

The Impact of MSME Waqf on Economic Recovery During the Covid-19 Pandemic: Case Study of Global Waqf -ACT

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Abstract

The purpose of this study was to analyze the extent to which waqf recipients felt the benefits and impacts of the MSME waqf in the context of Indonesia's economic recovery in the era of the COVID-19 pandemic. The approach to this research is descriptive qualitative with a case study strategy, primary and secondary data sources. Preliminary data can be obtained from informants directly based on interviews, while secondary data sources for writers can be obtained from journals and the ACT website. The findings in the study that MSME Waqf have a positive impact on Indonesia's economic recovery specifically for waqf recipients include increasing business, living standards and welfare of waqf recipients, opening up employment opportunities, rising relationships, and soft skills and hard skills of waqf recipients and the higher the intention to give charity and help others. Meanwhile, the impact on Indonesia's economic growth is the opening of employment opportunities because MSMEs can absorb 97% of the total existing workforce and collect up to 60.4% of the total investment. If MSMEs rise, the economy will also increase.

Keywords: Waqf; MSME; Covid-19; Economic Recovery; ACT

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1. INTRODUCTION

It has been almost two years since COVID-19 has attacked and destroyed the joints of life and the world's economy. It was recorded that in early December 2021, Covid-19 killed 5.29 people, and in 2020 Covid-19 also caused 92.9 countries in the world to experience an economic crisis which resulted in a recession. Even Indonesia as a developing country was battered by Covid-19. Because the impact of the covid-19 pandemic is not only felt by all circles of society, from large companies to small-scale economic actors, namely MSMEs (Micro, Small and Medium Enterprises). Based on a survey conducted by Bank Indonesia (BI), at least 87.5% of MSMEs out of a total of 64.19 million MSMEs were affected by the COVID-19 pandemic (Saputra, 2021) and around 30 million MSMEs have to go out of business during the covid-19 pandemic (Jelita, 2021). Then based on survey results from several institutions (BPS, Bappenas, and the World Bank) show that Covid-19

has made it difficult for many MSMEs to pay off loans from banks, pay electricity, gas, and employee salaries, and even have to lay off workers. Seeing the severity of the impact of COVID-19 on MSMEs above, it is hoped that there will be assistance from every element of society to save MSMEs from bankruptcy, one of which is by strengthening the people's economy through various kinds of philanthropic or social activities. One of the Islamic philanthropic activities echoed by the Government in strengthening the people's economy other than zakat is Waqf.

Based on a survey conducted by the Islamic Research and Training Institute (IRTI) in 2020, found that Waqf contributed a lot to economic, social, and political development in several countries in the northwestern region of Africa. (Umar et al., 2021a). In addition, Waqf as an Islamic social fund can be a solution that the Government can use to revive and recover the economy from the crisis caused by

COVID-19, namely by using and Waqf to buy medical equipment, save micro, small and medium enterprises, and save microfinance institutions through cash waqf(Ascarya, 2021). The Saudi Arabian Government has successfully carried out this activity of utilizing and Waqf for productive things in solving economic problems, especially the problem of poverty, known as the Arabian Philanthropist. (Umar et al., 2021a). The collected waqf funds are distributed to productive businesses, such as establishing hospitals like the Al-Muntasir Hospital in Aleppo and Medina.(Khan, 2015)even hotels so that they can revive the community's economy. The potential for Waqf in Indonesia is not inferior to other Islamic countries, considering that Indonesia is a country with the largest Muslim population in the world which certainly has enormous potential for waqf funds, especially cash or cash waqf. Based on data from BWI, the potential for cash waqf in Indonesia reaches Rp. 180 trillion. (BWI.go.id, nd) If it is appropriately managed and maximally, it will be used for the economic empowerment of small and medium-scale communities to reduce the poverty rate in Indonesia (Shafiq, 2014).

