

INTEGRATING ZAKAH AND WAQF FOR DEVELOPING ISLAMIC ECONOMIC BOARDING SCHOOL (IEBS) PROJECT IN INDONESIA

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Abstract

As the most populous Muslim nation, Indonesia has a big potential to unlock its Islamic financial market. However, there is a call on human development in the field to ensure the sustainability of the system. This study attempts to investigate the untapped potential of youth generation in Indonesia. The paper employs a qualitative research in developing the waqf and zakah funds based on the practice of Forum Silaturahmi Studi Ekonomi Islam (FoSSEI). The study found that waqf and zakah funds in Indonesia might solve the Islamic financial literacy problem of the country. In addition, the paper suggested the framework on developing waqf and zakah funds in spreading the Islamic financial literacy through youth empowerment by designing Islamic Economic Boarding School (IEBS) project. The study recommended the policy makers to design robust zakah and waqf framework leading the industry and nation's economy for the long-run prosperity.

Keywords; Zakah, Waqf, Youth Empowerment, Islamic Finance, Indonesia.

INTRODUCTION

The rapid growth of the global Islamic financial industry has proven that Islamic financial system is able to compete and provide a new paradigm of the global financial system. In 2017, the industry has grown to US\$ 2.4 trillion in assets and projected to reach US\$ 3.8 trillion in 2023. The industry has been adopted in more than 50 countries worldwide, it covers both Muslim and Non-Muslim countries.⁵

As the most populous Muslim nation, Indonesia started its Islamic financial industry in 1991. The establishment of Bank of Muamalat was marked as the first step on the development of the industry.⁶ With the adoption of dual

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⁵ Shereen Mohamed, Abdulaziz Goni, and Shaima Hasan, *Islamic Finance Development Report 2018* (2018).

⁶ Rifki Ismal, *Islamic Banking in Indonesia: New Perspectives on Monetary and Financial Issues*, First edition (United States: John Wiley & Sons, 2013).

banking system, the industry is supported by the regulatory bodies by the issuance of the Central Bank Act number 23 of 1999 which later amended by the Act number 3 of 2004.⁷ The regulatory support allows the industry to grow and compete with its counterpart. Currently, the industry is consist of 164 *Sharī'ah* Rural Banks, 20 *Sharī'ah* Business Units and 14 *Sharī'ah* Commercial Banks.⁸

However, the market share of Indonesian Islamic banks is lagging behind its conventional counterpart. It remains at 6% of the country's total banking sector. On the contrary, Malaysia as its neigh board country has gained 30% of the total market share for its Islamic banks.⁹ Looking at both nations' Muslim population, more than 85% of Indonesian population are Muslims whereas the Muslim population in Malaysia is about 61% . Hence, Indonesia has a big potential on its Islamic financial industry which remains untapped. It is suspected that among the reasons of slow development of the Islamic financial industry in Indonesia is the low Islamic financial literacy rate.¹⁰

Quantity does not mean quality, it is realized that financial literacy as a key factor to a sustainable industry is rarely explored. It is argued that financial behavior of a society is driven by its literacy. Consequently, the government of Indonesia must take some initiatives enhancing the development of Islamic financial literacy to boost the performance and growth of the industry. Religiously, acquiring knowledge and literacy on Islamic finance is encouraged for Muslims to fulfil one of the objectives of *sharī'ah*.¹¹

Apart from its banking, capital market and takaful industry, Islamic finance has a big potential on its Islamic social finance. Mainly, there are two types of Islamic social finance, mandatory and voluntary. The former is known as *zakah*, while the other has many forms; *Waqf*, *sadaqah*, *hibah* and *qard hasan*. In 2018, the total amount of *zakah* collection in Indonesia has reached 153 billion

⁷ Rifki Ismail, *The Indonesian Islamic banking theory and practices: theory and practices*, First edition (Depok: Gramata Publishing, 2011).

⁸ Otoritas Jasa Keuangan, *Statistik Perbankan Syariah* (Jakarta: Departemen Perizinan dan Informasi Perbankan Republik Indonesia, 2019),.

⁹ Islamic Financial Services Board, *Islamic Financial Services Industry Stability Report 2018* (Kuala Lumpur, 2018).

¹⁰ Arum Setyowati, Harmadi Harmadi, and Sunarjanto Sunarjanto, 'Islamic Financial Literacy and Personal Financial Planning: A Socio-Demographic Study', *Jurnal Keuangan dan Perbankan*, vol. 22, no. 1 (2018).

¹¹ Pooja Bhagwan, 'Empirical Study on Relationship between Financial Inclusion and Financial Literacy and Its Impact on Consumer Financial Behaviour: A Theoretical Framework of Unbanked People', *Journal of Commerce & Accounting Research*, vol. 8, no. 1 (2019); Hossain Biplob and Md Faruk Abdullah, 'The Importance of Islamic Financial Literacy for Muslims: A General Review', *Islam and Civilisational Renewal ICR Journal*, vol. 10, no. 1 (2019), pp. 106–17; Mohamad Fazli Sabri and Eugene Cheng-Xi Aw, 'Financial Literacy and Related Outcomes: The Role of Financial Information Sources', *International Journal of Business and Society*, vol. 20, no. 1 (2019), pp. 286–98.

rupiah whilst the *waqf* assets (such as land) has reached 3,99 billion square metres which spread out 429.911 locations in Indonesia.¹²

Therefore, this study will focus on exploring the potential of *zakah* and *waqf* funds in order to foster the development of Islamic financial literacy in the country. In addition, the paper also attempts to fill the gap of the literature on the subject which mostly focus on the measurement of Islamic financial literacy. Albeit there is a number of studies in measuring the rate and factors influencing the Islamic financial literacy, this study is among the earliest attempts in exploring the *zakah* and *waqf* funds for the enhancement of the Islamic financial literacy in Indonesia. For this reason, the study is peculiar to other studies in the Islamic finance literature.

