

## Sukuk Linked Wakaf for MSME Development

R. Melda Maesarach<sup>1</sup>, Trimulato<sup>2</sup>, Ahmad Rodoni<sup>3</sup>

<sup>1</sup>Islamic Economics, Economy and Business, Universitas Muhammadiyah Jakarta, Indonesia

<sup>2</sup>Sharia Banking, Economy and Islamic Business, Universitas Islam Negeri Alauddin Makassar, Indonesia

<sup>3</sup>Sharia Banking, Economy and Business, Universitas Islam Negeri Syarif Hidayatullah Jakarta, Indonesia

Email: melda.kertamuda@gmail.com<sup>1</sup> tri.mulato@uin-alauddin.ac.id<sup>2</sup> ahmad.rodoni@uinjkt.ac.id<sup>3</sup>

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### Abstract

*One of the sharia financial products that continues to experience growth is the sukuk product. If many state sukuk products were previously allocated for infrastructure development, there needs to be an allocation for economic recovery through MSMEs under the current situation. The goal of this research is to assess the growth of state sukuk and the form of sukuk product development through state CWLS for the development of MSMEs. This is a qualitative study that examines the state sukuk market and the MSME sector. Secondary data was used, including information from the Ministry of Finance's Directorate General of Financing and Risk Management (DJPPR). The data analysis technique employed is descriptive qualitative, which depicts the evolution of state sukuk from 2019 to 2020 as well as forms of innovation for state sukuk goods designed specifically for MSMEs recovering from the COVID-19 outbreak. The results showed that the growth of the sukuk instrument reached 40.80%. Providing business capital through Nazhir with a profit-sharing scheme; business assistance schemes; and maximizing the types of Waqf sukuk distributed to the productive sector are all schemes that can be implemented in developing MSMEs through the CWLS sukuk.*

**keywords:** Sukuk, Waqf, CWLS, and MSMEs

### INTRODUCTION

The financial crisis in Dubai in 2010 shook sukuk investors' faith. The crisis, on the other hand, proved that Islamic financial products (such as sukuk) are more reliable than traditional financial products. According to analysis conducted during the financial crisis, sukuk are safer and more resilient than conventional bonds. Sukuk provide liquidity to investors by allowing them to trade them on the secondary market, in addition to having a Shariah investment screening process that makes them more resilient. Another feature that distinguishes sukuk from conventional bonds is the ability of investors to recover their investments in the event of adverse circumstances. This is possible because the investment is protected by a sukuk, which is an asset-based contract. Furthermore, sukuk are more transparent than traditional bonds. Obtaining certain types of information is typically difficult for investors due to a lack of accessibility and the complexity of the information itself. Sukuk investors, on the other hand, will not be in this situation because sukuk provide information disclosure to investors. This is stated in the Accounting and Auditing Organization for Islamic Financial Institutions'

requirements (AAOIFI). The AAOIFI's FAS 7 specifies sukuk disclosure requirements so that users, such as investors, can make better decisions. Sukuk have become one of the most powerful instruments in Islamic finance in today's world, and they have gained acceptance in the conventional market. As previously stated, such instruments are beneficial not only to Muslims but also to non-Muslims. Sukuk has the potential to be developed and become the strongest financial instrument in both Islamic and conventional markets due to its expansion to most Muslim countries, acceptance among non-Muslims, and flexibility of its arrangement. Market participants must play a role in promoting, encouraging, and educating the public about Islamic banking products in order to achieve this goal. A group of Islamic banking experts from around the world could be formed to focus on global education and the promotion of Islamic banking products. This research has the potential to be a strategic tool for promoting and educating sukuk, and we hope that it will be useful not only for newcomers to the Islamic finance industry but also for anyone interested in learning more about sukuk (Razak et. al., 2019).

In 2008, in response to the growing demand for financing and the importance of developing new sources of funding, the government issued State Sharia Securities (SBSN) or State Sukuk, which were designed in accordance with Islamic finance principles. State Sukuk are not debt securities, as sharia instruments require the existence of tangible and intangible assets transacted, so State Sukuk are classified as investment instruments, and the government is required to return funds to investors in accordance with the stipulated agreement. The development of the State Sukuk market will be the government's future challenge in improving the role of State Sukuk as a fiscal and monetary instrument. An active and liquid State Sukuk market is required to support the government's need to use State Sukuk as a fiscal instrument. The government will be able to issue large amounts of State Sukuk at a reasonable yield if this condition is met. Furthermore, investors are attracted to an active and liquid market because it eliminates market risk when selling or buying State Sukuk in the secondary market. The monetary authority, on the other hand, will increasingly require State Sukuk as a monetary operations instrument and to aid the development of the Islamic finance industry. Increased regulatory coordination and harmonization with related parties can help meet these challenges (Hariyanto, 2021).

