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Proposed Model of Sharia Bank Share Ownership through *Waqf* Funds

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Abstract

This paper aims to present a feasibility model for Sharia Bank Share Ownership through Waqf Funds as an alternative source of capital. This paper begins with the problem of the lack of capital stock for Islamic banks in Indonesia. Exploration is carried out through banking regulations by the Indonesian Financial Services Authority, sharia waqf laws and regulations by the Indonesian Waqf Board, and literature in the field of *waqf*. Sources of literature include the authentic foundations of the Qur'an and hadith, as well as secondary sources such as books, journal articles, and online sources, particularly the regulation of waqf by the authorities. Conclusions are drawn by analyzing several themes, confirmed through in-depth interviews and Focus Group Discussions with experts. This paper introduces Cash *Waqf* as a source of paid-in capital for Islamic banks, especially in Indonesia.

Keywords: *Ownership, Shares, Islamic Bank, Waqf.*

INTRODUCTION

Capital adequacy positively affects the bank's ability to grow (Lotto, 2016; Bakti, 2018; Sudarsono, 2017). One of the causes of bank failure is a lack of capital (De Andres & Vallelado, 2008; Chitan, 2012; Olowosegun & Moloi, 2021). In Indonesia, Islamic banks (also known as Islamic banks) have difficulty growing because their business capital is still very small. As of the end of May 2021, there are 12 Sharia Banks, 20 Sharia Business Units and 163 Sharia People's Financing Banks. Of these 12 Sharia Banks, only Indonesian Sharia Banks (BSI) are listed as BUKU 3 Banks. According to OJK regulations, Category 3 BUKU Banks have a minimum capital of IDR 5 trillion and less than IDR 30 trillion. Bank BSI succeeded in increasing its capital to 22.6 trillion because Bank BSI resulted from the merger of 3 Islamic banks, namely Bank Mandiri Syariah, Bank BRI Syariah, and Bank BNI Syariah. Eleven other Islamic banks are banks whose capital still does not meet the minimum capital requirements. Commercial banks with a paid-up capital of Rp 3 trillion or still in the category of BUKU 2 banks, with a capital of Rp 1 to 5 trillion.

Sharia business units, of which there are 20, also face an obligation to meet capital requirements, as according to Law No. 21 of 2008 concerning Sharia Banking, requiring this Sharia business unit to be separated from its parent (Spin-off) by July 2023 at the latest. In this case, each UUS must prepare a capital of Rp 500 billion. Not only UUS, but Sharia People's Financing Banks are also experiencing problems in meeting capital. Financial Services Authority (OJK) Regulation Number 66 / POJK.03/2016 concerning Minimum Capital Adequacy Requirements and Core Capital Financing for Sharia Rural Banks requires BPRS to have a minimum capital of IDR 6,000,000,000 by 2025. Meanwhile, currently, there are 50% of BPRS whose capital is still below 6 billion.

Fulfilling the bank's capital comes from three sources: first, the deposit of capital originating from the owner. Second, the capital deposit is sourced from profit accumulation and third, the fulfilment of capital by conducting a merger (Bliss & Rosen, 2001; Anderson et al., 2004; Yusuf & Raimi, 2019). Banks more easily realize sources of funds through capital deposits and profit accumulation with good performance. For banks with poor performance, capital will erode, and shareholders are reluctant to increase capital. The merger is difficult to realize because it is difficult for the shareholders, even though they are under pressure from the authorities to meet the capital requirements (Caprio & Levine, 2002; Hamilton-Hart, 2008; Erturk, 2016).

It is important to study the regulation of the fulfilment of Islamic bank capital from waqf funds because banks that have capital from waqf funds will be better able to flow financing with interest-free or minimum profit sharing and increase their social role (Mohammad, 2015; Abd Jalil et al., 2019; Sukmana, 2020). Various studies have been conducted to find breakthroughs in fulfilling capital from waqf (Shaikh et al., 2017; Thaker et al., 2016; Kasri & Chaerunnisa, 2021), some of which present Waqf Banks other than Islamic Banks (Ismail et al., 2017; Mohammad, 2013; Suhaimi et al., 2014). However, adding a new type of bank as a waqf bank will require new regulations or changes (Mohammad, 2015; Khan, 2019; Jouti, 2019), which will take longer. In contrast to previous research, this study reveals that with the current laws and regulations in Indonesia, it is possible

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to make Islamic bank capital come from waqf and operate as a waqf bank, without having to name it as a waqf bank. Of course, the same treatment can also be done in other countries in the world.

