

BANK WAKAF MIKRO MODEL IN IMPROVING SHARIA FINANCIAL INCLUSION IN INDONESIA

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ABSTRACT

Indonesia and many other developing countries today, still have many challenges to overcome poverty and income inequality problems. This phenomenon can be seen from the high gini ratio of 0.38 and from the substantial percentage of the poor which exceeded 9.41%. In attempt to reduce this poverty and income gap, the Government adopts the policy of enhancing and improving considerably financial inclusion. In practice, financial inclusion program still faces several challenges as the low middle-income population is dealing with the difficulty in gaining the formal financial access (unbankable) due to legality reason and collateral constraints. Islamic Micro Finance Institutions (MFIs) comes into existence as an alternative for those who are unbankable due to inability to meet the financing requirements. This research is aimed to explore which aspects necessitated by MFIs as well as to examine which MFI's model is more preferred to foster sharia financial inclusion. This paper uses data from some MFI and MFIs and employs descriptive-qualitative approach with Analytical Hierarchy Process (AHP) to answer the research questions. The results reveal that there are important aspects that play significant role in improving sharia financial inclusion, encompassing: source of funds, success of the institution and role of stakeholders. As for the analysis of which type of MFIs is chosen to enhance financial inclusion, it turns out to be Bank Wakaf Mikro.

Keywords: *Bank Wakaf Mikro*, Financial Inclusion, AHP, MFIs

1. INTRODUCTION

Since the beginning of independence, the Indonesian government has been aiming for the welfare of the Indonesian people based on the Almighty God, Fair and Civilized Humanity, the Unity of Indonesia and realizing a populism led by wisdom in the deliberative representation and by realizing social justice for all Indonesian People (*Undang – Undang Dasar*, 1945). After 73 years of independence, through a series of government policies since the Government of the Old Order, New Order and Reform Order, Indonesia still faces the great challenges to continue to suppress the rate of population growth, open unemployment and absolute poverty. Based on data from the Central Statistics Agency (BPS, March 2018), it shows that the income inequality of Indonesia's population is still high with a gini ratio of 0.38 and with the percentage of Indonesia's poor population also remains high at 9.41%.

Difficult access to financial services has causes the poor to rely on limited savings for investment and small entrepreneurs just must rely on profits to continue businesses. As a result, income inequality has not diminished and economic has a slow growth (Allen et al., 2012). In other side, several research results have shown that development in the financial sector can reduce income inequality (Beck, et. al., 2007; Shahbaz and Islam, 2011; Ang, 2010) and reduce poverty (Jalilian and Kirkpatrick, 2002; Agbola, et. al, 2016; Ali, 2017; Lal, 2018; and Miled and Ben Rejeb, 2015). That is why, to encourage economic growth, reduce poverty, and reduce income inequality, the Indonesian government considers that financial inclusion is one of the important things that needs to be maximally. Therefore, in year 2016, the Government issued a financial inclusion policy through Presidential Regulation of the Republic of Indonesia Number 82 of 2016 concerning the National Strategy for Inclusive Finance (SNKI).

Based on the 2019 National Financial Literacy and Inclusion Survey (SNLK, 2019), the level of financial inclusion had reached 75.28%, an increase from 2016 of 65.60%. In the same survey, the level of Islamic financial inclusion was recorded to be far smaller than the level of financial inclusion in general, which was only 9.10% or decreased when compared to year 2016 which was only 11.06%. The low level of Islamic financial inclusion is a big challenge that must be answered considering that Indonesia is a country with the largest Muslim population in the world.

The Financial Services Authority (OJK) as a regulator of the Indonesian financial services sector as well as a member of the National Board of Inclusive Finance has an important role in increasing financial inclusion, including Islamic finance, to all levels of Indonesian society.

In practice, financial inclusion still faces various challenges. For the lower middle class, borrowing or applying for financing to banks is difficult. They cannot propose this because there are many conditions they cannot fulfill. In fact, the existence of financial access to low-income people can make them able to increase their income and economic welfare. The lack of ease of financial assistance seems to be the main reason for the inability of the lower middle class to participate in economic development (Obaidullah, 2008). To overcome these problems, one solution is the Islamic Microfinance Institution (MFIs).

One of the latest breakthroughs in the MFIs industry in Indonesia is the management of religious social funds and / or donation funds conducted by Bank Wakaf Mikro (BWM). The presence of BWM has provided a very important role as one of the alternatives of sharia-based financing to increase financial inclusion for the lower middle class, especially financing for Small and Micro Business (SME) actors. As mention before, Indonesian SME entrepreneurs in general have limitations in getting venture capital given that the banking industry considers these SME entrepreneurs to be unbankable with high credit risk. This gap is used by moneylenders to offer business capital loans to SME and SMEs, but with very high margins or interest rates far exceeding the average loan interest rate in banks (see also: Atmadja, et al., 2017).

