion
The Importance of Establishing a Waqf Bank according to the design needed in Indonesia	Creating a feasibility study of a waqf-based financing model for MSMEs  Increasing insight into the	Establish a waqf service unit under the supervision of the OJK and involve religious leaders and the government.  The creation of a	Holding a seminar on the importance of productive waqf in community economic empowerment.	The opening of the first Waqf Bank branch with a focus on financing MSMEs with the management of waqf funds.	eating mobile banking services for customers in the region and building partnerships with international organizations.

potential and challenges of waqf banks in Indonesia.	waqf bank design based on sharia principles and MSMEs.	Community and stakeholder support for waqf banks.	Public access to waqf-based financing is increasing.	Increasing waqf-based financial inclusion widely for community economic empowerment.
Survey of the main economic sector of waqf bank funding.	Development of a Sharia-based financial system for professional waqf management.	Seminars, webinars and social media about waqf banks and their benefits.	Microfinance for Sharia-based MSMEs through capital from waqf banks.	Opening of waqf bank branches in the region and introduction of its products.
Exploring the model of contracts based on qard, wakalah, or murabahah and reviewing the practice of running contracts in other Islamic banks.	Preparing detailed procedures for productive waqf contracts, involving Sharia scholars and academics to ensure compliance with Islamic law.	Socialization of contracts in seminars and workshops, communities and submitting draft contracts to DSN-MUI.	Integrate contracts in the Waqf Bank transaction system and train bank officers in implementing contracts by SOPs.	Increase the scale of productive waqf financing and offer innovative contracts for other sectors such as education or waqf-based health.
Examining the financial security technology system to support the safe management of waqf funds.	Designing a security system based on technology and Sharia values to prevent fraud and support the sustainability of waqf management.	Provides an understanding of security mechanisms, transparent audits, and fund protection.	Launching a waqf bank operational security system with national and international financial security standards.	Integrate security design into the entire network of waqf banks to ensure efficiency and effectiveness nationwide.
Comparative studies of various countries with innovative waqf banking margin systems.	Develop a financing margin design based on mudharabah or musharakah contracts that prioritize the success of the beneficiary's business.	Held a seminar with the theme "The Advantages of Waqf-Based Margins: Inclusive Solutions for the People's Economy".	Launching a waqf-based margin program to the community, as well as providing a digital-based application to monitor margin and financing performance in real-time.	Opening waqf bank branches with local MSME targets, as well as expanding the financing portfolio to increase social and economic impact.
Comparative studies of other countries that have successfully managed waqf banks through legal research support professional waqf management.	Drafting waqf bank regulations including governance, transparency, accountability and designing SOPs for the management of waqf funds.	Involving scholars, academics, and financial regulators received input from the wider community.	Establish a waqf management institution supervised by the OJK, and implement regulations through the waqf bank pilot project.	Providing digital waqf services to reach the community and increase collaboration between Islamic banking and fintech.

*Source: Moreira et al. (2021)*

## Conclusion

Waqf banks have great potential to support the economic empowerment of the people in Indonesia. Theoretically, waqf banks can be established in Indonesia by paying attention to the design of the structure, ownership, capital, transactions, security, margin and legality. The implementation of waqf bank design thinking is possible with either a domestic or national bank structure, the ownership of waqf banks by cooperatives, the waqf bank capital obtained by the company, the waqf bank transaction mode being mudharabah, the government guaranteeing the security of waqf banks, waqf bank margins possibly exceeding three per cent, and waqf banks being legal as Islamic banks. This study fills a gap in the academic literature. The implications of research

with an adaptive and reliable waqf bank design applied in Indonesia improve the performance and benefits of waqf broadly. Future research is needed to conduct a quantitative study involving the waqf nazir of waqf collection institutions to encourage the establishment of waqf banks in Indonesia.

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### **Conflict of interest**

The author has disclosed that they have no competing interests, including financial or personal relationships, about the composition of this article.

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