LITERATURE REVIEW

From a theoretical point of view, there is a relationship between the amount of bank capital and the number of allowed assets. This is known as the capital adequacy ratio (CAR). Adequacy of capital becomes a buffer against the magnitude of the risk taken from business activities. That is why the Capital adequacy ratio is determined by the country's central bank, namely to keep banks operating healthily. The bank is a trust institution, where the amount of funds managed by the bank is much larger than the capital owned by the bank owner. If the credit or financing disbursed by the bank is of poor quality, for example, exceeds the tolerance limit above 5%, the bank needs to pay extra attention to the threat of losses that will erode capital. Naturally, bank business activities that tend to increase will also tend for banks to manage risk carefully (Rosi et al., 2009; Sissy et al., 2017; AlKhouri & Arouri, 2019). Capital Buffer theory finds a pattern of relationship risk relative to minimum capital requirements (Marcus 1984; Milne & Whalley, 2002; VanHoose, 2007). Capital buffer theory shows that banks respond to capital requirements adjustments based on the strength of their capital buffers. Banks with a very large capital buffer will try to maintain their capital reserves. On the other hand, banks with weak capital buffers will seek to strengthen their capital bases due to increased capital requirements from regulators.

Karim et al. (2014) examined the relationship between capital adequacy and lending in Islamic banks in 14 countries from the Organization of the Islamic Conference (OIC), concluding that there is a direct relationship between the level of capital and the amount of risky lending. Islamic banks show the characteristics of making riskier investments when they record a surplus. The empirical literature (Houston et al., 2010; Ashraf et al., 2016; Bunyaminu, 2021) on the effect of needs expresses the view that banks invest more in risky ventures when capital requirements are high, thus suggesting a direct relationship between capital requirements and bank risk. A higher level of capital will trigger higher profits, encouraging bank management to take more risks with higher returns.

In line with the Capital Buffer theory, the minimum capital required for a commercial bank to be established in Indonesia is IDR 10 trillion. This provision is regulated in OJK regulation no. 12/PORK.03/2021 concerning Commercial Banks. The previous regulations are still being applied temporarily for existing banks, namely Bank Indonesia Regulation No: 11/1/PBI/2009 concerning Commercial Banks. In this regulation, the minimum capital requirement is IDR 3 trillion. If a bank only has a capital of 3 trillion, then this bank can only generate profits without contributing to the national economy. Therefore, to establish a new bank, OJK requires a minimum deposit of Rp. 10 trillion so that this bank can contribute to the national economy. Banks need to meet the minimum capital requirement of IDR 10 trillion because it is related to the scale of business activities that can be carried out according to the amount of capital owned. The greater the capital owned by the bank, the greater and wider the range of operations that can be carried out. OJK requires banks that are unable to meet the minimum capital requirement to merge or turn into people's credit banks.

OJK stipulates the classification of Commercial Banks by Business Activities (BUKU) into four classifications. BUKU 1 Bank is a Bank with a capital of less than Rp 1 trillion. This bank operates to raise funds, channel funds, trade finance, agency, payment systems and electronic banking, capital participation in the context of credit rescue and limited bank services. Book Bank 2 is a bank with a capital of at least Rp. One trillion and less than Rp. 5 trillion. BUKU 2 banks are allowed to carry out all BUKU-1 bank activities on a wider scale and invest in financial institutions in Indonesia. BUKU-3 banks are banks with at least Rp 5 trillion and less than Rp 30 trillion. BUKU-3 Bank is wider than BUKU-3 Bank, allowing equity participation in financial institutions in the Asian region. Book 4 Bank is a Bank with a capital of at least Rp 30 trillion. BUKU-4 banks are allowed to invest in financial institutions in all overseas territories. Based on the classification of BUKU-1 to BUKU-4 Banks, it can be understood that if a bank wants to develop on a wider scale, then the paid-up capital must always be increased. Thus, as a bank, it is required to increase the paid-up capital continuously. As for Islamic commercial banks in Indonesia, they must work hard to increase their capital deposits.