Finally, the rest of the paper is organized as follows. Section 2 explaining the theory of financial literacy and Islamic social finance which are *zakah* and *waqf* as well as the previous studies related with. Section 3 describes the methodology used. Section 4 present the discussion of proposed model and the last will be about conclusion and policy recommendations.

The current study conducts the qualitative method of exploring the probability of *waqf* and *zakah* fund integration management among academician collaborating with the existing institutions. By employing descriptive analysis, this research will portray the proposed concept without performing a hypothesis or statistical calculation. Some foregoing literatures was collected to become a consideration.

DISCUSSION

As mentioned above, the available literature on Islamic financial literacy is mainly in the assessment of factors affecting the Islamic financial literacy and development of the methodology. To understand better on the status of Islamic financial literacy in Indonesia and the management of *zakah* and *waqf* funds in the country, we will first present the current status of Islamic financial literacy in Indonesia followed by the management of *zakah* and *waqf* funds.

The Concept of Islamic Financial Literacy

To begin with, financial literacy as defined by Huston (2010) is a component of human capital that can be used in financial activities to increase expected lifetime utility from consumption.¹³ Therefore, Islamic financial literacy can be defined as the ability to understand finance based on *sharī'ah* principles. Based on the definition above, Islamic financial knowledge should be a concern for Muslims since it is believed that using the conventional financial system is

¹² Fahadil Amin Al Hasan, 'Waqf Management in Indonesia Through Asset Based Community Development (ABCD) Approach.', *International Journal of Social Science and Economic Research*, vol. 2, no. 8 (2017), pp. 4070–87; BAZNAS, *Financial Statement Badan Amil Zakat Nasional* (Jakarta, 2019).

¹³ Sandra J. Huston, 'Measuring Financial Literacy', *The Journal of Consumer Affairs*, vol. 44, no. 2 (2010), pp. 296–316.

certainly sinful from the Islamic perspectives because of the presence of *riba* (usury), *gharar* (uncertainty), *maysir* (gambling).¹⁴

It is believed that financial behavior of society is shaped by its financial literacy. A society which is literate on Islamic finance will presumably adopt Islamic financing in their business and will allocate their resources on the Islamic investment. As a result, it will allow the Islamic finance industry to grow and compete in the market.¹⁵ Antara, Musa, & Hassan (2016) have proposed the methodology on the measurement and validity approach for Islamic financial literacy. They argued that the methodology may help the government in understanding the level of literacy of the society.¹⁶ Following the above finding, Islamic financial literacy has been divided into three elements namely financial knowledge, financial behaviour and financial attitude.¹⁷

Rahim, Rashid, & Hamed (2016) argued in their study that religiosity is the main factor driving the Islamic financial literacy. Other than religion, Attitude on financial management and education level are also deemed as variables affecting the level of literacy.¹⁸ It is also found that financial literacy has an impact on individual investment decision and their financial plan.¹⁹ Slightly different from the previous study, Abdullah & Anderson (2015) found in their

¹⁴ Ahamed Kameel Myden Meera et al., *Islamic Financial System: Principles & Operations*, ed. by Asyraf Wajdi Dusuki (Kuala Lumpur: International Shari'ah Research Academy for Islamic Finance (ISRA), 2011).

¹⁵ Purnomo M. Antara, Rosidah Musa, and Faridah Hassan, 'Conceptualisation and Operationalisation of Islamic Financial Literacy Scale', *Pertanika Journal Social Sciences & Humanities*, vol. 25 (2017), pp. 251–60; Bhagwan, 'Empirical Study on Relationship between Financial Inclusion and Financial Literacy and Its Impact on Consumer Financial Behaviour: A Theoretical Framework of Unbanked People'.

¹⁶ Purnomo M. Antara, Rosidah Musa, and Faridah Hassan, 'Bridging Islamic Financial Literacy and Halal Literacy: The Way Forward in Halal Ecosystem', *Procedia Economics and Finance* 37 (2016) (Elsevier B.V, 2016).

¹⁷ Nurul Wajhi Ahmad, Murni Yunus Mawar, and Norazlina Ripain, 'Financial Literacy of Youth: A Case Study of Islamic Banking and Finance Students in Kolej Universiti Islam Antarabangsa Selangor', *Proceeding of the 3rd International Conference on Management & Muamalah 2016 (3rd ICoMM)* (2016); Sazana Ab Rahman, Anas Tajudin, and Ahmad Fadzli Ahmad Tajuddin, 'Determinant Factors of Islamic Financial Literacy In Malaysia', *American Journal of Humanities and Social Sciences Research (AJHSSR)*, vol. 2, no. 10 (2018), pp. 125–32.

¹⁸ Siti Hafizah Abdul Rahim, Rosemaliza Abdul Rashid, and Abu Bakar Hamed, 'Islamic Financial Literacy and its Determinants among University Students: An Exploratory Factor Analysis', *International Journal of Economics and Financial Issues*, vol. 6, no. S7 (2016).

