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Strengthening SME Financing Through the Holding Company Waqf Model: Governance Priorities from an ISM Approach in Indonesia

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Abstract

This study addresses the limited attention given to governance mechanism required for implementing the Holding Company Waqf Model for SME financing in Indonesia. It is despite the growing discussion on cash waqf and alternative financing scheme. The study aims to identify and prioritize the governance factors required to support sustainable implementation of the model. Data were collected through in-depth interviews with seven experienced cash waqf managers in Malang during 2024. The ISM procedure involved the development of a Structural Self-Interaction Matrix (SSIM), reachability matrix, level partitioning, and driver-dependence analysis to determine the hierarchical relationships among governance variables. The findings reveal that regular and constant communication demonstrates the highest driving power (7) and functions as a key linkage variable in the governance hierarchy. Subjective norms and attitude toward behavior (driving power – 6 each) function as supporting independent variables. Meanwhile standard operating procedure and waqf legal protection as independent governance variables with strong driving influence. Also, the availability of regular monitoring and cash waqf blueprint model demonstrates high dependence on other governance elements. These results indicate that effective governance requires strong regulatory protection, operational clarity, and continuous supervision to reduce moral hazard and strengthen institutional trust. The novelty of this study lies in the integration of ISM into the governance analysis of the Holding Company Waqf Model, offering a structured governance hierarchy for SME financing implementation in Indonesia. The study also provides a practical governance framework that may support policymakers, waqf institutions, and SME stakeholders in developing sustainable financing mechanisms

Keywords:

Cash Waqf; SME Financing; Holding Company Waqf Model, Interpretive Structural Modelling; Governance Framework

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1. Introduction

Small and medium enterprises (SMEs) contribute a significant role in Indonesia's economy through employment creation, poverty reduction, and economic growth (Gamidullaeva, Vasin, and Wise, 2020; Manzoor et al., 2019). However, many SMEs continue to face difficulties in obtaining external financing due to collateral requirements, legal status, transaction costs, limited financial records, information asymmetry, and complicated financing procedures (Cecere, Corrocher, and Mancusi, 2020; Maksum, Rahayu, and Kusumawardhani, 2020; Thaker et al., 2013; 2016; Duasa and Thaker, 2017). Although the Indonesian government has introduced several financing programs for SMEs, access to funding remains limited, particularly for SMEs in rural and underserved areas.

In response to these challenge, cash waqf has emerged as an alternative financing instrument due to its flexibility and sustainability in supporting social and economic welfare. Previous studies demonstrate that productive waqf can improve community welfare, increase income generating, strengthen microfinance activities, and support poverty reduction (Kachkar, 2017; Saiti, Salad, and Bulut, 2019; Qurrata et al., 2019; Qurrata et al., 2020a; Seprillina et al., 2020). Other studies also explain that public perception, religiosity and institutional influence participation in cash waqf activities (Qurrata et al., 2020b). In Indonesia, the legal basis for cash waqf has strengthened through Law Number 41 of 2004 on Waqf, Government Regulation Number 42 of 2006 and Government Regulation Number 25 of 2018, supported by the Indonesian Ulema Council fatwa on cash waqf (Asmara and Abubakar, 2019).

Several scholars have proposed waqf-based financing models integrated with crowdfunding, Islamic microfinance and blended finance mechanism to support SME financing (Haneef et al., 2013; Thaker et al., 2016; Hamber dan Haneef, 2017; Banding et al., 2020; Kazaure et al., 2020; Faudzi, Bakar, and Ahmad, 2021). In Indonesia, recent studies also developed integrated waqf financing schemes through corporate waqf, infrastructure financing, and commercial-social blended finance models (Hassan et al., 2023; Huda and Santoso., 2022; Wijaya, 2023; Ascarya et al., 2023). These models aim to expand access to financing and reduce dependence on conventional financing sources. Building on these studies, this research proposes the Holding Company Waqf Model, which integrates cash waqf management with *musharaka* financing to support SME sustainability and business development.

