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Capital Management Of Micro Waqf Bank Towards Sustainable Islamic Social Finance:Between Challenges And Expectations

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Abstract

Micro Waqf Bank (BWM) established as an inclusive financial institution with the aim to providing access to capital without interest, without collateral, low yields, with the concept of "tanggung renteng" and providing assistance for Micro Small Enterprises (MSEs) that difficulty obtaining financing accessibility to formal financial institutions (unbankable). As a social financial institution, Micro Waqf Banks are required to be able to run their programs in a sustainable manner. However, in fact, there are many obstacles related to capital sources and management that tend to be limited, making it difficult for this institution to develop and run financial programs in a sustainable. This research is included in the category of descriptive qualitative research. Using data collection techniques in the form of interviews, observations and documentation, this study aims to answer the formulation of the problems: how to challenge and expectations for the implementation of capital management at Micro Waqf Banks to achieve a sustainable financial system. The findings of this study are: First, the challenge of capital management in micro waqf banks is the provision of product regulations and contracts that close the opportunity for institutions to develop their finances optimally. Second, the expectation related to the challenges of capital management of micro waqf banks is the opportunity for institutions to be able to innovate to develop capital sources through regulatory support and building good ISF Ecosystems .

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Introduction

The social challenges faced by a country are increasing and experiencing complexity. The government as the main pillar in a country is apparently unable to deal with these social problems and reduce their impact alone without the role of other parties. On the other hand, there are many social organizations that have high social goals but are not yet optimal in achieving their targets(Ditkoff & Grindle, 2017).

Therefore, implementing social programs requires coordination and synergy with all stakeholders so that goals can be achieved and produce a positive impact on community development. Likewise, financial management as the main pillar in the circulation and mobilization of funds must really be considered to ensure that the program is actually implemented and has an impact on the community.

It is very important to adopt an approach that involves all parties to coordinate various program ideas according to the vision, mission and objectives of social programs.(ET Jackson, 2013). Solving social problems must unite all parties who have the same vision, mission and goals to synergize in implementing social programs even though they have different strategies and stages. Each stage will require adequate funding and support(Varga & Hayday, 2016), so it is necessary to involve parties as providers of funds who have the same interests as the interests of social programs.

Such an approach requires an integrated framework in terms of innovation, regulation and supervision involving various parties, including: social institutions as initiators of social programs, companies and financial institutions as backers of funds, the Government as regulators and supervisors, higher education institutions as research centers as well as consulting institutions. These parties work together to deal with social problems in accordance with a clear vision, mission and goals to realize social welfare in accordance with their respective functions.

In an Islamic perspective, economic activity consists of two pillars, namely profitable (profit oriented) and unprofitable (social oriented).(Al-Suwailem, 2013). However, these two economic objectives do not operate separately. Every economic activity is interrelated with one another so as to create a good economic balance. This approach should be adopted by social financial institutions associated with non-profit organizations, companies, industry and other institutions in an effort to develop the social and economic welfare of the community.

Islamic finance is a religious approach to the economy that must be based on the provisions of Islamic law(Ascarya et al., 2022). Islamic finance consists of Islamic social finance (ISF) and Islamic commercial finance (ICF).(Ascarya et al., 2022). ISF is a form of finance that seeks to promote social justice, economic progress and environmental sustainability so that the ethical aspect of finance focuses on investing in socially responsible projects. Meanwhile, ICF is a form of finance based on Islamic principles to finance business activities including investment, buying and selling or trading and services. This activity is based on the concept of risk sharing, profit sharing, margin and ujrah/wages. ICF is a form of financing that aims to encourage the development of investment in profitable businesses and projects that do not conflict with sharia values. Examples of cards in Islamic commercial financing include mudharabah, musyarakah, ijarah, murabaha, salam and istisna'.

