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A SHARE WAQF MODEL FOR COMMUNITY EMPOWERMENT INTEGRATED WITH SHARE ZAKAT (SW-CD): CONCEPTUAL DESIGN AND ILLUSTRATIVE SIMULATION

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Abstract
Indonesia already has an adequate jurisprudential and legal basis for share waqf, yet the assets collected up to September 2023 amounted to only about IDR 280 million. This study argues that the main obstacle is institutional rather than a lack of instruments. Using a design science research approach, it develops the Share Waqf for Community Development (SW-CD) model, which combines share waqf and share zakat for community empowerment. The model has three stages: initiation through a waqf pledge, management of waqf assets in two pools (retained shares and cash waqf managed by an investment manager), and allocation of benefits to a qard al-hasan revolving fund, vocational training, and community clinics. Net returns are split 10/50/40 between the nazir, beneficiaries, and a buffer reserve, while zakat is kept in a separate account. A ten-year simulation shows that every IDR 1 million of annual benefit requires about IDR 50.6 million of waqf principal, and that the revolving fund raises the number of financed micro, small, and medium enterprises from 10 to 126 per year. Under a stress test with a 41.3% share price correction, a 40% reserve restores the principal coverage ratio to above 100% in the ninth year, whereas without the reserve the ratio stays at around 92%. These findings indicate that initial fund size and reserve discipline determine whether share waqf is a viable source of empowerment finance. The article also provides a risk matrix, a governance design, and a pilot roadmap.
Keywords: Share waqf; Share zakat; Qard al-hasan; Community empowerment; Simulation.

INTRODUCTION

In terms of Islamic jurisprudence and positive law, share waqf in Indonesia rests on a reasonably solid foundation. Its permissibility is grounded in Law No. 41 of 2004 (GoI, 2004), Government Regulation No. 42 of 2006 (GoI, 2006), Minister of Religious Affairs Regulation No. 73 of 2013 (MoRA, 2013), the MUI fatwa on cash waqf (MUI Fatwa Commission, 2002), and IIFA Resolution No. 181 (IIFA, 2009). In practice, however, it has barely developed. The head of the sharia capital market division of the Indonesia Stock Exchange (IDX) reported that the share waqf assets collected from 2019 to September 2023 totalled only about IDR 280 million (Bisnis.com, 2023). Share zakat has followed a similar path. The Share Sadaqah and Zakat programme (SAZADAH), launched by BAZNAS and the IDX sharia capital market unit in 2017 (Hardi, 2020), had raised only about IDR 60 million in share sadaqah by the end of May 2018, and no share zakat had been received at that point (Kontan, 2018). A few weeks later, BAZNAS and Henan Putihrai Sekuritas reported that share zakat had begun to come in, at around IDR 135 million (Bisnis.com, 2018).

This record stands in sharp contrast to the growth of the market itself. The number of sharia equity investors reached 217,157 in December 2025, an increase of 28% in a single year (Fortune Indonesia, 2026). Interest in giving waqf through government securities is also considerable. The retail Cash Waqf Linked Sukuk series SWR006 sold IDR 306.28 billion to 799 waqifs, 85.86% of whom were first-time waqifs (MoF, 2025). These figures suggest that the investors, and their willingness to give waqf through financial instruments, already exist. What is missing is a credible institutional arrangement that links sharia equity investors to empowerment needs. This view is consistent with Huda et al. (2017), who found that the priority problem of waqf in Indonesia lies with nazirs who have not made waqf management their main profession, followed by poorly disseminated regulations and limited waqif knowledge. For share waqf specifically, the Delphi study by Rini et al. (2024) identified low share waqf literacy as the main problem and the issuance of technical regulations on share waqf management as the main solution. Niswah et al. (2023), who applied the analytic network process (ANP) with respondents from BWI, the IDX, issuers, and investors, reached a very similar conclusion. On the waqif side, waqf

literacy and trust in institutions have been shown to affect cash waqf intention (Masrizal et al., 2023; Kasri & Chaerunnisa, 2022). These three obstacles, namely trust, technical rules, and nazir capacity, can in principle be addressed through appropriate institutional design.

The literature and practice in several countries offer reference points for such a design. In Malaysia, Johor Corporation (JCorp) endowed shares in several of its subsidiaries to Waqaf An-Nur Corporation Berhad (WANCorp), which then used the proceeds to finance health services and an interest-free loan scheme for small businesses (Mohd Thas Thaker & Mohd Thas Thaker, 2015). The unit trust waqf model shows that cash waqf can be managed professionally by an investment manager (Sulaiman et al., 2019), while Cash Waqf Linked Sukuk (CWLS) shows that the returns on waqf investments can be channelled to social programmes (MoF, 2025). Taken together, these experiences show that successful waqf models generally separate the managing entity, preserve the value of the principal, and set clear distribution rules.

Previous research on share waqf in Indonesia has been largely normative or diagnostic. Paksi et al. (2018) and Selasi and Muzayyanah (2020) discussed the permissibility of share waqf and the forms it can take, while Niswah et al. (2023) and Rini et al. (2024) mapped priority problems, solutions, and development strategies using ANP and Delphi methods. In Malaysia, Mohd Thas Thaker and Mohd Thas Thaker (2015) examined the constraints on managing corporate share waqf through a case study of WANCorp. These studies explain why share waqf has not grown and what needs to be fixed, but they do not offer an operational design that can be tested. To the best of our knowledge, no study has yet designed an operational architecture for share waqf that runs from the pledge to the delivery of benefits under explicit allocation rules, integrates it with share zakat without blurring the legal character of the two, and measures the model's ability to preserve the waqf principal when share prices fall.