Sources of Islamic bank capital funds are regulated in Bank Indonesia Regulation No. 11/3/PBI/2009 dated January 29, 2009, concerning Sharia Commercial Banks, namely: 1) it must not come from money laundering, 2) it must not come from loans or financing facilities in any form from banks and other parties. According to article 14 of Law no. 21 of 2008, the parties who can buy shares of Islamic banks are Indonesian citizens, foreign citizens, Indonesian legal entities, or foreign legal entities. Purchase of shares of Islamic Commercial Banks can be made directly or through the stock exchange. A legal entity is an entity or association that can have rights and act like a human being and has its wealth, can be sued or sued before a judge. Several forms of legal entity that can become the founder of a Bank are Central Government, Regional Government, Limited Liability

Companies, Cooperatives, Foundations, independent non-structural government institutions or associations. The parties who are allowed to buy Islamic bank shares are shown in Figure-1.

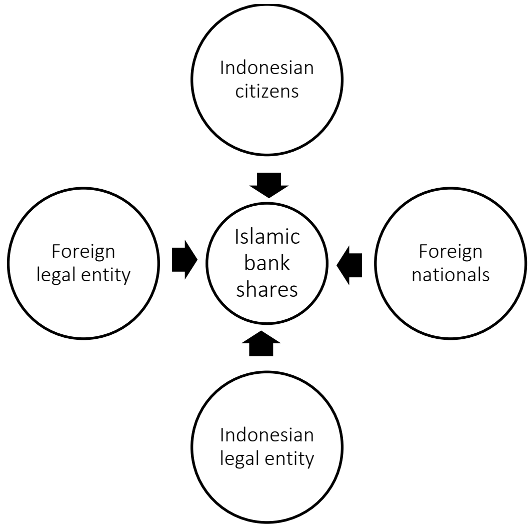

Figure 1. Sharia Bank Shareholders

Nazir waqf has the opportunity as a legal entity to become a shareholder of a sharia bank because his position is as a legal entity. Nazir waqf position is regulated in Law No. 41 of 2004 concerning Waqf. Nazir is the party that receives the waqf property from the Wakif to be managed and developed according to its designation. Nazir can be a legal entity engaged in the social, educational, social and Islamic religious fields. Nazir has the task of managing and developing waqf assets according to their purpose, function and designation. Nazir received guidance from the Minister and the Indonesian Waqf Board (BWI).

Contemporary scholars agree on the permissibility of money as a waqf object (Razak, 2020). The Indonesian Ulema Council issued an MUI fatwa on Cash Waqf on May 11, 2002. Cash Waqf (Cash *Waqf/Waqf al-Nuqud*) is a waqf carried out by a person, group of people, institutions or legal entities in the form of cash. Included in the definition of money are securities. Cash waqf is legal (maybe). Cash waqf can only be channelled and used for things that are permitted by *syar'iy*. The principal value of Cash Waqf must be guaranteed for its sustainability, and it may not be sold, donated, and inherited. From the provisions of this sharia law, it can be concluded that there is no prohibition if cash waqf funds are purchased for Islamic bank shares. Ownership of these shares can be categorized as ownership of securities as mentioned in the fatwa.

BWI Regulation Number 01 of 2020 concerning Guidelines for Management and Development of Waqf Assets has regulated high flexibility in cash waqf management. Necessary arrangements regarding cash waqf are 1) cash waqf management can be carried out directly and indirectly aimed at productive projects for the benefit of the people; 2) Buildings or goods originating from Cash Waqf funds can be sold on the condition that they must be profitable and the proceeds from the sale are as Cash Waqf; 3) The management of cash waqf must be insured by sharia insurance. By observing this BWI regulation, the ownership of Islamic bank shares is included in the allowed direct investment category.