In ISF, Islamic social financing mechanisms such as zakat (compulsory charity), sadaqah (voluntary charity). Waqf (charity endowments) and qardhul hasan (collateral and interest-free loans) can improve communal and individual welfare. However, the ability of these social financing mechanisms cannot be utilized optimally. There is no precise estimate of the ISF size and instrument standards globally. Several agencies have provided varying statistics. The Islamic Development Bank (IDB) as the main actor promoting the ISF financial instrument, calculates that the annual value of zakat collection globally reaches US$ 1 trillion(Rehman, 2019). Research and consulting firm DinarStandar reported that in 2016 the assets of waqf institutions reached US$410 billion (DinarStandard, 2019). The government of Dubai estimates that the value of all assets owned by waqf around the world can reach US$ 1 trillion(Vizcaino, 2013). Finterra, a blockchain-based technology company, projects that the value of global akaf assets will reach US$ 3 trillion with a yield of 5% or US$ 150 billion per year that can be used for socio-economic purposes.(OECD, 2020).

Micro Waqf Bank is one form of contemporary ISF. The presence of the Micro Waqf Bank in 2017 is one of the Indonesian Government's breakthroughs to strengthen the economic sector for small and underprivileged communities. Cooperating with the strategic role of Islamic boarding schools in Indonesia, Micro Small Enterprises (UMK) actors are able to access capital without a high burden so that they can develop the businesses they started. It is undeniable that the MSME sector is the most important pillar and drives the economy of most small communities in Indonesia apart from the agricultural sector. All layers of society from generation to generation have the same opportunity to run this productive business, both in the form of individuals and business entities. UMK is categorized as a driving force for the creative economy because it is able to produce goods and services that are in direct contact with the main needs of the community. Based on National Data Statistics of Micro Waqf Banks, until 2023 there have been 62 Micro Waqf Banks (BWM) operating in Indonesia. The cumulative amount of financing that was successfully disbursed was IDR 100.6 billion. Meanwhile, the amount of outsand financing was IDR 13.5 billion. This BWM has served access to capital for around 62 thousand cumulative customers with a total of 14 thousand outstanding customers and strengthened around 5 thousand Kumpi (Community Business Groups Around Indonesian Islamic Boarding Schools) The cumulative amount of financing that was successfully disbursed was IDR 100.6 billion. Meanwhile, the amount of outsand financing was IDR 13.5 billion. This BWM has served access to capital for around 62 thousand cumulative customers with a total of 14 thousand outstanding customers and strengthened around 5 thousand Kumpi (Community Business Groups Around Indonesian Islamic Boarding Schools) The cumulative amount of financing that was successfully disbursed was IDR 100.6 billion. Meanwhile, the amount of outsand financing was IDR 13.5 billion. This BWM has served access to capital for around 62 thousand cumulative customers with a total of 14 thousand outstanding customers and strengthened around 5 thousand Kumpi (Community Business Groups Around Indonesian Islamic Boarding Schools)

In its journey, it turns out that Micro Waqf Banks face many problems, especially in the aspect of sustainability. Issues regarding the sustainability aspect of Islamic social financial institutions have turned out to be of particular concern(Allah Pitchay et al., 2018; Sukmana, 2020). Based on field findings, most of the Islamic social fund empowerment programs do not consider sustainability aspects, seeming to end when the program is finished so that long-term goals are not achieved. Apart from the governance aspect, social funding instruments are still managed partially. On the institutional aspect, there is still a lack of coordination and synergy between stakeholders(Widiastuti, Auwalin, et al., 2021). In addition, there is a lack of public trust in Islamic social financial institutions(M. Ahmad, 2019)need to get attention from all parties to formulate integrated and sustainable management ecosystems.

Therefore, this study seeks to examine the latest developments in the research of the Miko Wakaf Bank, which is part of the ISF, in terms of sustainability. This study also seeks to provide a knowledge base for researchers about the challenges to existing capital instruments at the next Micro Waqf Bank to identify gaps in the existing literature and expand academic discourse on ISF sustainability, especially at Micro Waqf Banks. This study also aims to develop a capital management strategy as one of the important pillars in the operation of Micro Waqf Banks so that they are able to achieve sustainability goals.