To help succeed the Government's program in the recovery of the national economy, one of the non-profit organizations in Indonesia that are engaged in Islamic social and philanthropy, in this case, is ACT (Action Fast Response) by observing and paying attention to the potential of Waqf and the benefits it provides. . Through the global waqf program, organizations distribute the cash waqf they collect in the form of MSME Waqf intending to save MSME actors from the entanglement of usury debt which is very oppressive and miserable for MSME actors which ultimately threatens them to go out of business. MSME waqf is distributed in two forms: Micro Business Waqf and productive business waqf. Micro Business Waqf is assistance in the form of business capital provided to MSME actors and farmers affected by Covid-19 and who experience capital difficulties in running their businesses. The loan is given using a qardhul Hasan contract, interest-free lending, and usury. In addition to providing business capital loans, these waqf recipients are also accompanied by business assistance to increase their business. At the same time, Productive Business is Waqf in the form of providing business assets for MSME actors such as carts, storefronts, business tools, and motorized carts to support and support MSME businesses actors.

These waqf recipients are also accompanied by business assistance to improve their business. At the same time, Productive Business is Waqf in the form of providing business assets for MSME actors such as carts, storefronts, business tools, and motorized carts to support and support MSME businesses actors. These waqf recipients are also accompanied by business assistance to improve their business. At the same time, Productive Business is Waqf in the form of providing business assets for MSME actors such as carts, storefronts, business tools, and motorized carts to support and support MSME businesses actors. (Act.id, 2021). ACT has been successful in several provinces such as West Sumatra, East Java, South Kalimantan, Lampung, lastly Aceh, which has helped at least 10 thousand MSMEs since this program was implemented.

The MSME waqf activities carried out by ACT help the community, especially MSMEs who have difficulty funding to run their businesses during the Covid-19 pandemic. So the authors are interested in discussing the extent to which waqf recipients feel the benefits and impacts of the MSME waqf in the context of Indonesia's national economic recovery in the era of the covid-19 pandemic.

Based on previous research conducted by Umar et al. (2021), which examines the potential of Islamic social funds and Islamic microfinance in reducing poverty rates due to COVID-19 through moderating the ethical orientation in Nigeria. The findings in this study are that Islamic social instruments can contribute to reducing poverty during the COVID-19 pandemic; of the many Islamic social, financial instruments, only zakat does not affect reducing poverty during the pandemic; this is due to poor ethical orientation in Nigeria. Likewise, Islamic microfinance has the potential and influence in reducing poverty during a pandemic.

In research that a study that (Thaker et al., 2016) proposed a model of financing sources, namely the integrated cash waqf micro-enterprises investment (ICWME-I) model for micro-enterprises operating in Malaysia. Based on the research results, the ICWME-I model can be an alternative as a source of financing for micro-enterprises. Then this model is expected to provide financial services using cash waqf funds and involve participatory contracts between non-profit organizations and micro-enterprises. In addition, with the proposed model, there will be no collateral requirements, interest rates, and other stringent

requirements typically imposed by existing conventional financial institutions.

Then (Thaker et al., 2021) also continue research on alternative models of human resource development through the integrated cash waqf micro-enterprises investment (ICWME-I) in Malaysia. The model proposed in this research is that the proposed integrated cash waqf micro-enterprises investment (ICWME-I) model is specifically designed for the Human Capital Development (HCD) of micro-enterprises. Where this model can increase micro-enterprises through the HCD program by ensuring proper utilization of cash waqf funds to build modern training centers at subsidized costs with state-of-the-art facilities, the training centers will subsidize the participation costs of micro-enterprises and provide them with facilities to carry out education and training programs, as well as other types of activities to enhance, enhance and enhance the human resource capacity and skills of micro-enterprises. And this model is expected to be able to contribute to the development of micro-enterprises in Malaysia.

Furthermore, research was conducted by Ascarya (2021) regarding the use of Islamic Finance instruments as a solution for handling health and economic crises as a result of Covid-19. In the study, it was found that Social Finance Instruments are one of the solutions for the Government in dealing with the problems caused by Covid 1-9, including health and the economy, such as the use of zakat, infaq, and Waqf for purchasing medical devices and health services, as well as to assist micro, small and small businesses and businesses. Medium-sized enterprises (MSMEs) through financial and business assistance and helping Sharia microfinance institutions develop waqf funds by adopting fintech and IICSF targeting MSME actors.