This article fills that gap by designing an operational model through a design science research approach. The design starts from the authors' initial idea of share waqf for community empowerment, which is then tested against jurisprudential rules, regulations, and risk management principles. Three questions guide the study. First, what

architecture would make a share waqf model for community empowerment valid under Islamic jurisprudence and workable within Indonesia's capital market infrastructure? Second, how can share zakat be placed in the model without blurring its legal distinction from waqf? Third, how large and how resilient can the model be under reasonable assumptions, including a sharp fall in share prices?

The novelty of this study lies in four elements. First, the SW-CD model separates shares that are endowed directly and retained from cash waqf that is invested by an investment manager. This separation follows IIFA Resolution No. 181, which distinguishes the two types of assets (IIFA, 2009), but it has not yet been translated into an institutional design for share waqf in Indonesia. Second, the model sets a rule for dividing net returns that includes a buffer reserve for the principal, a mechanism not yet specifically regulated for share waqf. Third, the model places share zakat as a parallel stream with a separate account and a graduation path from mustahiq to qard al-hasan borrower, so that the two instruments complement each other without being mixed. Fourth, the feasibility and resilience of the model are measured quantitatively through a simulation, a stress test calibrated to actual market corrections, and a sensitivity analysis, all of which can be replicated. In practical terms, the article also provides implementation tools in the form of a risk matrix, a governance design, and a pilot roadmap for nazirs, amils, and regulators.

METHODOLOGY

3.1. Research Design

This study adopts design science research (DSR), an approach that produces an artefact in the form of a model and then demonstrates and evaluates it (Peffers et al., 2007). It is complemented by a semi-systematic literature review (Snyder, 2019) to assemble the jurisprudential and regulatory basis and the reference models. The procedure follows the six DSR activities. The first is problem identification, here the low realisation of share waqf and share zakat. The second is defining the objectives of a solution, namely a model that is valid under Islamic jurisprudence, workable, and resilient to market shocks. The third is design and development. The authors' initial design served as the starting point and was then tested and revised against fatwas, regulations, and risk

management principles. The fourth is demonstration through a ten-year illustrative simulation. The fifth is evaluation through a stress test whose correction sizes are taken from OJK statistics. The sixth is communication of the results in the form of a scholarly article.

3.2. Data and Data Sources

The study relies on secondary data in three groups. The first group consists of normative provisions: laws, government regulations, ministerial regulations, BWI regulations, OJK regulations, MUI fatwas, and IIFA resolutions. The second group consists of market and instrument data: the number of sharia equity investors, the market capitalisation of the Indonesia Sharia Stock Index (ISSI), the sales results of CWLS SWR006, and the realised collection of share waqf and share zakat as published by the IDX, OJK, and the Ministry of Finance. The third group consists of journal articles on productive waqf, share waqf, share zakat, and the integration of waqf with microfinance. The normative provisions are used to test the validity of the design, the market data to set parameters and stress scenarios, and the literature to select reference models and assess novelty.

3.3. Specification of the Simulation Model

The simulation is deterministic and illustrative; it is not intended as a projection or an investment recommendation. Every parameter and the basis for its value are listed in Table 5. The sukuk yield follows the minimum return of 5.70% on CWLS SWR006 (MoF, 2025). The size of the market corrections in the stress test is taken from changes in ISSI market capitalisation, which fell by 10.7% between 2019 and 2020 and by 41.3% from the end of 2025 to September 2026 (OJK, 2026). The remaining parameters, such as dividend yield, management cost, qard al-hasan repayment rate, and cost per beneficiary, are our own assumptions and are subjected to sensitivity tests. We also assume that share prices do not change except for the stress test shock, that net returns are computed on the portfolio value at the start of the year, and that qard al-hasan loans have a one-year tenor. All calculations are provided in a formula-based worksheet (supplementary material: Simulasi_SW-CD.xlsx), so that the results can be replicated and every parameter can be changed for sensitivity analysis.

The simulation runs annually for ten years, in millions of rupiah. The notation is as follows: V(t) is the market value of the waqf portfolio at the end of year t, P(t) is the cumulative nominal principal, F is the new waqf collected each year, w_s is the weight of equities in the portfolio, s(t) is the share price correction, which occurs only in the first year of the stress scenarios, r_k and w_k are the return and weight of asset class k, c is the management cost, and κ is the reserve share. The post-shock portfolio value and the net return are computed as follows.

$$V'(t) = V(t-1) \times [1 - w_s \times s(t)] \qquad (1)$$

$$H(t) = r_n \times V'(t), \text{ where } r_n = \Sigma\, w_k r_k - c \qquad (2)$$

The net return is then divided among the nazir, the beneficiaries, and the reserve. The reserve is reinvested in the portfolio, while new collections add to both the portfolio value and the nominal principal. The principal coverage ratio (PCR) measures how far the market value covers the nominal principal that must be preserved.

$$N(t) = 0.10 \times H(t); \quad C(t) = \kappa \times H(t); \quad M(t) = H(t) - N(t) - C(t) \qquad (3)$$

$$V(t) = V'(t) + C(t) + F; \quad P(t) = P(t-1) + F; \quad PCR(t) = V(t) / P(t) \qquad (4)$$