Despite the growing discussion on waqf financing models, governance issues remain insufficiently explored. Existing studies largely focus on financing innovation while providing limited discussion on governance structures necessary for implementation. Weak governance may increase moral hazard, reduce institutional accountability, and weaken public trust in waqf institutions. Previous studies identify important governance factors, including legal protection, standard operating procedures, regular monitoring, communication mechanisms, and institutional coordination (Harun, Zuraidah, and Norhidayah, 2012; Sharip, Awang, and Ismail, 2019; Priantina, 2019). In addition, behavioral intention, subjective norms, and attitude toward behavior also influence the implementation of waqf financing models (Zabri and Mohammed, 2018; Thaker et al., 2016).

Previous studies have not clearly explained the hierarchical relationship among governance factors in implementing waqf-based SME financing models. Most studies discuss financing mechanisms without identifying governance priorities and interdependencies among variables. To address this gap, this study applies Interpretive Structural Modelling (ISM) to identify and structure the governance factors influencing the implementation of the Holding Company Waqf Model in Indonesia. ISM was selected because it systematically explains contextual relationships among variables through the Structural Self-Interaction Matrix (SSIM), reachability matrix, and level partitioning analysis, allowing governance priorities to be arranged hierarchically for institutional and policy decision-making (Sage, 1977; Attri and Sharma, 2013). The paper is provided as follows. Section B provides the method adopted in this study to explain the phenomenon. Section C presents the results and follows a comprehensive discussion. The conclusion of this study is provided in Section D.

2. Method

This article examines the challenges and prospects of a waqf management model for holding companies to strengthen the finances of SMEs. This study is a qualitative investigation into the opinions of experts and practitioners on Indonesia's proposed cash waqf model. As a result, Interpretative Structural Modeling (ISM) is the suitable method for this study to understand the phenomenon. This study applies Interpretive Structural Modelling (ISM) to identify and structure the governance factors influencing the implementation of the Holding Company Waqf Model for SME financing in Indonesia.

ISM was selected because it systematically explains the contextual relationships among governance variables and produces a hierarchical structure for decision-making (Sage, 1977; Attri and Sharma, 2013; Bui et al., 2023). The analysis began with the identification of governance variables through literature review and in-depth interviews with seven cash waqf managers in Malang, Indonesia. The identified variables were then evaluated using a Structural Self-Interaction Matrix (SSIM), where experts determined the direction of influence among variables using the symbols V, A, X, and O. the SSIM was subsequently converted into an initial reachability matrix by transforming the symbolic relationships into binary values of 1 and 0. Transitivity analysis was then conducted to generate the final reachability matrix and determine the driving power and dependence power of each variable. Furthermore, level partitioning analysis was applied by comparing the reachability set, antecedent set, and intersection set to classify variables into hierarchical levels. The final stage produced an ISM-based governance hierarchy explaining the interrelationship and priority structure among governance factors in implementing the Holding Company Waqf Model.

The group determines the elements to be organized (such as objectives, obstacles, and problems). Model validation comes at the end of the ISM process, which begins with system modelling and ends with model validation. After data and information on preferences/ comments/opinions represented by cash waqf experts/practitioners/regulators are available will the ISM framework be completed. Primary data and secondary data were used in this study. The number of experts for ISM

studies ranged from 2 to 120 with a median value of 11 (Ahmad & Qahmash, 2021). In-depth interviews provided the initial data, while previous studies provided secondary data. This interview was conducted with 11 cash waqf managers from the period January to December 2024 in Malang, Indonesia. They were asked about the communication between the fund manager and the recipient, the need for regular monitoring, the operation procedures, and the behavior of the fund manager and recipient.

Identification of Variables

The following are the steps involved in ISM modelling. First, identify the elements that are relevant to the issue. Surveys or group problem-solving techniques can be used. Second, determine which pairs of elements to investigate by constructing contextual relationships between them. In this step, a comprehensive literature review was conducted. It is examining studies published between 2019 to 2024 in peer-reviewed journals indexed in Scopus and Web of Science. Additionally, expert opinions were solicited through focus group with 11 experts at least 5 years of experience in managing cash waqf. Through this process, seven critical variables were identified and included in the analysis. The variables are regular and constant communication, standard operation procedures, availability of cash waqf blueprint model, waqf legal protection, subjective norm, and attitude toward behavior. These variables were defined and described to ensure clarity and consensus among the expert panel.