The government's goal in issuing State Sukuk is to fund the APBN, which includes project development financing. The purpose of the SBSN, as stated in Article 4 of the SBSN Law, is to finance the State Revenue and Expenditure Budget, including project development. Energy, telecommunications, transportation, agriculture, manufacturing, and housing are all industries that can be financed with state sukuk. It also aims to diversify the investor base, develop alternative investment instruments, optimize the use of state or company property, and use public funds that have escaped the bond system and traditional banking. (Latifah, 2020).

Beneficiaries have received cash waqf proceeds in several countries. Some of them fund poverty alleviation programs, provide free medical services to the poor and needy, organize various educational programs, and help people start businesses. Some of the waqf funds have gone toward paying for poor Muslims' funerals, providing compensation to Muslim orphans, assisting schools, and other charitable projects. Waqf sukuk and retail waqf sukuk are the two types of CWLS. Waqf proceeds from sukuk waqf have been used to fund the construction of retinal and glaucoma centers in hospitals. Meanwhile, each nazir used retail waqf sukuk to fund the program. Beneficiaries in several countries have received cash waqf

proceeds. Some of them help people start businesses, fund poverty alleviation programs, provide free medical services to the poor and needy, and organize various educational programs. Some of the waqf funds have been used to pay for poor Muslims' funerals, compensate Muslim orphans, support schools, and other charitable endeavors. The two types of CWLS are waqf sukuk and retail waqf sukuk. Waqf proceeds from sukuk waqf have been used to build hospital-based retinal and glaucoma centers. Meanwhile, each nazir funded the program with retail waqf sukuk.

## **THEORITICAL FRAMEWORK**

The Sukuk instrument, as a sharia financial instrument, plays a role in economic activities, including the development of MSMEs, according to its description. In addition to infrastructure development, the funds raised from the sukuk can be used to help MSMEs grow. The availability of Cash Waqf Linked Sukuk (CWLS) can be used to help MSMEs, particularly those affected by the pandemic, grow. CWLS funds are directed toward the development of MSMEs so that they can grow and recover from the pandemic. The goal of this paper is to describe the evolution of the sukuk instrument as well as the role of the CWLS sukuk in MSMEs development.

### **Sukuk (Sharia Bonds)**

State Sharia Securities, abbreviated as SBSN or State Sukuk, are state securities issued on the basis of sharia principles as evidence of participation in SBSN Assets, in both rupiah and foreign currencies. SBSN Issuing Company is a legal entity established to carry out SBSN issuance activities under the provisions of this Law. SBSN assets are SBSN financing objects and/or State-Owned Goods with economic value, whether in the form of land and/or buildings or something other than land and/or buildings, that are used as the basis for SBSN issuance. All goods purchased or obtained at the expense of the State Revenue and Expenditure Budget, or derived from other legitimate acquisitions, are referred to as State Property. Akad is a written agreement that follows statutory regulations and does not contradict sharia principles. (Law No. 19 of 2008).

Sharia bonds, as defined by the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 32/DSN-MUI/IX/2002 concerning Sharia Bonds, are long-term securities based on sharia principles issued by Issuers to bondholders Sharia, which require Issuers to pay income to Sharia Bond holders in the form of profit sharing/margin/fees and to repay Sharia-compliant bonds are those that are based on the principles of the Islamic law. Bonds that are not sharia-compliant are debt bonds with an interest-based payment obligation. Non-halal elements must be absent from the investment income (result) distributed by the Issuer (Mudharib) to the holders of Sharia *Mudharabah* Bonds (*Shahibul Mal*) must be free of non-halal elements. (DSN-MUI, 2002).