¹⁹ Mohamad Azmi Abdullah et al., 'Factors determining Islamic financial literacy among undergraduates', *Journal of Emerging Economies and Islamic Research*, vol. 5, no. 2 (2017), pp. 67–76; Sabri and Aw, 'Financial Literacy and Related Outcomes: The Role of Financial Information Sources'.

study that there are nine factors determining the financial literacy among bankers in Malaysia.²⁰ The studies on structuring the measurement methodology of Islamic financial literacy will be a reference for the government in realization of its policy.²¹

Looking from the other side, Zaman, Mehmood, Aftab, Siddique, & Ameen (2017) argue that service quality and legitimacy of Islamic banks influence the adoption rate from the customers.²² Differently, Sharma (2019) found in her study that financial literacy has no influence on entrepreneurs of SMEs.²³ It is also noted that financial literacy does not influence households' access to financial services in Kenya.²⁴

There are some studies on the Islamic financial literacy in Indonesia, Lopus, Amidjono, & Grimes (2019) have conducted an assessment study on the project financed by the USAID. The results show that both trainers and participants have increased their financial literacy knowledge as well as their soft skills.²⁵ Supporting the previous studies, Setyowati et al., (2018) performed a study on Islamic financial literacy rate in Solo Indonesia; the results show that the society has reached 64% of Islamic financial literacy.²⁶ Those who have a good Islamic finance knowledge tend to have a better financial management and prefer to invest on Islamic assets.

On the educational system, Pramono & Rohmansyah (2016) have proposed a financial education through Islamic microfinance program. The program is claimed supporting the outreach and sustainability of the Islamic

²⁰ Mohamad Azmi Abdullah and Alex Anderson, 'Islamic Financial Literacy among Bankers in Kuala Lumpur', *Journal of Emerging Economies and Islamic Research*, vol. 3, no. 2 (2015), pp. 79–94.

²¹ Rike Setiawati et al., 'Islamic Financial Literacy: Construct Process and Validity', *Academy of Strategic Management Journal*, vol. 17, no. 4 (2018), pp. 1–12.

²² Zunaira Zaman et al., 'Role of Islamic Financial Literacy in the Adoption of Islamic Banking Services: An Empirical Evidence from Lahore, Pakistan', *Journal of Islamic Business and Management (JIBM)*, vol. 7, no. 2 (2017).

²³ Asha Sharma, 'The Influence of Financial Literacy on the Performance of Small and Medium-Scale Enterprises', *IUP Journal of Accounting Research & Audit Practices*, vol. 18, no. 2 (2019), pp. 52–61.

²⁴ Isaac M. Wachira and Evelyne Nyathira Kihui, 'Impact of Financial Literacy on Access to Financial Services in Kenya', *International Journal of Business and Social Science*, vol. 3, no. 19 (2012).

²⁵ Jane S. Lopus, Dwi Sulistyorini Amidjono, and Paul W. Grimes, 'Improving financial literacy of the poor and vulnerable in Indonesia: An empirical analysis', *International Review of Economics Education*, vol. 32 (2019), pp. 100–68.

²⁶ Setyowati, Harmadi, and Sunarjanto, 'Islamic Financial Literacy and Personal Financial Planning: A Socio-Demographic Study'.

microfinance in Indonesia.²⁷ Similarly, utilizing the role of BMT (Baitul Māl wa Tamwīl), Wibowo (2016) projected the transformation of Islamic financial literacy among the BMT members.²⁸

The Management of *Zakah* and *Waqf*

Moving on to the development of *zakah* and *waqf* in Indonesia, the management of *zakah* in Indonesia has an up and down stories. Starting from the Dutch colonial period, the Muslims were allowed to pay *zakah* according to their beliefs. However, the regulation on *zakah* in the Dutch period was intended to eliminate the abuse of *zakah* funds by officials. Hence, on 4th August 1883, the Dutch government enacted Bijblad No. 1892 supervising the payment of *zakah*.²⁹

A growing passion of making the new administration of *zakah* was observable in the early years of the New Order regime. In the New Order era 1966-1998, the Minister of Religious Affairs issued the number 4 of July 15 1968, about the establishment of *zakah* worker entities at the village and sub-district level throughout Indonesia. Unfortunately, the regulation did not last long because there was instruction issued by the minister of religion number 1 year 1969 which stipulates the postponement of the enactment of Regulation No. 4 of 1968 concerning the establishment of the above *zakah* worker entity up to an unspecified time limit. Allegedly, the delay was influenced by President Soeharto's declaration who is willing and ready to take care of the collection of *zakah*. In fact, Soeharto then issued a circular letter no B.133/press/11/1968 addressed to all relevant agencies/officials to help realize the collection of *zakah*. 1999 is a historical year for the nation of Indonesia, especially citizens who are Muslim. In that year, this country publishes a rule of law which specifies the management of *zakah*.³⁰ Different from *zakah* management, the management of *waqf* in Indonesia is handled by the Indonesian *Waqf* Board (BWI). The board was established on 27th of October 2004 with the enactment of law no. 41 of 2004 on *waqf*.

²⁷ Sigit Pramono and Dadang Rohmansyah, 'Developing Strategic Model of Financial Education Through Islamic Microfinance Program: A Preliminary Study in Indonesia', in *Islamic Financial Literacy*, First edition, ed. by Abdul Ghafar Ismail, Rose Abdullah, and Khalifa Muhamed Ali (Brunei Darussalam: UNISSA Press University Islam Sultan Sharif Ali, 2016), pp. 281–9.

²⁸ Kartika A. Wibowo, 'Transformation of Islamic Financial Literacy in The Member of BMT in Indonesia Through Community Development MKU Methods', in *Islamic Financial Literacy*, First edition, ed. by Abdul Ghafar Ismail, Rose Abdullah, and Khalifah Muhammad Ali (Brunei Darussalam: UNISSA Press University Islam Sultan Sharif Ali, 2016), pp. 319–25.