Third, create an element-by-element structural self-interaction matrix (SSIM). This matrix depicts the system's element pair relationships. The transitivity of this matrix is checked. Additionally, using SSIM, create an affordability matrix. Fifth, file partitioning to different levels using a range matrix. Six, create a conical shape from the range matrix file. Furthermore, remove the transitive links from the graph of the relationships given in the affordability matrix. Eight, replace element nodes with statements to create a digraph that can be found on the ISM model. Lastly, conceptual inconsistencies in the model should be checked, and any necessary changes should be made (Attri and Sharma, 2013).

Expert Panel Selection

A panel of 11 experts was assembled to evaluate the contextual relationships between the identified variables. The experts were selected based on the following criteria: (1) minimum 5 years professional experience in managing cash waqf, (2) practical expertise in managing cash waqf fund, and (3) willingness to participate in multiple rounds of evaluation. The panel consisted of cash waqf managers from seven waqf foundations in Malang City. The selected experts were considered appropriate because ISM studies rely on expert judgment to determine contextual relationships among variables.

3. Result and Discussion

3.1. The Shariah of Cash Waqf in Indonesia

Cash waqf is one of the Islamic instruments in Indonesia that aims to create welfare in the society. It is proven by the Waqf law in Indonesia, which has been amended by the Government Regulation Number 25 of 2018 on the Amendments of Government Regulation Number 42 of 2006 with the implementation of the Law Number 41 of 2004 on Waqf. According to Law Number 41, 2004 on Waqf, three institutions are bestowed by the government to manage cash waqf. Those three institutions are divided into the role of collector and developer (the Indonesian Waqf Board), the role of manager (*Nazhir)*, and the role of collector (Islamic Financial Institution) (Asmara and Abubakar, 2019).

Furthermore, Law Number 41, 2004 on Waqf in Article 16 paragraph (3) stated that waqf property is not limited to immovable objects, but also covers movable objects e.g. money, precious metals, securities, vehicles, intellectual property rights, rights of lease, and any movable objects based on Islamic laws, applicable laws, and regulations. This law was also supported by the Indonesian Ulema Council (MUI – *Majelis Ulama Indonesia*) which published the *al-Nuqud Waqf Fatwa* (scholar' statement about cash waqf) on 11th May 2002, that cash waqf is a waqf by a person, a group of people, an institution, or a legal entity in the cash form.

Starting with the *fatwa*, several Nazhir institutions have been established to collect and manage the cash waqf in Indonesia. They are from private institutions, namely, *Tabung Wakaf Indonesia* (TWI), *Pos Keadilan Peduli Umat* (PKPU), and *Baitul Maal Mualamat* (BMM) (Fanani, 2011). These conditions continued until the establishment of waqf law in 2004, which was amended in 2018, and then realized by three institutions. Binding to this law, the institutions have to improve the society's welfare by managing the funds professionally. The core value of cash waqf is sustainability due to the waqf nature that is perpetual, irrevocable and inalienable. Therefore, cash waqf could be one of the sources of small-business financing.

3.2. Proposed Waqf Management Model for SMEs

Scholars have proposed various cash waqf suggestions and models for revitalizing micro-business funding (Musa and Salleh, 2018; Mafaza, Umam, Arief, and bin Lahuri, 2021). However, the current financing model is insufficient to achieve the financial needs of micro businesses. As a result, this study attempts to integrate cash waqf with micro-enterprises to support it as a source of financing. This model is known as the Holding Company Model-Waqf. The cash waqf literature is suitable for supporting the financing and development of human resources for micro-businesses. The Holding Company Model-Waqf is recommended as an alternative to the existing financing model options for micro-enterprises in Indonesia, as shown in Figure 1.