Half of the benefit share is allocated to the qard al-hasan revolving fund. The amount disbursed in year t consists of the new allocation plus the previous year's loans repaid at the repayment rate ρ. The number of MSMEs financed is obtained by dividing the amount disbursed by the loan ceiling per MSME (q). Share zakat (Z) grows at rate g, the amil's portion (a) is deducted, and the remainder is distributed as capital grants of h per mustahiq.

$$D(t) = 0.5 \times M(t) + \rho \times D(t-1); \quad MSME(t) = D(t) / q \qquad (5)$$

$$Z(t) = Z(1) \times (1 + g)^{(t-1)}; \quad Mustahiq(t) = Z(t) \times (1 - a) / h \qquad (6)$$

HASIL DAN PEMBAHASAN

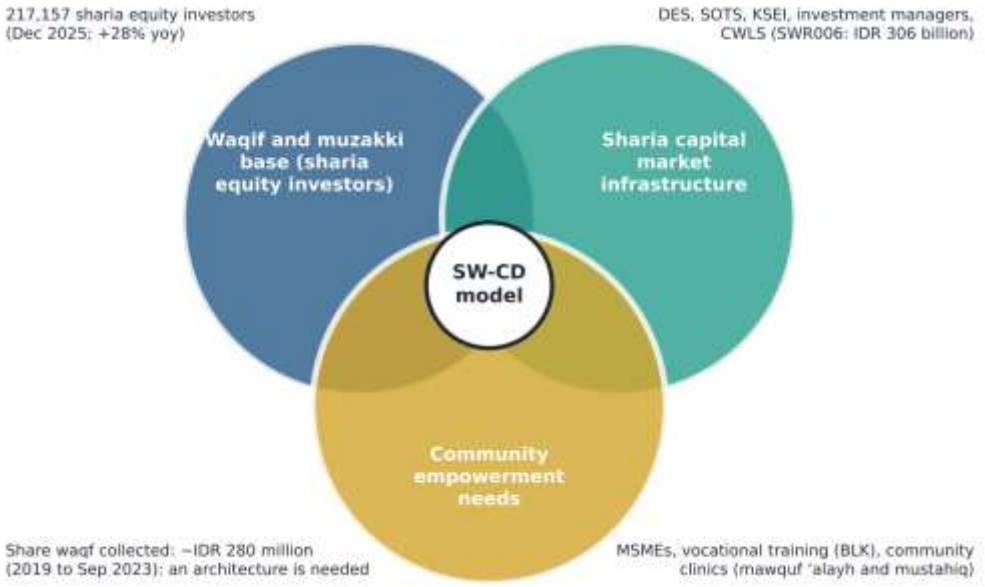
RESULTS AND ANALYSIS

4.1. The Need for an Institutional Architecture

Figure 1 maps three elements that are already in place but not yet connected to one another. The first is the pool of potential waqifs and muzakkis, namely 217,157 sharia equity investors (Fortune Indonesia, 2026), although national waqf literacy remains low, with an index score of 50.48 in 2020 (BWI,

BAZNAS, & MoRA, 2020). The second is the sharia capital market infrastructure, which includes the Sharia Securities List (Daftar Efek Syariah, DES) as the reference for sharia compliance (OJK, 2025), sharia online trading systems offered by securities brokers (AB-SOTS) as transaction channels, the Indonesian Central Securities Depository (KSEI) and custodian banks for account segregation, investment managers, and CWLS as a fixed-income instrument. The third is the need for community empowerment, such as working capital for micro enterprises, job skills, and basic health services. These three elements have not been linked by clear rules, and this is where the SW-CD model sits.

Figure 1.
Three Pieces of the Solution Linked by the SW-CD Model



Source: Authors' construction based on Fortune Indonesia (2026), MoF (2025), and Bisnis.com (2023).

4.2. From Initial Idea to Model: Four Design Corrections

The authors' initial design already captured the basic logic of share waqf for empowerment: shares are handed to a nazir, managed professionally in the capital market, and the returns are channelled to MSMEs, vocational training, and health clinics. When tested against jurisprudential rules and risk management principles, however, the design showed four weaknesses that had to be corrected before the model could operate (Table 3).

Table 3.
Design Corrections to the Initial Design

Element of the initial design	Problem	Correction in the SW-CD model
Shares are transferred from waqif to nazir under a gift (hibah) contract	A gift transfers ownership without the quality of being held, so the shares do not become waqf assets and are not subject to the prohibition on selling waqf assets	Waqf pledge (ikrar) before the nazir or waqf pledge official (PPAIW) through AB-SOTS, supported by a waqf pledge deed (AIW) and registration in a securities account in the nazir's name
Stage 2 is named management of the mawquf 'alayh	What is managed is the mawquf bih (the waqf asset), whereas the mawquf 'alayh are the beneficiaries	Stage 2 becomes Management of the Mawquf Bih; beneficiaries are placed in Stage 3
Capital gains circulate in an active management cycle	Directly endowed shares are in principle retained and not traded (IIFA, 2009); spending capital gains erodes the principal	Two pools: Pool A (endowed shares, retained) and Pool B (cash waqf, actively managed); capital gains are added to the principal and not distributed
All dividends are distributed directly to the community	No nazir share and no reserve; a market correction erodes the principal directly	Net returns are split ≤10% to the nazir, 50% to beneficiaries, and 40% to a buffer reserve reinvested in the principal

Source: Authors' analysis based on IIFA (2009), GoI (2004), and BWI (2020).