Direct Cash Waqf Management manages Cash Waqf on projects managed by Nazir and/or investors in collaboration with Nazir. Indirect cash waqf management is the management of cash waqf through an institution that meets the institutional eligibility criteria and is profitable. Direct cash waqf management on projects managed by Nazhir can be carried out if the project meets the following requirements: 1) the project business is run following sharia; 2) the level of project feasibility meets the project feasibility requirements according to the 5C principle (character, condition, capital, capacity, and collateral, and 3P people, purpose, and payment); and 3). source of return can be calculated based on the feasibility study. Direct cash waqf management is required to be carried out through products with sharia-compliant contracts in LKS. Cash waqf management directly must be guaranteed by insurance. From the description of the various requirements for direct waqf management, the investment of waqf funds by nazhir for share ownership basically can be made in Islamic banks, with the obligation to follow the provisions referred to.

The direct management of cash waqf in various countries has developed in various schemes. There are six waqf financing schemes (Mohsin, 2013; Mohsin & Maruf, 2020). The six schemes are waqf shares scheme, deposited cash waqf scheme, compulsory cash waqf scheme, corporate waqf scheme, deposit product waqf scheme, and cooperative waqf scheme.

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Although direct cash waqf management has been practised in various countries, none have formally used waqf funds as capital for banking institutions.

Waqf schemes as shares outside bank institutions have been practised in Malaysia (Majid & Kassim, 2015; Bougatef et al., 2020), Indonesia, Kuwait, and the UK. But not yet as shares in Islamic Banks. In this share waqf, a company acts as an institution issuing waqf shares with various nominal units. The funds that the waqf management institution has collected are then invested in productive businesses. The investment results are then distributed to mauquf alaihi. Islamic banks in Bangladesh make waqf deposit funds as deposits on the liability side which are then channelled on the principle of mudharabah. This scheme is called the Deposit Waqf Product Scheme. Through this Waqf Product Deposit scheme, the wakif deposits their waqf to the bank, where the bank is simultaneously a Nazir. However, the wakif makes a list of names that will be the beneficiaries of the waqf proceeds. The bank distributes financing from these waqf funds in the form of sharia contracts. Furthermore, the development results are paid to the name that the Wakif has mandated.

Cash waqf deposits are practised in Singapore, Bahrain and South Africa (Zauro et al., 2020; Aliyu, 2017). The scheme of this Cash Waqf Deposit is that the wakif deposits his waqf into the Nazhir waqf account at the bank. From the profit-sharing obtained by Nazir, waqf distributes it to mauquf 'alaihi (beneficiary). This scheme has also taken place in Indonesia in the form of waqf deposits through LKS PWU. Corporate Waqf Scheme, practised in Malaysia, Turkey, India, Pakistan and Bangladesh. A corporate Waqf Scheme is an individual, private company or government company that collects waqf to establish a waqf institution. The company will regularly ask the community and its subsidiaries to allocate part of their profits to become waqf managed by waqf institutions. The waqf institution will manage and invest waqf funds in the productive sector. The results of development in the productive sector are then channelled to specified projects by reducing costs first.

As the problem of banks, in general, is the continuous increase in capital, Islamic banks need to find new sources of funding breakthroughs as Islamic bank capital. One prospective source of funds is waka funds managed by Nazir. At this time, the source of Islamic bank capital comes from individuals and business entities that expect high returns. In addition, public funds collected in the form of savings and deposits generally expect high-profit sharing. As a result, Islamic banks have to work hard to channel financing with high margins or high profit sharing to the customers using the funds to provide high profit sharing to depositors. Islamic banks become prominent for their profit motives and find it difficult to carry out social functions (Hassan & Cebeci, 2012; Saridona & Cahyandito, 2015). they were assisting economically vulnerable communities by providing financing with low profit-sharing rates. Therefore, replacing individuals and legal entities with nazhir waqf as shareholders of Islamic banks will be a solution to make Islamic banks provide a greater role in social functions.

METHOD

This research is a case study to see opportunities for fulfilling Islamic bank capital through waqf funds. There has been a discourse to establish a waqf bank, but establishing a bank under the name waqf requires regulatory changes that will take a long time because it must go through a national legislation program and sessions of the House of Representatives. This study explores the regulations issued by the OJK as the regulator of Islamic banks and the regulations of BWI as the coach of Nazhir waqf to see whether the current regulations provide an opportunity for cash waqf funds to be placed as shareholding investments in Islamic banks. So far, there has been no practice of cash waqf funds being used as capital for Islamic banks, both nationally and internationally.