Figure 1 illustrates the flow of the holding company waqf model. In this diagram, the waqf institution, represented by the manager (*nazhir*), plays the most important role. There are two business projects, and then they must screen and decide which SMEs fit best. The following is a detailed explanation of the work of the Holding Company Waqf Model. The first arrow shows funds raised from donors (*wakif*). The funds can come from the public and private sectors, who will donate cash waqf to the waqf bodies that have been gathered. The

amount of funds collected varies, and no minimum amount of funds is given. The community can donate in cash or buy a waqf certificate offered by a waqf collection agency.

Meanwhile, the corporate sector can contribute to corporate social responsibility (CSR). The second arrow in Figure 1 indicates that the waqf collection agency will channel the waqf management funds (*nazhir*). *Nazhir* acts as the manager of these funds. Nazir is assisted by trusted volunteers who know the condition of the micro-business to be donated. *Nazhir* and volunteers will be responsible for making important decisions from the fund. Additionally, the third arrow indicates that (*nazhir*) will provide all the financial facilities required by microbusinesses using a *musharaka* partnership contract.

Musharaka is a business agreement in which profits are shared according to the agreement between partners, anad losses will be divided according to capital. This business agreement is considered the best agreement because it allows both parties to share risks and rewards between the waqf institution and the SMEs and supports business growth in a developing collaborative environment. *Musharaka* also can be the solution in solving the SMEs' problems such as access to finance, lack of skills, and inadequate training. SMEs as micro-enterprises can leverage the assets through *Musharaka* because they will get the expertise and resources from the waqf institution. In conclusion, this agreement is appropriate for business and project financing [see 4a and 4b].

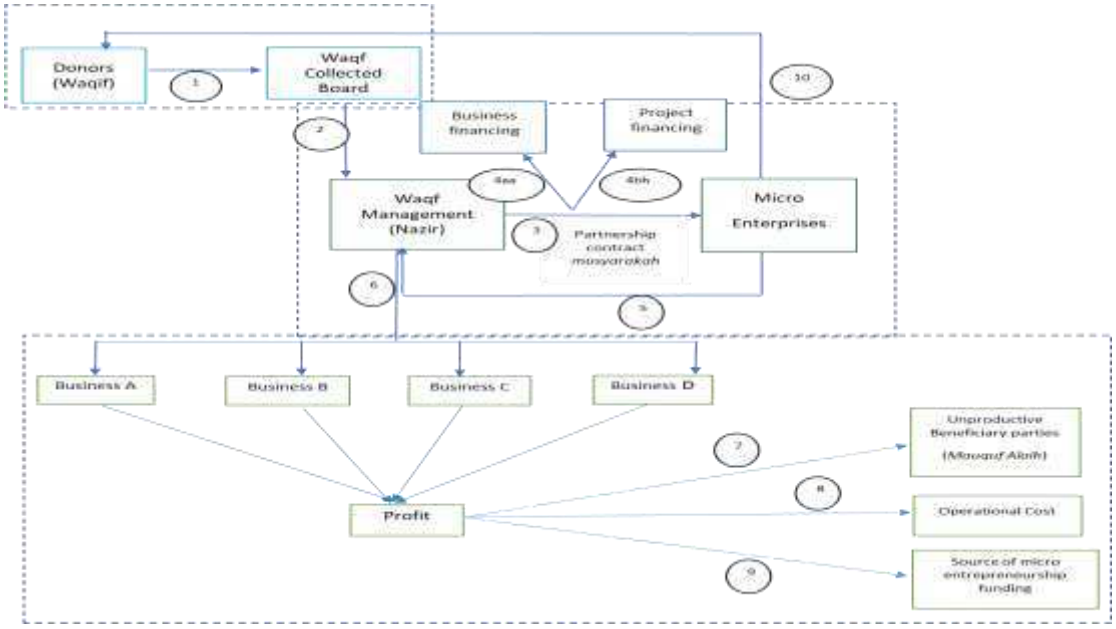

Figure 1. Conceptual Framework Holding Company Waqf Model

Profits provided by micro-businesses in number six will be received back by *nazhir* to develop business units owned by the waqf management institution. The business units that they produce will get benefits, which will later be distributed to three sectors. These sectors are provided in arrow seven, which informed that economically unproductive recipients (*mauquf alaih*), operational costs (see arrows 8 and 9), and other funding sources for micro-enterprises. Waqf management institutions are given the flexibility to process funds through business units because they are also expected to provide financing to micro-businesses

