

Research Article

Implementation of Sharia Principles in Micro Waqf Bank Financing Products at Minhadrul'ulum Islamic Boarding School (Based on the National Sharia Board Fatwa of the Indonesian Ulema Council Number 19 of 2001)

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ORCIDAnna Baianda: <https://orcid.org/0009-0007-6532-462X>**Abstract.**

This study was to determine the practice of financing products at the Micro Waqf Bank of the Minhadrul 'Ulum Islamic Boarding School and to determine the suitability of Sharia applied at the Micro Waqf Bank of the Minhadrul 'Ulum Islamic Boarding School. This research uses a qualitative method by conducting research directly in the field through an empirical normative approach. Sources of research data were primary and secondary data. This is descriptive research with data collection techniques such as observation, interviews, and documentation. The results showed that the financing product at the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School, namely the *Qardh* contract, is by Sharia principles and is by the provisions of DSN-MUI Fatwa No.19/DSN-MUI/IV/2001 concerning *qardh*. This conformity is due to the financing of the *Qardh* contract with a profit-sharing margin fee equivalent to 3% per year as a consulting service. The cost of consulting services for operational costs, namely transportation to KUMPI, because the system is the party from the Micro Waqf Bank who comes directly to the customers to pay the loan installments.

Keywords: Sharia principles, financing products, Micro Waqf Bank, Fatwa DSN-MUICorresponding Author: Anna Baianda; email: baiendaanna02@gmail.com**Published:** 17 May 2024

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Selection and Peer-review under the responsibility of the ICIEBDS Conference Committee.

1. Introduction

Microfinance Institutions (MFIs) are present in Indonesian society to help solve problems in small and medium-sized communities trying to empower their businesses. Microfinance Institutions have almost the same function as banks, which is to provide financing to small and medium communities that have difficulty obtaining financing from banks. Here, Microfinance Institutions play a very important role for UMKM because, in their

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operations, Microfinance Institutions provide financing and fund management services to help develop UMKM [1].

Apart from running a conventional system, Microfinance Institutions can also run a sharia-based system. The difference between Conventional Microfinance Institutions and Sharia Microfinance Institutions in Indonesia is that the DSN-MUI Fatwa is mentioned in the contract. The Sharia Microfinance Institution in Indonesia is an alternative for people who want a financing system that is by sharia norms, where in the practice of *muamalah* it does not apply *Riba, Gharar, and Maysir*. besides that, Sharia Microfinance Institutions must run their business in the same way as other financial institutions, namely having a Sharia Supervisory Board (DPS) as an advisor and supervisor of their business operations. Micro Waqf Bank is a Microfinance Institution that cooperates with Islamic boarding schools to provide funds to the community around the *pesantren* [2]. With the existence of the Micro Waqf Bank, it is easier for people to obtain loans to meet their business funding needs. Because the Micro Waqf Bank system does not require collateral to provide financing, people will be more interested and feel trusted. In addition, the community will receive initial assistance and those who receive financing from the Micro Waqf Bank will receive special materials every week, allowing the Micro Waqf Bank to continue to monitor the customer's business activities.

The establishment of the Micro Waqf Bank cooperates around the *pesantren* with the program target criteria, namely potential and productive micro-communities around the *pesantren*, around a radius of 5 km from the *pesantren* and by the MFI business license that has been licensed by OJK. The Micro Waqf Bank provides an easy financing flow with collateral-free financing with a maximum financing value of IDR 3,000,000 and a profit-sharing margin equal to 3%. The financing funds in the Micro Waqf Bank are obtained from donations from all Indonesian people who are concerned with the empowerment of the poor. Then the funds are collected by the Amil Zakat Institution, and the distribution of financing is carried out in the *permanent* environment. The funds channeled by the Micro Waqf Bank to customers are not all used for financing; however, the remaining funds are partly deposited with Bank Syariah Indonesia as an endowment fund. The financing model of the Micro Waqf Bank is group-based with a minimum of 15 customers and a maximum of 25 customers. The financing system that is carried out is unique because the Micro Waqf Bank of the Minhaddul 'Ulum Islamic Boarding School applies various stages before customers finally get financing funds, where each prospective customer will undergo selection, training, mentoring, and the financing pattern is made by joint responsibility which is intended to minimize the community if in the future they default on payments.