BWM operates similar business activities with MFIs in general, but with the development of the characteristics of the business model initiated by the OJK. This model namely as financing which is complemented by a business assistance program, without collateral, low profit-sharing rates equal to 3% per year, and group based. The initiation was carried out by OJK together with the National Amil Zakat Institute (LAZNAS) BSM Umat. The development of BWM is intended to expand financial access for people at the micro level and focus on group financing for small communities. Until November 2019, 55 BWM have been established in various regions in Indonesia with a total funding distribution of Rp36.6 billion given to more than 27,500 micro customers. Base on the above explanation, the objectives of this research are as follows: (i). Exploring the important aspects that need to exist in the Microfinance Institution in effort to increase Islamic financial inclusion; and (ii). Examining what Islamic Microfinance Institution models are best for increasing Islamic financial inclusion and alleviating poverty.

2. LITERATURE REVIEW

2.1 Financial Inclusion in Indonesia

According to the World Bank (2008), the definition of financial inclusion is as a comprehensive activity aimed at removing all forms of constraints, both in the form of prices and non-prices, to the public's access to use or utilize financial services. In addition, according to the OJK, inclusive finance is all efforts aimed at eliminating all forms of price and non-price barriers to community access in utilizing financial services so that they can provide significant benefits to improving people's lives, especially for regions with its conditions geographically difficult to reach or border areas.

Basically, inclusive financial policy is a form of financial service deepening aimed at the community in the bottom of the pyramid to utilize formal financial products and services such as means of keeping money safe, transferring, saving or borrowing and insurance. This is done not only providing products in an appropriate manner but combined with various aspects. Inclusive finance is an important component in the process of social inclusion and economic inclusion that plays a role in promoting economic growth, creating financial system stability, supporting poverty reduction programs, and reducing disparities between individuals and between regions. The inclusive financial system is realized through public access to financial services so that it can increase economic capacity and ultimately open the way to escape poverty and reduce economic inequality. Wider access to financial services is important in efforts to increase participation of all levels of society in the economy. This shows that inclusive finance is a very important role in the development of a country.

Currently, government is very serious about the development of inclusive finance. This is indicated by the issuance of Presidential Regulation No. Republic of Indonesia. 82 of 2016 concerning the National Inclusive Financial Strategy (PP SNKI) which targets of 75% of the adult population has access to financial services in formal financial institutions by the end of 2019. The PP SNKI is a guide for each ministry / agency, Provincial Government, District Government / Cities,

and other relevant agencies to be able to seriously play a role in increasing financial inclusion in Indonesia through their respective activities together and integrated.

2.2 Islamic Microfinance Institutions (MFIs)

According to the Law of the Republic of Indonesia No.1 of 2013 Article 3, it is stated that MFIs aim to increase access to micro-scale funding for the community, help increase economic empowerment and community productivity, and help increase people's income and welfare, especially the poor and / or low income.

Microfinance institutions are as providers of financial services, especially deposits and credit, and also other financial services intended for poor and low-income families who do not have access to commercial banks. Coaching, regulation, and supervision of MFIs are carried out by the OJK. In conducting coaching, OJK coordinates with the other Ministry that organizes cooperative affairs and the Ministry of Home Affairs. Development and supervision of MFIs are delegated to district / city governments. In the case that the district / city government is not ready, the OJK can delegate the guidance and supervision of the MFIs to other designated parties. Provisions regarding matters relating to guidance and supervision delegated to regency / city government and other designated parties are regulated in OJK Regulations.

2.3 Previous Studies

There has been a limited literature that discuss the micro finance institutions whose source of funds are from social funds. The following are several literatures which relate closely to the aim of this study. Research based on case studies in various countries was conducted by Mohsin, et. al. (2016); Mannan (2018); and Arif (2019), whom explained a specific case study at Social Islamic Bank Limited (SIBL). The history, practice and governance of waqf (cash) in several countries are explained by Mohsin, et. al. (2016). This study explains that it is not limited to Muslim-majority countries such as Turkey, Malaysia, Indonesia, Iran and Kuwait but also further elaborates on practices in Muslim minority countries, such as like: Singapore, New Zealand and India. After experiencing a dark period at the end of the collapse of the Ottoman empire, the practice of cash waqf has apparently developed in several countries, including Indonesia and Malaysia. In the beginning, endowments of cash in both countries are managed for the construction of worship facilities such as mosques and other social facilities.

Mannan (2018) and Arif (2019) further explain that the practice of cash waqf that is able to connect commercial and social aspects within the bank institution established in 1997, namely SIBL. SIBL is a combination of a three-sector banking model: (1) in the formal sector, SIBL operate as a commercial bank by providing profit and loss sharing loans; (2) SIBL is also in the informal banking sector which provides microfinance to the informal sector including empowerment; (3) besides that, SIBL is a social development bank that contributes to developing mosques. The first cash waqf-based product issued by this bank is cash waqf certificate. This cash waqf can serve as an alternative to the practice of cash waqf in the 15th century Ottoman era. The results of the management of waqf are used for socio-economic programs in various fields: education, health, sanitation, other social services to interest-free micro credit for family empowerment.