Sukuk are Sharia Securities (Sharia Securities) in the form of certificates or proofs of ownership of the same value, according to the 2020 DSN-MUI Fatwa, and represent an indeterminate share of ownership (*musya*) of the underlying asset (Asset Sukuk/ *Ushul al-Shukuk*) after receipt of sukuk funds, closing of orders, and beginning of use of funds according to their designation. Sukuk Assets (*Ushul al-Shukuk*) are tangible assets (*al-a'yan*), the value of tangible asset benefits (*manafi' al-a'yan*), services (*al-kadamat*), certain project assets (*maujudat masyru' mu 'ayyan*), and/or investment activity assets that have been determined (*nasyath istitsmar Khashsh*) The issuer is required to pay profit sharing margins/fees to sukuk

holders and to repay the sukuk funds when they become due. empo in accordance with the contract's terms. Sukuk with *mudharabah* and *musyarakah* contracts must derive their yield from business activities that become Sukuk Assets (*Ushul al-Shukuk*). Unless otherwise agreed in the contract or regulated by applicable laws and regulations, the issuance of Sukuk must have a specific time limit. Sukuk assets (*Ushul al-Shukuk*) that are used to issue Sukuk must adhere to sharia principles. Sukuk assets (*Ushul al-Shukuk*) are owned by Sukuk investors (Stakeholders). The value of each Sukuk unit must be the same (*Mutasawiyah al-qimah*). 2020 (DSN-MUI).

### **Cash Waqf Linked Sukuk (CWLS)**

CWLS Retail (Cash Waqf Linked Sukuk Retail) is a cash waqf investment in state sukuk whose rewards are distributed by Nazhir (fund manager and waqf activity) to fund social programs and economic empowerment for people. Investors/wakif, individuals, and institutions will benefit from the Retail CWLS character. Sharia Principles state that IDR 1 MILLION MINIMUM ORDER Maximum order is unrestricted, with a tenor of two years. Return of 100% of temporary waqf to wakif, Nazhir will be in charge of the permanent waqf funds. The appointed Nazhir channels a fixed compensation into social programs/activities. It is not possible to sell it on the secondary market. The goal of retail CWLS is to make safe and productive cash waqf easier for people. In Indonesia, we're fostering financial and social investment innovation. Encourage inclusive and long-term economic growth. Supporting the National Waqf Movement in Indonesia, as well as assisting in the development of social investment and productive waqf. Indonesia's cash waqf ecosystem is being strengthened. Through retail CWLS, the ummah receives blessings. The Government supports the acceleration of people's economic power by providing facilities and conveniences for individual communities and institutions to make cash waqf safely and productively through Retail CWLS. The benefits of investing in retail CWLS, AMAN (Cash Waqf Placement in State-Guaranteed Investment Instruments), and AMANAH (Transparent and accountable management and utilization of cash waqf funds), MUDAH MUDAH MUDAH MUDAH M (There are facilities for cash waqf, so that it can be used for productive activities), UTUH (Funds will be returned 100 percent for waqf (Wakif) at SBSN maturity), PRODUCTIVE (Fees are paid monthly and used for financing social programs/activities and community economic empowerment), BERKAH (Fees are paid monthly and used for financing social programs/activities and community economic empowerment), BERKAH (Fees are paid monthly and used for financing social programs/activities and community economic empowerment), BERKAH (Fees (With a minimum of Rp. 1 million already flowing blessings for the economy of the ummah). Education Scholarships, Blind Assistance, Cart Economic Assistance, Sanitation and MCK Aid, Rice Seed Breeding Program, Free Al-Quran Illiteracy, Sharia Compliance CWLS IN THE RETAIL INDUSTRY The National Sharia Council - Indonesian Ulema Council (Number B-285/DSN-MUI/IV/2021 dated 7 April 2021) has issued a statement of sharia conformity to Retail CWLS, stating that it follows sharia principles and does not contain elements of usury, gharar (unclear), or maysir (gambling). (<https://www.kemenkeu.go.id>).

The Cash Waqf Linked Sukuk (CWLS) is a manifestation of the Indonesian Waqf Board's productive waqf program, which is run in collaboration with the Ministry of Finance and facilitated by Bank Indonesia. Cash Waqf Linked Sukuk (CWLS) are a type of social investment in Indonesia, in which cash waqf collected by the Indonesian Waqf Board as Nazhir through