Literature Review

The concept of Islamic Social Finance, Islamic Social Finance Funding/Capital Instruments and Micro Waqf Banks

(Kuanova et al., 2021; Mateev et al., 2021; Tahiri Jouti, 2019). The traditional ISF consists of philanthropy and collaboration. Zakat, infak, shadaqah and waqf are forms of traditional ISF instruments based on philanthropy. While qard and kafalah are based on cooperation. Contemporary ISF form is an Islamic microfinance institution. These institutions contribute to the economic sector, reducing unemployment and alleviating poverty (Arikan & Ben-Nun Bloom, 2019). Each of these instruments has a different function but has the same goal, namely to achieve social welfare (Tahiri Jouti, 2019). Zakat is an economic instrument that is mandatory for every Muslim (Kailani & Slama, 2020). Zakat serves as a means to distribute wealth from wealthy Muslim communities to the poor (Bilo & Machado, 2020) with the aim of achieving socio-economic justice, increasing economic growth and reducing economic inequality(Manurung, 2014). Infak is a voluntary gift from people who are able to seek the pleasure of Allah (Arifin & Anwar, 2021).

Sadaqah is a voluntary donation of wealth based on faith, love, compassion and charity to less fortunate people without expecting any material reward.Zakat, infak and shadaqah are economic instruments that are able to function to increase people's purchasing power(Raimi et al., 2014; Widiastuti, Auwalin, et al., 2021). Meanwhile, waqf is a very important social funding instrument, in which the owner of the asset gives and dedicates movable and immovable assets for the benefit of the community and the value must be maintained (eternal). Waqf can be used to provide various community services free of charge such as building mosques, hospitals, health centers, educational institutions and libraries.(Sukmana, 2020).

Whereascontemporary Islamic social financial instruments (ISF), at least consist of two categories, including:

1. Grant Funding
   Grant funding includes donations, loans and guarantees that can be provided by the Government, Banks, NGOs, multinational companies, zakat, endowments and crowdfunding. In addition, there are three types of grant funding, including: First, traditional development assistance to provide unconditional financial assistance and guarantees for social institutions. Second, conditional funding that provides funds based on results and ensures that the allocation of funds is effective. Third, catalytic funding which provides funding for innovative solutions and is provided in a sustainable and large amount.
   The government can provide grants in the form of donation instruments to catalytic funding depending on the object of financing. Multinational companies and large corporations can make donations with or without certain conditions as a form of real contribution to social care. Zakat and waqf institutions can provide various types of grants if the beneficiaries comply with the provisions of the Shari'a and zakat funds can be invested or given in the form of loans. Islamic banks can contribute by sharing their profits in the form of donations or interest-free loans to social institutions as a form of concern for improving the quality of society. Finally, crowdfunding platforms can also provide funding benefits in the form of donations or loans for social institutions.
2. Commercial Financing
   In Islamic social financial institutions, commercial financing includes all financing instruments that generate profits or returns that are in accordance with sharia principles and must have a social impact. Using these instruments in Islamic social financial institutions will attract more funds and is required to ensure the effective use of funds and the sustainability of social programs. Zakat institutions, waqf and Islamic banks can provide direct financing and invest in capital market instruments with projects based on social impact. Likewise crowdfunding platforms can also provide direct financing to Islamic social finance institutions.

In terms of sources of funds or sources of capital in Islamic social financial institutions above, synergy is needed between various parties so as to form an Islamic social finance ecosystem. The Islamic social finance ecosystem includes social finance providers and all parties aims to involve all parties by increasing effectiveness, creating an adequate cooperative environment so as to be able to encourage the emergence of social programs through a clear framework, adequate regulations and the availability of financial instruments or supporting sources of funding, as well as simultaneous assistance or supervision.

The Islamic social finance ecosystem is considered to have the same goal. However, there are several things that differentiate it from conventional financial ecosystems. Among others: First, the Islamic social finance sector has its own system and instruments that must be in harmony with Islamic principles. The Islamic finance sector includes philanthropic institutions (zakat, shadaqah and waqf), cooperation-based institutions (qardh and kafalah), as well as sharia microfinance institutions which operate as non-profit institutions but use the profit model of institutions to cover all their operational needs.(Obaidullah et al., 2014). The second difference is that there are many opportunities for Islamic social finance to synergize with both traditional Islamic institutions and sharia-based commercial financial institutions. So this strategy is able to provide many opportunities to develop a more effective Islamic social finance system.