3. RESEARCH METHODOLOGY

3.1 Data and Method

This type of research is qualitative and the data used are primary data taken from various informants. The qualitative research was carried out in conjunction with a qualitative survey from January 2019 to October 2019. Compilation of qualitative research results and analysis of results was taken from August 2019 to November 2019. The descriptive-qualitative research method in collecting data was done by using FGD (Focus Group Discussion) method. With this FGD, it is expected that discussion and group dynamics will occur therefore the conclusions obtained are not individual opinions but group opinions. Each time the FGD is estimated to take between 1-2.5 hours. The role of researchers in this FGD is as a facilitator who guides the discussion.

3.2 Analytical Hierarchy Process (AHP)

The data analysis technique in this study is the Analytical Hierarchy Process (AHP) method. The AHP method is a decision making model developed by Thomas L. Saaty (1993), to overcome complex multi-factor problems. AHP method is very relevant as a method for solving a complex situation that is not structured and at the same time dynamic (Hamali, 2015).

AHP is used for qualitative factor research which is put forward subjectively. This assessment is given by comparing between elements and giving a score. For example, comparing between financial system factors and the fiscal system in the context of financial system stability. If the respondent scores 4 (four) for the financial system compared to the fiscal system, the value for the fiscal system is 1/4. This method is used because one of the AHP axioms is reciprocal comparison. Thus if the respondent has given a score of 4, he no longer needs to fill in the score 1/4 for the opposite.

The scoring used is a scale of 1-9 with the following meanings: score 1 = equal importance; score 3 = moderate importance; score 5 = strong importance; score 7 = very strong importance; and score 9 = extreme importance. A score of 2, 4, 6, 8 is the middle score of the upper and lower scores. The assessment is done by experts, through questionnaire sheets. After that the average value of the separate assessment will be found, with the formula:

$$Aw = \frac{n}{\sqrt{a_1 \cdot a_2 \dots a_n}} \quad (1)$$

where Aw is the measurement average, a_i is the rating of the i - n^{th} respondent, and n is the number of respondents.

In this context, AHP provides a tolerance of inconsistency of 10%. Inconsistencies will be found in the following ways:

$C_1 \dots C_n$ = level in the hierarchy, $W_1 \dots W_n$ = weight of influence, a_{ij} = the number showing the strength of C_i if compared to C_j .

The reciprocal matrix is as follows: $A = (a_{ij}); U_{ji} = 1/a_{ij}$

Matrix A is deemed consistent if:

$$a_{ij} \cdot a_{jk} = a_{ik}; a_{ik}, a_{kj} = a_{ij}; a_{ij} \cdot a_{ki} = a_{ji} \quad (2)$$

Another way to find out the inconsistencies is to arrange an inconsistency ratio using the following formula.

$$RK = IK / IR \quad (3)$$

Where RK = ratio of consistency, IK = index of consistency, IR = index random. To search the index of consistency, the following formula is used:

$$IK = (\lambda_{\max} - n) / (n-1) \quad (4)$$

Index Random is as follows:

Uk. Matrik	3	4	5	6	7	8	9	10
Indeks Random	0,58	0,90	1,12	1,24	1,32	1,41	1,45	1,49