Since the establishment of the Micro Waqf Bank in October 2017, it has experienced significant growth to date. As of the end of 2021, 60 Micro Waqf Banks have been formed throughout Indonesia with a cumulative amount that has been issued of IDR 69.3 billion and a cumulative number of customers of 46.2 thousand people and 4.8 kumpi formed [2]. The legal entity of the Micro Waqf Bank is a cooperative, but the business license of the Micro Waqf Bank is a Sharia Financial Institution, so its regulation is under the Financial Services Authority (OJK). In addition, the Micro Waqf Bank of the Minhadrul 'Ulum Islamic Boarding School only provides loans, not fundraising, and the form of financing is carried out using the *Qardh* contract.

The Micro Waqf Bank implements a Sharia system which according to Law Number 1 of 2013 concerning Microfinance Institutions article 12 paragraph (2) that "business activities based on sharia principles as referred to in paragraph (1) must be carried out by sharia fatwas issued by the National Sharia Council of the Indonesian Ulema Council. Since the Micro Waqf Bank only uses a *qardh* contract, in this case, the provisions are in the DSN MUI fatwa No. 19/DSN-MUI/IV/2001 concerning *Al-Qardh*.

In the Micro Waqf Bank, the financing process applies a *Qardh* contract and uses a system

without collateral (collateral) and financing of a maximum of 3 million rupiahs with a profit-sharing of 3% per year. In *Qardh* contract financing is helping, namely when there is a pure loan transaction without interest from the owner of the funds and only obliged to return the principal debt at a certain agreed time. However, in the operation of *Qardh* contract

financing at Micro Waqf Bank, there is still a profit-sharing fee of 3% per year. So that the

author wants to find out more clearly about the application of the *Qardh* contract that runs at the Micro Waqf Bank and whether it is by current Islamic law. Because the Micro Waqf Bank in its operating practice uses a financing system, namely the *Qardh* contract, it should be part of a Sharia Microfinance Institution (LKMS) in its operation and must follow the *Qardh* contract regulations by Sharia principles.

2. Literatur Review

Sharia principles are principles that refer to Islamic sharia based on the Al-Quran and Hadith. In general, a business is said to apply Sharia principles if it avoids several elements, namely usury, *gharar*, and *maysir* [3].

a. The first principle is the prohibition of usury. Usury means the taking of additional assets from the principal or capital in an unjust manner. It is said to be wrong because the owner of the funds requires the borrower to pay more than what was borrowed regardless of whether the borrower makes a profit or suffers a loss.

b. The second principle is the prohibition of *maysir*. *Maysir* in Arabic means getting something very easily without working hard or getting profit without working. In Islam, *maysir* means anything that contains elements of gambling, betting, or risky games.

The third principle is the prohibition of *gharar*. *Gharar* can be defined as all forms of buying and selling in which there are elements of uncertainty, betting, or gambling. This, it results in uncertain results on the rights and obligations in a transaction.

2.1. Financing

Financing refers to funds provided to customers by financial institutions such as Islamic banks. Funding broadly refers to financing or disbursement, which are funds issued to support planned investments, either by themselves or by others [4].

According to Hendry's opinion, he suggests that financing is cooperation between institutions and customers where the institution as the owner of capital (*shahibul maal*) and customers as a function to produce their business. Financing according to Banking Law No. 7 of 1992 then revised into Banking Law No. 10 of 1998 is the provision of funds or bills that are equated with it.

In the opinion M. Syafi'i Antonio, stated that financing is an activity carried out by Islamic financial institutions to provide funding facilities for parties who need funds or deficit parties. The purpose of financing is to support economic activities such as planned investments, both carried out by themselves and by institutions [5].

Meanwhile, according to Law No. 10 of 1998 concerning banking, financing based on Sharia principles is the provision of money or bills of approval or agreement between banks and other parties that require the financed party to return the money or bills after a certain time in return or profit sharing" [6].

