THE ROLE OF PRODUCTIVE WOMEN IN ALLEVIATING POVERTY THROUGH STRENGTHENING ISLAMIC SOCIAL FINANCE: A STUDY OF MICRO WAQF BANKS IN INDONESIA

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Abstract

The nature of women in development has a big role not only in the economic foundation of households, in the use of Islamic social financial institutions. Poverty motivates women to develop their potential through opportunity, excellence, and equality. Attention to Islamic social finance namely zakat, infaq, sadaqa and waqf in Indonesia is increasing as awareness improves. Limited access of productive women to social financial institutions makes it difficult to obtain business capital. The study investigates the contribution of women to poverty alleviation through Islamic social finance. This study uses qualitative methods with a field study approach. The research location is at the Micro Waqf Bank Lan Taburo Lebak Banten, Indonesia. Data collection using interviews, observations, and literature studies. Data analysis techniques use triangulation with collection, reduction, presentation, and conclusions. The results showed that the role of productive women micro waqf bank customers utilizes Islamic social finance, namely managing business financing, increasing household income, creating household economic prosperity, strengthening community empowerment, and increasing waqf literacy. The research implies that the greater the role of productive women utilizing Islamic social finance, the more positively it will contribute to poverty alleviation in Indonesia. This study was limited to women producing micro waqf banks who received benefits at one institution. Further research needs to be carried out in quantitative studies to find the dominant factor of alleviating harm using Islamic social finance.

Keywords: Micro Waqf Bank, Poverty, Islamic Social Finance, Productive Women

Citation:
INTRODUCTION

According to Ministry of Cooperatives, (2022), the number of micro and small enterprises (MSEs) operating in Indonesia amounted to 19.5 million as of June of the same year. Among them, 64.5% were women. This shows that increasing women's participation in the economy has the potential to improve the household economy. Although the main function of women in micro-enterprises does not only revolve around their main jobs, the fact also that they often experience gender-based discrimination is problematic. As a result of their economic responsibilities, women need venture capital.

Therefore Mulyanto (2005) affirming that women are very vulnerable and need business funds or domestic capital. Financial management institutions provide a way for women to access borrowed capital for small and micro businesses and their household needs, especially through cooperatives (Retrianto et al., 2016). Studies show that customers choose micro waqf banks (MWB) as an alternative to loan sharks, which offer business funding and conduct regular activities through weekly group meetings focused on monitoring business development, religious education, and progressive loan reimbursement (Fauzi, Haji Othman, et al., 2023). In addition, customers of micro waqf banks who are women have the responsibility to repay business loans in stages, organize social events to raise additional funds and supervise other customers (Fauzi, Priatno, et al., 2023).

There has always been a perception of Islamic finance and economics as gender-neutral, with women playing passive rather than active roles in economic affairs. However, in both traditional and current Islamic institutions, Islamic law, in all its genres and interpretations, often favours women’s differences rather than against them (Corcoran-nantes, 2016). Empowering women is critical to the global economy and society. Similarly, the benefits of bringing more women into the labour sector outweigh previously assumed misconceptions (Coverline, 2019).

Despite increasing recognition of the important role women play in economic and social development globally, women's labour force participation rates and contributions in Muslim countries are lower than in non-Muslim countries. For example, in 1975, women accounted for 21.3% of the labour force in Muslim countries and 36.6% in non-Muslim countries, progressively in Malaysia the number of the female labour force was revealed to have increased at a rate of 47% between 1975 and 2002-
(Sadatmoosavi, 2016). As a result, some have used basic statistical comparisons to conclude that Islam is a factor limiting women's participation (Azizah et al., 2019).

However, there is a significant gap in understanding the complexity of women’s financial and economic contributions in Islamic communities. The study aims to close this gap by conducting a thorough investigation into women’s financial and economic contributions that are often overlooked from an Islamic perspective. This contains the understanding that women can contribute to overcoming poverty through the empowerment of micro-enterprises, for that Fauzi et al., (2024) revealed that the productive poor have great potential to get out of poverty with the micro waqf bank program.

