

# Governance and Development Sharia Micro Wakaf Bank Towards Medium Small Micro Enterprises

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## Abstract

**Purpose:** This study examines the governance and distribution of Islamic micro waqf banks to micro, small, and medium enterprises (MSMEs) in Indonesia.

**Research Methodology:** This study used a qualitative approach with secondary data, including a literature review. The literature sources were gathered from journals, books, and relevant Internet sources related to the governance and development of Islamic micro waqf banks.

**Results:** This study concludes that the governance of micro waqf banks includes management functions such as planning, organizing, leadership, and supervision, while ensuring that operations follow Sharia principles. Islamic micro waqf banks are predominantly distributed in Java, with East Java, Central Java, and West Java having the highest concentrations, followed by Yogyakarta and Banten.

**Conclusions:** Islamic micro-waqf banks' governance is crucial for their operational success, with management practices aligned with Sharia principles. The distribution of these banks is most prominent in Java, contributing to MSME empowerment in the region.

**Limitations:** This research is limited by the availability of relevant literature and in-depth analysis of the topic. The study also highlights that Islamic micro waqf banks are still a relatively new concept, with limited establishment across the country and limited funding.

**Contributions:** The researchers hope that this study provides valuable information and insights for students, academics, managers of Islamic micro waqf banks, and society.

**Keywords:** *Bank Waqf, Governance, Micro Development, Micro Small and Medium Enterprises.*

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## 1. Introduction

Poverty is a problem faced by almost all countries worldwide, including Indonesia. According to the BPS report, the percentage of the poor population in March 2020 was 9.78%, or 26.42 million people. People in the poor category who have the skills to run a business (in the MSME sector) are hindered by limited funds. According to data from the Ministry of Cooperatives, Small, and Medium Enterprises, the number of MSMEs in Indonesia in 2018 was 64.2 million, employing 117 million people (97% of the workforce). Most of the financing access available to small communities is still inferior to that available to large-scale businesses or companies with large capital. One factor causing this, according to Perusahaan Umum Jaminan Kredit Indonesia (Perum Jamkrindo), is that MSMEs generally do not have financial reports in their business activities. Unlike companies, which typically have a well-established accounting system (Dianitasari, Asari, & Pangestu, 2023).

In line with Perum Jamkrindo's view, the Minister of Cooperatives and MSMEs stated that Micro, Small, and Medium Enterprises (MSMEs) still face difficulties in accessing financing sources, even though the government has allocated Credit for People's Business amounting to Rp 190 trillion with loans up to Rp 500 million, of which only Rp 129 trillion has been absorbed. Furthermore, Indonesia has the largest Muslim population and is the largest Muslim-majority country in the world (Prananingtyas & Disemadi, 2020). With this huge social capital, the potential of the Islamic economy in Indonesia is significant. However, President Jokowi stated that the development of the Islamic economy in Indonesia is only 5%, which lags behind countries like Saudi Arabia (51%), the UAE (19%), and Malaysia (23%), which have predominantly Muslim populations.

The Islamic economy has institutional forms, such as banking and non-banking financial institutions. One of the nonbanking financial institutions is the Micro Waqf Bank, which is expected to target communities that still do not have access to financial services, improve living standards, and reduce poverty. The Micro Waqf Bank is one of the institutions expected to address these issues. The Micro Waqf Bank was established as a solution for communities or businesses that do not receive financing from commercial banks (Rozalinda & Nurhasnah, 2020). The Micro Waqf Bank is categorized as a Sharia Micro Financial Institution that focuses on financing small community projects. Furthermore, the Micro Waqf Bank has become one of the efforts (ikhtiar) through Shariah financial institutions to improve the welfare of small communities. The Sharia Micro Waqf Bank operates in Islamic boarding school throughout Indonesia (Faujiah, 2018).

The Sharia Micro Waqf Bank, which is part of Sharia micro-financial institutions, must be capable of running its business activities sustainably and healthily. Therefore, the application of Good Corporate Governance (GCG) is necessary (Diba, Disemadi, & Prananingtyas, 2019). In the governance of the Sharia Micro Waqf Bank, which is a micro-Sharia financial institution, Sharia principles must be implemented, including *aqidah* (belief), *syariah* (Islamic law), and *akhlaq* (morality) (Attamimi, Disemadi, & Santoso, 2019). Therefore, the application of good corporate governance in the management of Sharia Micro Waqf Banks is essential to ensure that they become professional and trustworthy institutions that can positively impact society. The foundation of the Islamic economy is the command that Muslim wealth should not only be concentrated in the hands of the rich, as stated in QS. Al-Haysr (59): 7:

مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَىٰ فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسْكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا آتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ - ٧

*"Fair share (fai') of the spoils that Allah has given to His Messenger (coming) from the inhabitants of several regions, is for Allah, His Messenger, the relatives (of the Messenger), orphans, the poor, and those in transit, so that the wealth does not circulate only among the rich among you. Whatever the Messenger gives you, take it. Whatever he forbids you, leave it. And fear Allah. Indeed, the punishment of Allah is severe."* (QS. Al-Haysr (59): 7).