²⁹ Ahmad Fathan Aniq, *Zakat Discourse in Indonesia Teachers' Resistance to Zakat Regional Regulation in East Lombok*, First edition (Germany: LAP LAMBERT Academic Publishing, 2011).

³⁰ Kementerian Agama R.I., *Standarisasi Amil Zakat di Indonesia* (Jakarta: Direktorat Pemberdayaan Zakat, 2013).

There are some attempts on the utilization of *zakah* and *waqf* funds in Indonesia. As an example, the utilization of *zakah* funds in empowering the society by developing the micro enterprises namely Kampoeng Ternak program in Sukabumi have been done by Dompot Dhuafa as one of the *zakah* institution in Indonesia.³¹ Also, it has been used as the additional capital for banana chips product that is transferred to rural mustahiq in Dayeuh Luhur Sumedang.³²

Waqf fund has also been used for socio economic development. According to Kahf (1998), the important things of *waqf* utilization consist of creating and improving in three main sectors consisted of education, health and social environmental welfare.³³ *Waqf* was utilized for financing high education field since long time ago. The universities that applying *waqf* fund are University of Al-Muntasiriyah, Iraq; University of Al-Qurawiyin in Fez, Morocco; King Abdul Aziz University, UEA; and Islamic University of Indonesia (UII). The notoriously and eldest Islamic university that was built using *waqf* fund is Al-Azhar University, Egypt. Free education has been offered to all local and international students. The university also guarantee tuition fees for students as well as allowance and salary for lecturers and staff.³⁴ Moreover, productive *waqf* was also developed by managing Al-Azhar building, hospital, student hostel, Islamic research institute, main library and the supervision and accountability of productive *waqf* office.³⁵

In Indonesia, the practice of *waqf* is engaged to develop Islamic boarding school. One example is Gontor Islamic Modern Boarding School as non-formal education or foundation wherein has taken *waqf* in providing high-grade boarding school with lower cost. Gontor enhances the benefit of *waqf* fund by developing farming and plantation, retail sector, pharmacies, photo copy and printing shop. Today, 35,000 students can learn there and other management and educational development was established such as Kulliyatul Mu'allimin al-Islamiyah (KMI), Darussalam Gontor University (UNIDA) and Community Development and Management Center (PLMPM) (Purbowati and Muntaha). Similar with Indonesia,

³¹ M. Arif Budiman Kasim and Izzudin Edi Siswanto, 'Analisis Efektifitas Pendayagunaan Zakah Produktif Pada Program Pemberdayaan Masyarakat di Wilayah Sukabumi (Studi Kasus: Kampoeng Ternak Dompot Dhuafa)', *urnal Ekonomi dan Perbankan Syariah*, vol. 2, no. 1 (2014).

³² Kamilah Kinanti, Noviyanti, and Muhammad Hasbi Zaenal, *The Role of Zakat to Strengthen The Rural Mustahiq Community Based on Entrepreneurship*, no. 2 (Jakarta, 2018).

³³ Monzer Kahf, 'Waqf: A Quick Overview, 2', *kahf. net: http://monzer.kahf.com/papers/english/WAQF_A_QUICK_OVERVIEW.pdf*. (2015), http://monzer.kahf.com/papers/english/WAQF_A_QUICK_OVERVIEW.pdf.

³⁴ Siti Mashitoh Mahamood and Asmak Ab Rahman, 'Financing universities through waqf , pious endowment: is it possible?', *Humanomics*, vol. 31, no. 4 (2015), pp. 430-53.

³⁵ Abdurrohman Kasdi, 'Peran Wakaf Produktif dalam Pengembangan Pendidikan', *QUALITY (Jurnal Pendidikan Islam) STAIN KUDUS*, vol. 3, no. 2 (2015), pp. 433-52.

Malaysia has practiced *waqf* educational institution since the arrival of Islam to Alam Melayu. The institutions constructed were Sekolah Agama Rakyat (SAR), Sekolah Agama Negeri (SAN), Madrasah as well as Pondok.³⁶

Shirazi (2014) stressed that there is a need in the integration of *Zakah* and *Waqf* institutions in the country. This integrated model has been applied in free hospital development for needy which accommodated by *Zakah* National Board (BAZNAS). BAZNAS free hospital or known as Rumah Sehat Basnaz has proven play a primary role in reaching sustainable development goals related to global health and well-being.³⁷ Furthermore, Htay et al (2012) elaborated the integration concept of tree social fund which are *waqf*, *zakah* and *sadaqah*. They proposed the clinic model for improving health service for all people in the middle of Mandalay, Myanmar. They divided patients by three categories as poor category, discount category and full payment category. This concept is also expected to be used at any non-Muslim countries with minority Muslim population.³⁸

Looking at educational sector, there is a Tazakka Islamic Boarding School in Batang, Central Java applying combination between *zakah* and *waqf*. However, *Zakah-Waqf* Institution of Tazakka separates *zakah* and *waqf* due to the different characteristic. *Waqf* fund is allocated to physical sectors such as building and other facilities encouraging education, whereas *zakah* is transferred for improving human resources.³⁹

The important of financial literacy concept and *waqf-zakah* integration comprehension has been introduced by some previous literatures. It was seen a lot of achievements particularly for alleviating poverty and improving human welfare. Therefore, this study attempts to propose the novel concept in order to broaden higher impact of Islamic social finance integration mainly around young people community.