without donors' financing. Lastly, in arrow 10, micro-enterprises that have developed their businesses are expected to become donors.

The *nazhir* does not require collateral, administrative fees, strict documentation, or interest in this model. However, *nazhir* must work closely with volunteers who know potential microbusinesses' backgrounds to ensure this model works effectively. Moreover, *nazhir* has to do post-screening by checking to generate income and monitor their business.

The Waqf management model can be adopted appropriately when all the main components are accomplished. Thaker et al. (2016) explain that attitudes towards behaviour influence the waqf model's behavioural intention. Zabri and Mohammed (2018) also stated that subjective norms affect the behavioral intention of the waqf model. However, it is difficult to consider all the factors due to the large number of them, each of which can influence most others to varying degrees. The team, which consisted of the waqf manager and academic experts, participated in a group discussion.

They identified the following seven key elements in this study: attitude toward behavior (Thaker et al., 2016), subjective norm (Zabri and Mohammed, 2018), regular and constant communication (Sharip, Awang, and Ismail, 2019), regular monitoring from waqf management (Harun, Zuraidah, and Norhidayah, 2012), standard operation procedures (Harun, Zuraidah, and Norhidayah, 2012), availability of cash waqf blueprint model (Priantina, 2019), waqf legal protection (Priantina, 2019).

The ISM variables were further correlated with the operational structure of the Holding Company Waqf Model to explain the governance mechanism of the proposed financing system. Regular and constant communication supports coordination between waqf managers (*nazhir*), donors, volunteers, and SMEs throughout the financing process, particularly during fund distribution and business monitoring stages. Standard operating procedures and waqf legal protection function as the main governance foundation in screening eligible SMEs, managing *musharaka* financing contracts, and reducing moral hazard risks. Regular monitoring from waqf management is directly associated with post-financing supervision to evaluate business performance and ensure the sustainability of SME financing. Meanwhile, the availability of a cash waqf blueprint model provides strategic direction for long-term institutional development and operational consistency. Subjective norm and attitude toward behavior strengthen stakeholder participation and commitment in supporting cash waqf practices. The ISM hierarchy demonstrates that governance variables with strong driving power, particularly standard operating procedures and legal protection. It plays a critical role in ensuring that the operational activities of the Holding Company Waqf Model function effectively and sustainably.

3.3. The Development Model Using Interpretative Structural Model (ISM)

The development of the model using ISM is described in this section. Table I informs the matrix called a structural self-interaction matrix which represents the relationship between variables in the model (SSIM). Each pair of variables has a value that the experts have agreed on. The first reachability matrix for cash waqf development strategy enablers is

created. The final reachability matrix is obtained by entering concept transitivity (Ravi, 2015).

Table 1. Structural self-interaction matrix

Var j / Var i	ATB	SN	LP	BM	SOP	RM	RRC
Regular and constant communication (RRC)	V	A	X	O	V	A	
Regular monitoring from waqf management (RM)	A	V	A	V	V		
Standard operation procedures (SOP)	V	X	X	V			
Availability of cash waqf blueprint model (BM)	O	A	V				
Waqf legal protection (LP)	O	V					
Subjective norm (SN)	A						
Attitude toward behavior (ATB)							

Source: (*authors processed, 2025)*

Note: The contextual relationship symbols used in the SSIM are defined as follows:

V = variable *i* influences variable *j*

A = variable *j* influences variable *i*

X = variables *i* and *j* influence each other

O = no relationship between variables *i* and *j*

There are seven variables related to the opportunities and challenges of managing cash waqf in the form of a holding company model in Indonesia, as shown in the table above, which are arranged in a row format and column. The letters I and j are used to represent variables in rows and columns, respectively. Following the grid formation obtained in the preceding process, each pair of variables is analyzed separately. Four keywords are used to represent the direction of the relationship between a set of variables I and j), where: V indicates that variable I affects variable j; A indicates that variable j affects variable I; X indicates that variable I affects variable j and otherwise, the variable j affects the variable I or in other words, there is interplay between variables I and j; O indicates that variable I affects variable.

