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Optimising Social Evolution Through Creating Welfare and Product Innovation of Micro Waqf Bank in Indonesia

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ABSTRACT

Micro Waqf Banks are a form of innovation of Islamic social and financial institutions by the government to provide access to business expansion and the welfare of the productive poor around Islamic boarding schools. Optimising product innovation for Micro Waqf Bank customers requires changes in micro-business actors to improve their welfare sustainably. This study analyses the product innovation of Micro Waqf Bank customers with a social evolution model approach. The qualitative method used a grounded theory approach. They collect data through observations, interviews, documentation, and literature studies—design thinking analysis with triangulation techniques. The results found that the welfare of Micro Waqf Bank customers was created for the community around Islamic boarding schools by optimising product innovation through the involvement of the Indonesian Ulama Council and government participation in product certification bodies. The study uses a design thinking approach for formulating solutions to increase Micro Waqf Bank customers' product innovation in creating their welfare by Micro Waqf Bank optimising halal labelling, intellectual property rights-protected brands, attractive packaging, and product consumption feasibility. The social evolution model's research implication is recommendations for optimising innovative products and creating welfare.

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INTRODUCTION

The micro-enterprise role is essential for most Indonesians who work in the informal sector, giving hope for the national economy's life and future. For this reason, Boubker et al. (2021) emphasised that micro-business activities are businesses that develop consistently in the national economy and are a forum for creating jobs. Potential provides broad opportunities for anyone to become a micro-business actor, including those who have worked in the formal sector.

From the aspect of economic activity, one of which is Sharia microfinance in 2020, the contribution of 31.26% of the total small and medium business actors. The 4,230,000 business actors were achieved from 13,350,000 people through 80 Islamic microfinance institutions with IDR. 490,200,000,000 and 4,169 sharia savings and loan cooperatives with assets of IDR.17,628,000,000,000 (OJK, 2021; Cooperation Ministry, 2021a). The data illustrates the potential and market share of Islamic microfinance services. It must be pursued through various macro policy channels so that the growth rate impacts the underprivileged or poor.

Micro-enterprises potential through Islamic microfinance institution financing will increase along with the increasing number of government policies. That provides convenience and broader access for job creation and community welfare, especially using innovative instruments and product digitisation. Meanwhile, Hagqvist et al. (2020) encourage that micro-enterprises with innovation will provide added value and increase competitiveness with other business actors regarding product innovation and ease of marketing. Micro-small enterprise management is closely related to family economic planning because financial management is essential in a family institution (Yahaya & Yakob, 2023).

One of the instruments the government provides through the Indonesian financial services authority (OJK) is establishing a Micro Waqf Bank (MWB) through a Sharia microfinance institution. They were stable at Islamic Boarding Schools in Indonesia for capital, product innovation, and access to marketing. Furthermore, Fianto et al. (2019) explain that the development of micro-enterprises will increase the income and welfare of micro-business actors through financing from Islamic economic institutions.

However, on the other hand, access to financial services is still limited, particularly for economically disadvantaged people. According to Habibullah (2019), among the adult population that is part of the 40% low-income group, only 22.2% of the low-income adult population has an account, while the remaining population is still unaffected by financial services. About eighty percent of the people living in poverty are cut off from traditional financial institutions. Then Addae and Korankye (2014) found that persons living in poverty frequently lacked access to the banking sector and had limited options to make revenue. According to Erlando et al. (2020), the poverty strata have difficulty eradicating the problem since the most common kind of poverty is structural and stems from an unequal welfare distribution. In the meantime, Bolton and Rosenthal (2005) emphasise the inaccessibility of conventional credit markets to low-income individuals.

In addition, Duasa and Thaker (2017) state that small business actors, typically low-income individuals, need help accessing bank financing. This is the case for several reasons, including the following: higher interest rates, stringent documentation requirements, collateral requirements, an insufficient amount of funding, the long duration of the loan, and the characteristics of the business that is being carried out. Diniyya (2019) concluded that *waqf*-based microfinance organisations may still face several issues that must be addressed. These issues include credit risk, moral hazard, and economic feasibility.