Based on the OJK report in September 2019, the number of Micro Waqf Banks in Indonesia was 53, mostly in Islamic boarding school areas, with a total financing of IDR 29.325 billion. Harahap, Mailin, and Amini (2019) mention that the program of Islamic Micro Waqf Banks has a positive impact on customers, enabling them to continue their businesses (micro-small category) due to increased capital. In line with this, Ramadhan and Sukmana (2019) concluded that the role of Micro Waqf Banks in strengthening capital and empowering micro businesses has a positive impact, such as increased profits for customers (capital growth) and providing solutions to business problems faced by customers (empowerment).

Zayanie, Fitria, and Kamariah (2019) concluded that the presence of Micro Waqf Banks has provided significant benefits for students and the community around Islamic boarding school in realizing their economic potential. Based on the explanation above, the author is interested in reviewing in more depth

the governance and development of Islamic Micro Financial Institutions in the form of Micro Waqf Banks in Indonesia, including how governance, distribution, and the provision of Islamic Micro Waqf Bank financing to micro-small businesses in Indonesia.

## 2. Literature Review and Hypothesis/es Development

Previous studies have provided valuable information and references on the role of Islamic Micro Waqf Banks (BWM) in fostering economic empowerment and financial inclusion. Below is a more detailed description of various studies that have contributed to the understanding of Islamic Micro Waqf Banks, particularly in their efforts to assist underserved communities and micro-businesses.

- a. Harahap et al. (2019) investigated the role of Islamic Micro Waqf Banks at Pesantren Mawaridussalam and concluded that the bank's efforts to empower the local community by financing and providing assistance to micro-entrepreneurs had a positive impact. The study showed that the financing provided by the bank helped small businesses continue to grow and addressed capital shortages, enabling small microentrepreneurs to expand their operations. Ongoing support for business development is crucial for businesses with limited access to capital from conventional financial institutions.
- b. Ramadhan and Sukmana (2019) highlighted the contribution of Islamic Micro Waqf Banks in strengthening capital and empowering micro-businesses. Their research concluded that these banks have a positive impact on the businesses they support, as evidenced by increased profits after receiving additional capital. Additionally, the coaching and business mentorship provided by the bank were effective in addressing business challenges. The study emphasizes the importance of financial literacy and business management support offered by banks, which results in sustainable business growth and better solutions to the operational difficulties faced by entrepreneurs.
- c. Negara and Sriyatin (2020) studied the qardh contract applied in BWM Alpen Barokah Mandiri. They found that although the practice of the qardh contract aligned with Sharia principles, there were knowledge gaps in the community regarding how the contract functioned in the bank's financial products. Despite these challenges, the study confirmed that the presence of BWM Alpen Barokah Mandiri around pesantren (Islamic boarding school) areas positively impacted the community's economic development. The bank's role in enhancing human resource capacity in managing finances has contributed to increased economic activity and poverty reduction in the surrounding area.
- d. Safitri and Sukmana (2020) focused on the Micro Waqf Bank, particularly examining the distribution of financing and business mentoring provided to the local community. The study concluded that these initiatives had a significant impact on the development of customer businesses. The research also highlighted that the bank's efforts in financing and mentoring were effective in reducing poverty levels in the community. By offering both financial support and business guidance, BWM Denanyar was able to assist in the economic empowerment of individuals and families who were previously underserved by traditional financial institutions.
- e. Attamimi et al. (2019) emphasized that Islamic Micro Waqf Banks are micro-financial institutions that operate in full adherence to Shari' ah principles. Their research concluded that the main objective of these banks is to provide financing to individuals with limited access to conventional financial services, thus contributing to poverty alleviation. The study also underlines the importance of ethical business practices in the operations of Micro Waqf Banks, as they aim not only to offer financial support but also to reduce societal difficulties, such as poverty and economic exclusion. This study emphasizes the role of these banks in bridging the gap between formal financial institutions and marginalized communities.
- f. Waroi, Umar, and Ngutra (2025) assessed the performance of Micro Waqf Bank Sumber Barokah Denanyar Jombang and concluded that the bank was performing effectively in accordance with the principles of the productive waqf management theory. The study emphasized that the bank had made significant progress in aligning its operations with the theory of productive waqf, which focuses on utilizing waqf assets to maximize the benefits to the community. The research highlights that the bank's success is attributed to its efficient management of waqf funds and its commitment to empowering the local community by facilitating access to financial services and entrepreneurial opportunities.

- g. Zayanie et al. (2019) investigated the role of Micro Waqf Banks in pesantren areas and concluded that their presence had brought significant benefits to both students and surrounding communities. The study found that Micro Waqf Banks enabled students and local residents to realize their economic potential by providing access to capital and financial education to them. The research suggests that empowering students through financial literacy and entrepreneurial support creates a ripple effect, fostering economic growth and creating more opportunities for sustainable development in the community.

### **3. Methodology**

The method employed by the author in composing this journal article is a qualitative research approach, with a primary focus on utilizing secondary data analysis. This secondary data is sourced through an extensive literature review that encompasses a wide range of relevant academic materials, such as peer-reviewed journal articles, scholarly books, and reliable internet sources (Arifin, Aulia, Nubahai, Saleh, & Berliana, 2025). The purpose of this literature review is to provide a thorough examination of the governance and development of Islamic Micro Waqf Banks, particularly in the context of their role in financial inclusion and empowerment of underserved communities, especially in Indonesia.