Micro Waqf Banks are categorized as Sharia Micro Finance Institutions (LKM). As in CHAPTER 1 General provisions of article 1 paragraph 1 of Law no. 1 of 2013, states that MFIs or Microfinance Institutions are financial institutions specifically established to provide business development services and community empowerment, either through loans or financing in micro-scale businesses to members and the public, managing deposits, as well as providing consulting services for business development. not solely for profit. In its operations, MFIs can choose sharia business principles, MFIs that carry out sharia principles in their operations are then called Sharia LKMs.

However, in practice, the Micro Waqf Bank does not fully carry out the business activities of the sharia MFI version of Law no. 1 of 2013. There are restrictions, including that BWM is not allowed to raise funds from the public directly either in the form of savings or deposits except for principal savings and mandatory savings originating from founding members. Besides that, other restrictions are in the form of yield on financing that may not exceed a margin equivalent of 3% a year. Meanwhile, for capital requirements, both for establishment, human resource development, assistance, working capital and operational cost needs, funding sources are in the form of conditional grants originating from donor funds that are authorized to be managed by the National Amil Zakat Institute for Build Prosperous Mitra Umat (LAZNAS BSM UMAT).(Professional Training Institute (LDP) Pinbuk and LAZNAS BSM, 2018).

Micro Waqf Bank is an institution that is socially oriented, which carries out programs for channeling funds to the community with an interest-free system and without making a profit (non-profit oriented). As a Sharia Microfinance Institution (LKMS) which is a pilot project of the Financial Services Authority (OJK), the aim of establishing a Micro Waqf Bank (BWM) is to maximize the role of Islamic boarding schools in empowering productive poor communities, as well as to build and strengthen socio-economic institutions from Islamic boarding schools in the form of Professional, accountable and independent Sharia Micro Finance Institution (LKMS) through the growth of the Indonesian Islamic Boarding School Community Business Group (KUMPI)(Booklet_BWM_Publik_Sept_2019, nd).

Sustainable Islamic Social Finance

Sustainability can be interpreted as the ability to operate for a long time and continuously (Von Pischke, 1996). Sustainability is a global development goal in both Government and Non-Governmental organizations (Chow et al., 2021). There are two paradigms in sustainability, namely institutions and welfare (Brau & Woller, 2004). The institutional paradigm assumes that financial independence is the key to achieving sustainability (Brau & Woller, 2004). Financial independence refers to the ability of institutions to fund their operational needs independently (Brau & Woller, 2004). Meanwhile, welfare assumes that social sustainability (Ahmedet al., 2017; Bin-Nashwan et al., 2020; Mohd Ali et al., 2015).

Meanwhile, there are three factors that contribute to ISF in achieving sustainability. First, collective sustainability, explaining that funds will always be collected from the community. Thus, to ensure the long-term sustainability of funding sources, all information and administration regarding the funding of social financial institutions must be transparent and easily accessible to the public. (Amalia, 2019). Second, institutional sustainability, related to the institution's ability to carry out its operations properly (Brau & Woller, 2004). Third, institutional sustainability related to how Islamic social financial institutions carry out their social performance and intermediary functions to increase welfare and provide broad benefits (Ahmed et al., 2017). In this third aspect, it is clear that the ISF instrument has the same concept as the SDGs as a joint world mission. Therefore, the importance of social financing mechanisms in achieving SDGs and solving social problems globally has attracted the attention and interest of academics. (S. Ahmad, 2021; Tok et al., 2022). ISF's main priority is ending poverty and improving people's welfare, which is clearly in line with the main goals of the SDGs. A review of the SDGs goals as a whole shows that the ISF and SDGs are very closely related, have a close correlation and complement each other. (Nor & Jacob, 2017). Both of these concepts have the same big goal, namely wanting to improve the world community (Saniff et al., 2020). The link between the SDGs and the ISF is the basis for writing this article which seeks to determine how to revitalize or apply the ISF appropriately so that it can help achieve the SDGs. The Covid-19 pandemic has virtually halted the entire global economy (Aktar et al., 2021; Alam et al., 2022; Fernandes, 2020; JK Jackson et al., 2020; Wahaj et al., 2022).