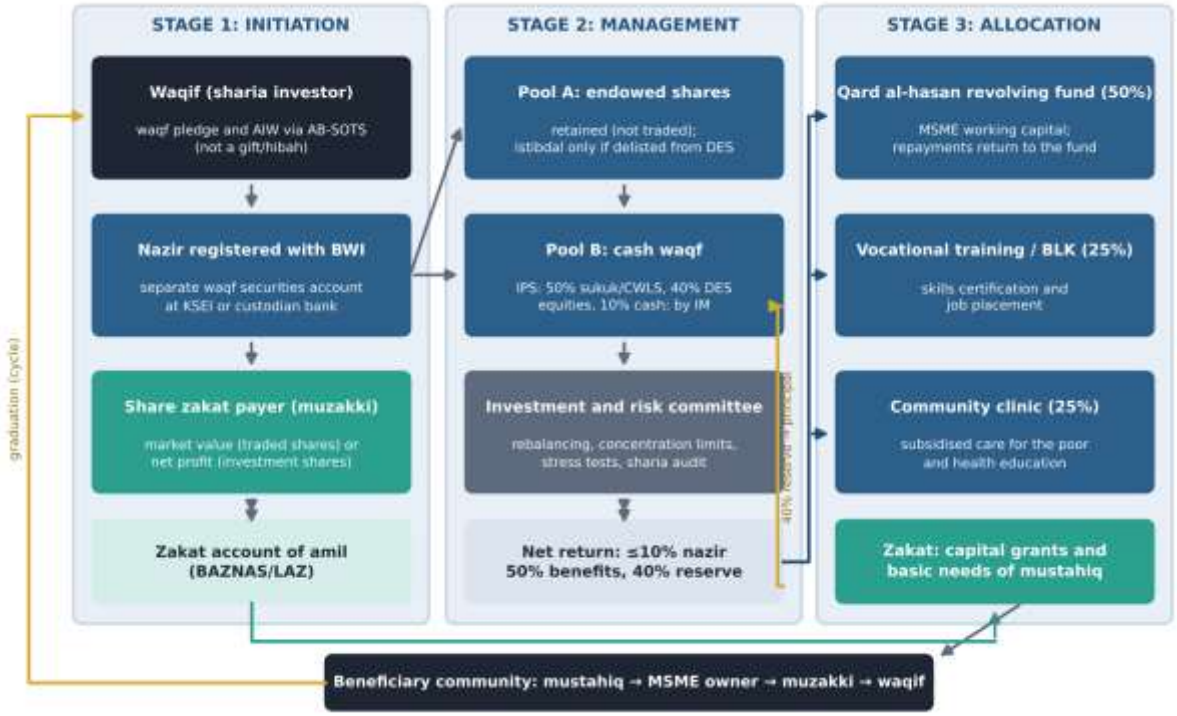
The 50% benefit share and the 40% reserve are design parameters that we propose. The cap of 10% on the nazir's remuneration comes from Law No. 41 of 2004, while BWI Regulation No. 1 of 2020 sets a minimum share for the mawquf 'alayh (BWI, 2020). Whether the reserve share is consistent with BWI's technical rules therefore still has to be confirmed when the model is implemented. If the reserve were considered to reduce the entitlement of the mawquf 'alayh, it could be written into the waqf pledge as a condition set by the waqif.

4.3. Architecture of the SW-CD Model

Figure 2 presents the architecture of the model in three stages. The three-stage framework of the initial design is retained, but its content has been corrected. In Stage 1 (Initiation), a sharia investor makes a waqf pledge through a partner AB-SOTS. The shares are then transferred to a waqf securities account in the name of a BWI-registered nazir at KSEI or a custodian bank. Through the same channel, an investor whose holdings have reached nisab and haul can pay share zakat into the account of an amil, either BAZNAS or a private zakat institution (LAZ). Zakat is calculated on market value for traded shares or on net profit for investment shares (MUI Fatwa Commission, 2021). In Stage 2 (Management of the Mawquf Bih), the waqf assets are divided into two pools. Pool A holds the endowed shares, which are retained, and istibdāl takes place only if a share is removed from the DES. Pool B holds cash waqf managed by an investment manager under a written investment policy statement (IPS). An investment and risk committee is responsible for rebalancing, setting concentration limits, running stress tests, and ensuring that sharia audits take place. In Stage 3 (Empowerment Allocation), the benefit share is divided among a qard al-hasan revolving fund for MSMEs (50%), vocational training through a vocational

training centre (BLK) (25%), and subsidised community clinic services (25%). Zakat is distributed within one haul as capital grants and support for the basic needs of mustahiqs.

Figure 2.
Three-Stage Architecture of the SW-CD Model



Source: Authors' construction.

The circular nature of the model is visible in the beneficiaries' graduation path. Mustahiqs who receive capital grants from zakat are guided to become qard al-hasan borrowers once their businesses are running. If their businesses keep growing, they are expected to become muzakkis and, eventually, waqifs. The shift from mustahiq to muzakki is also a common measure of success in productive zakat programmes (Zulkarnain & Farkhani, 2021). The qard al-hasan revolving fund also has a multiplier effect, because repaid instalments can be lent again to other borrowers. As a result, each rupiah of waqf benefit can serve more than one recipient over the long run. The revolving fund is financed from waqf returns and does not draw on the principal, in line with the principle set out by Abdullah and Ismail (2017). We make business mentoring a permanent part of the programme, because the size of the multiplier depends heavily on the repayment rate (see Section 4.5).