Financing according to the Financial Services Authority (OJK) No.13 / POJK.05 / 2014 concerning the Implementation of Microfinance Institution Business. Financing is the provision of funds by MFIs to the public which must be returned by the agreed sharia principles. Meanwhile, Sharia principles are the provisions of Islamic law based on fatwas or statements of Sharia conformity from the National Sharia Council of the Indonesian Ulama Council (DSN-MUI) [7].

In Law Number 1 of 2013 concerning Microfinance Institutions, Microfinance Institutions are financial institutions established specifically to provide business development services and community empowerment, where financing is one form of activity carried out by MFIs. Financing in the Indonesian banking sector can be classified into conventional financing and sharia financing. Conventional financing is based on rewards in the form of interest, while Islamic financing is based on Islamic values that prohibit elements of usury, *gharar*, and *maysir*.

2.2. Qardh Financing

Etymologically Qardh is a masdar form which means to decide. In the opinion of Muhammad Syafi'i Antonio, he suggests that qardh is the provision of assets to others that can be collected or requested again or in other words lending without expecting rewards.

According to Fatwa DSN-MUI No. 19/DSN-MUI/IV/2001, Al-Qardh is a loan given to customers (*muqtaridh*) in need. Al-Qardh customers are required to return the principal amount received at a mutually agreed time.

From the above definitions, it can be concluded that a *qardh* contract is essentially a form of help and compassion for the borrower, not a means of seeking profit for the lender, in which there is no reward and excess return. However, this Qardh contains humanitarian and social values where in this contract the borrower may not require profit in the loan and he may receive more if the borrower gives him more as long as it is not required at the beginning and not promised [8].

The general provisions of Al-Qardh are: [8]

- 1) Al-Qardh is a loan given to customers in need.
- 2) Al-Qardh customers are required to return the principal amount received at a mutually agreed time.
- 3) The administration fee is charged to the customer.
- 4) LKS can ask for collateral from customers if deemed necessary.
- 5) Al-Qardh customers can provide additional (voluntary donations to LKS as long as it is not agreed in the contract.
- 6) If the customer is unable to repay part or all of his obligations at the agreed time and
LKS confirms his inability, LKS can:
 - a) Extend the repayment period; and

b) Write off some or all of its obligations.

2.3. Microfinance Institutions (MFIs)

According to Dr. Andi Soemitra, Sharia Financial Institutions were established to promote and develop the application of Islamic principles, Sharia, and its traditions in financial and banking transactions and related businesses. What is meant by sharia principles are the principles of Islamic law in banking and financial activities based on fatwas issued by institutions that have the authority to implement fatwas in the field of sharia. Sharia principles adopted by Islamic financial institutions are based on the values of justice, benefit, balance, and universality (*rahmatan lil 'alamin*)[9]. Islamic financial institutions are also intended to minimize the existence of usury, *gharar*, and *maysir* by solely expecting the pleasure of Allah SWT.

According to Law no. 1 of 2013 on Microfinance Institutions, Microfinance Institutions are financial institutions specifically established to provide business development and community empowerment services, either through or financing in micro-scale businesses to members and the community, deposit management, as well as providing business development consulting services that are not solely for profit [10]. Meanwhile, what is meant by Sharia Microfinance Institutions is the business activities of MFIs in the form of lending or financing and deposit management based on Sharia principles and must be implemented by the fatwa issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). In the sense that all aspects have been regulated by DSN-MUI so as not to get out of the corridor of Sharia provisions [11].

2.4. Micro Waqf Bank

The Micro Waqf Bank is a Sharia microfinance institution established with the permission of the Financial Services Authority (OJK) and aims to provide business capital loans to small communities. In Indonesia, there is now a micro waqf bank to help small communities that have not been touched by formal financial institutions (banking), especially those in rural and remote areas [12]. The Micro Waqf Bank was first established in October 2017. In December 2017, the Waqf Bank managed to gather 827 customers. Its growth accelerated after it was inaugurated in early 2018, as many as 20 waqf banks successfully obtained business licenses from OJK and managed to have 3,876 customers. By the end of 2021, 60 micro waqf banks have been established across Indonesia and have 46.2 thousand customers.