As an effort to create a more just and sustainable world, ethical aspects of the financial system must be considered to achieve the SDGs. The principles in the practice of Islamic finance are to capitalize on the idea that the operational system must apply the principles of fairness, equality and respect for the environment (Alam et al., 2017).

In practice, the social and empowerment programs implemented by ISF have not run optimally. There are also many ISF programs that end for a certain period and have not been able to track whether the program's target, namely the less fortunate, actually becomes independent and prosperous. Several empowerment programs have not been able to contribute sustainably (Widiastuti, Cahyono, et al., 2021). Therefore, there are at least three things that must be considered. First, the availability of adequate capital so that social financial institutions are able to run optimally and effectively in implementing social and empowerment programs. Second, the need for qualified human resources, have competence and good leadership (Nguyen-Van et al., 2021). Third, the beneficiary's mentality, desire and ability to change and develop to become better and independent (Widiastuti, Auwalin, et al., 2021).

Methodology

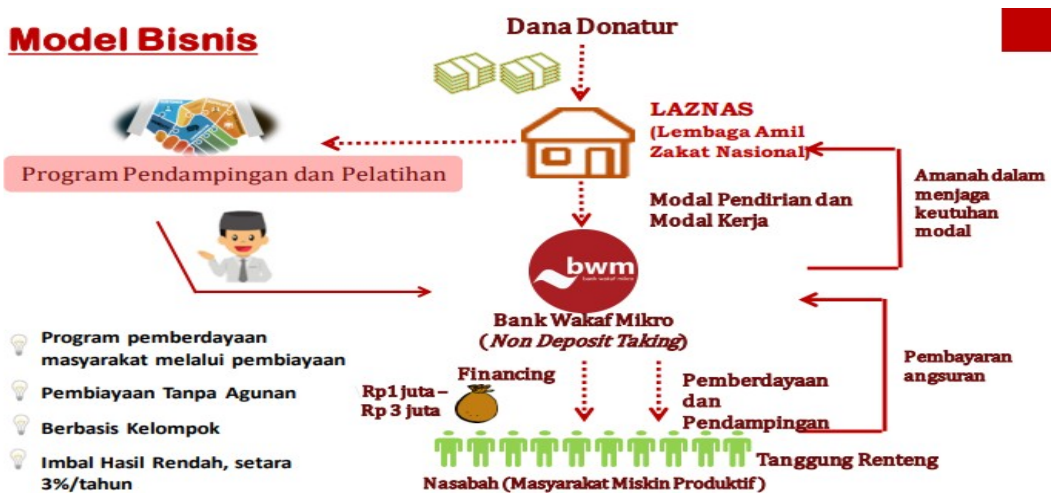
The methodology used in this article is based on case studies and literature reviews which identify various capital management in Islamic social financial institutions so that they are able to create good capital and financial conditions so that they are effective in implementing various social programs and have a real impact on the economic welfare of the community. Data collection was also obtained through interviews, documentation and observations related to capital problems that exist in Micro Waqf Banks. As a sample of institutions, the researchers chose Lirboyo and Al-Amin Micro Waqf Banks, Kediri City, East Java. In addition, data collection is carried out through books, journals, magazines and other records related to Islamic social financial institutions and micro-banks. In this research,

Results and Discussion

Challenges of Capital Management / Funding Sources in Micro Waqf Banks in Indonesia

Micro Waqf Bank (BWM) is dedicated to social welfare which provides financing or capital to underprivileged communities so that they can increase micro businesses so that they can improve economic life. The BWM implementation system must apply several principles, including: community empowerment, sharia-compliant assistance, group-based financing with a system of mutual support and mutual assistance (ta'awun), prioritizing the principle of convenience (sahl), trustworthiness, program sustainability, and adhere to the principle of blessing.