According to Creswell (2014), qualitative research is particularly well-suited for understanding complex and nuanced phenomena in natural contexts. This approach allows researchers to explore and gain insights into emerging and multifaceted topics, such as the governance models and operational challenges of Islamic Micro Waqf Banks. Secondary data are crucial in qualitative research because they offer a broad perspective on existing knowledge, facilitating a deeper understanding of the theoretical and practical aspects of the subject matter.

The literature review includes expert opinions and findings from previous studies in the field. Notably, Attamimi et al. (2019) focus on the governance frameworks within Islamic Micro Waqf Banks and how adherence to Shariah principles ensures the sustainability and ethical operation of these institutions. Similarly, Rozalinda and Nurhasnah (2020) highlight the importance of Islamic Micro Waqf Banks in addressing the financial needs of micro, small, and medium enterprises (MSMEs) and enhancing economic development within underserved communities. According to Fitriyani, Handayani, and Sari (2025), the role of Islamic Microfinance in promoting financial inclusion is also an important aspect discussed in the literature, as it helps bridge the gap between formal financial institutions and marginalized populations.

Additionally, the secondary data include an exploration of the challenges Islamic Micro Waqf Banks face in terms of regulatory compliance, operational efficiency, and resource mobilization. As pointed out by several scholars, including Adil, Marhani, and Rosa (2025) and Mujianto and Noviaristanti (2025), these banks face challenges such as limited access to capital, a lack of financial literacy among the target communities, and difficulties in maintaining the balance between social and financial objectives. Furthermore, secondary data are valuable for understanding emerging trends and practices in the microfinance sector, particularly the role of Shariah-compliant financial institutions in fostering economic justice and reducing poverty.

Usnaka (2025) indicates that Islamic Micro Waqf Banks, through their innovative approaches and alignment with Islamic ethical principles, can offer a sustainable and inclusive solution to financial exclusion in developing countries (Nurida, Effendi, & Ardheta, 2025). By drawing on such a diverse and extensive body of literature, this study seeks to provide a holistic and well-rounded perspective on the governance, operational challenges, and impact of Islamic Micro Waqf Banks. This study contributes to the growing body of knowledge on this topic and provides insights that can inform future policy, practice, and academic research.

### **4. Results and Discussions**

The Micro Waqf Bank is a Sharia micro-financial institution established with the permission of the Financial Services Authority to provide capital access or financing for small communities that generally

lack access to capital from formal financial institutions (Puspita, 2025). Micro Waqf Banks, as part of Sharia micro-financial institutions, are established under Law No. 25 of 1992 on cooperatives and Law No. 1 of 2013 on Micro Financial Institutions (Solichin, 2019). Although the name includes "bank," in practice, it is closer to a cooperative model. The target of financing distribution from Micro Waqf Banks is focused on the underprivileged, small businesses, and microenterprises, which fall under the domain of micro-financial institutions. The legal basis for the Micro Waqf Bank is as follows.

- a. Cooperatives are business entities that have individual members or legal entities in the form of cooperatives, based on cooperative principles in their activities, as part of a people's economic movement grounded in the principle of kinship.
- b. Cooperatives are legal entities established by individuals or legal cooperative bodies, with the separation of members' wealth as capital to run businesses that fulfill shared aspirations and needs in the economic, social, and cultural fields according to cooperative values and principles, and having business units operated conventionally or based on Sharia principles.
- c. Micro-financial institutions (MFI) are financial institutions specifically established to provide business development services and community empowerment, either through loans or financing for micro-scale businesses to members and the public, saving management, or providing business development consulting services without focusing solely on profit.
- d. The activities of Micro Financial Institutions include community empowerment and business development services, including financing and loans for micro-scale businesses to members and the public, saving management, or providing business development consulting services, conventionally or based on Sharia principles.

Table 1. Articles of association of the Sharia Micro Waqf Bank

No.	Identity	Description
1	Legal Entity	Service cooperative
2	Business License	Sharia microfinance institution
3	Principles	1. The Quran and Hadith 2. Pancasila and UUD NKRI 1945
4	Fundamentals	Kinship and mutual assistance
5	Principles in conducting business	'Adalah (justice), Itqan (professionalism), Amanah (honesty), Ta'awun (mutual assistance), Maslahah (benefit), Avoidance of Maisir (gambling), Tadlis (deception), Gharar (uncertainty), usury, dzhulm (oppression), Risywah (bribery), and haram goods and services
6	Cooperative principles	1. Membership is voluntary 2. Management is carried out democratically 3. Profit sharing is fair and proportional to the amount of work contributed by each member 4. Remuneration is limited to capital 5. Independence
7	Cooperative development principles	1. Cooperative education 2. Cooperation between cooperatives
8	Cooperative organizational structure	1. Members' meeting 2. Management 3. Supervisory board 4. Sharia supervisory board

Table 1 shows, based on the articles of association of the Sharia Micro Waqf Bank, which is based on the cooperative body, specifically the Sharia cooperative services, the business license of the Sharia Micro Waqf Bank falls under the category of micro-Sharia financial institutions based on the Quran and Hadith, Pancasila, and the 1945 Constitution. Therefore, as a micro-Sharia financial institution, the institutional framework includes members' meetings, management, supervisory boards, and the Sharia supervisory board (which distinguishes Sharia financial institutions from conventional ones) (Gunawan et al., 2025).