Finally, research conducted by (Mohsin, 2013) discusses financing through cash waqf to meet various needs. This study found that the potential of cash waqf of financing is not only for religious fields or activities also financing in multiple areas. Goods and services are needed by many people, such as education, health, social and commercial care, basic infrastructure, to create jobs for others and ultimately reduce unemployment. The difference between this research and previous research is that it focuses on evaluating MSME waqf conducted by Global Waqf-ACT starting from its impact and role in the economic recovery of

micro, small and medium enterprises (MSMEs) in Indonesia.

2. RESEARCH METHOD

The approach in this research uses descriptive qualitative. The definition of qualitative is that the preparation uses analytical techniques and does not use statistical analysis or other quantification methods (Moleong, 2011). The author uses a case study strategy to understand the problem studied in this study. The approach to this research uses qualitative primary and secondary data sources. Preliminary data can be obtained from informants directly based on interviews, while secondary data sources for writers can be obtained from journals and the ACT website.

3. RESULTS AND DISCUSSION

3.1. Overview of Micro, Small and Medium Enterprises (MSMEs) in Indonesia

The Micro, Small, and Medium Enterprises (MSME) sector have a crucial role in the growth and development of the Indonesian economy (Holy, 2017). Based on a report from the Ministry of Cooperatives and SMEs, the number of MSMEs operating in Indonesia is around 64.2 million. This amount can contribute to a GDP of 61.07%, absorb 97% of the total workforce, and collect up to 60.4% of total investment (ekon.go.id, 2021). However, when the Covid-19 wave hit, many MSMEs were affected; based on a survey conducted by Bank Indonesia (BI), at least 87.5% of MSMEs out of a total of 64.2 million MSMEs were affected by the COVID-19 pandemic. (Saputra, 2021) and around 30 million MSMEs have to go out of business during the covid-19 pandemic (Jelita, 2021). Therefore, the Government must quickly decide to save MSMEs because it will disrupt or become a serious threat to the Indonesian economy if left unchecked (lipi.go.id, 2020).

To save MSMEs, the Government has tried to run several strategies or programs to support MSMEs to survive the Covid-19 attack, including providing incentive and financing assistance through the National Economic Recovery (PEN) program providing Kredit Usaha Rakyat (KUR) the Proudly Artificial National Movement. Indonesia (Germans BBI), Strengthening Alumni Entrepreneurs of the Pre-Employment Card Program through KUR Financing and education Digitalization of MSME marketing. Based on data from the Ministry of Communication

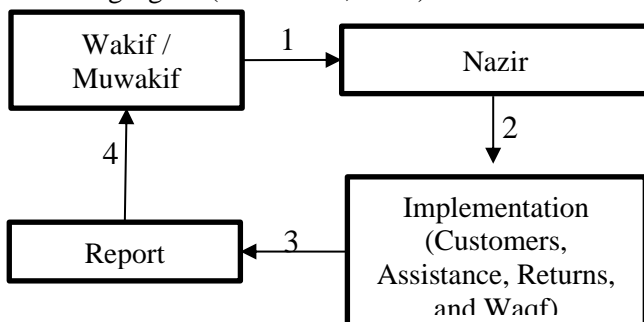
and Information, around 3.79 million MSMEs or about 8% of the total MSMEs operating have gone online, meaning they have used Internet facilities to market their products, such as selling their consequences in various marketplaces.

3.2. Micro Business Capital Waqf (UMi)

Micro-business capital waqf is a program for distributing Waqf in business capital assistance for farmers and micro-enterprises or MSMEs using a Qardhul Hasan (benevolent loan without interest) contract. This program aims to help farmers and micro-enterprises be free from debt bondage and usury. The targets of this micro-enterprise capital waqf program are:

- Culinary business groups such as rice uduk traders, market snacks, herbs, and cooked side dishes
- Area-based micro-business groups, such as leather, batik, and other craftsmen
- Farmer groups and agricultural businesses such as sellers of fruit, vegetables, spices, and others
- Fishermen groups and fishery and livestock businesses, such as sellers of salted fish, chicken pieces, smoked fish, meat, eggs, and others
- Retail business cluster micro-business group, household production, and handicrafts
- Business groups with problems, such as trading business licenses (SIUP), do not have legal entities, non-bankable, or businesses affected by usury transactions.