4. RESULTS AND ANALYSIS

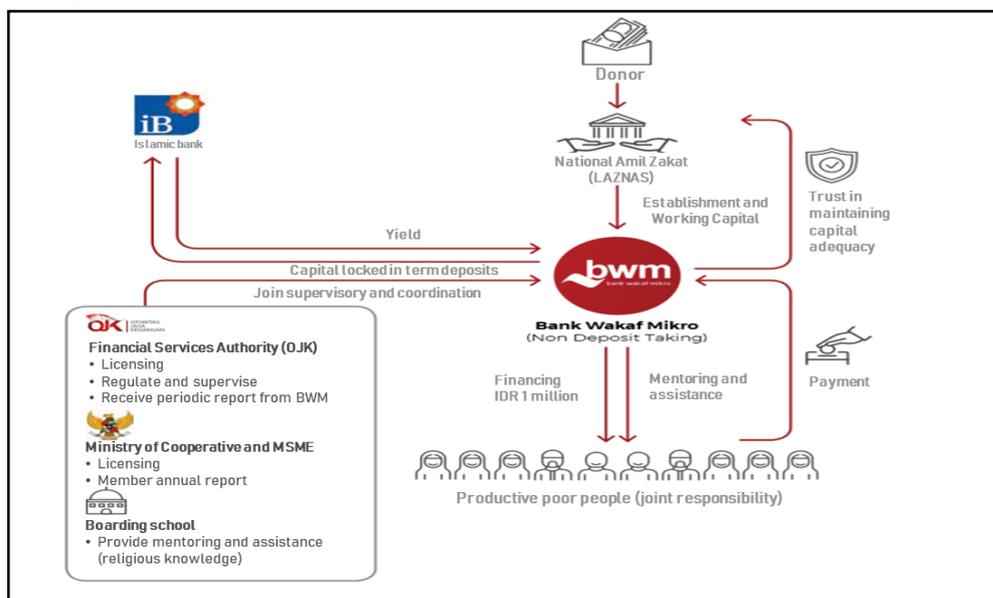
4.1. The Background of Bank Wakaf Mikro

OJK in the public outreach material with the theme "Community Empowerment Program through the Establishment of Bank Wakaf Mikro—Sharia Micro Finance Institutions" (2018), states several reasons that formed the background of the establishment of BWM. First, the problem of inequality and poverty. Poverty and inequality are national problems that have been ongoing for years. Based on BPS data (2017), currently the number of poor people in Indonesia is 26.6 million or around 10.12% of population. This was followed by a high level of inequality, at the level of 0.3910 where the largest inequality originated in cities, which was 0.4040. Almost all regions in Indonesia tend to have a poverty rate of 12-28% or above the national average. Secondly, for this reason, efforts are needed to empower the economic community to alleviate poverty. The economic empowerment of the people must be present to be one of the solutions in alleviating inequality and poverty. Third, on the other hand the government sees that pesantren has a strategic function in empowering the economic community. Pesantren is one of the elements of society that has a strategic function in assisting to encourage the community's economy.

The legal basis for the establishment and operation of BWM in Indonesia generally refers to the OJK Law, MFI Law, POJK No.61/ POJK.05/2015 concerning Business Licensing and Microfinance Institutions, POJK No. 62 / POJK.05 / 2015 concerning Conducting Business of Microfinance Institutions, and POJK No.14/POJK.05/2014 concerning Development and Supervision of Microfinance Institutions). BWM is a legal entity incorporated as a service

cooperative with a business license as a MFIs. BWM is a MFIs that focuses on small community financing. In forming MFIs, OJK collaborates with the National Amil Zakat Institute (Laznas) and the Small Business Business Incubation Center (PINBUK). BWM Business Model is as follows

Figure 1. Business Model Bank Wakaf Mikro (BWM)



Source: OJK (2019)

Furthermore, OJK states that to run the BWM business model requires donors and customers with certain criteria. The criteria to become a donors are all Indonesian people who have excess funds, especially entrepreneurs and / or large companies who have a concern for the empowerment program for the poor and alleviation of inequality in Indonesia. The funds which will be used as the capital at BWM are purely donation funds, hence an investor at BWM is pure a donor not investor. Meanwhile, BWM customers are productive poor peoples, with the following criteria: i). Poor people who have been able to meet basic needs for survival; ii). Poor people who already have productive businesses or have the will and enthusiasm to work; iii). Poor people who have a commitment to participate in an empowerment program.

In carrying out its operations, BWM has a unique business model that distinguishes it from the commercial bank business as follows: *First*, BWM was established in a boarding school environment (Pesantren). BWM management is carried out directly by people who are part of Pesantren. The Pesantren was chosen because in every rural / remote area there was always a Pesantren. The Pesantren environment which is close to rural communities makes socialization and distribution of loan funds easier. *Second*, in its operations, BMW provides financing as well as assistance to customers which is the key to the sustainability of the BWM business model. In addition to providing assistance to customers, assistance is also carried out during the establishment process and MFIs business license, training of management and managers as well as operational business activities for a minimum of 6 months so that management is expected to be able and ready to manage BWM operations. While assistance to customers is done so that customers become the productive communities. *Third*, BMW Business applies a Non-deposit taking scheme. BWM applies the principle of sharia (*non-ribawi*), and does not manage public funds, whether in the form of deposits, savings, deposits and the collection of similar funds. BWM capital comes from donations and / or endowments. To finance its operations such as paying salaries and other operational costs, BWM gets its main income from the sharing of Islamic deposits from the funds placed.

Fourth, BWM provides borrowers in the form of a group of 3-4 people, called the Indonesian Islamic Boarding School Micro Enterprise (KUMPI). The business group is required to hold regular meetings every week and called as *Halaqoh* Weekly (HALMI). HALMI activities are a process of fostering and empowering the community in addition to increasing solidarity among members and paying loan installments. Material provided to customers can be in the form of family financial problems, health problems, household businesses, *fiqh muamalah* and other relevant materials.

Fifth, low yields of up to 3% per year. The financing provided by BMW does not charge interest but uses a profit-sharing system equivalent to 3%. Imposition of these benefits is basically a kind of administrative costs per year which can be likened to yields. At present the amount of borrowing fund will start from Rp. 1 million with a repayment system of Rp. 20 thousand per week for 52 weeks. BMW also provides loans of up to Rp 3 million. *Sixth*, BMW does not require collateral. One obstacle for micro businesses in accessing capital to formal financial institutions is not having a business license, not having complete documents and not having collateral. In its operations, BMW does not require collateral, so that the credit disbursement process can be obtained without complicated conditions as benefits a formal financial institution (bank).

Seventh, BMW provides assistance and a rolling mechanism that has the effect of supervising each other among group members to ensure that installments are always paid on time. If there is a deviation in the use of funds received by the customer, the KUMPI will be the group responsible (joint responsibility). In the event of a major disaster against KUMPI members, it will be the responsibility of the Islamic Boarding School MFIs and if there is a deviation of funds at the Islamic Boarding School MFIs, it will be subject to legal sanctions in accordance with the applicable laws and regulations.