The background of the establishment of the micro waqf bank is to answer the complaints of people in rural areas who find it difficult to get access to agency services, even though they also need unsecured and easily accessible loans for investment and other business capital [13]. In addition, a member of the Sharia Supervisory Board for micro waqf banks, Azharuddina Lathif, emphasized that there is still a lot of debate among the community regarding the location of the waqf principle because until now it has not been decided on the guidelines for its establishment at the National Sharia Council. After all, OJK itself as the founder of the Micro Waqf Bank has not submitted a fatwa application to the National Sharia Council (DSN). In carrying out its operations, LKM Syariah-BWM receives financial support as the basis for LKM Syariah-BWM in carrying out its role as an institution that provides microfinance to the community around the boarding school periodically from donor funds originating from benevolent funds collected by LAZNAS-BSM. In addition to providing capital support to LKM Syariah-BWM, LAZNAS-BSM also assists LKM Syariah-BWM customers. The assistance is carried out periodically through business assistance, household economic management assistance, and religious assistance. Funds from LAZNAS-BSM are utilized by LKM Syariah-BWM to distribute financing to the community within the Islamic boarding school in the form of IDR 1,000,000 cash (one million rupiahs) in the first period, IDR 2,000,000 (two million rupiahs), the third period IDR 4,000,000 (four million rupiahs), the fourth period IDR 5,000,000 (five million rupiah), the fifth period and so on to each customer with a return on financing with a margin of 3% per year.

In the financing mechanism, joint responsibility between members is a must. Prospective customers who are later determined to be customers will create a group association called "kumpi". Kumpi stands for Community Business Group Around *Pesantren*, in one kumpi 5 members are financing customers of BWM. Kumpi is formed when a prospective customer applies for financing which is then approved by BWM. The kumpi that has been formed then holds a weekly Halaqoh called "Halmi". Halmi is a meeting between kumpi (3-5). In the halmi, the disbursement of financing funds to each kumpi member is carried out. Halmi can be held at the home of one of the members where the assistants assist in the form of business assistance, family economic management assistance, and religious education assistance. Halmi is conducted every week for one year with a total of 50 halmi meetings. In the halmi, the disbursement and installments of the financing provided by LK_m Syariah-BWM are also carried out. BWM as an institution trusted to distribute financing is obliged to maintain the mandate of managing the benevolent

funds provided by LAZNAS-BSM. In carrying out its business activities, LKM Syariah-BWM is supervised by OJK in coordination with *pesantren*, village officials, and local government.

2.5. Methods

This research uses qualitative research methods with descriptive techniques carried out to obtain ongoing processes or events in the field which then the data or information is analyzed so that a solution to the problem in this study can be obtained. This research includes field research, which is research that is directly carried out at the location or related to the field to be studied to obtain information or data.

The data sources used in this study are primary data sources and secondary data sources. Primary data is data obtained directly from the source. Primary data is obtained through direct interviews with Micro Waqf Bank administrators, namely the Manager, Supervisor, Financial Administration, and Customers at the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School [14]. Secondary data is data obtained from internal or external sources. In this study, data can be obtained from books, literature, journals, and information from the internet that is accurately related to research problems.

In this field of research data collection, the author uses observation, interview, and documentation methods. Observation is an observation of human behavior, work processes, and natural symptoms that occur [15]. Researchers made direct observations at the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School. An interview is a data collection technique by asking questions to informants to find out information about the topic to be studied [15]. In this study, researchers interviewed managers employees, and customers at the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School. Documentation is a record of past events in the form of writings, pictures, or monumental works of a person [15]. In this documentation method, researchers use existing documents at the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School.