4.4. Division of Functions between Share Waqf and Share Zakat

Waqf and zakat can be combined validly only if the legal character of each is preserved. Table 4 sets out the division of functions between them, and Figure 3 summarises the five-step cycle of the model.

We use the analogy of waqf as the "engine" and zakat as the "fuel". Waqf provides a perpetual asset that yields benefits across generations, while zakat provides immediate funds for mustahiqs who are not yet eligible for financing, including qard al-hasan. Share sadaqah and infaq can cover needs that neither instrument can finance, such as the costs of literacy campaigns, mentoring, and reporting systems.

Table 4.
Division of Functions among Instruments in the SW-CD Model

Dimension	Share waqf (engine)	Share zakat (fuel)	Share sadaqah/infaq
Basis	Law 41/2004; MUI Fatwa 2002; IIFA (2009)	MoRA Reg. 52/2014; Seventh Ijtima Ulama (2021)	General rules of infaq
Horizon	Intergenerational (perpetual or temporary principal as pledged)	Annual; distributed within one haul	Flexible
Treatment of principal	Preserved; only net returns are spent	No principal; all funds are distributed	No principal
Target	Mawquf 'alayh as pledged: MSMEs, vocational training, clinics	The eight asnaf, mainly the poor and the needy	Strengthening the ecosystem
Manager	BWI-registered nazir and investment manager	Amil (BAZNAS/LAZ)	Nazir or amil
Account	Waqf securities account in the nazir's name	Zakat account in the amil's name	Separate account

Source: Authors' construction based on the cited regulations and fatwas.

Figure 3.
Five-Step Cycle of the SW-CD Model



Source: Authors' construction.

4.5. Illustrative Simulation: Scale and Resilience

The simulation assumptions are listed in Table 5. The Baseline scenario assumes an initial waqf fund of IDR 10 billion from institutional waqifs, such as listed issuers or alumni associations, plus IDR 1 billion in new collections each year. The Accelerated scenario assumes IDR 3 billion in new collections each year. Both scenarios use the same investment policy: 50% sukuk/CWLS, 40% DES equities, and 10% cash. With this mix, the gross portfolio return is 4.45%, and the net return after management costs is 3.95%.

Table 5.
Parameters of the Illustrative Simulation

Parameter	Value	Basis
Initial waqf fund / annual collection	IDR 10 billion / IDR 1 billion (Baseline), IDR 3 billion (Accelerated)	Scenario assumption
IPS allocation	50% sukuk/CWLS; 40% DES equities; 10% cash	Model design
Sukuk yield	5.70% per year	Minimum return on CWLS SWR006 (MoF, 2025)

Parameter	Value	Basis
Dividend yield on equities / cash yield	3.0% / 4.0% per year	Assumption; tested for sensitivity
Management cost (investment manager, custodian)	0.5% of asset value	Assumption
Division of net returns	10% nazir; 50% benefits; 40% reserve	Law 41/2004 (nazir cap); model design
Allocation of benefits	50% qard al-hasan; 25% vocational training; 25% clinics	Model design
Qard al-hasan	IDR 10 million per MSME; one-year tenor; 95% repayment rate	Assumption
Cost per beneficiary	Vocational training IDR 5 million per trainee; clinic IDR 250 thousand per visit	Assumption
Share zakat	IDR 0.5 billion in year 1, growing 5% per year; amil portion 12.5%; capital grant IDR 5 million per mustahiq	Assumption
Share price stress test (year 1)	−10.7% and −41.3% on the equity pool	Change in ISSI capitalisation, 2019 to 2020 and end-2025 to September 2026 (OJK, 2026)

Source: Authors' construction.

The first result concerns scale. With a net return of 3.95% and a benefit share of 50%, about IDR 50.6 million of waqf principal is needed to generate IDR 1 million of benefit per year. In other words, all the share waqf collected between 2019 and 2023, about IDR 280 million, could generate only about IDR 5.5 million of benefit a year. This figure shows that share waqf is hard to run as a small-scale retail programme. It needs initial funds from institutional waqifs and sustained collection in the order of billions of rupiah. The sensitivity analysis shows that the principal required for each IDR 1 million of benefit ranges from IDR 42 million to IDR 62.5 million when the sukuk yield varies between 5.0% and 6.5% and the dividend yield between 2% and 4%.