Figure 1. Micro Waqf Bank Business Model



Source: Micro Waqf Bank Booklet 2019

As a Sharia Microfinance Institution founded by Islamic Boarding Schools and received an assessment by the National Amil Zakat Institution (LAZNAS), OJK has set program target criteria for those who are entitled to receive services from Micro Waqf Banks (BWM).(Professional Training Institute (LDP) Pinbuk and LAZNAS BSM, 2018), among others:

1. The target population is the poor who are potentially productive around the Islamic Boarding School, around a 5 km radius from the Islamic Boarding School and according to the LKM's business license. This community must have the will and enthusiasm to work, be trustworthy, and be able to be educated and meet the eligibility index of members. The community has a commitment to build a business group with other poor community members who are close to where they live (a system of joint responsibility).
2. The target area of Islamic boarding schools is students, alumni of students, families of students and caregivers who still live around the Islamic boarding school (mukim) who have productive businesses. The maximum financing for this target is 30% of the total LKMS financing portfolio.

Micro Waqf Bank funding sources come from cash waqf for social investment programs managed by the BSM UMAT National Amil Zakat Institution (LAZNAS). This fund is a special purpose grant (muqayyadah) which is devoted to institutional and operational preparation of LKM Syariah Islamic Boarding Schools in managing the rolling out of capital to the poor through Community Business Groups around Indonesian Islamic Boarding Schools (KUMPI). The grant funds provided are of two types (Professional Training Institute (LDP) Pinbuk and LAZNAS BSM, 2018), among others:

1. Grant funds amounting to 250 million with the aim of using the funds for establishment, licensing, office preparation, mentoring and training of Islamic boarding school Islamic LKM human resources.
2. Grant funds of 4 billion with the aim of using the funds for working capital of Islamic LKM, with details: 3 billion as Endowment Funds in the form of Sharia Deposits, and 1 billion will be used for financing to customers which will be distributed in stages.

This BWM is a form of effort from the OJK to increase financial inclusion and develop microfinance in society through the approach of religious institutions in the form of Islamic boarding schools. In the process of providing loans or financing to customers, Micro Waqf Banks may choose to use the following contracts:

Table 2.1. Choice of Contract Between LKMS Islamic Boarding School and the Customer

No	Product	Contract		Yield	Information
1	Loan	1	qard		
2	Investment & Working Capital Financing	2	Murabahah	margins	Equivalent to 3% p.a
		3	Regards	margins	Equivalent to 3% p.a
3	Working Capital Financing	4	Mudharabah	Ratio	Maximum 95:5
4	Business Development Consulting	5	Ijarah	Rent	Hire LKMS Managers for Business Consulting Fees
		6	Sell it	Ujrah	Management Fee or ujrah for Business Consulting Fees
5	Debt Transfer	7	Hiwalah	Ujrah	Special Program Against Moneylenders

Source: Reading Material for Micro Waqf Bank LKMS Cooperative Management (Professional Training Institute-LDP Pinbuk-LAZNAS BSM 2018)

From the results of interviews with the daily managers or administrators of Micro Waqf Banks, where the researchers took a sample of locations at the Berkah Rizqi Lirboyo Micro Waqf Bank and the B Amanah Makmur Sejahtera Micro Waqf Bank, Kediri City, it turned out that the sources of capital or sources of funds at Micro Waqf Banks were very binding and narrow room to innovate to develop funds independently. Most Micro Waqf Banks are only able to use available funds for loan products based on qardhul hasan contracts. Akad qardh is an Islamic social financing in which institutions lend money to less fortunate people without determining interest and are flexible in nature so that borrowers can repay their debts when they are financially ready and comfortable(Zauro et al., 2020). With this qard instrument, institutions are not allowed to take even the slightest profit. Whereas for products with other instruments such as murabahah, mudharabah, ijarah, salam, sell and hiwalah contracts, this has its own challenges because it is constrained by sources of funds or minimal capital and is only dependent on government grants. Micro Waqf Banks do not dare to take bigger risks because it will impact on sources of capital or sources of funding.

Expectations of Capital Management in Micro Waqf Banks in Indonesia

As an effort to optimize the sources of capital in Micro Waqf Banks, at least there is synergy from the initiators of social programs, including:

1. Governments, institutions and international organizations
   Social welfare is the responsibility of the Government, so that the Government is the main actor in social change. Meanwhile, international institutions and organizations play a role in providing real support to the Government in terms of knowledge, expertise and funding.