Bank Muamalat Indonesia and BNI Syariah as Islamic Financial Institutions Recipients of Cash Waqf (LKSPWU) will be managed and placed on State Sukuk or SBSN instruments (State Sharia Securities) issued by the Ministry of Finance (Kemenkeu) for 5 years. The general public does not need to be concerned because this program involves five parties: Bank Indonesia, which acts as a sort of facilitator for the Indonesian Waqf Bank (BWI), as well as Nazhir, which manages the CWLS. In addition, the Ministry of Finance serves as a real-estate fund manager. BWI will use the profits from the sukuk to fund social programs that will benefit Indonesia's welfare and dignity to the greatest extent possible. Scholarships for sons and daughters of communities in disaster-affected areas, as well as waqf projects owned by other BWIs, such as the Achmad Mawardi Eye Hospital, Serang.u) for a period of five years, for example. The general public does not need to be concerned because this program involves five parties: Bank Indonesia, which acts as a sort of facilitator for the Indonesian Waqf Bank (BWI), as well as Nazhir, which manages the CWLS. In addition, the Ministry of Finance serves as a real-estate fund manager. BWI will use the profits from the sukuk to fund social programs that will benefit Indonesia's welfare and dignity to the greatest extent possible. Scholarships for the sons and daughters of communities in disaster-affected areas, as well as waqf projects run by other BWIs, such as the Achmad Mawardi Eye Hospital in Serang, are examples. This Cash Waqf Linked Sukuk is expected to be one of the machines that converts waqf's potential into benefits that flow indefinitely for the benefit of the people. To make it easier for individuals, communities, and waqf institutions (wakif), the Indonesian Waqf Board, in collaboration with the Ministry of Finance and Bank Indonesia, compiled and signed an MoU that governs the implementation procedures, policy, and operational aspects of the sukuk linked waqf. The Program CashWaqf Linked Sukuk (CWLS) is expected to strengthen Indonesia. (<https://www.bwi.go.id>).

Sukuk offers competitive rates, the ability to be purchased by individuals, and risk-free funding, among other benefits, while large economic and population growth are key success factors. the primary source of information for other governments interested in implementing similar instruments in their own countries. Individuals who qualify to buy these sukuk may benefit from a more equitable distribution of wealth. 2020 (Sukmana) Following confirmation of the factors that influence the liquidity of the Indonesian sovereign sukuk market, several recommendations are made. (1) It is recommended that the Government, as the issuer of state sukuk, increase the number of issuances and variations of state sukuk to attract the interest of sukuk investment investors, because: the number of issuances of sukuk has a positive effect on market liquidity of state sukuk. Increased issuances, on the other hand, must be accompanied by replenishment of the underlying asset or project. Because of their retail investor base, descriptive statistics show that Retail Sukuk have the highest trading volume values. As a result, increasing the issuance of Retail Sukuk is strongly advised. The Indonesian Ministry of Finance may implement policies requiring financial institutions such as Islamic banks and securities companies to be the main dealers of sovereign sukuk in order to directly influence trading volume. (2) It is recommended that the central bank keep inflation low and stable because inflation affects purchasing power and thus investment decisions. (3) If the sharia share price index falls, sovereign sukuk can be used to replace sharia shares for investors. Furthermore, by investing in sovereign sukuk, the community can contribute to the development of the country's infrastructure (Ariyana et al., 2020)

Strategies for sukuk development Both top-down and bottom-up approaches are used. Superiors or the government plan the development of sukuks from the top down. Issuance of

"Sukuk Waqf" as an Effort to Increase Sukuk Market Share is part of a top-down planning strategy. Waqf sukuk, as a new product, still faces a number of challenges. Among them, clear and specific regulations for waqf sukuk are required. As well as establishing a sharia foundation for waqf sukuk issuance and forming the APS (Sukuk Development Acceleration) Team. This group is a forum or organization set up to help sharia bonds or sukuk gain traction and grow. The EKPPPOS Forum will be established as a top-down planning strategy (Education, Communication, Marketing and Development of Sharia Bonds). Academics, practitioners, investors, business associations or universities, as well as interested parties, may participate in this forum. This forum aims to improve government regulation and education by bringing together academics, practitioners, relevant institutions, and the general public to raise awareness of the importance of the Islamic capital market, particularly sukuk, as a driving force for the Indonesian economy's real sector. a forum or organization established to facilitate the growth and acceleration of sharia bonds or sukuk. (Anik & Prastiwi, 2017).