The scheme for distributing Waqf for Micro Business Capital (UMi) can be explained in the following figure:(ISEF.co.id, 2020):



Description:

- Wakif or muwakif waqf part of his assets in this case in the form of cash waqf for micro-business capital waqf program
- Then the property is managed by Nazir and used as capital that will be distributed to maukuf alaih with the principle of qardhul Hasan

- Nazir distributes micro-business capital waqf to targets or customers (maukuf alaih), as well as assists customers who will ensure that customers will be responsible and safe in managing the capital that has been given as well as providing assistance and business guidance so that the customer's business can run, grow and develop. After reaching maturity, the customer (maukuf alaih) must return the principal of the waqf fund following the agreed contract on conditions without any interest or fines so that the capital that has been replaced can be channeled again to other maukuf alaih.
- After the program runs, a report on implementing the micro-enterprise capital waqf program is made as evidence and information for the wakif.

Then, to make the disbursement or distribution of waqf funds, it is undoubtedly necessary to have criteria for waqf recipients. Based on the seminar conducted by ISEF there are several criteria for candidates for Waqf or maukuf recipients, including:

- Muslim people have a sense of responsibility and can maintain trust because the waqf funds they provide are a deposit they have to take care of.
- Having a business at the micro and ultra-micro level that is still running and has the potential to be developed both online and offline
- Micro and ultra micro-businesses that are run become victims of COVID-19, marked by a decrease in income or almost going bankrupt.
- Have a communicative and cooperative nature in returning the capital insurance that has been given

3.3. Productive Business Waqf (WUP)

According to Nova Rushan as the Coordinator of the Productive Business Waqf Program (WUP) explained the background of the birth of Productive Business Waqf (WUP) because, during the COVID-19 pandemic, many MSMEs experienced difficulties both from reduced income, capital that was continuously used, causing many of them to decide to invest. Selling tools or business assets such as carts and other fixed assets to stay alive in meeting daily needs, the idea was born to present productive business waqf which is expected to make them productive again. The reason for giving Waqf in the form of assets, according to Nova, is also because if it is shown in the form of money, they can forget to buy support for their business and use the money for other

things instead of buying tools for their business. Similar to micro-enterprise Waqf (UMi), Meanwhile, the target for productive business waqf in the form of cart assistance according to Fahmi Fauzan, the ACT Waqf Program Team is 100,000 MSMEs throughout Indonesia consisting of wheelbarrows, bicycle carts, and stand carts.

The requirements for a person to get waqf assistance for productive business are as follows:

- a. MSME actors need tools for their business, such as carts, motorbikes, motorbike carts, and storefronts for their business continuity.
- b. MSMEs that have been running their business for more than two years
- c. MSMEs are still in the micro business category because they have a turnover of under 30 million in one month.

3.4. Impact and Benefits of MSME Waqf

Before discussing the impact and benefits of micro-enterprise capital waqf further, we will first discuss the condition of the customers or maukuf alaih before obtaining venture capital waqf, including; Yunarni Ivandawati (a catering entrepreneur from the city of Serang) who had to feel the impact of Covid-19 with a drastic decrease in turnover which caused her to swerve to sell yellow rice in front of her house to meet her daily needs, although often the yellow rice is not sold out. Even at one point, he had absolutely no capital when a catering order came in. Then Mrs. Nuraini Talip (trader from Pontianak City), who has been running her business for approximately 20 years, based on her story before the pandemic, was usually able to get a gross income of Rp. One hundred thousand per day, but after the pandemic came, the number was just a dream for him; even his merchandise didn't run out. In addition, there is Ms. Mardiana (Frozen Food trader, from Jakarta); the frozen food business that she was running was almost closed due to a decrease in turnover as an effect of COVID-19 and even resulted in the occurrence of arrears in her child's tuition fees because it was more important to meet their daily food needs than paying for them. tuition fee(Act.id, 2021). Sarah Hilda (a cake trader from Jakarta), after three years of running a hawker cake business, but in early 2020 when the pandemic struck, had to stop because part of her capital was used to meet her daily needs with her family. Sarah Hilda (2021) says, "At the beginning of the pandemic, it was really felt, the decline in