The multidisciplinary approach, which draws on indicators of community and economic development such as poverty alleviation, education promotion and financing of community development will provide a detailed analysis of how the Islamic faith shapes and impacts women's finances and economic contributions among Muslim communities. Previous research Fauzi et al., (2023) stated that women play a role in fulfilling the capital of micro small businesses by avoiding loans to loan sharks through micro waqf banks.

As it is observed, women can express themselves and work in different sectors with respect, protection, and modesty while maintaining their faith and religious beliefs. The following research question is addressed in this study: do women in Islamic social finance contribute to poverty alleviation? What is the role of women with productive potential in utilizing Islamic sausage? The purpose of the study was to analyze the role of productive women in Islamic social finance towards poverty alleviation in micro waqf bank customers

LITERATURE REVIEW

Islamic Economics and Finance

Islamic economics as a discipline applies the dictates of Sharia or Islamic law in dealing with the allocation of scarce resources for the achievement of individual and collective spiritual, moral and material well-being (M. H. Ibrahim &; Alam, 2018). On the other hand, in Islamic finance, households provide funds to financial intermediaries on a profit-sharing (PLS) basis. In particular, key agents among Islamic financing products involve the financing modes Mudarabah, Wakalah, Mushararakah,
and Qard al-Hasan (Akilu et al., 2023). Islamic finance has been compared to participatory sports where everyone plays (shares the risk) (Al-Jarhi, 2017). In Islamic economics, productive human endeavour is essential and prohibits on moral grounds activities related to tobacco and other narcotics, alcohol, pork products, gambling involving money and non-pecuniary assets (maisir), speculation, pornography and destructive weapons (Hussain et al., 2015).

Furthermore, Islamic finance and economics seek to foster human fraternity, socioeconomic justice, and welfare all by integrating moral ideals, market mechanisms, families, societies, and good governance (Prophet, 2019). This is in line with the idea that women should have equal opportunities and rights in economic activities. Instead (Gait, A.H., & Worthington, 2007) added that Islamic finance aims to make an actual distribution of morals and justice in resources and social justice in all (Muslim) societies. Islamic financing is equally needed by non-Muslims because of its economic value proposition (Development Bank &; Financial Services Council, 2015). It is a foundation that can be applied to women’s financial and economic endeavours, fostering fair partnerships, and sharing of risk and reward in all financial transactions.

**Community Development in the Islamic Economy**

According to (Haughton, 2013) The study defines a community as a geographical place where people interact and provide essential activities and functions that serve its inhabitants. The functions of these communities range from economic (providing products and services) to socialization, social control (the process by which a group controls the behaviour of its members to conform to its norms) to social engagement (providing a place where residents can participate in their community) to support each other. Community development is called the process, tasks, and vision to empower communities to take collective responsibility for their development (Quimbo et al., 2018).

Former researchers argue that community development theories usually treat society as a system, suggesting that individual or community growth is a combination of personal power, initiative, and a natural system of assistance to bring about change. The goals of community development are aligned with Islamic teachings and practices. Naveed Ranjha, (2020) states that Islam and community development work for constructive social change, emphasizing the provision of services for community members, capacity building, improved quality of life, and stability.
Abdul Rahman et al., (2015) asserts that, within the Islamic economic and financial community, the objective ideology of sharia is justified through several vertical ethical principles, whereby God's creatures should be treated equally (tawhid); horizontal ethics in terms of social justice and virtue (ihsan); growth in harmony (tazkiyah); enable the social and natural environment to achieve and maintain its perfection (rububiyyah); Voluntary and obligatory action (FARD) in the service of social interests: also the responsibility of individuals to fulfil and behave by the previous principles in their economic and financial conduct as representatives of God on Earth (caliph). Joshi, (2006) It further revealed that Islamic economics and finance add another layer of institutions in the development of society and thus complement the Islamic system by providing products and services that are not offered by the conventional system. In this way, the Islamic economy and finance will be considered a valuable reserve for the Islamic community, providing specialized financial services to serve the specific needs of the community.

Therefore, researchers argue that trade and transactions in Islamic economics and finance among members of society will contribute to more fairness in the process of self-enrichment, encourage further expansion of employment and entrepreneurial opportunities, and enrich one's spiritual well-being and transformation of society.