Eighth, BMW's working capital and venture capital comes from contributors who are purely donors not investors whose purpose is to seek additional profit. The low profit-sharing system shows that the main goal of the donors from BMW is purely to help the community to be more prosperous. Business capital and working capital to establish a BMW of at least Rp. 4,250 million. Funds from these donors were given to LAZNAS BSM UMAT as Special Purpose Grants (*Muqayyadah*) dedicated to the preparation of institutional and operational Islamic Boarding School MFIs in managing capital roll out to poor communities through Community Business Groups around the Indonesian Islamic Boarding School (KUMPI). In its operation the grant funds are allocated for the process of establishment and licensing.

4.2. AHP Results and Analysis

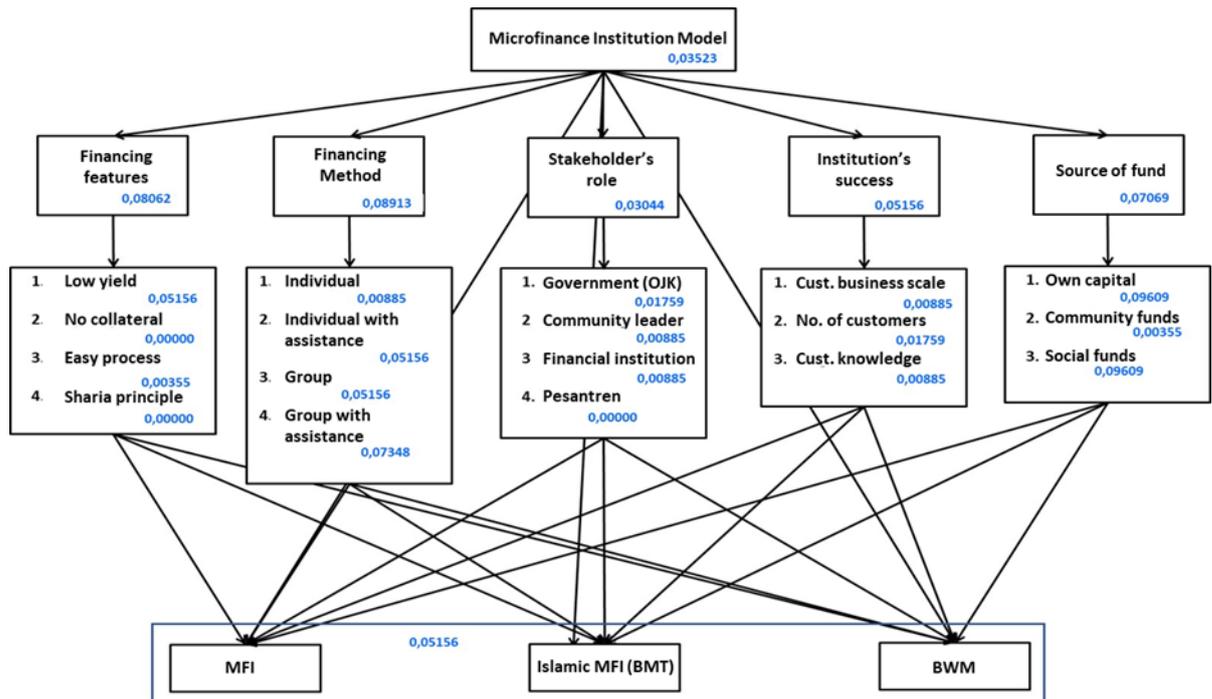
The Analytical Hierarchy Process (AHP) structure in this study has a Goal, Criteria, Sub Criteria, and Alternative level. At the **Goal level**, the objective of this research is to know the Islamic Micro Finance Institution (MFIs) model in increasing Sharia financial inclusion. At the **Criteria level** are aspects of the MFIs which include: (i) Financing Features; (ii) Financing Methods; (iii) Role of Stakeholders; (iv) Institutional Success; and (v) Sources of Funds.

While the **sub criteria** in the AHP hierarchy structure are the criteria of each aspect as follows: (i). The features of the Financing Feature criteria are: (a) Low Yield; (b) No Collateral; (c) Easy Process; and (d) Sharia Principles; (ii). The aspects of the Financing Method are arranged on the criteria of: (a) Individuals; (b) Individuals with assistance; (c) Groups; and (d) Groups with Assistance; (iii). Stakeholder Role Aspects, those include: (a) Government (OJK); (b) Community Leaders; (c) Financial Institutions; and (d) Pesantren; (iv). The Institutional Success Aspect, has the criteria of: (a) Customer Business Scale; (b) Number of Customers; and (c) Customer Knowledge; and (v). Funding Aspect aspects, those include: (a) Own Capital; (b) Community Funds; and (c) Social Funds. At the **Alternative level**, there are three model choices: (i). Microfinance Institutions (MFI); (ii). Sharia Microfinance Institutions or BMT; and (iii). Bank Wakaf Mikro (BWM).

4.2.1. Result of AHP

The results of AHP show that the combined assessment of criteria, sub-criteria and alternatives conducted by the respondents on the structure has a good level of consistency (see Figure 2. below). A certain level of consistency is needed in determining priorities to get the best value indicated by the value of the consistency ratio (CR) ≤ 0.10 . In this study shown by the value of the CR ranging from 0.00000 to 0.09609 on all elements. This assessment produces a weighting value for each element, while at the same time giving a picture of the priority of each element. With a CR value ≤ 0.10 , the research can be continued with research analysis.