Considering efficiency from innovation services, Shin et al. (2022) reminded us that all efforts to improve product innovation are to obtain recommendations from consumers as market access so that they can sustainably enhance the community's economy. In addition, Chang-Muñoz et al. (2021) explained that innovation would increase producers, consumers, and distributors of products and increase needs. Then, business actors must be able to create change and innovation to create new market opportunities for

economic development in the community (Maulida et al., 2020). The number of workers supporting microenterprises Slavec (2022) explains that the number of microenterprise workers amounts to nine (9) people. They will be more innovative to provide competitiveness for their products. The lack of innovation among small business actors will worsen further business growth (Luamba et al., 2021).

In the study of several developing countries, microfinance institutions are considered successful in alleviating poverty. This microfinance not only helps alleviate poverty but is also an effort to empower people experiencing poverty. As an empowerment programme, microfinance activities have a broad impact, including three aspects: economic, socio-political, cultural, and personal or psychological (Miled & Rejeb, 2015). Meanwhile, Rout and Bag (2020) explain that the key to poverty alleviation is exploring the potential of the poor and their potential resources through empowerment activities.

According to Riwayati (2017), the experience in Indonesia demonstrates that only financially sustainable institutions may reach a large number of the poor people experiencing poverty, as how survival and sustainability can be achieved in banking with people experiencing Indonesia's experience confirms this experience. This is confirmed by Ginanjar and Kassim (2020), who disclose that Islamic microfinance institutions alleviate poverty by finding people experiencing poverty in the informal sector of the economy. Islamic social funds typically sponsor these institutions: *zakat*, *infaq*, *sadaqah*, and *waqf*. As Nursini said in Indonesia, other opinions also reveal that Islamic microfinance institutions help alleviate poverty.

According to the findings of the study by Febianto et al. (2019), it was concluded that household micro-entrepreneurs incomes and spiritual levels have grown as a direct result of their involvement with Islamic microfinance organisations. As a result of micro-entrepreneurs participating in the funding programme, the number of people living in poverty, in both a material and spiritual sense, has dropped. In the meantime, microfinance in Indonesia has played an essential role as a source of income for economically disadvantaged or microentrepreneurs (Yasin, 2020). During this time, it should be explained that the Mustahik empowerment programme needs to be connected with Islamic microfinance institutions to achieve the goal of successful financial inclusion for Mustahik (Mawardi et al., 2022).

The program represents an inclusive and equitable economy for the entire Indonesian population. The financial authority has issued regulations about Sharia microfinance organisations since 2017. Henceforth, "Sharia microfinance institution" shall denote Micro Waqf Banks, abbreviated MWB. The objective is to enhance financial resources or capital availability for a socioeconomically disadvantaged community lacking access to banking services or other established financial institutions. The objective is to enhance the well-being of individuals and mitigate disparities in economic and social conditions. Furthermore, providing training and business help yields optimal advantages in the context of the Micro Waqf Bank.

In their study on the development of Micro Waqf Banks, Nugroho and Hilal (2019) argue that the effectiveness of Islamic banks and Indonesian waqf organisations, together with their respective laws, should have been enhanced. Due to this rationale, the government endeavours to introduce a Micro Waqf Bank. Nevertheless, establishing institutional channels still limits their actions, and the sources of income are purported to contravene the fundamental principles of *waqf*. The designation is regarded solely as a label devoid of any endowment implementation. Furthermore, it is imperative to ascertain the sources of monies originating from cash *waqf* to establish comprehensive *waqf* legislation, implement effective management strategies, establish sustainable governance frameworks, and use technological improvements to enhance the collection and growth of cash *waqf* (Ali & Markom, 2020). In Malaysia, cash *waqf* can be used for social development on their framework and regulator mechanism; then, management skills are needed to fulfil the beneficiaries' needs (Baharudin & Bahri, 2023).

According to Mahat et al. (2015), the benefits or impacts of Micro Waqf Banks explain the differences before and after receiving Micro Waqf Bank funds, such as increasing profits, religious guidance, organisational development, market orientation, and business assistance. Then, Yuwono et al. (2022) explained that Micro Waqf Bank financing has a positive and practical impact on reducing poverty levels,

as indicated by the value of the funding and business assistance. Rizki et al. (2022) said that a Micro Waqf Bank is a mediator for improving micro-scale funding services for small, micro, and medium-sized enterprises. It is pursuing an economy and productivity geared towards income and community welfare. The positive impacts described contribute to reducing poverty and opening up employment opportunities so the community can carry out productive economic activities for its daily needs.