RESULT AND ANALYSIS

The Proposed Concept of Islamic Economic Boarding School (IEBS)

The lack of comprehension of financial literacy concept occurs in majority of Indonesian society including students. Even among Islamic economics and

³⁶ Latiff Azha et al., 'The Practice and Management of Waqf Education in Malaysia', *Procedia - Social and Behavioral Sciences* (Elsevier B.V, 2013).

³⁷ Nasim Shah Shirazi, 'Integrating Zakat and Waqf into the Poverty Reduction Strategy of the IDB Member Countries', *Islamic Economic Studies*, vol. 22, no. 1 (2014), pp. 79–108.

³⁸ Sheila Nu Nu Htay, Syed Ahmed Salman, and Soe Myint @Haji Ilyas, 'Integrating Zakat, Waqf and Sadaqah: Myint Myat Phu Zin Clinic Model in Myanmar', *Tazkia Islamic Finance and Business Review*, vol. 8, no. 2 (2013), pp. 170–86.

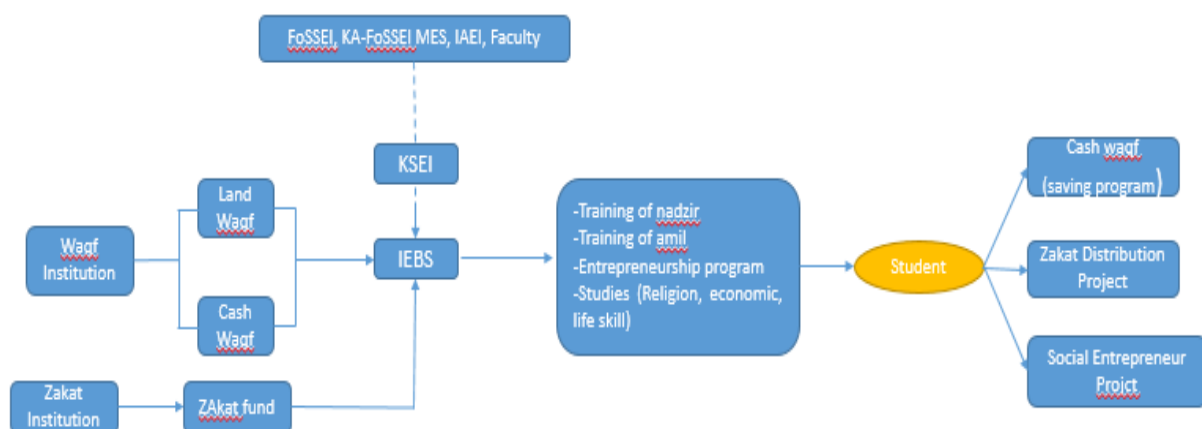
³⁹ Abdul Chalim, 'Pengelolaan wakaf uang di Pondok Modern Tazakka Kota Batang ditinjau dari Panca Jiwa pondok dan Undang-undang nomor 41 tahun 2004 tentang wakaf' (Maulana Malik Ibrahim State Islamic University, 2016).

finance's students, many of them are still blind on that issue. It can be happened because the unstandardized curriculum that only focuses on achieving of material transfer in formal class without any actions and practices of the financial knowledge out of there. Furthermore, knowledge about real practice of *zakah* and *waqf* as a part of Islamic financial source is still deficient. The particular students who supposed to be as an agent to solve the shortage are still around there.

Moreover, in reality, Islamic economics field still has a gap. Now days, students are divided into two groups. First, they are who have deep understanding of the economy, accounting and statistics. The second is those who have comprehensive insight of al-Quran and Hadis and *muamalah*, but weak in term of number and calculation. There is unbalancing comprehension among Islamic economic students whom are expected to have full package of Islamic economic comprehension.

Considering those phenomena, the proposed project that integrating several social and academic institutions to resolve the particular problems become a pivotal idea. This paper puts forward of integrating *zakah* and *waqf* model for Islamic Economic Boarding School (IEBS). IEBS aims to create Islamic economic agents who understand the *shari'ah* and having ability in economic and financial field. It is very important because today many practitioners in financial industry moves from conventional scheme to Islamic practices with the result that they have no soul in Islamic economic and its goals. The scheme is shown on figure below:

Figure 1: Islamic Economic Boarding School Scheme (IEBS)



Source:

The Role of Each Participant in IEBS Program

The scheme in figure 1 shows how Islamic Economic Boarding School will be operated. Acquisition of funds derived from membership fees and cooperation with the institution of *zakah* or *waqf* which will be managed by KSEI manager at both university and regional levels. This management will be supervised and supported by Forum

Silaturahmi Studi Ekonomi Islam (FoSSEI), *Zakah* and *Waqf* Institution, Kelompok Studi Ekonomi Islam (KSEI), Association of Islamic Economic Experts (IAEI) which consist of an academic in the field of Islamic economic, Masyarakat Ekonomi Syariah (MES) which the member are entrepreneurs, public figure and practitioner of Islamic economic, FoSSEI Alumni, as well as support from each university. The roles of each of these institution can be described as follows:

Waqf Institution

The main important of *waqf* institution in IEBS is to provide guidance to optimize the implementation of *waqf* management. Specially, the role of *waqf* institutions is as follows:

1. Giving approval and/ or permission for changes in the utility and status of *waqf* property.
2. Coaching nazhir in managing and developing *waqf* property.
3. Giving the approval upon acceptance and exchange of *waqf* property

Despite on that, IESB also aim to collaborate with *waqf* institution in order to manage the wealth in terms of land, cash or property. The main area of IESB is centered to the benefit of students whom join the program. Meanwhile, cash *waqf* profit can be the part of working capital of IEBS to maintain the management as well as business activity of IEBS which managed by the nazhir under department of social economy.