**Women in Economics**

Gaining a firm understanding of who qualifies as a woman is crucial. Then Ahdiah, (2013) argues that women have feminist aspirations that include concepts of beauty and attractiveness, as well as recognizing their status as human beings. In addition, women can achieve their goals through physical, physiological, and psychological means. In Islam, women are considered equal to men in their role as servants of Allah, but they also have the right to carry out activities outside the home. Eve (2009) states that women are allowed to engage in activities outside the home for permissible reasons. Extracurricular activities include tasks performed outside the residence, aimed at managing household responsibilities, guaranteeing the basic needs of household members, and contributing to personal and family financial sustenance, although people's perspectives vary (Arafat, 2022). One of the activities carried out by women, both inside and outside the home, is trading or running small and medium enterprises (SMEs) to increase family economic resilience, create jobs, and improve welfare. Family (KPPPA, 2011). This task is often excluded from the "occupation" classification and therefore does not count towards the-
"output" of a family. This situation is exacerbated by the assumption that women's income is just additional income for their partners (PPPA, 2016).

The contribution and involvement of women in the public sphere represent the achievement of equal rights in terms of responsibilities and important roles in community development (Zuhdi, 2018). Similarly, women who take advantage of their economic opportunities through the utilization of Islamic financial institutions may experience greater empowerment in micro and small enterprises, thus benefiting themselves, their families, and the country's overall economic stability (Dewanti et al., 2020). According to Samani and Marinova (2020), women's involvement in the economy improves the efficiency of human resources and improves the welfare of their families.

**Micro Waqf Bank**

Micro waqf bank is a Sharia microfinance institution (MFI) that focuses on financing low-income people or *mustahik* with Sharia principles. This institution was inaugurated in October 2017 by the financial services authority. In operationalization, the financial services authority invites cooperation with Islamic boarding schools, while in the management and distribution of financing capital in collaboration with the national Amil Zakat institution (LAZNAS) by forming a Sharia microfinance institution.

Micro waqf bank policy steps initiated from the central or financial services authority through Islamic economic and financial development, local governments should be able to compile a public report that conveys ideas, policies, structured data, business programs, obstacles, and challenges to investment in the halal industry sector. Then Sharia microfinance institutions and Sharia social finance in the form of zakat, infak, sadaqah and waqf, in education and community economic programs as well as Islamic boarding school economic empowerment programs (Quraysh et al., 2019).

In carrying out its functions according to Fitri (2021) Where Micro Waqf Banks support people who have difficulty accessing bank financing (*unbankable*) due to non-fulfilment of the conditions known as '5C's of Credit' among others character, capacity, capital, conditions and guarantees. However, micro waqf banks strive to improve micro-scale financing services, increase economic empowerment and community productivity increase the income of the poor and improve their welfare.
MWB’s target is to focus on people who have not yet received formal access to banking or financial services (unbackable) to avoid the entanglement of loan sharks that make people restless with their loan and collection schemes. For this reason, the presence of MWB with the LKMS platform can provide business financing without returns by involving Islamic boarding schools not only to overcome poverty but to increase Islamic microfinance inclusion (A. Ibrahim et al., 2021). In addition, the presence of micro waqf banks as business capital to develop businesses and business assistance including religious assistance has an impact on increasing the amount of production, income and profit accompanied by increasing economic standards and community welfare (Nur et al., 2019).

Based on the literature review above, it is necessary to describe the framework of this study centre on productive women utilizing Islamic social financial institutions, namely micro waqf banks that discuss business financing, household income, economic independence, community empowerment and waqf literacy that have the potential to reduce poverty. As follows:

**Figure 1**: Theoretical Framework
METHODOLOGY

This research uses qualitative methods, where Creswell (2014) explains that qualitative research is a method for exploring and understanding meanings that some individuals or groups of people ascribe to social or humanitarian problems. The approach uses case studies, which are research data collection techniques by reading phenomena and providing feedback (Ridhlo, 2023).