CWLS (Cash Waqf Linked Sukuk) can help to ensure economic stability. This demonstrates that Islamic finance has a social sector that can encourage the commercial sector and provide reciprocal relationships, resulting in significant benefits for social welfare and long-term economic development. Cash Waqf Linked Sukuk (CWLS) can thus function as both a business and a social sector. The results of its activities flow to social sectors in need, such as universities, post-disaster regional financing management, and other social sectors, as funding flows to productive sectors, driving the real economy (Sari et al., 2020).

Cash In Indonesia, Waqf Linked Sukuk (CWLS) is a sustainable sharia-based alternative investment and financing instrument. Waqf sukuk have a promising future and present new opportunities for Islamic finance innovation. CWLS has the potential to be a source of financing for the recovery of economic impacts caused by the Covid-19 pandemic because it is an Islamic financial instrument. This instrument is ideal because it is flexible, appealing to the Muslim philanthropic middle class, and it meets the requirements for financing the recovery of the Covid-19 pandemic, which necessitates short and medium-term funding. To manage cash waqf funds, the Indonesian Waqf Board, regulators, the Ministry of Finance, the PEN Program Implementer, and organizations or agencies managing community funds must work together to implement the CWLS model as a source of financing for post-Covid-19 economic recovery. The proceeds from the sukuk can be used as a capital financing accelerator for SMEs and MSMEs (Rahman et al., 2021).

After the pandemic, the Cash Waqf Sukuk (CWLS) model in the form of a salam contract can be used to provide long-term food security in Indonesia. In the salam contract, the Cash Waqf Sukuk (CWLS) model is classified as a green sukuk model. Farmers will benefit from Salam contracts because they will be able to produce food on productive land. Traditional market traders will also benefit from the Salam contract. Given that agricultural land covers the majority of Indonesia's provinces, this is a fantastic opportunity to ensure Indonesia's long-term food security. Waqf from Umar bin Khattab, or learning from the land in Khaibar, still exists today. And learn from the success of waqf in many countries, where the benefits of waqf are enjoyed by many people around the world, and where the benefits of waqf can help to alleviate poverty. Superior quality agricultural products from biotechnology research, superior quality vegetables from biotechnology research in the plantation sector, and livestock products from field research are among the prioritized products. Crops are sold through the minister of agriculture or traditional markets to ensure that sufficient quantities of food are

available at affordable prices. The superior product is a result of the primary needs of the community (Yunita, 2020).

## **RESEARCH METHODS**

The type of research used in this study was library research, which was based on previously presented data. (Snyder, 2019) mentions literature research, the special characteristics used as the basis for developing research knowledge include; This research is faced directly with the data or text presented, not with field data or through eyewitnesses in the form of events, researchers only deal directly with sources that already exist in the library or data are ready to use, as well as secondary data used in research (Fatha Pringgar & Sujatmiko, 2020). with a variety of sources that are thought to be relevant to the research topic It has to do with the development of state sukuk in this case. Qualitative research is the focus of this study. The research that describes the subject of this case is concerned with the development of sharia investment instruments, specifically the State Sukuk, and efforts to divert state sukuk for the recovery of the real sector to the development of MSMEs.

Secondary data was used in this study, which was then processed by researchers. Data that has been compiled from a variety of sources, including references and specific institutions. The Ministry of Finance's Directorate General of Financing and Risk Management (DJPPR) provided one source for this study, which was then processed by researchers. As well as from a variety of other sources deemed relevant to this research.

The research's limitation is that it is limited to the topic of the Islamic financial instrument Sukuk and its role in the recovery of MSMEs. The data is gathered by gathering information from sources that are relevant to the research topic. Journals, references, and other previously presented sources are examples of such sources. In order to conduct research, you'll need to collect data.

The type of data analysis used was descriptive qualitative. Outlining the research object, which is then described in the form of a description of the collected data. The development of state sukuk from 2019 to 2020, the existence of MSMEs, and the role of state sukuk in the recovery of MSMEs are all discussed in this case.

## **RESULTS AND DISCUSSION**

### **Development of State Sukuk**

Several types of state sukuk experienced strong growth, while two types of state sukuk saw a decline. The PBS type of sukuk with the private settlement scheme, which grew by 214.39 percent, was followed by the retail type of sukuk, which grew by 72.93 percent, and finally the auctioned PBS sukuk, which grew by 39.59 percent. Savings sukuk, which fell by 35.76 percent, and SPN-S sukuk, which fell by 30.01 percent, were the two types of sukuk that fell. Overall, the six types of sukuk mentioned above increased by 40.80%, totaling 364.250,000,000,000. The graph below depicts the evolution of the state sukuk instrument from 2019 to 2020. Foreign currency sukuk, linked waqf sukuk (CWLS), and other types of state sukuk are not mentioned.