The ISM's basic assumptions are transitivity in contextual relationships. This concept states that if the variables X and Y are related, then Z must be related to X (Venkatesh, Rathi, dan Patwa, 2015). Each enabler's driving power and dependence power are also provided by matrix reachability. As a result, the driving power for 1 (regular and constant

communication) in the matrix table last reachability is the total number of entry values in the row, namely 7. Otherwise, 1 (the number of entries in the column) has a dependence power of 4. For the remaining enablers, the values of driving power and dependence power are calculated in the same way. Table 2 shows the final reachability matrix, which shows the driving power and dependence.

Table 2. Final reachability matrix with driving power and dependence

No	Variable description								Driving Power	Rank
1	Regular and constant communication	1	1	1	1	1	1	1	7	I
2	Regular monitoring from waqf management	1	0	0	0	0	1	1	3	IV
3	Standard operation procedures	0	1	1	0	1	0	1	4	III
4	Availability of cash waqf blueprint model	0	0	0	1	1	0	0	2	V
5	Waqf legal protection	0	1	1	1	1	0	0	4	III
6	Subjective norm	0	1	1	1	1	1	1	6	II
7	Attitude toward behavior	1	1	0	1	1	1	1	6	II
	Dependence power	3	5	4	5	6	4	5		

Source: (*authors processed, 2025)*

The structural model is created by creating a digraph with vertices or nodes and lines of edges from the final reachability matrix. An arrow pointing from I to j indicates if there is a relationship between the success factors I and j. After removing transitivity, the digraph is finally converted into an interpretive structural model. Figure 2 depicts the ISM model developed for the current problem.

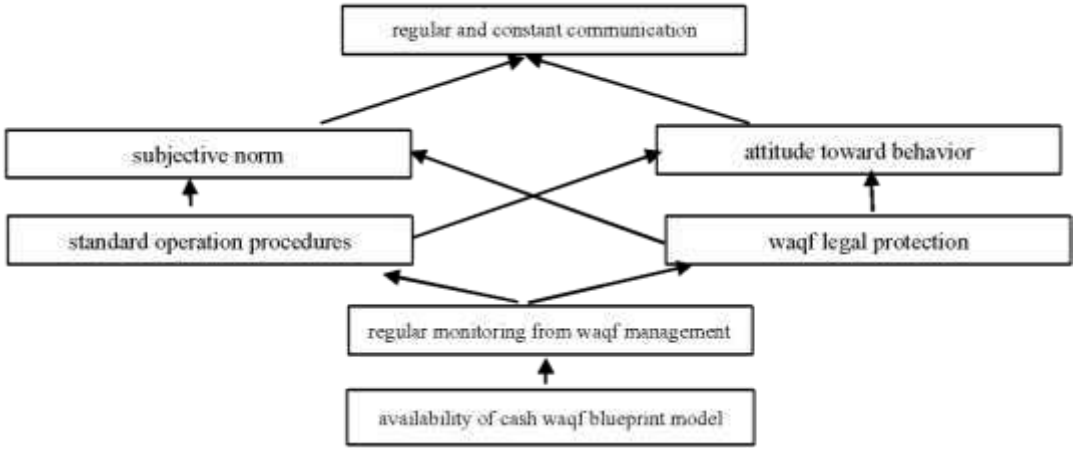

Figure 2. Level Partitioning ISM-based model

Source: Author (2025)

The level partitioning analysis indicates that variables located at the lower hierarchy levels possess stronger driving influence on the governance system, while upper-level variables are more dependent on the effectiveness of foundational governance mechanisms.