2. Association with social goals
   This association plays a role in providing support through concrete projects oriented to social interests. The fundamental difference between associations and social enterprises is their revenue model. Activities carried out by associations are not allowed to generate income. Meanwhile, social enterprises must generate income, but not necessarily say it is a profit. Sources of funding for the association's activities depend on charitable contributions, public funding and voluntary donations. So that these types of sources of income tend to be limited and not constant. Meanwhile, social enterprise is a business designed to solve social problems. This company does not move to maximize profits (Gomez, 2016), but aims to overcome social problems both in the local and global spheres. As for these social enterprises, they can be divided into two categories, including: first, profit-oriented social enterprises, namely social enterprises that seek profit but also address social issues. This company provides goods and services to people in need but also gives social attention to society. Second, non-profit- oriented social enterprises, namely companies that provide free services to deal with social problems in their communities. The purpose of this company is to provide services needed by the community, increase skills and use the funds obtained to support activities that do not generate profits for the company.
3. corporate social responsibility (Corporate Social Responsibility / CSR)
   *Corporate Social Responsibility*is a form of corporate responsibility that is integrated into a business model that does not only pay attention to the interests of shareholders, employees and consumers but also addresses the social and environmental impacts that exist throughout the value chain, including from suppliers, buyers to the environment and communities where the company operates (Varga & Hayday, 2016). There are at least two objectives of CSR, including: First, turning social issues into business opportunities. Social responsibility and prifitas have a compatible relationship. Social responsibility has business opportunities where companies can generate more profits. Every social problem can be used as a business opportunity that can be converted into economic benefits. Second, eliminating negative impacts. CSR is a form of corporate responsibility and efforts to solve social and environmental problems caused by company activities.

In addition, integration between traditional Islamic social finance providers and commercial financing institutions is urgently needed to support the availability of funds in Micro Waqf Banks or other social programs with the following mechanisms:

1. Zakat institutions, zakat can function as a provider of funds in Islamic social financial institutions. If the zakat institution is a structured institution and has a strategic vision, mission and goals. There is a difference of opinion among the scholars. There are scholars who allow zakat funds as an investment to generate financial benefits according to sharia. There are also scholars who do not allow the investment of zakat funds.
2. Waqf institutions, endowments are one of the pillars of the Islamic financial system. Waqf means setting aside assets by the waqf giver (wakif) and maintaining their value so that the benefits continue to flow to the waqf recipient group or the community. (Obaidullah et al., 2014). Waqf is able to make an active contribution in solving social problems and improving people's welfare. This waqf institution can provide different funding formulas to social institutions so that they are able to create new instruments that cooperate with other parties.

3. Islamic Microfinance Institutions, Islamic microfinance can function as an instrument providing funds for social programs. Even though in real terms, the impact generated by sharia micro-institutions on the community is relatively simple, only to help the community to survive in meeting their basic needs. This is because the funding provided by this institution is only on a small scale. If providing services on a large scale it will take a long time and require adequate productivity capabilities, making it difficult for institutions to maintain their profits at a reasonable level. The main challenges of Islamic microfinance include: 1) reducing transaction costs to reduce financing costs and provide services on a large scale,
4. Sharia Bank, this institution can provide funds to Islamic social financial institutions in the form of donations or commercial financing. Islamic banks can be part of an Islamic social finance ecosystem that can play an active role in solving social problems and improving people's welfare.
5. Crowdfunding and Fintech platforms, this strategy can enable various social projects to raise funds so that the initiated programs can be implemented properly. There are various crowdfunding platforms with specific goals such as: collecting donations, loans, loss and profit sharing, and other formulas that do not conflict with sharia.
6. Sayriah Capital Market, this institution can help social financial institutions to finance social projects through various instruments that comply with sharia provisions, such as sukuk, syriah shares and sharia mutual funds.

Integration of traditional Islamic social financial institutions and commercial financing can be taken in four forms of cooperation, including:
1. The two institutions should work together to increase their effectiveness;
2. Commercial financial institutions are new and real opportunities for traditional Islamic social financial institutions in utilizing funds;
3. Commercial financial institutions can finance projects that are part of the programs of traditional Islamic social financial institutions;
4. Traditional Islamic social financial institutions can act as guarantors for commercial financing.