**Table 1.** Development of State Sukuk in 2019-2020

No	Types of Sukuk	2019	2020	Growth
1	PBS Auction	141,455,000	197,460,000	39.59
2	PBS Private Placement	19,641,594	61,750,000	214.39
3	SNI	28,110. 000	35.66	26.86
4	SPN-S	37.36	26.15	-30.01
5	Retail Sukuk (SR)	21,864,647	37.81	72.93
6	Savings Bonds (ST)	8.43657	5.42	-35 ,76
	Total	256,867,811	364,250,000	40.80

Source: DJPPR Annual Report (2019 and 2020) data processed

\* In Million Rupiah

In 2020, the government will issue SBSN series PBS and SPN-S in the domestic primary market using the auction method. In addition to financing, the SBSN auction is expected to promote the development of financial markets, particularly the Islamic financial market, as well as optimize state treasury management and provide instruments to support Islamic banking liquidity management. Apart from managing cash mismatches, the SPN-S instrument can also be used to assist Bank Indonesia in the implementation of monetary operations (market-based monetary policy). The Minister of Finance of the Republic of Indonesia issued Regulation Number 195/PMK.08/2020 regarding the Auction of State Sharia Securities in the Domestic Primary Market in 2020 to support the SBSN auction. SBSN Main Dealer (DU) regulations, as well as to improve the domestic primary market auction of State Sharia Securities by SBSN DU. When compared to the 2019 SBSN auction, the 2020 auction received 147% more bids and 209% more benchmarks. This is in line with the need for APBN financing as a result of the COVID-19 pandemic, whereby Bank Indonesia will be the last resort at all SBSN auctions beginning in April 2020, based on PMK No. 28/PMK.02/2020. Except for some frequencies that are adjusted to market conditions, the average indicative target per auction in 2020 is IDR 12.42 trillion, substantially higher than the IDR 8 trillion per auction in 2019. In general, the government was able to meet the SBSN issuance target through auction while still paying attention to borrowing costs and risks and being cautious in determining the winning bid. Using private placement and bookbuilding methods, the government issued social investment instruments through the Cash Waqf Linked Sukuk (CWLS) series twice in 2020. The first issuance, with a nominal value of Rp 50,849,000,000.00, took place on March 10, 2020. (50 billion, or 849 million rupiah). The government's commitment to supporting the development of social investment and productive waqf in Indonesia is reflected in the issuance



of the Sukuk Waqf. The government facilitates cash waqf, both temporary and permanent, through Sukuk Waqf, allowing them to invest their money in safe and productive investment instruments. (DJPPR,2020).

### **Cash Waqf Linked Sukuk (CWLS) for MSME Development**

State Sukuk are issued to fund the state's revenue and expenditure budget, as well as to fund project development. State Sukuk is one of the government's efforts to increase K/L expenditure funds, and State Sukuk were declared useful for infrastructure development in Law No. 19 of 2008. This leads to the conclusion that State Sukuk finance the State Revenue and Expenditure Budget, including project development, but State Sukuk issuance in the context of project financing can only be done for projects that have received allocations in the APBN. (2019, Putri) State sukuk has been chosen as one of the alternative ways of financing the APBN as a driver of the national economy, as well as a sharia-based instrument product with great potential and will continue to grow. The main foundation in the management of sukuk is the issuance of state sukuk so that the allocation is used to finance the state budget's infrastructure. The project financing mechanism and the underlying project are the two mechanisms that can be utilized. The two mechanisms aim to regulate all uses of projects that are either about to be implemented or are already being implemented, but the source of funding is pure rupiah, which is used to issue state sukuk (Rahmawati & Tanjung, 2018)