Figure 2. Result of Inconsistency AHP

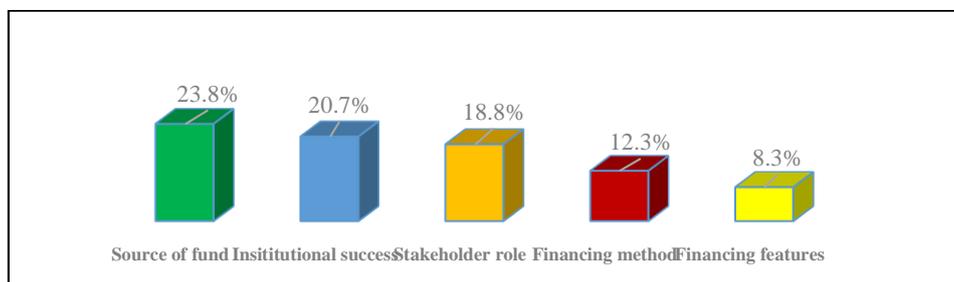


Source: processed by author (2019)

4.2.2. Analysis and Discussion of Aspects in the MFIs Model

The results of AHP data processing show that in order to achieve the objectives of this study, it is necessary to find out the Microfinance Institution Model in increasing Islamic financial inclusion and needs to pay attention to aspects, such as: Financing Features, Financing Methods, Stakeholder Roles, Institutional Success, and Source of Fund. Based on the results of data processing, it is obtained the priority sequence of aspects that contribute to the development of the Microfinance Institution Model, as presented in Figure 3 below:

Figure 3. Contribution of Importance Levels in Developing MFI Model



Source: Data processed (2019)

Referring to the Figure 3. above, the first priority for developing a MFI Model in order to increase Islamic financial inclusion is source of funds with a weighting value of 23.8%. Furthermore, in the aspect of institutional success contribute as a second priority with a weight value of 20.7%. Stakeholder Role occupies the third priority with a weight value of 18.8%. The fourth priority is the Financing Method with a weight value of 12.3%. While Financing Features occupies the fifth priority the weighting value is 8.3%.

Source of funds is the most important factor in the development of MFI, because MFI generally have an imbalance between source of funds and financing targets. MFI tends to be deficits due to limited sources of funding. These conditions force MFI to rely on source of fund from larger financial institutions that act as their main institution (APEX) or other banking institutions. With such a funding model, MFI tend to charge interest rates/financing margins that are more expensive than the financing interest rates/margins applicable in banks in general. While the source of fund of

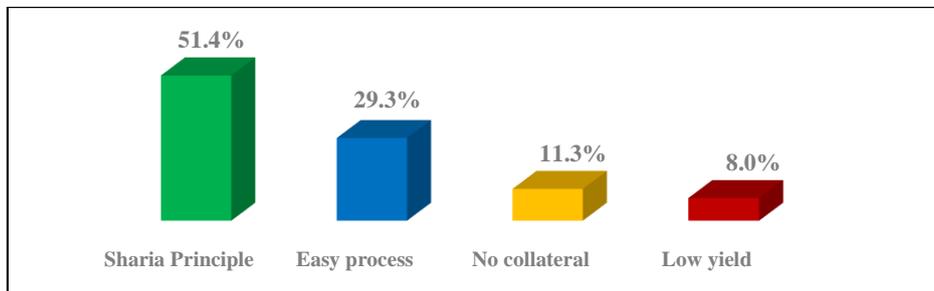
BWM is purely come from social fund that is from donors, both companies and individuals who have the desire to help improving the economic condition of people who earn below the average. The main purpose of the BWM donors is purely for social purposes and not looking for additional benefits, therefore BWM can distribute financing to the community with a revolving fund pattern using the donation funds so as to provide profit sharing/low margins.

4.2.3. Analysis and Discussion of Aspects of Financing Features

In the aspect of financing features in microfinance institutions in the context of increasing MFI inclusion, it is built on the criteria of low return, unsecured, easy process, and sharia principles. Referring to the results of the AHP data in Figure 4., it was obtained that the criteria for sharia principles are the first priority with a score of 51.4%. The sharia principles element is a criterion in the financing feature aspect that has the highest rate by experts and practitioners, which can be interpreted that the sharia compliance principles is the most important thing for microfinance customers in choosing financing products.

Furthermore, the criteria for easy process contribute as a second priority with a weight value of 29.3%. The criteria for unsecured occupy the third priority with a weight value of 11.3%. While the criteria of low yield occupy the fourth priority weighting value of 8.3%. Applying sharia principles that is appropriate, and easy to understand is the main capital to be considered in the preparation of MFI products for the grassroots. Applying sharia principles that are simple and understandable terms will make people interested in connecting with MFI so that people will get used to sharia financial transactions. Basically, Indonesians who are predominantly Muslim will be happier and more comfortable doing sharia transactions.