This study aims to find a way for Islamic banks to overcome the difficulties of meeting capital deposits. The provisions for waqf used as capital deposits for sharia banking are traced through the sharia legal literature on waqf and applicable national laws, especially OJK regulations regarding sharia banking and BWI regulations regarding cash waqf. Other literature studies are reputable books and journals. In addition to the study of literature sources, observations were also made through visits and online discussions through the zoom facility to several Nazhir cash waqf to obtain factual information about the problems faced by Nazhir related to the collection and distribution of cash waqf.

Some important themes to make waqf funds as capital for Islamic banks include 1) how the interests of Islamic banks obtain paid-up capital from waqf funds; how the provisions of sharia law allow cash waqf to be invested in paid-up capital in Islamic banks; 2) What is the status of the legal entity of Nazhir who is a shareholder of a sharia bank; 3) how to maintain the integrity of the value of shares as waqf assets; 4) how to fundraising waqf funds to invest into Islamic bank capital.

The location of this research is Medan, Padang, Pekanbaru, Semarang, Surabaya, Bali and Lombok, which are several cities that have nazhir cash waqf. The research was conducted by visiting the nazhir waqf location to conduct observations and in-depth interviews with the management. Some nazhir waqf who cannot be visited directly due to restrictions on mobility due to the covid-19 outbreak then has an online meeting through zoom media. Researchers have prepared a list of closed and open questions related to the themes studied in conducting interviews. Researchers prepared interview documentation in the form of writing, voice recordings and video recordings, and necessary photographs. The nazhir waqf sampled were nazhir waqf money, especially those whose activities were Sharia Financing Savings and Loans Cooperatives (KSPPS) or Baitul Mal wattamwil, which collected and distributed funds from and to its members. This research was carried out for five months, from April 2021 to August 2021. The list of visited money waka nazhir is presented in table 1:

Table 1 Nazhir Waqf Money Cooperative Savings and Loans Financing

No	Name of Cash Waqf Nazir	Address	Length of Operational
1	Ar-Risalah Islamic Boarding School Foundation	Padang	3 years
2	Multipurpose Sharia Business-Cooperative BMT Al-Hidayah Ummah	Lombok	3 years
3	Hudatama Financing Savings and Loans Sharia Cooperative	Semarang	3 years
4	Foundation Rotte Indonesia Mulya. Foundation	Pekanbaru	5 years
5	Civil social wallet	Bali	3 years

In addition to conducting observations, an offline Focus Group Discussion (FGD) was also conducted to obtain confirmation of the views of the experts. The experts consist of BWI leaders, academics, core administrators of the National Sharia Council, Waqf Practitioners, Sharia law experts, and civil law experts. The list of participants for this research FGD is:

Table 2 List of Participant

No	Name	Age (Years)	Position	Address
1	SMB	62	Head of the North Sumatra Province BWI Executing Agency	Medan
2	AHS	52	Academic Civil Law Expert	Medan
3	ARD	45	Head of the National Sharia Council representing North Sumatra	Medan
4	ARS	65	Sharia Expert Academic	Medan
5	IRZ	40	Practitioner: PUSPAS Universitas Airlangga Surabaya	Surabaya
6	NRH	50	Central BWI	Jakarta
7	WSD	50	PUSPAS Airlangga	Surabaya
9	MUS	40	Secretary of BWI Padang	Padang

The discussion in the FGD is related to the theme (Creswell, 2014; Braun & Clarke, 2006) regarding the permissibility of waqf funds to be placed as capital for Islamic banks from the perspective of sharia law, as well as from the side of OJK and BWI regulations. Next, it also discusses the benefits of Islamic banks if using capital from waqf funds. Conclusions are drawn based on the agreement of the opinion of the participants in the FGD.

RESULT AND DISCUSSION

A search of the published financial statements of Islamic banking in Indonesia through the OJK website shows that Islamic Commercial Banks are still in a condition that lacks paid-up capital. From table 3 below, it can be seen that only BSI Bank and Panin Dubai Syariah Bank have fulfilled the paid-up capital requirement of IDR 3 Trillion. Bank BSI was able to raise the above amount of capital because Bank BSI resulted from the merger of 3 Islamic banks, namely Bank Mandiri Syariah, Bank BNI Syariah and Bank BRI Syariah. Bank BSI officially merged as of February 1, 2021.