turnover. Because the office is closed and in terms of sales is reduced. So between capital and household expenditures, it is a bit mixed."

Lastly, during the pandemic, Ms. Isnaeni (Cookie Seller from Jakarta) turnover decreased drastically because she usually received snack box orders from the local Government. Still, because of the pandemic, everything was gone, she slumped, and her business even temporarily stopped. From the story of the waqf recipients above, we can conclude that the COVID-19 pandemic has brought their business to a standstill and is in danger of going out of business. After reading how the condition of the maukuf alaih or waqf recipients before receiving Waqf, then we can see how the impact and benefits of UMKM Waqf on waqf recipients in the context of Indonesia's economic recovery in the era of the covid-19 pandemic are as follows:

- a. Increasing the business of MSME actors

The main impact or benefit felt by recipients of Waqf or maukuf alaih is an increase in their business; this occurs because there has been an increase in business capital distributed by Nazir through micro-enterprise capital waqf. Because the size of the money will affect the development of a business in obtaining income, the greater the capital used it will generate greater the income so that the business will increase (Safitri & Khasan Setiaji, 2018). This impact has also been felt by the waqf recipients above. The financial assistance provided by ACT in the form of micro-enterprise capital waqf has helped them rise from adversity due to the COVID-19 attack on their businesses. The financial assistance was like a breath of fresh air for them; when their business was on the verge of collapse, Allah assisted Waqf with a nominal value of Rp.500,000 to Rp. 2.000.000- they can buy their wares again and even expand their business. Like Yunarni Ivnadawati (2021), she used the capital she gave to buy catering raw materials and other necessities. *"used the capital to buy raw materials, banner stands, and other necessities. It was just right the day before that I ordered catering rice boxes. Thank God, after that, it can be delivered immediately"*.

Then Mrs. Nuraini Talip used the funds she got to buy goods to fill the contents of her shop. Mardiana and Isnaeni used the capital to increase existing capital and develop existing businesses.

b. Increasing the business of MSME actors

The main impact or benefit felt by MSME actors is an increase in their business; this can happen because there has been an increase in business capital distributed by Nazir through micro-enterprise capital waqf to MSME actors. According to Safitri et al. (2018), Explaining the size of the business capital will affect the development of a business in obtaining income and profits; the greater the capital that is empowered, it will generate higher income so that the business will increase.

c. Increasing the standard of living and welfare of MSME actors

With the increase in the income and business of waqf recipients, it will impact increasing their standard of living and welfare because some aspects of well-being depend on income level (Wahbi et al., 2020). In addition, the greater the income, the greater the ability of a business to pay for all its expenses. The greater the household income, the less consumption income will decrease. In other words, if income increases, it does not change the pattern of household food consumption; it will be prosperous (Prihatminingtyas, 2019).

d. Opening of Jobs

Starting from the story of Mrs. Mardiana (Frozen Food trader, from Jakarta), she used the micro-business capital waqf as much as possible by innovating the sale of frozen food, namely by selling it individually because previously it was in the form of packages and using social media to sell. At this time, his business had risen, and he opened a branch near his house. In addition, Ms. Isnaeni, a cake seller from Jakarta, currently has three branches and has 6 employees, the last Ms. Yunarni Ivnadawati, after receiving capital assistance, her business continues to grow, and capital continues to rotate so that currently she has five employees in several places such as food and haircut business. MSME waqf recipients receive the impact, but one of the waqf producers in the Productive Business waqf program also gets sustenance. Mr. Abdul Rozak, the owner of Mister Booth Workshop, a producer trusted by ACT, also explained that he needed more human resources in producing waqf needs for ACT's productive endowments, so he had to recruit 6 core teams and 10 neighbors. From the story above, it can be seen

that the bigger the business, the more it will need more human resources so that jobs will be opened, job opportunities will be open so that the unemployment rate will be reduced more or less. This is in line with the data from the Ministry of Cooperatives and SMEs that SMEs contribute to absorbing 97% of the total workforce and collect up to 60.4% of the total investment.