According to Attamimi et al. (2019), there are three (3) principles in managing the Micro Waqf Bank: aqidah, syariah, and akhlaq.

a. Aqidah

It is a belief or faith that a Muslim should have, where in all of their activities, they must seek the pleasure of Allah SWT, hoping that their actions are in accordance with worshiping Him.

b. Syariah

Regarding human life relations, the practice of managing the Micro Waqf Bank has the following guidelines.

1. Avoid speculative elements in management,
2. Funds obtained from donors must be distributed to the community,
3. The funds obtained from donors must be used to improve the economic capabilities of the community,
4. Management must be transparent and fair to achieve good governance or good corporate governance.

c. Akhlaq

In managing the Micro Waqf Bank, it must adhere to the principles of aqidah and syariah as life guides to foster good behavior (Riniawati, Fatoni, & Badina, 2025). With good akhlaq, human resources managing the Micro Waqf Bank can operate with honesty, commitment, and professionalism.

As stated in the principles of Sharia management, practices prohibited in the management of Micro Waqf Banks must be avoided. The regulations governing these prohibitions are outlined in the Financial Services Authority Regulation No. 62/POJK.05/2015, which lists the following prohibitions:

1. The BWM is prohibited from accepting deposits in the form of checking accounts and participating in payment traffic.
2. The BWM is prohibited from conducting foreign currency transactions.
3. The BWM is prohibited from conducting insurance business as an insurer.
4. The BWM is prohibited from acting as a guarantor.
5. The BWM is prohibited from providing financing to other BWMs, except in cases of liquidity issues within the same district/city.
6. The BWM is prohibited from providing financing outside of its operational area; and/or
7. The BWM is prohibited from engaging in activities outside micro-enterprise financing for the business development and empowerment of members and the community.

According to Fitriyani et al. (2025), the governance of the Micro Waqf Bank includes the following components:

a. Planning

In planning, the Micro Waqf Bank prepares Standard Operating Procedures (SOP) for institutional management, which include managing institutional activities, rules for fund distribution, marketing strategies, financing programs, the structure of activities, and expected achievements. Additionally, banks formulate a vision and mission to guide their activities (Fitriana & Rahmawati, 2023).

b. Organization

The key drivers of the Sharia Micro Waqf Bank include:

1. Member Meetings  
Member meetings serve as a platform for proposing ideas that become policy decisions for managing the Sharia Micro Waqf Bank.
2. Management  
Management directly drives the operations of the Sharia Micro Waqf Bank based on the capabilities and expertise of its members, including positions such as chairman, secretary, treasurer, and various divisions as required by the institution.
3. Supervision  
Supervisors are responsible for overseeing the management of the Shariah Micro Waqf Bank.
4. Sharia Supervisory Board

The Sharia Supervisory Board oversees the activities of financial institutions to ensure that their operations align with Sharia principles.

c. Leadership

The leadership process in the management of the Sharia Micro Waqf Bank involves influencing and guiding relevant parties to achieve the bank's goals (Argantara & Safitri, 2023).

d. Supervision

The supervision of the Sharia Micro Waqf Bank includes reporting the number of customers acquired, reporting on completed activities, and evaluating the funds that have been disbursed and the businesses operated by the customers (Komarudin, Fathonih, & Nurrohman, 2024).