Zakah Institution

At the main point, relationship between the management of IEBS and *zakah* institution may be defined into ways. Firstly, IEBS as the amil (to help *zakah* institution). Secondly, IEBS as the receiver of the *zakah* (ashnaf). As the manager of the fund, IESB aims to collaborate with *zakah* institution in managing *zakah* fund pertaining to collection and distribution of *zakah*. From this point of view, the authors expect the next generation of having more chances and experience in managing *zakah* fund. Hence, *zakah* institution is also helped by additional amil that may come with some new ideas. On the other hand, the members of IEBS (students) can be categorized as mustahiq which means they are allowed to receipt *zakah* as fisabillah.

FoSSEI, KA-FoSSEI, MES, IAEI, Universities

One of the characteristic of development Islamic economic in Indonesia is public awareness to create economic system in accordance with Islamic teaching. This phenomenon can be seen through the enthusiasm of the community in forming association or organization that related to the practice of Islamic economic. In academic field, FoSSEI currently have more than 200 KSEI across universities in Indonesia. FoSSEI is a student organization formed on 13 May 2000. FoSSEI is a democratic, academic and independent organization. With the motto of ukhuwah, da'wah, ilmiah, FoSSEI has the vision to "Earthing Islamic Doctrine in Economy". To achieve that matter, FoSSEI takes steps to empowering and developing Islamic economic in academic fields and application as well as to strengthen Islamic brotherhood among Islamic economic study groups and other similar institution by trying to build an Islamic culture,

scientific and professional. FoSSEI has annual agenda which are regional scientific meeting, national scientific meeting and national campaign in Islamic economic.

After graduating from universities, KSEI members will joint KA-FoSSEI which is a forum for KSEI alumni to maintain silaturahmi. It is expected that the existence of support from MES, IAEI and universities will contribute in FoSSEI development. FoSSEI with national network at student level, knowledge and experiences from the expert of Islamic economic that collaborate in MES and IAEI are expected to strengthen position and enthusiasm of IESB members in learning Islamic economic. The support from Islamic economic and finance faculty is very helpful for learning process so it is able to integrate theories learned in the class and reality in communities.

KSEI

In IESB, the role of KSEI can be divided into two categories, as a waqif and as a nadzir. This is in line with one of the main mission of IEBS which is to provide opportunities for young generation to be involved in managing *zakah* and *waqf*. As a waqif, the members of KSEI are required to pay *waqf* in the form of monthly fees which will be used for KSEI operations. On the other hand, KSEI also play a role as *waqf* manager that have responsibility in returning *waqf* property up to certain period with various business activities. This procedure has been applied in KSEI in State Islamic University of Sunan Kalijaga (ForSEBI) but with board and membership fee contract.

ForSEBI of State Islamic University of Sunan Kalijaga Yogyakarta which is a member of FoSSEI is disparated with another KSEI who depend on faculty funding. ForSEBI has Department of Social Entrepreneur which is obligated to seek funding for the continuity of the organization. Members of this department are given opportunity to develop their interest and talents in entrepreneurship. Furthermore, nowadays, ForSEBI also have cooperation with farmers group Arum Lestari Kulon Progo-Yogyakarta in developing economy of rural communities. This activity is one form of devotion and promotion about Islamic economic to rural community.

To operate the organization, ForSEBI rents a house used for secretariat and also have function for central activity. Among the activities that are often done are weekly studies of Islamic economics and other disciplines, departmental and daily administrators meeting, khotimul Al-Qur'an and so forth. Most of the rental fees come from the mandatory dues members and administrators as well as the support of alumni.

Department of social entrepreneurship has a program to develop financial independence and social based activities through member empowerment. To achieve those goals, ForSEBI has some activities either managed by the board and members or in collaboration with other institution. Nowadays, ForSEBI try to develop Micro, Small and Medium Enterprises (MSMEs) partners in collaboration with farmers group Arum Lestari Kulon Progo, Yogyakarta. MSMEs partners will be given guidance in terms of production and marketing until they can be autonomous. Among the activities that have been carried out are as follow:

1. Training of Plate Production with Coconut Sticks
Seeing the potential of natural and human resources in Kulon Progo, ForSEBI aimed to contribute in welfare improvement by establishing how to make plate with coconut sticks as basic material. In hope, communities receive new source of income by utilizing available natural resource.

2. Production of Pegagan (Gotu Kola) Chips
In addition to training of plate production with coconut sticks, ForSEBI also provides training in making chips made from pegagan leaves. ForSEBI also gives guidance to community ranging from seeding, planting, maintenance, chip production to packaging and marketing.
3. Senyum Manis untuk Si Mbah
In cooperation with Dompot Dhuafa Yogyakarta, ForSEBI involved in the distribution of *zakah* for old people in Gunung Kidul Regency, Yogyakarta. ForSEBI officiates in how to make the program to be interesting, not out of purpose and accordance with the condition of asnaf.
4. Sharia Banking Training
ForSEBI in cooperation with Sharia Banking Training Center (SBTC) carry out sharia banking training at least 2 times a year. This training is one of the most important incomes for ForSEBI. The participants in this program are students and public who are interested to engage in sharia banking.