Table 6.
Summary of Simulation Results for the Baseline and Accelerated Scenarios

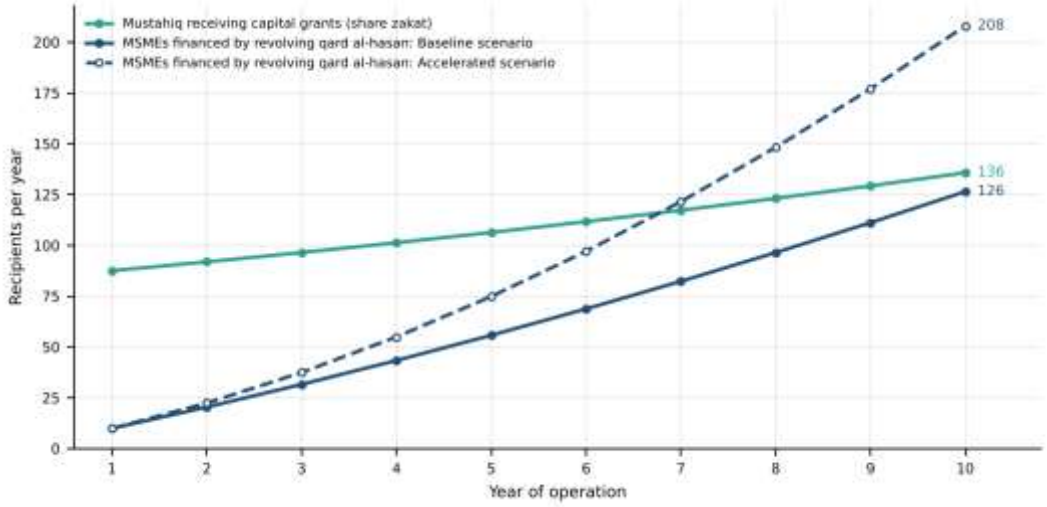
Indicator	Baseline t=1	Baseline t=5	Baseline t=10	Accelerated t=10
Nominal principal (IDR billion)	11.0	15.0	20.0	40.0
Portfolio market value (IDR billion)	11.2	16.0	22.4	43.9
Net return (IDR million)	395	582	834	1,591
Benefit share (IDR million)	197	291	417	796
MSMEs financed by qard al-hasan (units)	10	56	126	208

Indicator	Baseline t=1	Baseline t=5	Baseline t=10	Accelerated t=10
Vocational trainees (persons)	10	15	21	40
Subsidised clinic visits (visits)	197	291	417	796
Mustahiqs receiving zakat grants (persons)	88	106	136	136

Source: Authors' simulation based on the parameters in Table 5.

The second result concerns the revolving fund effect. The qard al-hasan allocation in the first year is only about IDR 99 million. Because repayments are lent out again, however, the number of MSMEs financed rises from 10 in the first year to 126 in the tenth year under the Baseline scenario and to 208 under the Accelerated scenario (Figure 4). Zakat reaches more recipients at the outset, with 88 mustahiqs in the first year. In the early phase, zakat meets urgent needs, while waqf builds capacity that keeps growing. Under the Accelerated scenario, the number of MSMEs financed from waqf returns overtakes the number of mustahiqs receiving zakat from the seventh year onwards. This result depends heavily on the assumed 95% repayment rate, which is tested further in Section 4.6.

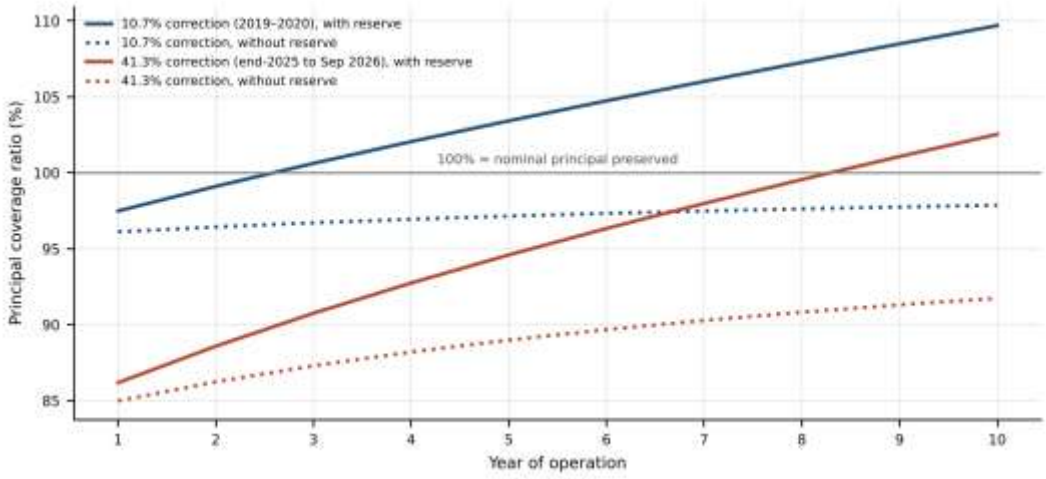
Figure 4.
Simulated Reach of Beneficiaries: Share Zakat and the Share Waqf Revolving Fund



Source: Authors' simulation based on the parameters in Table 5.

The third result concerns portfolio resilience. The stress test applies a price correction to the equity pool in the first year (Figure 5). A 41.3% correction on an equity pool weighted at 40% reduces the portfolio value by about 16.5%. The principal coverage ratio, that is, the ratio of market value to nominal principal, consequently falls to 86.2%. With the 40% reserve reinvested, the ratio climbs back above 100% in the ninth year (101.1%). Without a reserve, with all returns beyond the nazir's share distributed, the ratio reaches only 91.7% in the tenth year. Under the 10.7% correction, the reserve restores principal coverage in the third year, whereas without the reserve the ratio stays below 98%.

Figure 5.
Stress Test of the Principal Coverage Ratio with and without a Buffer Reserve



Source: Authors' simulation; correction sizes from ISSI market capitalisation (OJK, 2026).