The driver power and the variables' dependence power are analyzed using a matrix of cross-impact multiplications applied to classification analysis. The variables are classified into four clusters based on this analysis (Mandal dan Deshmukh, 1994): autonomous, dependent, linkages, and independent.

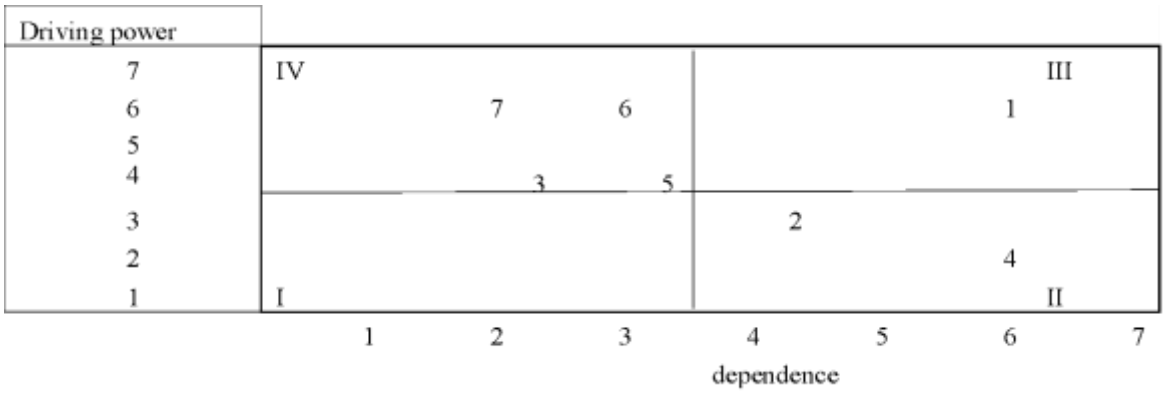

Figure 3. Driving power and dependence

Source: Author (2025)

Figure 3 depicts a driver power-dependence diagram based on driving power and the dependence of each variable, as shown in Table 2. There are no variables in the first category, which is autonomous. Variables categorized as independent factors play a strategic governance role because they influence other variables without being strongly dependent on them. Regular waqf management monitoring and the availability of a cash waqf blueprint model are included in the next cluster. The availability of the cash waqf blueprint model has the least driving power and the most dependence in this category. Its

strong reliance demonstrates that all other factors must come together for the Holding Company Waqf Model to be implemented successfully. Because of its strong driving power and strong dependence, the element of regular and constant communication falls into the third category of linkage factors.

This factor is insecure because any action taken on it will have an impact on others as well as the feedback system. The factors, standard operating procedures, waqf legal protection, subjective norm, and attitude toward behavior are all included in the last category. These factors have a medium driving power and a low degree of independence, and it plays a crucial role in the Holding Company Waqf Model's implementation.

Discussion

The ISM hierarchy confirms that governance effectiveness depends on foundational institutional arrangements, particularly legal protection and operational standardization. Regular and constant communication from both parties is a strength that becomes an opportunity to implement the Waqf Holding Company Model for the waqf manager and the SMEs involved, as shown in Figure 1. It is in line with Sharip, Awang, dan Ismail (2019), which states that for any institution’s growth and effectiveness, regular and continuous communication is required. This study contributes to waqf governance literature by empirically structuring governance priorities using ISM, allowing the identification of foundational governance variables with strong driving power. The findings extend waqf governance literature by demonstrating that governance variables in waqf financing systems operate hierarchically rather than independently.