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of the total workforce and collect up to 60.4% of the total investment.(ekon.go.id, 2021).

- e. Increasing the Softskill and Hard skills of MSME Actors and increasing relationships

This increase in the relationship and ability of markup alaih or waqf recipients occurs in the micro-enterprise capital waqf (UMi), and productive business waqf (WUP) programs are given a companion in running their business from strategy, business innovation to recording. Finance. This assistance is not always about developing a business but also motivation and advice to always trust Allah in running your business. In addition to receiving assistance from waqf recipients, they also formed groups to share experiences with other waqf recipients to inspire and help each other in their efforts. Mardiana (2021) tells of the benefits she feels when she joins and gathers with waqf recipients who have given her inspiration and motivation to keep rising. To which first a little desperate and lack of enthusiasm. Because the sales decreased and after joining and having discussions with other maukuf alaih Finally met with waqf recipients who sold online and made him more enthusiastic and had to learn to sell online.

- f. The higher the intention to give charity and help others.

This last impact is the ultimate goal of MSME waqf, which is to foster a spirit of generosity. With this MSME waqf, it is hoped that current recipients of MSME actors will become wakif (givers of Waqf). So that more MSMEs will be helped so that the economy will also improve. That is in line with the explanation given on the news. act.id website by Fathiyah Aziazah (2021), a team from ACT Global Waqf, those waqf recipients, especially their fostered groups in the Jagakarsa area, South Jakarta, carried out a charity auction with the title of MSMEs return to MSMEs. They distribute alms in the form of their wares to small traders whose merchandise is empty. (Act.id, 2021).

In general, the MSME waqf program, especially in the micro-business capital waqf program carried out by Aksi Cepat Tanggap (ACT), is a program that provides many benefits and assistance to MSME actors affected by COVID-19, starting from distributing waqf funds for micro-enterprise capital

and providing assistance for SMEs. SMEs so that they can survive and benefit others. Because MSMEs have a very important and strategic role in building the nation's economy, this is evidenced by the fact that MSMEs absorb a lot of labor and increase people's income.(Sarfiyah et al., 2019). This indirectly through MSME Waqf can save thousands of people from unemployment and reduce poverty. Based on data from ACT's Global Waqf in July 2021, microenterprise waqf funds have helped approximately 3,905 Micro entrepreneurs, involving 167 assistants and recruiting 1,661 workers. It is hoped that in 2025 it will be able to foster 1,000,000 MSME actors with the involvement of 40,000 assistants with a target of recruiting 2,000,000 workers. By seeing the magnitude of the potential and impact that MSME endowments will give, it is appropriate for the Government and other social organizations to work together to save it, one of which is micro-enterprise capital waqf for the sake of improving Indonesia's economic growth.

4. CONCLUSION

MSME waqf is Waqf in the form of cash waqf in Micro Business Capital and Productive Business waqf. Micro Business Capital Waqf (UMi) is lent to MSME business actors, which will be returned without usury so that the value of the Waqf remains intact or rather using a qardhul hasan contract. Meanwhile, Productive Business Waqf (WUP) is a waqf in providing business assets for MSME actors. This MSME waqf activity does not only provide capital loans but also provides business assistance for MSMEs. The benefits obtained by MSME actors are the increase in business, the standard of living and welfare of waqf recipients, the opening of employment opportunities, increasing relationships and soft skills and hard skills of waqf recipients. Meanwhile, the impact on Indonesia's economic growth is the opening of employment opportunities because MSMEs can absorb 97% of the total workforce and collect up to 60.4% of total investment.

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