The two types of institutions work together in increasing effectiveness, the meaning is that to make optimal use of grant funds, they must prioritize implementing social programs that do not use commercial funding. If you want to make a profit, these programs must be supported by commercial financing, not grants. So that the collaboration carried out has a significant impact, even though it does not generate income. In addition, opportunities to utilize the funds can be described as follows:
1. Islamic banks and waqf institutions. Islamic banks can function as a means to collect waqf funds through special accounts of Islamic banks. Islamic banks can also provide commercial financing for akaf projects that can generate financial benefits with different formulas that are still in accordance with sharia principles. Investment returns are intended for waqf institutions, while financing costs are paid to Islamic banks.
2. Islamic capital market and waqf institutions. Waqf institutions can issue sukuk which is a form of cash waqf. The return on this investment is returned to the waqf institution. Waqf institutions can also issue sukuk for financing social projects in accordance with sharia provisions. The returns obtained from these social projects are paid in part to the sukuk holders. So that sukuk can be used as a way to raise funds to finance social projects with mutually agreed profit levels. For example, the ihsan sukuk applied in Malaysia. This Ihasna Sukuk is a sustainable investment Sukuk issued in 2015 and offered exclusively to institutional investors.
3. Fintech and waqf platforms. Crodfunding platforms can play a role for waqf institutions. Waqf institutions can have their own platform to raise funds for their social projects. Akaf institutions can also use the crofunding platform to provide funding to businesses with attractive profit prospects.

this institution is that the zakat institution becomes the guarantor. One of the eight asnaf recipients of zakat is a debtor who has difficulty paying debts. In this way, zakat institutions can pay the debts of sharia bank customers and Islamic microfinance institutions with certain conditions and criteria that must be met. Zakat institutions can also encourage Islamic financial institutions to provide financing to categories that have never been served before.

From the description above it can be said that Creating an Islamic Social Finance Ecosystem has a significant role in achieving sustainability in Islamic social finance institutions, especially Micro Waqf Banks. Creating a reliable Islamic social finance ecosystem is by synergizing cooperation between various parties, such as the Government, provider's funds and social financial institutions so as to be able to maximize strategy and have a clear impact. The government can also create a good ecosystem if these social ideas are part of the government's program, so that it can be said that the government is the main coordinator. In addition, the government's role is needed to ensure regulatory support and provision of funds.

Conclusion

The growing awareness of social, economic and welfare issues has resulted in a greater number and variety of existing programs. Even though they have different forms, the desired goal is the same, namely to build a more just and prosperous society. Islamic financial institutions are an important pillar of the implementation of these social programs. Micro Waqf Banks as a form of contemporary Islamic social financial institutions receive special attention in this article. The sustainability aspect greatly influences the impact that will be given to society in the long term.

The sustainability aspect of the social program depends on funding. management, governance, and coordination with all parties. This article focuses more on aspects of capital management or funding sources for Micro Waqf Banks to achieve sustainability. There are limitations in the capital sector and closed opportunities for innovation in Micro Waqf Bank funding, one of which is caused by restrictive regulations. Therefore, special attention is needed from the Government by creating regulations that support the sustainability of Micro Waqf Bank funding. In addition, this article gives the idea that synergy between related parties is needed so as to create a good Islamic social finance ecosystem. It aims to make positive contributions to each other so that socialgoals as in Micro Waqf Banks can be realized and sustainable.

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Author's Contribution
Conceptualization: Ririn Tri Puspita Ningrum, Ahmad DjalaluddinMethodology: Ririn Tri Puspita Ningrum, Oktaria Ardika Putri Formal Analysis: Ririn Tri Puspita Ningrum, Ali Samsuri Investigation: Ali Samsuri
Supervision: Ahmad Djalaluddin
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Declaration of Competing Interests
An article entitled "Capital Management of Micro Waqf Bank Towards Sustainable Islamic Social Finance: Between Challenges And Expectations" with author: Ririn Tri Puspita Ningrum, et al stated that this research is purely neutral for the development of knowledge without any pressure, conflict, competition from other parties. which are both financial, general and institutional in nature so as to influence the data collection process, discussion to the results written in this study.

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