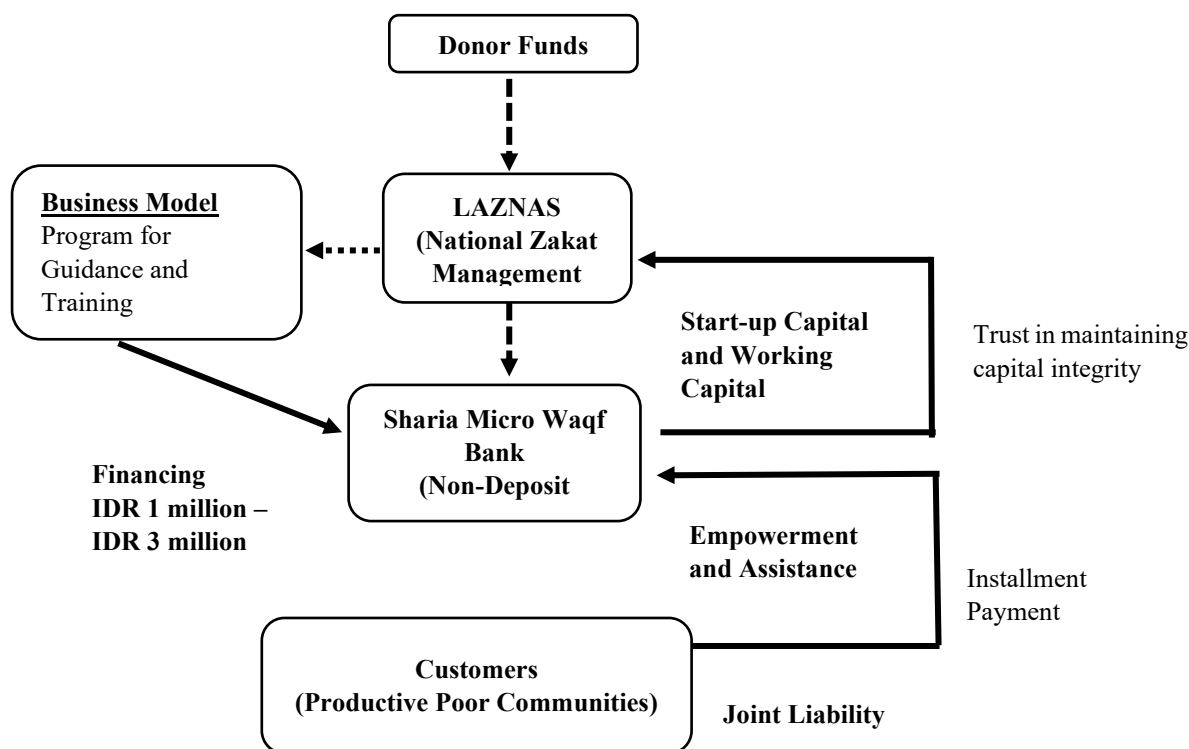


Figure 1. Scheme of fund collection and distribution Sharia Micro Waqf Bank

The scheme for the operation of the Sharia Micro Waqf Bank in relation to poor communities and MSMEs is outlined as follows:

- Donors are individuals who have excess money (funds) and give money (funds) to individuals, groups, or institutions. Donors provide funds to zakat management institutions due to certain conditions, either as an obligation or not.
- National Zakat Management Institutions are Islamic philanthropic institutions that serve as places to receive funds from donors (Hardana, Nasution, & Damisa, 2025). The funds donated by donors are handed over to the Sharia Micro Waqf Bank to advance the economy of small communities.
- The Sharia Micro Waqf Bank, a non-deposit-taking institution, receives funds from the national zakat management institution and subsequently distributes them to poor communities and MSMEs. The fund distribution by the Sharia Micro Waqf Bank must be accompanied by customer assistance and training. A non-deposit-taking Sharia Micro Waqf Bank cannot manage funds in the form of savings, deposits, or other forms of funds that are classified as funding from the institutional side (Sulistian, Yunus, & Bayuni, 2019). Therefore, the focus of the Sharia Micro Waqf Bank is on financing less fortunate communities and MSMEs.
- Poor communities and MSMEs are the parties that receive funds from the Sharia Micro Waqf Bank. Those in this category are poor and have businesses (MSMEs), and the customers must be willing to participate in empowerment activities such as training and assistance (Shatrie, Wiliasih, Irfany, &

Haq, 2025). It is important to note that poor communities and MSMEs have a strong work ethic and perseverance. The fund distribution from the Sharia Micro Waqf Bank provides financing without collateral, requires group participation, and offers a profit-sharing rate of approximately 3% per year.

The distribution of Sharia Micro Waqf Banks is mostly in pesantren environments because they have the potential to channel and empower community businesses, both individually and in groups, to manage and improve the economy (Solichin, 2019). According to the guidelines from the Financial Services Authority (OJK), the Sharia Micro Waqf Bank distributes and empowers customers in pesantren environments with criteria for business actors who have potential within a radius of 5 (five) km from the location of the Sharia Micro Bank (Balqis & Sartono, 2020). To date, there are 56 Sharia Micro Waqf Banks in Indonesia.

Table 2. List of Micro Waqf Banks

No.	Bank Name	Address
1	BWM Pondok Pesantren Mawaridussalam	Deli Serdang, Sumatera Utara
2	BWM PPM Al Kautsar	Lima Puluh Kota, Sumatera Barat
3	BWM Pesantren As'ad	Teluk Kota Jambi, Jambi
4	BWM Minhaddul Ulum	Pesawaran, Lampung
5	BWM An Nawawi Tanara	Serang, Banten
6	BWM El Manahij	Lebak, Banten
7	BWM Lan Taburo	Lebak, Banten
8	BWM Berkah Bersama Baiturrahman	Kab. Bandung, Jawa Barat
9	BWM Berkah Utama Ciganitri	Kab. Bandung, Jawa Barat
10	BWM Barokah Pesantren Al Masthuriyah	Sukabumi, Jawa Barat
11	BWM Amal Dana Bergulir	Kab. Bogor, Jawa Barat
12	BWM Buntet Pesantren	Cirebon, Jawa Barat
13	BWM Khas Kempek	Cirebon, Jawa Barat
14	BWM Ranah Indah Darussalam	Ciamis, Jawa Barat
15	BWM Nahdlatul Wathon Cijantung	Ciamis, Jawa Barat
16	BWM Al Hijrah Cindai Alus	Banjar, Kalimantan Selatan
17	BWM Al Ihya Baitul Auqof	Cilacap, Jawa Tengah
18	BWM Almuna Berkah mandiri	Bantul, Yogyakarta
19	BWM Usaha Mandiri Sakinah	Sleman, Yogyakarta
20	BWM Sunan Pandan Aran	Sleman, Yogyakarta
21	BWM Sunan Gunung Jati Ba'alawy	Semarang, Jawa Tengah
22	BWM Ponpes Futuhiyyah	Demak, Jawa Tengah
23	BWM Assa Berkah Sejahtera	Kudus, Jawa Tengah
24	BWM Bank Wakaf Alpansa	Klaten, Jawa Tengah
25	BWM Bank Wakaf Al Manshur	Klaten, Jawa Tengah
26	BWM Bank wakaf Imam Syuhodo	Sukoharjo, Jawa Tengah
27	BWM Sinar Mandiri Sejahtera	Tuban, Jawa Timur
28	BWM Al Fithrah Wawa Mandiri	Surabaya, Jawa Timur
29	BWM Berkah Rizqi Lirboyo	Kediri, Jawa Timur
30	BWM Amanah Makmur Sejahtera	Kediri, Jawa Timur
31	BWM Denanyar Sumber Barokah	Jombang, Jawa Timur
32	BWM Tebuireng Mitra Sejahtera	Jombang, Jawa Timur
33	BWM Bahrul Ulum Barokah Sejahtera	Jombang, Jawa Timur
34	BWM Sinar Sukses Bersama	Malang, Jawa Timur
35	BWM Alpen Barokah Mandiri	Sumenep, Jawa Timur
36	BWM Al Azhar Jember	Jember, Jawa Timur
37	BWM Al Falah	Jember, Jawa Timur
38	BWM Minhajut Thullab	Banyuwangi, Jawa Timur
39	BWM Taawun Mitra Umat	Balikpapan, Kalimantan Timur