The research is located at the Micro Waqf Bank Lan Taburo Lebak, Banten, Indonesia. Data collection using interviews, observation, documentation, and literature studies. The sample of respondents was chosen purposively because it was based on the length of membership or customers. Interviews were conducted with 3 Kumpi Chairmen with clients over 6 years old. The data analysis techniques using data triangulation include collecting, reducing, presenting, and drawing conclusions.

RESEARCH RESULT

Managing Business Financing

Small and micro business financing has developed rapidly around Cipanas District or Lan Taburo Micro Waqf Bank. This is supported by the increasing number of customers and types of businesses. The initial principle of micro waqf banks is in the form of micro business capital assistance for residents domiciled in the vicinity. This fact has an impact on the first customer according to Harsuna "The initial business financing provided by the Micro Waqf Bank is used by new businesses with group loans, usually buying goods as the business capital of Rp.1,000,000 / person" (Harsuna, 2024).

In understanding Islamic social finance, micro waqf bank customers know the source of funds for business financing they obtain. Mutmainnah's opinion explains: Since the beginning, we have participated in socialization and training on Micro Waqf Bank Business Financing to take responsibility for managing and returning because customers are used as a group for mutual responsibility with Qardul Hasan's contract" (Muthmainnah, 2024). This phenomenon confirms that women who have potential, make decisions to find and get business capital, especially micro businesses. Starting with a loan of Rp. 1,000,000 / person/customer, the micro waqf bank conducts business coaching and assistance to customers. The role of women is given excellence in managing business financing with accuracy in spending and discipline in...
loan repayment. This explains that women have better self-determination in managing finances, expanding the use of loans and discipline in repaying loans (Strömbäck et al., 2017; Rai et al., 2019; Olii & Nanggong, 2022).

Thus, the role of women is productive in managing business financing through socialization and training in groups called KUMPI. This is the value of the responsibility of the manager and customer for the funds they receive. In addition, the principles of Islamic social finance as part of zakat, infak, sadaka and waqf are understood by customers as the value of benefits they manage, both material and non-material.

**Increase Household Income**

Women in the context of the household play a role in managing and finding alternatives to family finances to allow them to get a source of income from small and micro businesses. The principle of building household economic independence is part of the role of women in Indonesia. In addition to getting activities that make money in addition to household activities in general.

The phenomenon of women customers of rural-based Lan Taburo micro waqf banks is dominated by market traders, especially vegetable and pastry/breakfast makers. In managing the business capital of micro waqf banks to increase household income, Nuraini stated "Although the business capital provided by the micro waqf bank is small but well managed, Alhamdulillah, I can feel the benefits. In addition to household tasks, it can still be completed but it is not bad to get additional income from selling small foods" (Nuraini, 2024).

This confirms that household income is derived from part of the time taking care of the household. This is beneficial for the family in addition to increasing income but duties and responsibilities to the family are fulfilled. The role of productive women increases household opinion from business results through micro waqf banks as per the opinion of Fauzi, Junaedi, et al., (2023) and Tehuayo et al., (2023) mentioned that the micro waqf bank with most of its customers productive women who increase their household income with the addition of small businesses they manage.

Thus, the increase in productive women's income from businesses managed through micro waqf banks gives new hope to their household economy which in turn familiarizes customers with getting used to managing their businesses well.
Creating Household Economic Independence

The role of the family becomes very important, especially in creating and improving the household economy, this has consequences for independence and productivity built among household members. In general, most micro waqf bank customers have husbands and children, meaning they have responsibility for their household economy. Opinion Muthmainah (2024) During his time as a customer of the Micro Waqf Bank, he revealed that "The Micro Waqf Bank fosters and directs me and other friends to create new businesses that are used as additional income for the household economy and in addition to helping my husband in household economic independence". In addition, according to Nuraini, "After becoming a micro waqf bank customer, household economic independence by earning business income so that I can save for future household needs and business capital"(Nuraini, 2024).

One of the roles of women as household economic managers is at least having knowledge and skills in creating new or additional sources of income so that the level of household economic independence is getting better. This has consequences as argued Nawawi et al., (2022) and Soemitra et al., (2022) Affirming that the more economically independent the household, the more independent its household members are in meeting their needs. Thus, creating household economic independence for productive women micro waqf bank customers is characterized by coaching and directing its managers to obtain additional income so that they can manage finances more independently, in addition to saving for household needs and future business capital.