Detail Operation of Islamic Economic Boarding School (IEBS) Program

Student Member in IEBS Program

Islamic Economic Boarding School is occupied by selected KSEI members, both of which have poor background and outstanding students. The important requirements in participating this program is the desire of students to deepen their particular religiously knowledge in the economic field and willing to take part in all the programs that have been established. To participate in this program, students must attend several stages of recruitment which are administrative selection, knowledge of religion, academic ability, and language.

While living there, they will be busied with activities that support their ability and understanding, especially in the field of Islamic economic and will be guided directly by academicians and practitioners. These programs are as follows:

1. Training of tahsin Al Quran
2. Study of Classical Islamic books such as *iqtishoduna*, *al horoj*,
3. Study of Islamic economic (*fiqh muamalah*, Islamic legal maxim, etc.)
4. Study of conventional economic (statistic, research methodology, etc.)
5. Social entrepreneur
6. Training of Arabic and English language
7. Life skill
8. Training of *waqf* and *zakah*

To maintain the existence, ForSEBI implements three stages of regeneration. The first is basic, which is for a new member affiliating in ForSEBI. In this level, they have to follow the programs designed by the board of ForSEBI such as Sekolah Kader ForSEBI (SKAF) for basic, circle study, weekly discussion, ForSEBI Basic Education and other activities. Second is intermediate that designed for ForSEBI members graduated from basic level. The main activities in this stage are SKAF for Intermediate (research, quantitative method) and *Shari'ah* Economic Training. Third is advance level that conducted for the board candidates of ForSEBI, the main programs in this stage are FLF (ForSEBI Leadership Forum) and research training.

Islamic economic boarding school (IEBS) can be a place to facilitate the flow of regeneration to be more effective. This program is intended for intermediate or advance members. The program may take 1-2 years.

Main Social and Entrepreneurship Projects under IEBS Program

Cash Waqf Saving Projects

The problem faced by most KSEI is the absence of a secretariat that can be used as the center of activities. Most of them have limited access to faculty facilities and lack of funds. Islamic Economic Boarding School can be the solution to solve this problem. Islamic economic boarding school will be inhabited by the best cadres from every KSEI. They will be provided by many fields of knowledge and activity that support their capability. Understanding about Al Quran, Sunnah, ability to English and Arabic language and quantitative method will be the main requirement for them.

Toward the end of the stewardship, the board of ForSEBI who will be a demission looking for fund to lease the house to be made secretariat and buy new goods that are used as ForSEBI business unit. The collected funds are mostly from the mandatory dues of the board, alumni aids and profit from business operation during stewardship. Unfortunately, until now the leased house is only obligatory contribution with the result that funds collected are not too large. For this reason, cash *waqf* scheme can be an alternative to get funds. Moreover, the most important is that this method also aims to provide education for KSEI in managing *waqf*. Thus, KSEI member has a direct chance to become a nadzir. With their knowledge and experiences, it is hoped that after the program they can develop and manage bigger *waqf*.

During this time the operational of ForSEBI mostly derived from obligatory dues board, member and business profit. Saving *Waqf* can be alternative for collecting the fund. As for how each member at the beginning of the stewardship is given an empty box in hopes to save money in it. Every month the savings are deposited to the treasure up to a certain time. The board in this case acts as nadzir make an agreement that the proceeds from the accumulated funds will be used for rent of houses and capital to supplement the business activities. From sharia point of view, *waqf* may be defined as holding a maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness or philanthropy. Therefore, with the existing capital and business units, the nazhir which is in this case is the board of ForSEBI is obliged to get profit to return the fund that has been collected (Toraman, Tuncsiper and Yilmaz, no date).

Cash *Waqf* has many advantages:

1. Someone who has limited funds can provide *Waqf* fund without waiting to become landlord or rich people.
2. The cash *Waqf* fund can assist KSEI in carrying out its activities.
3. The cash *Waqf* can be a learning tool for KSEI members.

KSEI which is a member of FoSSEI has advantages in networking. From internal side, ForSEBI has approximately 300 members and accept 80-90 new members in every year. In addition, FoSSEI members are spread across 200 universities throughout Indonesia, plus the Alumni Association incorporated in the FoSSEI Alumni Corps (KA-FoSSEI). Thus FoSSEI already has a sizeable community that need to be considered. If

KSEI has opportunity to cooperate with *waqf* and *zakah* institution, and guided by practitioner and scholars, hence it will be born representative economic unit throughout Indonesia.

Zakah Distribution Project (In Collaboration with Zakah Institution)

KSEI may cooperate with *zakah* institution as *amil* or *zakah* recipient. As an *amil*, KSEI assist programs that have been determined by the *zakah* institution. In addition, KSEI may also submit a social program to *zakah* institution to get funding. In Indonesia, every *zakah* institution have different program in *zakah* distribution. However, broadly, it can be divided into consumptive and productive *zakah*. *Zakah* productive are usually allocated to MSMEs, agriculture and plantation.

The production-based programs aspire to achieve the financial independent status of the beneficiaries, which in the long run they are expected to become *zakah* payers. For instance, *zakah* community development (ZCD) integrates social and economic aspect of the people based on community and location. This empowers people by building their awareness and ability through training and coaching, with the main source of finance from *zakah* fund.⁴⁰

The existence of cooperation between *zakah* and institution and KSEI provide benefits for both parties. For *zakah* institution, additional personnel can give them new ideas and maximize their performance. By looking at the reality of *zakah* management directly, KSEI is expected to increase their social soul and get experiences which later can be developed so as to generate new ideas in in distribution of *zakah* productive.