3. Result and Discussion

3.1. The capital source of the Micro Wakaf Bank at Pondok Pesantren Minhadrul'Ulum

The Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School is a microfinance institution that specifically operates in Islamic boarding schools for the welfare of the

surrounding small community, and the Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School is not an institution that gets capital sources from the government but comes from donors given to LAZNAS (National Amil Zakat Institution) and is supervised by the Financial Services Authority (OJK). The Micro Waqf Bank also applies for loans without collateral with a maximum loan value of IDR 1,000,000 to IDR 3,000,000 and a profit-sharing margin fee equivalent to 3% per year.

The Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School does not collect funds from the community as business capital in running its operations, but the funds are donations from donors to LAZNAS with the funds channeled being waqf funds collected from donors and then used to fund BWM to carry out financing activities to help the community around the *pesantren* who need capital for micro businesses that are already owned or who are just about to run a business.

Financing at the Micro Waqf Bank uses a Qardh contract because basically, the initial purpose of establishing the Micro Waqf Bank is to help empower the economy of the community around the *pesantren*. Micro Waqf Bank as one of the Islamic Financial Institutions pays close attention to the business system it runs, the practice carried out by the Micro Waqf Bank is through the formation of groups, which in the program is called KUMPI (Community Business Groups Around Indonesian *Pesantren*). The definition of KUMPI itself is a group of 5 people, including the chairman, secretary, and members who voluntarily gather themselves for business development, education, and microservices. In addition, the Micro Waqf Bank financing applies a joint responsibility system in each group. The application of joint responsibility aims to if one of the customer members is stuck in installments or cannot pay off the loan, then other customer members will first bail out the customer's installments, then the bailed customer will pay off the customer who has helped pay off the installments.

The practice of implementing financing at the Micro Waqf Bank must also be supervised by the Sharia Supervisory Board (DPS) to ensure that both the product and the financing mechanism are carried out according to Sharia principles. Supervision carried out by the DPS at the Micro Waqf Bank is to examine the financing transaction reports provided by the Micro Waqf Bank, but the DPS does not participate in financing practices such as when the Micro Waqf Bank provides loans or withdraws installments to customers.

3.2. Analysis of the Financing Products of the Micro Wakaf Bank at Pondok Pesantren Minhadrul'Ulum (Based on the DSN-MUI Fatwa No. 19 of 2001)

In general, every product from Islamic Financial Institutions that will be used as financing to be distributed to the public uses Sharia contracts and Sharia principles in the terms and conditions of its products. These sharia contracts are outlined in the form of DSN-MUI fatwas which contain these provisions in full. In addition to using Sharia contracts, several Sharia principles must be considered in products in financial institutions. The Sharia principles in question are how the financing system carried out does not violate the rules in the DSN-MUI fatwa and Islamic law, including avoiding usury, *gharar*, *maysir*.

The DSN-MUI Fatwa that will be discussed in this financing analysis is the National Sharia Council Fatwa No.19/DSN-MUI/IV/2001 concerning Qardh. The agreement used in the financing product owned by the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School is the Qardh agreement as an assistance activity provided during the financing period. Qardh akad is a loan transaction without interest if the borrower gets a loan from the owner of the funds and only returns the principal debt at a certain time in the future.

The Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School has 270 financing customers with the average work owned is the majority of traders and farmers who are gathered in the Community Business Group Around the Indonesian Boarding School (KUMPI), there are 54 KUMPI with activities held every week called Halaqoh Weekly (HALMI) 50 times.

The Qardh financing implemented by the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School has explained in detail the loans or business capital provided to customers as business capital. Qardh loans or financing implemented by the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School, when reviewed based on DSN-MUI Fatwa No.19 / DSN-MUI/IV/2001 concerning Al-Qardh in general provisions, are explained:

1. According to Fatwa DSN-MUI No.19/DSN-MUI/IV/2001 the first point is "Al-Qardh is a loan given to customers in need". At the Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School, loans are intended for people who are experiencing difficulties, either to meet their daily needs or to increase business capital on a micro-scale. This is by the fatwa.

2. According to Fatwa DSN-MUI No.19/DSN-MUI/IV/2001 the second point is "Al-Qardh customers are obliged to return the principal amount received at a mutually agreed

time". The loan repayment deadline at the Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School is for one year (50 times) where the period is determined by the Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School and agreed upon by the customer. In this case, it is not by the fatwa.