The Government has issued Government Regulation Number 23 of 2020 concerning the Implementation of the National Economic Recovery Program in order to Support State Financial Policies for Handling the Corona Virus Disease 2019 in order to encourage economic recovery as a result of the pandemic's impact. (COVID-19) Pandemic and/or Threats to the National Economy and/or Financial System Stability and Rescue of the National Economy, as amended by Government Regulation of the Republic of Indonesia Number 43 of 2020, as the foundation for the PEN program's implementation. Micro, Small, and Medium Enterprises (MSMEs) are the focus of the government's attention in the PEN program, with interest subsidies, tax incentives, and working capital credit guarantees being provided to MSMEs. One of the PEN programs involves providing working capital credit guarantees to business actors, both MSMEs and large corporations affected by the pandemic. Guarantees are also given for working capital loans for labor-intensive corporations that are also heavily impacted by the pandemic, as well as guarantees for SOEs that are impacted by the pandemic and/or receive assignments under the PEN program. These guarantee programs are designed to carry out the mandate of Article 19 paragraph (2) of Government Regulation Number 23 of 2020, which aims to protect, maintain, and improve the economic capacity of real-world and financial-world business actors. The government hopes to encourage lending to business actors and the participation of SOEs in the recovery of the national economy through the guarantee scheme (DJPPR, 2020).

The opportunity for Smart Sukuk as an alternative to MSME financing is an integral part of the concept of developing MSMEs based on efforts to increase the role of Islamic finance in overcoming the obstacles of MSME business. Given the potential of Smart Sukuk in overcoming obstacles development of MSMEs and also their potential as an inclusive fintech instrument, then Smart Sukuk are expected to not only provide competitiveness support through access to financing (capital) and its convenience for MSMEs, but also become part of the strategy in improve the Islamic finance industry and its development in general, particularly sharia fintech (Amalia et al., 2021).

There are six things to do in optimizing the sales of Retail Sukuk and Savings Sukuk. The Six Steps is to optimize socialization for the millennial generation, to carry out Sukuk Goes activities to Campus, increasing the underlying assets of Retail Sukuk and Savings Sukuk, maintain competitive returns, tax facilities for investors, and expansion of investors in central and eastern Indonesia (Aditiya et al., 2022). In terms of sharia investment behavior, investment instruments sharia proposed in this study has a higher weight its effect on the consideration of changes in the demand for sukuk compared to with investments in conventional investment instruments (Wafa, 2010).

The Indonesian Waqf Board (BWI), which has been given the authority as nazhir to manage and develop waqf assets on a national and international scale, aims to create a cash waqf program with safe, profitable, and sharia-compliant investments. BWI created a cash waqf program called Cash Waqf Linked Sukuk in collaboration with the Ministry of Religion, Ministry of Finance, Bank Indonesia, Productive Waqf Forum, Bank Muamalat, and BNI Syariah as an operational bank (other Islamic banks are still open, especially those that have become LKS-PWU into operational banks) (Sukuk Linked Money Waqf). The International Monetary Fund–World Bank (IMF–World Bank) Annual Meeting in Nusa Dua Bali on October 12–14, 2018, saw the launch of this sukuk-linked money waqf. Furthermore, on November 1, 2018, BWI, the Ministry of Religion, the Ministry of Finance, and Bank Indonesia signed a Memorandum of Understanding on the Development of Cash Waqf Linked Sukuk (CWLS). CWLS is designed to make it easier for BWI and money waqf to invest waqf funds in a safe and risk-free investment instrument, namely the State Sukuk. This sukuk-linked money waqf by Prof. Dr. Ir. Mohammad Nuh, DEA, is one of the efforts to turn potential into real power. Waqf's potential, he claims, is comparable to water collected in a large dam. If there is no engine to change it, that potential will be worthless. Endowments money link sukuk is one of the engines that transforms potential into long-term benefits for the nation's welfare and dignity. (Faudji & Paul, 2020).

Waqf in cash The government has launched a new endowment product called Linked Sukuk to help develop the potential of cash waqf in Indonesia. CWLS is a part of the SBSN (National Sharia Securities) program, which is administered by the Ministry of Finance and has a series number of SWR001. Cash Waqf Linked Retail Sukuk (CWLS Retail) is a cash waqf investment in state sukuk, the proceeds of which are distributed by nazhir (fund manager and waqf activity) to fund social programs and economic empowerment for the people. The Government supports the acceleration of people's economic power by providing facilities and conveniences for individual communities and institutions to make cash waqf safely and productively through Retail CWLS. CWLS sales were realized or achieved at a total of Rp. 14, 912 billion. In Indonesia, CWLS involves five parties: Bank Indonesia, Indonesian Waqf Board, Ministry of Finance, Nazhir Productive Waqf, and Custodian Banks (BNI Syariah, Bank BRI Syariah, Bank Syariah Mandiri, and Bank Muamalat) who are appointed as Islamic financial institutions receiving cash waqf (LKS). This Islamic Financial Institution will work with social institutions to distribute productive waqf funds to MSMEs as Nazhir productive waqf. The role of CWLS in the National Economic Recovery program is that the proceeds from the sale of CWLS can help the government obtain new sources of financing to optimize delayed national development due to the APBN's allocation, which is primarily focused on handling COVID-19, and the returns generated from CWLS can be used to implement social programs. For those in need, particularly those who are experiencing economic hardship as a result of the COVID-19 pandemic (Baiti & Syafaat, 2021).