40	BWM Ummul Mukminin Aisyiyah	Makassar, Sulawesi Selatan
41	BWM Honai Sejahtera Papua	Kota Jayapura, Papua
42	BWM Fajar Pelita Harapan	Kab. Siak, Riau
43	BWM Al Hidayah Rokan Hulu	Kab. Rokan Hulu, Riau
44	BWM Apik Kaliwungu Kendal	Kendal, Jawa Tengah
45	BWM Al Anshor Peduli	Kota Ambon, Maluku
46	BWM Syubbanul Wathon Masalahah	Magelang, Jawa Tengah
47	BWM Kariman Birajuda AL Karimiyyah	Sumenep, Jawa Timur
48	BWM Manten Aman makmur	Blitar, Jawa Timur
49	BWM Ahmad Taqiuddin Mansur "ATQIA"	Lombok Tengah, NTB
50	BWM Bangkit Nusantara	Rembang, Jawa Tengah
51	BWM Pesantren Hidayatulloh Trenggalek	Trenggalek, Jawa Timur
52	BWM Babul Maghfirah	Aceh Besar, Aceh
53	BWM Bitu Amanah Umat	Garut, Jawa Barat
54	BWM Amanah Berkah Nusantara	Banyumas, Jawa Tengah
55	BWM Aulia Cendekia Palembang	Kota Palembang, Sumatera Selatan
56	BWM Al Fadlu Kendal	Kendal, Jawa Tengah

Based on the Table 2, the Sharia Micro Waqf Bank is always located within the pesantren environment. To facilitate reading the distribution of Sharia Micro Waqf Banks, a diagram of the distribution of Sharia Micro Waqf Banks in Indonesia is shown below:

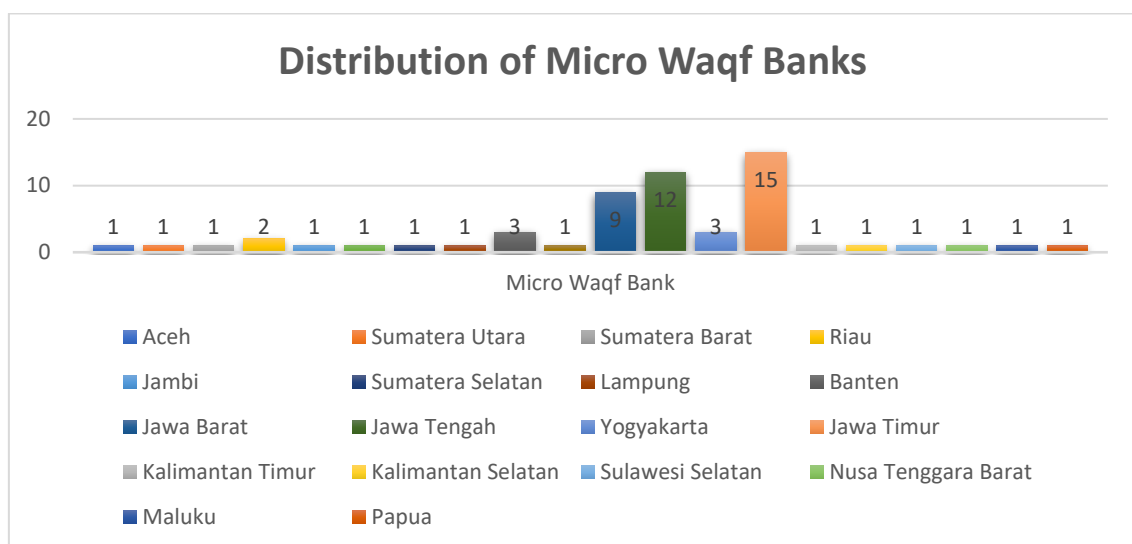


Figure 2. Distribution of Micro Waqf Banks

Figure 2 shows that Sharia Micro Waqf Banks are spread throughout all islands in Indonesia, such as Sumatra, Java, Kalimantan, Sulawesi, Nusa Tenggara, Maluku, and Papua. Most Micro Waqf Banks are located in Java, with the highest numbers in East Java, Central Java, and West Java, followed by Yogyakarta and Banten. The largest number of Sharia Micro Waqf Banks in Sumatra is in Riau, with other locations in Aceh, North Sumatra, West Sumatra, Jambi, and South Sumatra. In Kalimantan, Sharia Micro Waqf Banks are distributed only in East Kalimantan and South Kalimantan. In Eastern Indonesia, Sharia Micro Waqf Banks can be found in South Sulawesi, West Nusa Tenggara, Maluku and Papua.