Social Entrepreneurship Project

The mission of Islamic Economic Boarding School is to produce an expert generation of Islamic economist both in practitioners and academicians. Currently, there are still many Islamic economics workers who work outside their field, even they are working in non-*shari'ah* financial institution. Therefore, IEBS has a program to solve the problems by socio entrepreneurship programs.

In this program, the member of IESB encourages to be more sensitive in addressing the problems and opportunities that exist in the community. With the capital and potential of IESB members, there are many opportunities that can be optimized for their income. It should be noted that this program prioritizes community service. Among these opportunities are:

1. Private teacher, a very unfortunate fact today is that many teenagers and students cannot read Al-Quran properly. On the other hand, the parents desire to teach religion to their children is very high. Therefore, it is necessary to have a serious guidance for youth generation that the ability of reading and understanding Al-Quran is basic ability for Muslim. To solve the problems, the member of IESB in corporate with *ta'mir* of mosque to make tutoring and learning Al-Qur'an program that held at the masjid. In addition to enlivening

⁴⁰ Qurroh Ayuniyyah et al., 'The Comparison between Consumption and Production-based Zakat Distribution Programs for Poverty Alleviation and Income Inequality Reduction', *International Journal of Zakat*, vol. 2, no. 2 (2017), pp. 11–28,

- the masjid, this method also aims to foster love of young generation to the mosque.
2. Supplier of goods and services, both for members and non-KSEI member. As a manager, KSEI can use the funds that have been collected through *zakah* and *waqf* for business activities such as supplier of goods and services. For instance, in service sector, KSEI can provide items needed by student such as coordinating books, producing attribute with Islamic economics theme, selling food and so on. Furthermore, KSEI can provide rental services such as projectors, sound and others.
 3. In cooperation with government/private institution in conducting research or event organizer. It is aimed to provide experiences and broaden member's insight. Around 10% of the total income from this activity will be taken by KSEI as saving money and the rest will belong to members.

The Significance of Islamic Economic Boarding School (IEBS) Program

From the developed IESB, it can be seen that *waqf* and *zakah* can complement each other. Both *waqf* and *zakah* are expected to give experiences for student in managing *zakah* and *waqf*. With *waqf* and *zakah*, student may have a place and capital for their activities. From the broader perspective, IESB could bring significant impact to *waqf* and *zakah* institution, student organization, society and economy and academia and theoretical.

Impact on the *waqf* and *zakah* institution

Considering that there are many *waqf* have not been managed yet, IESB can be a solution for *waqf* institution to hire youth employee with experiences and proper knowledge about *waqf*. For *zakah* institution, IESB might help them to manage their program in distributing and collecting *zakah*.

Impact on student and student organization

As discussed earlier, most of the students whom graduated from Islamic boarding school have a weakness in the field numbers. Otherwise, students graduated from general school have a weakness in *shari'ah* field. IESB tries to solve these problems with programs that will be conducted. For student organization, with IESB, they have more opportunities to practice their knowledge and improve their activities.

After graduated from this program, students are required to have following skills:

1. The ability to read Al Quran well and correctly, able to memorize selected verse especially about Islamic economics
2. Having memorization and understanding of hadith, especially those discussing about Islamic economics
3. Deeply understanding about *fiqh muamalah* and Islamic legal maxim in Islamic economic
4. The ability in reciting and understanding classical books

5. The ability in use foreign language, especially English and Arabic
6. Having an understanding in research method and capable to do it
7. The ability in journalistic

Impact on the society

The programs in IESB were designed for community dedication. This model is expected to bring benefits to the society. For instance, the member of IESB in can help *zakah* institution in distributing *zakah* and coaching for *zakah* productive programs in selected society.

Impact on academia and theoretical

For academia and theoretical, the proposed model adds to the existing literature in the area of *waqf* and *zakah*. This study provides a new literature on integrating *waqf* and *zakah* to prepare the young generation in managing the potency of *waqf* and *zakah*. Both *waqf* and *zakah* had played a significant role in the socio-economic development of Muslims in the past history. But currently, this big potential has not been managed properly.

CONCLUSION

Islamic economic boarding school is one of the processes to configure Islamic economic agent who understands the economy in general and has an understanding of sharia. It cannot be denied that education is very important for human capital and achievement of economic wellbeing for oneself, society and nation at large. Give an opportunity to youth generation to contribute in managing is expected to obtain new ideas so the practice of Islamic economic more diverse and can be felt for all community.

It is the time for us to rise up the “sleeping giant” to contribute in building peoples’ economy. Therefore, there is a need for real action to carry out big opportunity that Indonesian has in term of *waqf* and *zakah*. The existence of cooperation between government, community leaders, public figure, academics and practitioners in preparing and educate the young generation is very important. In my opinion cash is the most suitable method for young generation.

The finding of the study can help the stakeholders and policy makers in many ways. The purposed framework on Islamic Economic Boarding School (IEBS) suggested the government to design a robust educational framework on Islamic finance. The utilization of *zakah* and *waqf* funds stressed the pivotal role of the Indonesian government in the management of *zakah* and *waqf* funds. For other stakeholders, investing in the educational aspect of Islamic finance might yield a higher profit financially and socially. This is due to the current development of Islamic financial industry in the country.

LIMITATION AND DIRECTION FOR FUTURE RESEARCH

This paper has s limitations. First, this study is narrowly under ForSEBI's experience. Second, it is conceptual paper where there is no empirical analysis conducted. Following are some directions for further studies to improve the research in the future:

1. The developed model should be validated through interview with the expert of *waqf* and *zakah* to get the intention in using this model.
2. Even KSEI under coordination FoSSEI Nasional, they have different culture and structure.

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