Strengthening Community Empowerment

Lan Taburro Micro waqf bank is committed to empowering the surrounding community through business financing programs, and customer and religious development so that it has advantages over other business financing institutions. Weekly Halaqa Activities (HALMI) provide religious formation and activities. According to Muthmainah "During his time as a customer of the Micro Waqf Bank, the activities that are followed every week motivate in addition to efforts as well as studies that strengthen worship and knowledge of Islamic economics” (Muthmainah, 2024). In addition, Harsuna pointed out that "Micro Waqf Bank provides support and expectations for some residents about business capital, coaching and learning about Islam to strengthen customer knowledge, this aims at the business and economic development of our family” (Harsuna, 2024).
Related to community empowerment, especially women, where productive behaviour should get support from various parties including micro waqf banks. This is supported by Cahyaningrat & Mongid, (2022) and Amin et al., (2023) which emphasizes that micro waqf banks have a positive impact on empowering the surrounding community as communities around Islamic boarding schools and micro-entrepreneurs, especially women.

Thus, the initial priority of the micro waqf bank was established aimed at empowering the community with the productivity of micro-scale businesses through business financing, especially for the community of women and small novice entrepreneurs. The stronger the community empowerment supported by micro waqf banks, the more empowered they will be for themselves and their communities.

**Improving Waqf Literacy**

One of the goals of micro waqf banks is that the community begins to gradually increase their knowledge and understanding of waqf. Where in Indonesia waqf literacy needs to be improved, with the spread of micro waqf banks in each province and its beneficiaries will provide better awareness about waqf that is utilized in multi-benefit.

In general, some micro waqf bank customers get knowledge and explanation about waqf when training to become customers and HALMI. This was revealed Nuraini (2024) “As Micro Waqf Bank customers and beneficiaries must know the source of funds and their purpose, this is very important to build awareness following the stipulated provisions. I just understood that with endowments there are many benefits obtained by people, this certainly makes me aware to return according to the specified stages”. The dominance of micro waqf bank customers by women provides the potential for further expansion of waqf literacy because women have practical learning advantages. For that according to Ramly and Hamsa (2023) Where with Micro Waqf Banks most customers and their families learn about waqf, which is marked as financing and the benefits that customers receive are the impact of the existence of Micro Waqf Banks. As an effort by the wider community to understand and practice waqf with productive purposes, its customers are asked to return the financing they receive from the agreement. This is supported by the opinion Ramly (2022) where waqf literacy through micro waqf banks can have a positive influence so that the surrounding community is also responsible for the programs provided.
Thus, the role of productive women in Islamic social finance to improve welfare and reduce poverty as customers of micro waqf banks needs to be improved by waqf literacy. This is important considering the potential of waqf in Indonesia is still high, but the efforts made are still limited.

From the results of the research and discussion described above, the researcher illustrates the relationship between the role of productive women utilizing micro waqf banks aimed at welfare, empowerment, Islamic social welfare and micro enterprises as illustrated below:

**Figure 2.** Productive Small Business Model at Micro Waqf Bank

**CONCLUSION AND RECOMENDATION**

After performing calculations and analysis on the financial statements of PT Diamond Food Indonesia Tbk. during the period from 2020 to 2022 using financial ratios, several conclusions can be drawn as follows: The role of productive women micro waqf bank customers utilizes Islamic social finance, namely managing business financing, increasing household income, creating household economic security, strengthening community empowerment and increasing waqf literacy. The research implies that the greater the role of productive women utilizing Islamic social finance, the more positively it will contribute to poverty alleviation in Indonesia. This study was limited to women producing micro waqf banks who received benefits at one institution. Further research needs to be carried out in quantitative studies to find the dominant factor of alleviating harm using Islamic social finance.

This study provides recommendations to micro waqf bank managers to develop development patterns other than the Women's community, this aims to make managers, supervisors and coaches of micro waqf banks increase the role of Islamic boarding schools to utilize and mobilize customers and their products to innovate to the community about the benefits of micro waqf banks.
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