Bank Aceh Syariah is a bank converted from Bank Aceh, which was before a conventional bank. The conversion to become an ace sharia bank took place on September 19, 2016. Similarly, Bank NTB Syariah is a bank converted by Conventional NTB Bank on September 13, 2019. Although the two Sharia Commercial Banks are local government-owned banks that were converted into sharia commercial banks, the result of this conversion has not been able to meet the capital of Rp 3 trillion.

Table 3 below also shows that of the 12 Islamic Banks, 10 Islamic Commercial Banks need to increase their paid-in capital to reach a minimum of IDR 3 Trillion. To meet the need for capital can be reached through 1) Selling shares through the capital market; 2) capital deposit by the owner; 3) profit fertilization; and 4) mergers. The opportunity for Islamic Commercial Banks to increase share payments through the 4 schemes above has been in effect since they started operating. Still, until June 2021, the banks in question have not been able to fulfil the paid-up capital.

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Table 3 Total Asset, Paid-Up Capital, Lack of Paid-Up Capital (Jun, 2021)

No	Banks	Total Asset	Paid-up Capital	Lack of Paid-up Capital to reach 3 Trillion
1	Bank Aceh	25,480,963	1,079,543	1,920,457
2	NTB Syariah	10,419,758	774,900	2,225,100
3	Bank Muamalat	51,241,304	1,103,435	1,896,565
4	Bank Victoria Syariah	2,296,027	360,000	2,640,000
5	Bank Jabar Banten	8,884,354	1,845,890	1,154,110
6	BSI	126,907,940	3,142,019	(142,019)
7	Bank Mega Syariah	16,117,927	1,150,000	1,850,000
8	Bank Panin Dubai Syariah	11,302,082	3,881,364	(881,364)
9	Bank KB Bukopin Syariah	5,223,189	1,050,370	1,949,630
10	Bank BCA Syariah	9,720,254	2,255,183	744,817
11	Bank BTPN Syariah	16,435,005	770,120	2,229,880
12	Bank Aladin Syariah	721,397	819,307	2,180,693

From table-3 above shows that Islamic banks require additional paid-in capital to meet the minimum capital requirements. Regarding how important waqf funds are as capital deposits, it can be explained that waqf funds are very important as a source of capital for Islamic banks in overcoming this protracted shortage of paid-up capital. There are specific benefits if the paid-up capital of Islamic banks comes from waqf funds. The main intended benefit is that Islamic banks can operate more efficiently with capital sourced from waqf because the owners of Islamic bank capital are not individuals or profit-oriented legal entities. Because shareholders are not profit-oriented, Islamic banks can channel financing with low margins and profit sharing that is very profitable for customers, especially micro and small businesses. Another benefit of Islamic banks whose capital structure is from waqf funds is that the business profits obtained will be channelled to mauquf 'alaihi as the beneficiary who will improve the quality of life of Muslims. One of the weaknesses of Islamic banks so far is that they do not have a source of funds to be channelled as qardh because all public funds received are commercial funds that expect profit sharing and bonuses. Suppose the Islamic bank's capital comes from waqf funds and becomes LKS-PWU (Sharia Financial Institution for Money Waqf Holders). In that case, these funds can be channelled as qardh financing that does not expect margins or profit-sharing from financing customers. Therefore, efforts to make waqf funds one of the capital deposits of Islamic banks need to be realized immediately.

After discovering the importance of waqf funds as the capital of Islamic banks, the next issue is to examine how sharia law views the use of waqf funds as the capital of Islamic banks. The permissibility of waqf funds as capital for Islamic banks can be based on contemporary opinions from a group of sharia experts, namely the results of the 19th International Islamic Fiqh Academy conference on 26-30 April 2009 in the United Arab Emirates. The conference issued a decision that the legal share waqf is permissible. The fiqh of waqf is wide open to accept ijtihad. Waqf is reasonable to worship (ma'qul al-ma'na) tied to syara' goals, realizing the benefit of waqf for wakif and mauquf 'alaih. Shari'a texts related to waqf are absolute; some endowments are eternal and temporary. There is waqf of objects, benefits and money, movable or immovable objects. Waqf is an act of charity, and it is very broad and recommended. Shares can also be waqf because shares are considered as valuable assets according to sharia'. (Ijtihad International Islamic Fiqh Academy Decision No. 181 (7/19) concerning Waqf of Shares, Checks, Ma'nawi Rights and Benefits).