Figure 4. Contribution of Importance Level Criteria to the Aspect of Financing Features

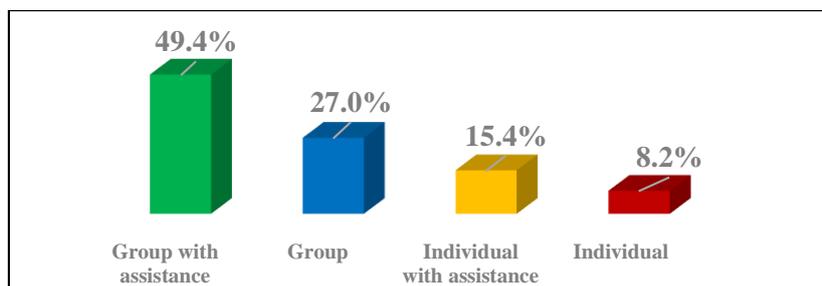


Source: Data processed (2019)

4.2.4 Analysis and Discussion of Aspects of Financing Methods

Aspects of Financing Methods in microfinance institutions in the context of increasing Islamic financial inclusion, are arranged based on the criteria of individual, individual with assistance, group, and group with assistance. AHP data processing results in Figure 5., obtained that the criteria of group with assistance is the first priority chosen by experts and practitioners with a score of 49.4%. The group criteria contributed as the second priority with a weight value of 27%. The criteria for individuals with assistance occupies the third priority with a weighting value of 15.4%. While the individual criteria in the aspect of the financing method occupies the fourth priority to develop the MFIs model in order to increase Islamic financial inclusion with a weighting value of 8.2%.

Figure 5. Contribution of Importance of Criteria to Aspects of the Financing Method

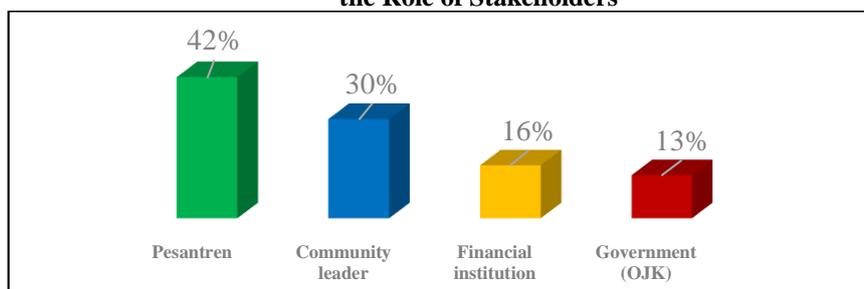


Source: Data processed (2019)

4.2.5 Analysis and Discussion of Stakeholder Role Aspects

Aspects of stakeholders role in microfinance institutions, consisting of government (OJK), community leaders, financial Institutions, and pesantren. The results of AHP data processing in Figure 6., show that pesantren is the first priority with a score of 42%. The criterion community leader is the second priority with a weight value of 30%. The criteria for Financial Institutions in the aspect of the role of stakeholders occupy the third priority with a weighting value of 16%. While the Government in this case the OJK occupies the fourth priority with a weight value of 13%.

Figure 6. Contribution of the Importance of Criteria to the Aspect of the Role of Stakeholders

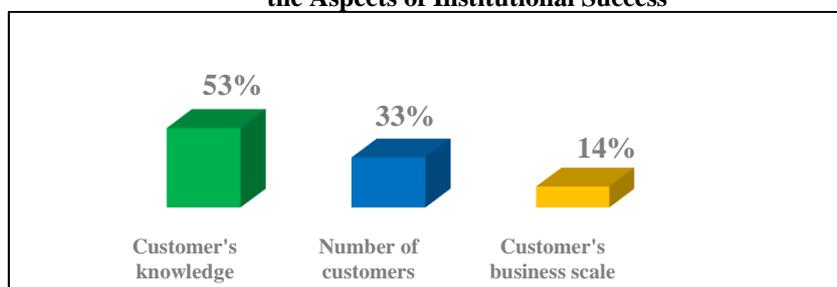


Source: Data processed (2019)

4.2.6 Analysis and Discussion of Success Aspects

The Institutional Success Aspect is prepared based on the criteria of Customer Business Scale, Number of Customers, and Customer Knowledge. The results of AHP data processing in Figure 7. show that the criteria of Customer Knowledge is the first priority chosen by experts and practitioners with a score of 53% as a criterion on the aspects of Institutional Success in microfinance institutions in order to increase Islamic financial inclusion . This means that the benchmarks of the success of microfinance institutions in order to increase Islamic financial inclusion are primarily measured by increasing customer knowledge in understanding the economy, deepening Islamic religious knowledge and the dynamics of social problems and this is a demand for the MFI itself.

Figure 7. Contribution of Importance of Criteria to the Aspects of Institutional Success



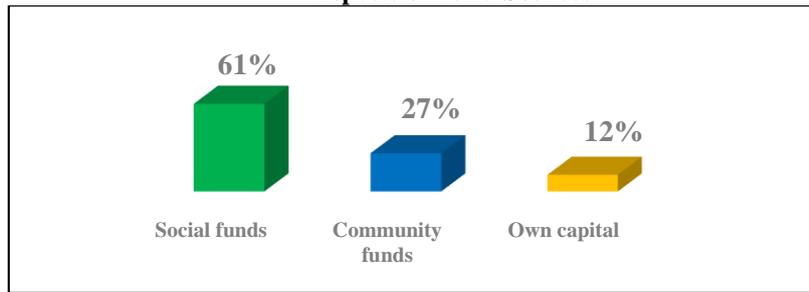
Source: Data processed (2019)

The Customer Number criterion is the second priority with a weight value of 33%. While the criterion Customer Business Scale occupies the last priority with a weighting value of 14%.