The stress test exposes a choice that managers need to make openly. The 40% reserve protects the principal, but it reduces the benefits that can be distributed in the short run. In the 41.3% correction scenario, the first-year benefit share is IDR 297 million without the reserve and only IDR 165 million with it. The difference is the cost of preserving the principal. The SW-CD model chooses to preserve the principal, because a waqf whose principal has been eroded loses its defining character. This choice is also our answer to the central problem of share waqf: how to maintain the perpetuity (ta'bīd) of waqf assets when share prices fluctuate.

4.6. Sensitivity Analysis

The two parameters that matter most for the simulation results are the qard al-hasan repayment rate and the reserve share. Each was tested separately, with the other parameters held at their Baseline values. Table 7 shows that the reach of the revolving fund is highly sensitive to the repayment rate. At a repayment rate of 95%, the number of MSMEs financed in the tenth year reaches 126. If the repayment rate falls to 80%, the number drops to 77, about 39% lower. Conversely, an increase from 95% to 98% raises the reach to 141. A few percentage points of repayment are thus worth a substantial amount of additional funding, which makes investment in borrower selection and business mentoring a sensible priority.

Table 7.
Sensitivity of Revolving Fund Reach to the Repayment Rate

Qard al-hasan repayment rate	MSMEs financed at t=5 (units)	MSMEs financed at t=10 (units)
80%	43	77
85%	47	90

Qard al-hasan repayment rate	MSMEs financed at t=5 (units)	MSMEs financed at t=10 (units)
90%	51	106
95% (Baseline scenario)	56	126
98%	59	141

Source: Authors' simulation; other parameters follow the Baseline scenario (Table 5).

Table 8 tests the reserve share under the 41.3% share price correction. Without a reserve, the principal coverage ratio reaches only 91.7% in the tenth year. With a 30% reserve, the ratio comes close to full recovery (99.7%) but does not pass 100% within ten years. A 40% reserve is the smallest of the tested shares that restores the principal within that period, in the ninth year. A 50% share brings recovery forward to the seventh year, but it lowers cumulative ten-year benefits to IDR 2,192 million. The 40% reserve in the model is therefore not an arbitrary figure; it is roughly the minimum threshold for restoring the principal after a correction as large as the 2026 ISSI correction. The price of this choice is also clear. Cumulative ten-year benefits fall from IDR 4,567 million without a reserve to IDR 2,698 million with a 40% reserve, about 41% lower.

Table 8.
Sensitivity of the Reserve Share under a 41.3% Share Price Correction

Reserve share	Benefit share t=1 (IDR million)	Cumulative 10-year benefits (IDR million)	Principal coverage ratio t=10	Year principal recovers (≥100%)
0%	297	4,567	91.7%	Not recovered
10%	264	4,122	94.3%	Not recovered
20%	231	3,663	97.0%	Not recovered
30%	198	3,188	99.7%	Not recovered
40% (model design)	165	2,698	102.5%	Year 9
50%	132	2,192	105.4%	Year 7

Source: Authors' simulation; the nazir share is 10%, and the benefit share equals 90% minus the reserve share.

4.7. Discussion

The simulation and sensitivity results shed further light on several earlier findings. First, Rini et al. (2024) and Niswah et al. (2023) identified low literacy and the absence of technical regulations as the main problems of share waqf. The simulation adds the dimension of scale. Since about IDR 50.6 million of principal is needed for every IDR 1 million of annual benefit, raising the literacy of retail waqifs will not on its own produce meaningful impact without initial funds from institutional waqifs. The experience of WANCorp, which relies on large blocks of JCorp corporate shares (Mohd Thas Thaker & Mohd Thas Thaker, 2015), supports this conclusion.

Second, Abdullah and Ismail (2017) required waqf-based microfinance to use only waqf returns. The simulation shows that this condition does little to limit reach as long as repayment is high, because

the revolving fund multiplies a limited stream of returns. When the repayment rate falls to 80%, however, reach in the tenth year shrinks by almost 40%. The quality of borrower selection and mentoring, which the model of Haneef et al. (2015) addresses through its human resource development component, is therefore as important as the size of the fund.

Third, jurisprudential studies on the perpetuity of waqf assets held as securities have mostly addressed the permissibility and conditions of istibdāl (IIFA, 2009; Aiz, 2016). The stress test shows that the threat a nazir is more likely to face is a fall in market value without any sale taking place. The buffer reserve offers an operational response to this threat, because the value of the principal is restored through accumulated returns rather than through a prohibition on selling alone.

Fourth, Hardi (2020) noted that the distribution flow of share zakat becomes complex because many parties are involved. The SW-CD model handles this complexity at the governance level, through a joint trustee forum, while waqf and zakat funds remain in separate accounts. On the waqif side, trust and literacy have been shown to influence waqf intention (Masrizal et al., 2023; Kasri & Chaerunnisa, 2022). The impact reports and fund traceability built into the model can help build that trust.

4.8. Governance: The Joint Trustee Forum

The SW-CD model involves many parties with different mandates, so it needs a coordination forum that still keeps the books separate (Figure 6). The nazir is responsible for preserving the waqf principal, while the amil distributes zakat. KSEI or the custodian bank holds the securities accounts separately. The AB-SOTS and the investment manager execute transactions and manage the portfolio in line with the IPS. Field partners, such as vocational training centres, clinics, and MSME mentors, run the programmes. BWI, OJK, BAZNAS, and the National Sharia Board (DSN-MUI) supervise according to their respective mandates. A joint trustee forum supported by an integrated Sharia Supervisory Board and a digital reporting dashboard allows the flow of funds to be traced from the pledge to the beneficiary. This structure mirrors the experience of JCorp, which separated the management of its share waqf through WANCorp (Mohd Thas Thaker & Mohd Thas Thaker, 2015). The forum is also consistent with the priority solution proposed by Huda et al. (2017), namely turning individual nazirs into institutional nazirs, and with the priority strategy of Rini et al. (2024), which stresses strengthening the human resources of nazirs who manage share waqf.