In the description above, it is clear that world fiqh experts have allowed waqf funds to be invested in buying shares of Islamic banks. The next issue is how is the nazhir waqf legal entity that is appropriate for the provisions of Islamic banking. Law no. 21 of 2008 concerning Islamic banks requires that the shareholders of Islamic banks are individuals or legal entities. Therefore, nazhir waqf must obtain the status of a legal entity. Law No. 41 of 2004 concerning Waqf has given that nazhir waqf legal entities are legal entities that have activities in the social, educational, community and/or Islamic religious fields. Of course, the form of legal entity suitable for this activity is a foundation, based on Law No. 16 of 2001 concerning Foundations. Article 26 of this Law states that if a foundation receives wealth originating from waqf, then the waqf property is subject to the provisions of the waqf law. With this clause, waqf assets in foundation legal entities are guaranteed to be managed according to the provisions of the waqf.

One of the problems that are of great concern in the management of waqf is how to prevent the principal value of the waqf from being reduced. If the nazhir waqf invests in the form of share ownership, the company in which he invests may experience profits or losses. If there is a loss, it will cause the value of the waqf investment to decrease. As part of the anticipation of potential losses, BWI regulation no. 1 of 2020 regulates the formation of Reserves from the net proceeds of the management and development of waqf assets. The reserves are allocated for insurance costs, reinvestment, asset recovery costs, and risk costs incurred related to the management and development of waqf assets. One thing that is quite interesting about the provisions of cash waqf is that, as in BWI regulation no. 1 of 2020, buildings or goods originating from cash waqf funds can be sold on the condition that they must be profitable. The money from the sale is cash waqf. With this provision, Nazhir can sell his ownership and switch investments from Islamic banks if there are signs of worsening the bank where he invests.

The conclusion about the permissibility of nazhir waqf to invest in share ownership in Islamic banks received support from all experts, both stated during the FGD and interviews. NRH, as the administrator of the Indonesian Waqf Board, stated that: *Essentially, in my opinion, it is possible, for example, Islamic Bank A waqf its shares with a certain amount and then through waqf products through money then Nazhir can buy shares of Islamic Bank A so that the number of shares will continue to grow*. NRH (BWI Pusat).

The same view was expressed by IRZ from PUSPAS UNAIR Surabaya as follows: *Nazir's idea of ownership of LKS is a good one. There are several things to consider, for example, that LKS and nazhir waqf are both pillars of the sharia economy (the three pillars of sharia economy: the financial sector, the real sector and the philanthropic sector). If this is done, it means that these two pillars are married, so it is hoped that this will further spur the development of the sharia economy.* IRZ (PUSPAS UNAIR)

WSD, as the FGD Speaker, agrees with NRH and IRZ and recommends to BWI to add an explicit provision to the BWI regulations that Nazhir waqf can become a shareholder of a sharia bank. *Based on PBWI No. 1 of 2020, article 13 allows Nazhir to direct investment by establishing a business activity in the real sector with a PT legal entity and regulations that must be added, namely the Indonesian Waqf Agency Regulation No. 1 of 2020 concerning Guidelines for Management and Development of Waqf Assets. Nazir waqf can become one of the shareholders in Islamic Banks.* WSD (PUSPAS UNAIR).

To realize the practice of buying shares of Islamic banks by nazhir waqf, OJK support is needed from the regulatory side, namely the need for explicit disclosure in the form of acknowledgement of the nazhir waqf foundation, as one of the parties that can become shareholders in Islamic banks. OJK regulations need to emphasize that capital deposit funds can be sourced from waqf funds, where Nazhir yayasna nazhir waqf is the legal entity.