4.2.7 Analysis and Discussion of Fund Source Aspects

Aspects of Sources of Funds are prepared based on the criteria of Own Capital, Community Funds, and Social Funds. The results of AHP data processing in Figure 8., show that the criteria for Social Funds are the first priority with a score of 61% as a criterion on the Source of Funds aspects of microfinance institutions in order to increase Islamic financial inclusion

Figure 8., Contribution of Importance Level of Criteria to Aspects of Fund Sources



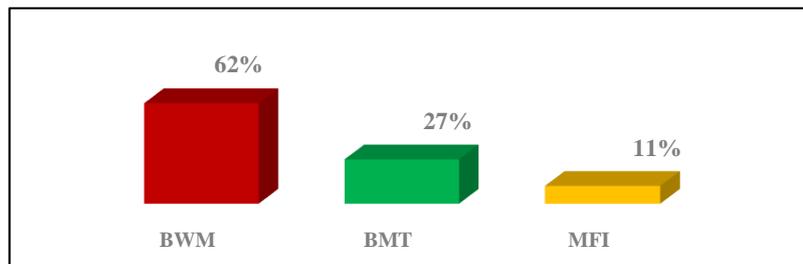
Source: Data processed (2019)

This means that the source of funds from social funds such as donations from individuals and companies and Islamic philanthropic instruments such as Infaq, Sodaqoh and Waqaf are the main factors for the success of the success of microfinance institutions in order to increase Islamic financial inclusion. This social capital can be used as a revolving fund given to customers in the form of financing based on benevolent funds (qardhul hasan) and returned without profit sharing for lending microfinance institutions. Of the three models of microfinance institutions in this study, Bank Wakaf Mikro (BWM) is an MFI whose source of funds is social funds.

4.2.8 Analysis and Discussion of Alternative MFI Model Options

The final research objective of this study is to find out the Alternative Model of Microfinance Institutions (MFIs) in increasing Islamic financial inclusion. In this study the Micro Finance Institution Model has an alternative three model choices, namely: 1) Microfinance Institutions (MFI), 2) Sharia Microfinance Institutions (BMT) and 3) Bank Wakaf Mikro (BWM). Based on the results of AHP data obtained, the order of priorities from aspects that contribute to the development of the Microfinance Institution Model, as presented in Figure 9. the following:

Figure 9. Alternative Options in the Development of MFI Models



Source: Data processed (2019)

Referring to Figure 9. above, the first priority for developing the MFI Model in order to increase Islamic financial inclusion is the BWM model with a weighting value of 62%. One of the main reasons why BWM has the biggest weight is because the operations of the BWM Bank do not have profit motives, but are purely non-profit and its business activities are carried out in accordance with sharia principles. This is possible to run because BWM capital comes from social capital. Furthermore, the Sharia Microfinance Institution (BMT) model contributed as a second priority with a weight value of 27%. While the Microfinance Institution (MFI) occupies the third priority with a weighting value of 11%.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Base on the results and discussion above, this research summaries the conclusion as follows: (i). Based on the AHP analysis, at the level of criteria and sub-criteria aspects of the Microfinance Institution (MFI), it is concluded that: (a). The aspects of funding sources, institutional success, and the role of stakeholders are the most important aspects needed by MFIs in increasing financial inclusion; (b). In the aspect of funding sources, the type of funding source in the form of social funds has the greatest role for MFIs to use in increasing financial inclusion; (c). In the aspect of

institutional success, increasing customer knowledge is the most important thing that must be achieved by MFIs so that financial inclusion can be improved; and (d). In the aspect of the role of stakeholders, Pesantren and community leaders are the most important parties who can contribute to work with MFIs so that the goal of increasing financial inclusion can be achieved; and (ii). Based on an alternative analysis of the choice of the MFIs model, the result shows that Bank Wakaf Mikro is the best MFIs model to be able to play a role in increasing financial inclusion and poverty alleviation.

5.2 Policy Recommendations

Based on this research, MFIs models such as Bank Wakaf Mikro (BWM) need to be formalized in the form of formal policies as follows: (i). The government needs to develop BWM more seriously and more broadly so that it can serve unbankable communities throughout Indonesia; (ii). It is recommended to strengthen BWM institutions both in terms of capital, HR training, the role of Pesantren, and cooperation with other institutions so that BWM can provide better assistance and guidance to customers and finally it can improve the welfare of the community. OJK and the Government need to strengthen by making OJK Regulations and Presidential Regulations; and (iii). It is recommended for a policy strategy to increase social funding sources in the form of donations and endowments of money as a source of funding for the establishment of new BWM throughout Indonesia.

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