In terms of sharia investment behavior, investment instruments sharia proposed in this study has a higher weight its effect on the consideration of changes in the demand for sukuk compared to with investments in conventional investment instruments (Wafa, 2010). As an Islamic financial instrument, CWLS has the potential to be a source of funding for impact recovery economy due to the Covid-19 pandemic. This instrument is very suitable because has high flexibility, appeals to the philanthropic middle class Muslims, as well as CWLS meet the prerequisites for financing recovery COVID-19 pandemic that requires short-term financing and medium. The CWLS model as a source of recovery financing post-Covid-19 economy requires coordination between the Waqf Board Indonesia, regulator, Ministry of Finance, PEN Program Implementer and organizations or agencies managing people's funds to manage cash waqf fund. The proceeds from sukuk can be used as: accelerator of SMEs and SMEs for capital financing (Rahman et al., 2021).

Sukuk in Indonesia faces various opportunities and challenges the challenges that come with it. Opportunity, because Indonesia is a country the world's largest Muslim community and challenges related to public interest and awareness in sharia investment. Sukuk will increase the cost of the state budget in development infrastructure needed by the state by utilizing funds people who have not been collected by Islamic bonds. Therefore, must there is an improvement in the form of revamping the system and policy on the sukuk alone. As well as preparing human resources who have the capacity and capability in sukuk structuring (Wijaya, 2021).

The development of sukuk in various forms, including for MSMEs, is then required for economic recovery. The government has issued a Cash Waqf Linked Sukuk (CWLS), a type of sukuk whose returns are distributed for charitable purposes. Waqf's function is to protect the object that is being waqfed. Investors own the yields in other sukuk, whereas in CWLS, the monthly yields obtained by investors will be channeled for social purposes, such as development or other purposes. This type of sukuk can be used for a variety of productive purposes, including the growth of MSMEs.

**Table 2.** Sharia Banks Issuing Retail

Bank Penerbit CWLS	Nazhir	Program Sosial UMKM
Bank Syariah Indonesia	LazizNU	Bantuan Modal UMKM
	Lazis Muhammadiyah	Pemberdayaan UMKM
Bank Muamalat Indonesia	Baitul Maal Muamalat	Sahabat UMKM
Bank Bukopin Syariah	Wakaf Bangun Nurani Bangsa	Pemberdayaan masyarakat melalui ternak hewan
	Global Wakaf	Wakaf Modal UMKM
Permata Bank Syariah	Yayasan Pesantren Islam Al Azhar	Pembiayaan Ternak Sapi Desa Binaan

(Source: kemenkeu.go.id)

## CONCLUSION

In the period 2019 to 2020, the state sukuk instrument experienced very good growth, with overall growth of 40.80% in six types of state sukuk, namely PBS Auction Sukuk, PBS Private Placement Sukuk, SNI, SPN-S, Rite Sukuk (SR), and Savings Sukuk (ST). Sukuk auctions at PBS increased by 39.59 percent, PBS Private Placement Sukuk increased by 214.39 percent, SR increased by 72.93 percent, and SNI Sukuk increased by 26.86 percent. In the meantime, SNI Sukuk fell by -30.01 percent, and ST fell by -35.76 percent.

Increasing the volume for micro-economic actors can help develop state Sukuk products with the presence of CWLS for the development of MSMEs and in terms of assistance. If many sukuk were previously allocated for physical and infrastructure development, then more sukuk can be allocated for MSMEs, particularly the CWLS type. The National Economic Recovery (PEN) program will be implemented in 2020, and sukuk is one of the instruments that will be used. Some of the programs that can be put into place to aid MSMEs in recovering from the effects of the pandemic include providing business finance; profit sharing schemes; business support schemes; and maximizing the types of Waqf sukuk supplied to the productive sector.

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