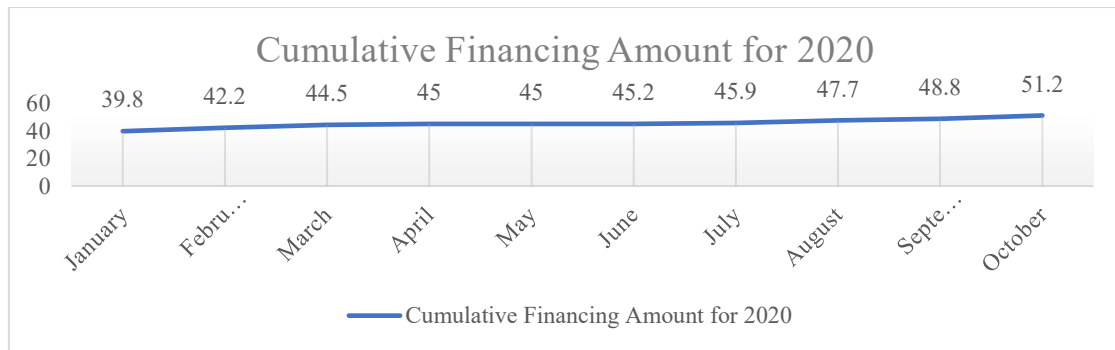


Figure 3. Cumulative Financing Amount in 2020 (in billion Rupiah)

Figure 3 shows that the cumulative financing of Sharia Micro Waqf Banks from January to October 2020 increased. The highest increase in financing was from January to February, with an increase of 2.4 billion Rupiah, from 39.8 billion Rupiah (January) to 42.2 billion Rupiah (February), and from September to October, with an increase of 2.4 billion Rupiah, from 48.8 billion Rupiah (September) to 51.2 billion Rupiah (October). Meanwhile, the cumulative financing of Sharia Micro Waqf Banks did not increase from April to May 2020, with no change, remaining at 45 billion rupiah..

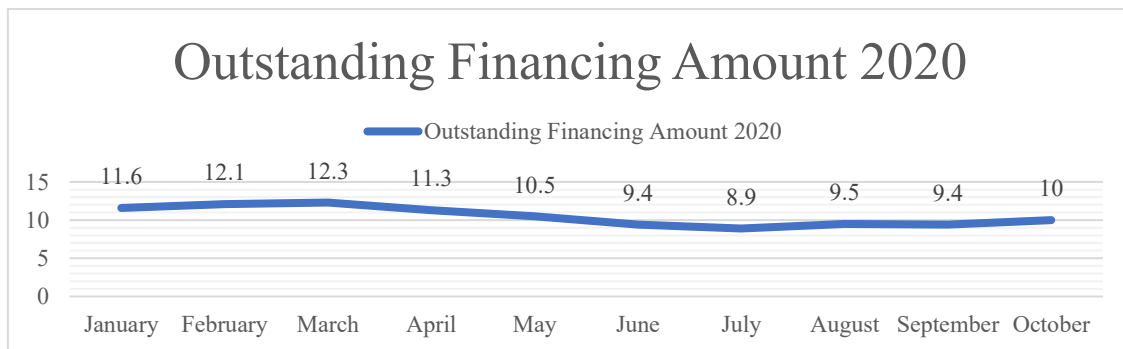


Figure 4. Outstanding Financing in 2020 (in billion Rupiah)

Figure 4 shows that the outstanding financing of Sharia Micro Waqf Banks fluctuated (up and down) from January to October 2020. The highest increase in outstanding financing occurred from July to August and from September to October, each increasing by 6 billion Rupiah, from 8.9 billion Rupiah (July) to 9.5 billion Rupiah (August), and from 9.4 billion Rupiah (September) to 10 billion Rupiah (October). The most significant decrease occurred from June to July, with a decrease of 1.1 billion Rupiah, from 10.5 billion Rupiah (June) to 9.4 billion Rupiah (July).

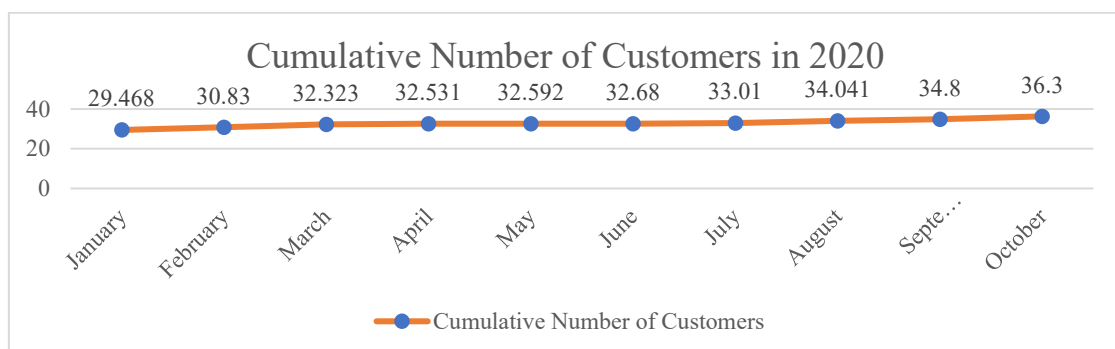


Figure 5. Cumulative Number of Customers in 2020 (in thousand people)