Regarding the themes discussed in the FGD, the resource persons seemed to agree on the permissibility of waqf funds to be invested as capital deposits for Islamic banks; besides that, the FGD agreed that the cause of the lack of collection of waqf was due to the lack of socialization about cash waqf. The following in table-4 shows the agreement of the experts regarding the permissibility of waqf funds as capital for Islamic banks, as well as the agreement of the experts, that the collection of waqf funds is still very small and difficult, the cause of which is the lack of socialization.

Table 4 List of Expert's agreement

No	Name	Position	Permissibility of waqf funds as Islamic bank capital	The problem is the difficulty of collecting waqf funds
1	SMB	Head of the North Sumatra Province BWI Executing Agency	Agree	Lack of socialization
2	AHS	Academic Civil Law Expert	Agree	Lack of socialization
3	ARD	Head of the National Sharia Council representing North Sumatra	Agree	Lack of socialization
4	ARS	Sharia Expert Academic	Agree	Lack of socialization
5	IRZ	Practitioner: PUSPAS Universitas Airlangga Surabaya	Agree	Lack of socialization
6	NRH	Central BWI	Agree	Lack of socialization
7	WSD	PUPS Airlangga	Agree	Lack of socialization
9	MUS	Secretary of BWI Padang	No Comment	Lack of socialization

In realizing the collection of waqf funds, it appears that the Nazhirs are still having difficulty in collecting cash waqf funds. Some of the difficulties are because waqf in the form of money has not been properly socialized. The general public still assumes that the true waqf is in the form of land and buildings, where its use is for cemeteries and mosques or madrasas. Therefore, socialization and literacy are very important.

The Islamic savings and loan cooperatives, Hudatama Semarang, and KSPPS BMT Al-Hidayah Ummah Lombok felt the difficulty in collecting waqf funds. KSPPS Hudatama has been collecting waqf for about 10 years. The result of the new collection was Rp. 300 million. This cash waqf is recorded as a waqf fund in the balance sheet financial statements. KSPPS BMT AL-Hidayah has only collected IDR 20 million for one year and is recorded as waqf funds in the financial statements as KSPPS Hudatama.

These funds are also distributed in the form of financing to cooperative members. So, in this case, the sharia cooperative manages the waqf funds themselves or does not place them in the PWU LKS.

Nazir waqf has been established since 2011. So, it is ten years old. Collecting cash waqf is more difficult, only Rp. Three hundred million has been collected. We collect waqf by appealing to cooperative members. We did not place it in the PWU LKS, but we managed it by recording it on the liability side as waqf funds. So, in this case, we guarantee the integrity of the waqf funds, even though some of these waqf funds are channelled in the form of financing. IDH (KSPPS Hudatama Semarang)

The Ar-Risalah Islamic Boarding School Foundation in Padang has only collected cash waqf for two years, but the amount collected is only Rp. 20 million. Collecting cash waqf is difficult because the public's response is still weak.

We collect waqf through social media, namely by socializing through WhatsApp. Outreach is addressed to the parents of students. Every day we send messages to 100 to 200 WhatsApp numbers. Don't miss it also through Tabligh Akbar Justaz Abdul Somad. We have an LKMS, which is engaged in the Savings and Loans Financing business. However, the collected funds of Rp. Twenty million are still stored in LKS PWU. EFN (Ar-Risalah Islamic Boarding School Foundation).

CONCLUSION

This study recommends the investment of cash waqf funds by Nazir in the form of share ownership in Islamic banks as an investment model and a model for the source of Islamic bank capital fulfilment from waqf funds. The source of waqf funds as capital for Islamic banks is one way to obtain a source of capital deposit funds. Even though the OJK regulations do not yet have explicit rules regarding waqf funds as a source of capital for Islamic banks, its implementation has made it possible to carry out concerning the existing provisions of Islamic banking and waqf.

The results of this study have implications for the Nazhir waqf and BWI to intensify socialization to increase literacy in collecting cash waqf funds. Furthermore, OJK needs to make explicit arrangements regarding capital deposits through waqf funds. The Nazir waqf immediately collects and invest waqf funds as capital for Islamic banks so that the fulfilment of capital can be realized on a large scale. Furthermore, suppose the Islamic Bank's capital comes from waqf funds. In that case, it is expected that Islamic banking will improve its business performance and social performance that provides great benefits for Muslims and the country where the Islamic bank is located.

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