Waqf managers in the Holding Company Waqf Model must use criteria to determine which SMEs are eligible for microfinance to avoid moral hazards. Because the variables of standard operating procedures (SOP), legal protection, subjective norms, and attitude toward behaviour have a medium of driving power, the Holding Company Waqf Model can be applied. Standard operating procedures and waqf legal protection are, however, the most important things to note and improve. Parties with ideas and a willingness to monitor the development of each waqf practice are required for best waqf practices. A book or manual containing standard operating procedures for all waqf managers around the world could be created (Harun, Zuraidah, dan Norhidayah, 2012). Internal waqf management is not only a problem, but it also poses a legal risk Priantina (2019) is necessary to have legal protection for waqf assets. Waqf institutions would be able to manage the waqf asset well with legal protection, and the public would be able to trust that the asset or fund collected would not be manipulated or mistreated. Therefore, the SOPs and monitoring systems should be institutionalized. It needs the rules of regulators which should be build stronger legal protection and governance standards. The findings provide practical implications for regulators in strengthening waqf governance regulations, particularly through legal protection, operational standardization, and monitoring system to improve institutional accountability.

The second challenge that waqf managers face when holding company waqf models is regular monitoring. The current management of waqf suffers from a lack of standard operating procedures, which explains why regular monitoring is difficult (Harun, Zuraidah, dan Norhidayah, 2012). When regular tracking is in place, Singapore can be a good pilot. The Administration of Muslim Law Act (AMLA) is a government agency that oversees waqf development in the country. UIS (Majlis Agama Islam Singapura) has established a subsidiary company called Waqf Real Estate of Singapore under the supervision of AMLA to ensure that waqf properties are developed to their full potential. Waqf property has increased tenfold in value, generating a higher income for the waqf fund. Singapore, a small country with a small land area and a small Muslim population, has become a model for effective waqf management and development.

Waqf indeed is owned by Allah, however, to maximize the utilization of its function in welfare, waqf has to be managed professionally and based on the *maslahah* principle by using the *Musharakah* agreement. In order to achieve the ultimate goal of implementing the Holding Company Waqf Model, the existence of a juridical person as the owner of the cash waqf to represent Allah has a positive impact on waqf management. The duty of a juridical person is forecasting, planning, organizing, coordinating, motivating, controlling, and reporting (Ghozalie et al., 2020). All of the rules above are embedded in the requirements needed to implement this Holding Company Waqf Model. Due to this reason, *nazhir* as the waqf manager require governance instruments for operational consistency. For *nazhir*, the ISM hierarchy provides guidance in prioritizing governance practices, particularly SOP, monitoring mechanisms, and stakeholder communication.

The availability of a cash waqf blueprint model is the main challenge in implementing this Holding Company Waqf Model. A waqf blueprint is required so that management and society can assess the waqf's ultimate goal and direction. Then, in small steps, you can proceed (Priantina, 2019). A long-term solution is the creation of a cash waqf blueprint that can be used as a benchmark for future waqf development. There are a few flaws in this study as well. The contextual relationships of the variables are always dependent on the expert's knowledge of the firms and their operations. As a result, the final result may be influenced by the bias of the person judging the variables. Because the models used differ from one management to the next, determining accuracy and comparing results is difficult due to a lack of a common base or context.

4. Conclusion

The purpose of this research aims to identify the benefits and drawbacks of implementing the holding company waqf model in SMEs microfinance. The study provides a comprehensive perspective on the implementation of cash waqf management and can serve as a ready reckoner for practitioners. The governance structure identified in this study supports SMEs by improving financing transparency, reducing financing uncertainty, and strengthening sustainable partnership-based financing. The Holding Company Waqf Model can be implemented effectively through strong governance mechanisms, particularly legal protection, standard operating procedures, monitoring systems, and communication. Legal

protection protecting both parties' contracts need to be established to reduce the risk of SMEs' moral hazard not to return loan funds. If these four things have been corrected, then subjective norms, attitude toward behavior, and regular and constant communication will significantly support this new model's effectiveness. The identification of benefits and drawbacks of implementing this model has implications for government, policymakers, and waqf management. With the help of waqf management, this strategy can be used to improve business performance while also seeking funding.

This study can be further developed later when using (Interpretive Ranking Process) IRP models as decision making. However, it is limited to Indonesian's experience. Moreover, the SMEs is not specific; therefore, it can be divided into several sectors such as farmer, fisher, poultry, and small industry.

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