Figure 6.
Governance Architecture of the Joint Trustee Forum



Source: Authors' construction.

4.9. Risk Matrix and Mitigation

Table 9.
Matrix of Operational Risks and Mitigation Strategies for the SW-CD Model

Risk	Symptom	Integrated mitigation
Market (share price decline)	Principal coverage ratio < 100%	Equity weight ≤40%; 40% reserve; spending from returns only; annual stress test
Sharia compliance of assets	A share is removed from the DES	Istibdāl into DES shares or sukuk within one DES period at the latest; documented decision of the Sharia Supervisory Board (DPS)
Commingling of waqf and zakat funds	Zakat is invested; reports overlap	Strictly separate accounts and books; sharia audit; zakat fully distributed within one haul
Financing (qard al-hasan default)	Repayment below 95%	Group-based selection, mentoring, graduated loan ceilings; losses written off against a programme reserve and not against the principal
Governance and conflicts of interest	The investment manager or broker is also an affiliate of the nazir	Independent investment committee; fee disclosure; auditor rotation
Demand (reluctant waqifs)	Collection below target	Joint education by BWI, OJK, and the IDX; public impact reports; institutional seed funding

Risk	Symptom	Integrated mitigation
Regulation	No technical guidelines for share waqf	Memorandum of understanding among BWI, OJK, and BAZNAS; supervised pilot (regulatory sandbox)

Source: Authors' construction.

4.10. Policy Implications and Pilot Roadmap

Implementing the model requires three policy adjustments. First, BWI needs to issue technical guidelines on the waqf of sharia securities that govern the retained share pool and the cash waqf pool, the rules of istibdāl when a share leaves the DES, and the treatment of the buffer reserve. Second, OJK and KSEI need to provide flags for waqf securities accounts and zakat accounts that can be consolidated for reporting without merging ownership. Third, BAZNAS and BWI need to agree on a graduation referral protocol that defines when a mustahiq receiving zakat is moved on to become a qard al-hasan borrower financed from waqf returns. Table 10 sets out an 18-month pilot roadmap.

Table 10.
Pilot Roadmap for the SW-CD Model (18 Months)

Phase	Months	Main activities	Outputs
1. Institutional consolidation	1–6	Selection of one pilot district or city; MoU among the nazir, amil, AB-SOTS, investment manager, and field partners; drafting of the IPS and istibdāl SOP	Trustee forum established; IPS approved by the DPS
2. Fundraising and readiness	4–12	Raising institutional seed funds; share waqf and zakat campaign through SOTS and investment galleries; selection of MSME groups and vocational trainees	Seed funds collected; beneficiary database
3. Operation and evaluation	10–18	First disbursement of qard al-hasan, vocational training, and clinic services; reporting dashboard; first stress test and sharia audit	Semi-annual impact and financial reports

Source: Authors' construction.

SIMPULAN

CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

This article designs the SW-CD model to address the institutional barriers to the development of share waqf. The model keeps the three stages of the initial idea, namely initiation, management, and empowerment allocation, but corrects its four basic weaknesses. The gift contract is replaced by a waqf pledge. The terms mawquf ‘alayh and mawquf bih are assigned to the correct stages. Endowed shares and cash waqf are separated into two pools that are treated differently. Net returns are divided so as to set aside a buffer reserve that protects the value of the principal. Share zakat is placed as a parallel stream with a separate account and is fully distributed within one haul, so that combining the two does

not blur the legal character of either instrument. The illustrative simulation yields three findings. First, the scale of collection is decisive, because every IDR 1 million of annual benefit requires about IDR 50.6 million of principal. Second, the qard al-hasan revolving fund produces a large multiplier effect, but its reach falls by almost 40% if the repayment rate drops from 95% to 80%. Third, the buffer reserve determines whether the principal can recover after a large market correction, and a 40% share is roughly the minimum needed to restore the principal within ten years after a 41.3% share price correction. In theoretical terms, these findings extend earlier diagnostic studies by showing that the problem of share waqf also concerns fund scale and risk management discipline, and not only literacy and regulation.

5.2. Recommendations

1. Nazirs and amils who wish to apply this model should start with seed funds from institutional waqifs rather than rely on retail collection alone, because the scale of the fund determines whether the programme is viable.
2. BWI should issue technical guidelines on the waqf of sharia securities covering the retained share pool, istibdāl, and the buffer reserve, and should ensure that the reserve share is consistent with the rules on the distribution of returns.
3. OJK, the IDX, and KSEI should provide flags for waqf securities accounts and zakat accounts, and encourage partner AB-SOTS to present share waqf and share zakat as separate and clearly labelled options.
4. BAZNAS and BWI should agree on a mustahiq graduation protocol, that is, the transition from zakat recipient to qard al-hasan borrower financed from waqf returns.
5. The pilot should first be run in a single location under regulatory supervision before it is scaled up, and its impact reports should be made public.

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