Figure 5 shows that the cumulative number of customers of Sharia Micro Waqf Banks from January to October 2020 always increased. The highest increase in the cumulative number of customers occurred from September to October, with an increase of 1.5 thousand customers, from 34.8 thousand customers

(September) to 36.3 thousand customers (October). The smallest increase occurred from March to April, from 32,531 (March) to 32,592 (April) (Attamimi et al., 2019)



Figure 6. Outstanding Number of Customers in 2020 (in thousand people)

Figure 6 shows that the outstanding number of customers of Sharia Micro Waqf Banks fluctuated (up and down) throughout 2020. The highest increase occurred from February to March 2020, from 14 thousand people (February) to 14.4 thousand people (March). The most significant decrease occurred from June to July 2020, from 12.6 thousand (June) to 11.8 thousand (July).

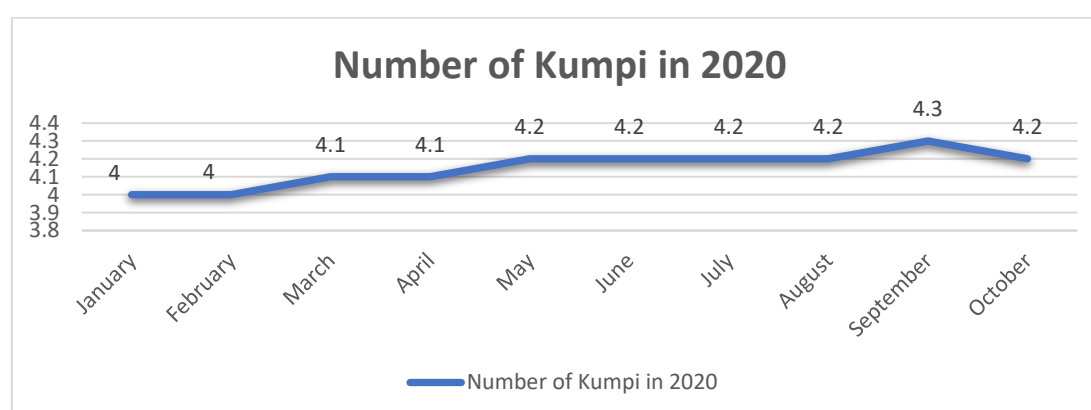


Figure 7. Number of Community Business Groups around Pesantren in 2020 (in thousand)

Figure 7 shows that the number of community business groups around pesantren in Indonesia (kumpi) fluctuated (up and down) throughout 2020. The increase in the number of community business groups around pesantren in 2020 was from 4 thousand kumpi (February) to 4.1 thousand kumpi (March), from 4.1 thousand kumpi (April) to 4.2 thousand kumpi (May), from 4.2 thousand kumpi (August) to 4.3 thousand kumpi (September). The decrease occurred from 4.3 thousand kumpi (September) to 4.2 thousand (October).

## 5. Conclusions

### 5.1. Conclusion

Based on the discussion of governance and the development of Sharia Micro Waqf Banks for MSMEs in Indonesia, several key conclusions can be drawn: The governance of Sharia Micro Waqf Banks involves essential management functions such as planning, organizing, leadership, and supervision. Adhering to Sharia principles is crucial in the management of these banks to ensure that they do not engage in prohibited activities. Most of these banks are located in Java, with East Java, Central Java, and West Java having the highest concentrations, followed by Yogyakarta and Banten. From January to October 2020, the cumulative financing of Sharia Micro Waqf Banks increased, while outstanding financing fluctuated during the same period. Additionally, the cumulative number of customers of these banks showed a consistent increase, although the number of outstanding customers fluctuated

throughout 2020. Furthermore, the number of community business groups around pesantren in Indonesia fluctuates throughout the year.

### 5.2 Research Limitations

The researcher acknowledges several limitations of this study. One major limitation of this study is the lack of relevant literature, which has hindered the depth of analysis. The governance and development of Sharia Micro Waqf Banks remain an emerging area of research, and there are still a limited number of scholarly articles on this subject. Since Sharia Micro Waqf Banks are a relatively new concept, there is a shortage of established banks throughout the country, which further limits the scope of available data for comprehensive analysis.

### 5.3 Suggestions and Directions for Future Research

In future studies, the author and other researchers are encouraged to explore and expand the literature on the governance and development of Shariah Micro Waqf Banks. More research is needed to examine the operational challenges, socio-economic impact on MSMEs, and long-term sustainability of these institutions. Future research could also benefit from investigating how technological advancements, regulatory frameworks, and regional variations influence the performance and growth of Sharia Micro Waqf Banks. Such studies will provide valuable insights for students, academics, policymakers, Sharia Micro Waqf Bank managers and the broader public.

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