3. According to Fatwa DSN-MUI No.19/DSN-MUI/IV/2001 the third point is "that administrative costs are charged to customers". In this case, the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School may charge administrative fees to its customers, but it may not charge them. So far, the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School does not impose administrative costs on its customers. For example, if a customer gets a loan of IDR 1,000,000, no administration fee is deducted. so this is by the fatwa.

4. According to Fatwa DSN-MUI No.19 / DSN-MUI / IV / 2001 the fourth point is "LKS can ask customers for collateral if deemed necessary". This means that the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School may ask its customers for collateral, but it may not ask for it. So far, the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School has not asked for collateral from its customers so it is by the fatwa.

5. According to DSN-MUI Fatwa No.19 / DSN-MUI / IV / 2001 the fifth point is "Al-Qardh customers can provide additional (donations) voluntarily to LKS as long as it is not agreed in the contract" In this case, the Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School imposes a profit-sharing margin fee equivalent to 3% per year as a consulting service fee. The consulting service fee is combined with the return of the principal amount of Qardh financing. This consulting service fee is for operational costs, namely transportation to KUMPI because the system is the party from the Micro Waqf Bank which comes directly to the customers to pay the loan installments, so this is by the fatwa.

6. According to Fatwa DSN-MUI No.19 / DSN-MUI / IV / 2001 point six, if the customer is unable to return part or all of his obligations at the agreed time and the LKS has confirmed his inability, the LKS can extend the repayment period, or write off part or all of his obligations.

Customers of the Micro Waqf Bank of the Minhadrul'Ulum Islamic Boarding School who apply for Qardh financing are people who need funds for their daily needs and business capital, in returning their debts by the postulates specified in Fatwa DSN-MUI No.19 / DSN-MUI / IV / 2001 and Islamic law where customers pay their debts on time and by the amount determined at the beginning. The Micro Waqf Bank itself has agreed on a profit-sharing margin fee equivalent to 3% per year as a consulting service. For

example, a customer who gets a loan of IDR 1,000,000, then it is paid in installments once a week for one year (50 times) of IDR 20,500 x 50 = IDR 1,025,000. Consultation services are combined in returning the principal amount of financing.

4. Conclusion

The Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School is a microfinance institution that specifically operates in Islamic boarding schools to prosper small communities around the Islamic boarding school, and the Micro Waqf Bank is not an institution that gets capital sources from the government but comes from donors given to LAZNAS (National Amil Zakat Institution) and is supervised by the Financial Services Authority (OJK). Bank Wakaf Mikro applies for loans without collateral with a maximum loan value of IDR 1,000,000 to IDR 3,000,000 and a profit-sharing margin fee of 3% per year as a consulting service fee. The amount of funds provided by LAZNAS is IDR 4,000,000,000, then the funds channeled by the Micro Waqf Bank to customers are IDR 300,000,000. However, these funds are not given entirely for financing capital but some are deposited with BSI (Bank Syariah Indonesia).

In general, every product from Islamic Financial Institutions that will be used as financing to be distributed to the public uses Sharia contracts and Sharia principles in the terms and conditions of its products. These sharia contracts are outlined in the form of DSN-MUI fatwas which contain these provisions in full. In addition to using Sharia contracts, several Sharia principles must be considered in products in financial institutions. The principles in question are how the financing system carried out does not violate the rules in the DSN -MUI fatwa and Islamic law, including avoiding usury, *gharar*, *may*.

The financing product at the Micro Waqf Bank of Minhadrul'Ulum Islamic Boarding School, namely the *Qardh* contract, is by sharia principles and is by the provisions of the DSN-MUI Fatwa No.19/DSN-MUI/IV/2001 concerning *qardh*. This conformity is due to the financing of the *Qardh* contract with a profit-sharing margin fee equivalent to 3% per year as a consulting service. The cost of consulting services for operational costs, namely transportation to KUMPI, because the system is the party from the Micro Waqf Bank who comes directly to the customers to pay the loan installments.

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