Innovation is a problem for developing communities, particularly for micro-enterprises. One of the concepts developed by the government in partnership with financial authorities, national zakat institutions, Sharia microfinance institutions, and Islamic boarding schools are the Micro Waqf Bank. Using *waqf* as a catalyst for empowering low-income people through productive financing can benefit the community of Micro Waqf Bank. As a result, the scenario described above highlights a gap in which policy instruments are accompanied by immense potential and resources. The fundamental issue, however, is the need for product innovation for Micro Waqf Bank customers, who are also microbusiness operators in the informal economy sector. As a result, this study aims to use a social evolution approach to create welfare and product innovation for Micro Waqf Bank customers.

LITERATURE REVIEW

Concept of Waqf

In the context of the word *waqf*, the plural form of the word is *awqaf*, and it essentially means "to prevent or detain," but its literal meaning is "confinement or detention". According to Alabij (2004), this is indeed the case, and this substantiates the fact that waqf holds property that can be used for its purposes without spending, harming, or consuming these assets for the benefit of many people. *Waqf*, therefore, can function as a foundation for Islamic social finance and generate funds for society's betterment (Ali & Markom, 2020). However, several obstacles and challenges arose during its execution, and other suggestions conflicted with *waqf*. It is possible to find a peaceful solution to the legal problem of *waqf* conceptually, resulting in a situation where both parties would gain (Muhamad Don & Osman, 2020).

In the aspect of state law, as contained in Law Number 41 of 2004 concerning *waqf*, it explains that legal actions for someone who will endow (*wakif*) to separate themselves or provide happiness to be used forever or within a certain period agreement are by the interests of many people. These legal actions are in the interests of many people, among other things, for worship activities, social activities, and welfare benefits for the wider community based on the principles of Sharia (BWI, 2012).

The attitude of *waqf* becomes a good deed that becomes an implementable character in social life, either explicitly or in general, according to its aim, which can be specific or general. Because of this, there is an overarching objective, which is to have a social function, to have compassion for and assist those who are less fortunate as a method of being closer to God, and to do so in a way that is beneficial to both economic life and the interactions that people have with one another in social life. The availability of facilities and infrastructure that are utilised for the public interest is the specific objective, and it is anticipated that this will promote shared prosperity in all aspects, including worship and *muamalah* (Depag, 2007).

Therefore, *waqf* is considered a conceptualisation of an intention carried out from *wakif* to *nazir*, which can refer to individuals and institutions. This intention is accompanied by goods that can be administered for more comprehensive benefits in the short and long term.

Concept of Micro Waqf Bank

Micro Waqf Bank is an Islamic lending organisation that helps people with low incomes (*mustahik*) get loans that follow Sharia law. The Financial Services Authority opened this place of business in October 2017. In order to get the Financial Services Authority up and running, it asked Islamic boarding schools to work with it. It also works with the National Amil Zakat Institution (LAZNAS) to manage and distribute lending capital by establishing an Islamic microfinance institution.

That way, Fitri (2021) said Micro Waqf Banks help people who cannot get bank loans because they do not meet the "5Cs of Credit": character, ability, capital, conditions, and guarantees. Micro Waqf Banks, on the other hand, are trying to improve microfinance services, encourage economic empowerment and community productivity, and increase the income and welfare of low-income communities.

Micro Waqf Bank aims to help people who have not been able to use formal banking or financial services (people who are "unbankable") and get rid of loan sharks who harass communities with complicated collection schemes. OJK will help the BWM model work with the IMFI platform to provide business loans without interest and boarding school management. Not only can Islamic boarding schools help solve the problem of poverty, but they can also make people more interested in Islamic financing (Ibrahim et al., 2021). Nur et al. (2019) defined business capital as money to start or grow a business and help run a business, including religious help, so that production, income, and profits go up and customers' economic situations improve.

Micro Waqf Banks are run with the help of Islamic boarding schools. Sulistiani et al. (2019) say that Islamic boarding schools run Micro Waqf Banks so that the funds are spread out and used by the community. This keeps the core of the system without lowering its benefits. On the other hand, the legal entity of a Micro Waqf Bank is a cooperative, and the Financial Services Authority watches over the business license of an Islamic microfinance organisation.

As a way to improve welfare, Disemadi and Roisah (2019) explain how Micro Waqf Banks are a forum for increasing access to micro-scale funding for communities and micro, small, and medium businesses and encouraging economic empowerment and productivity by leading to higher incomes and better community welfare.

Micro Waqf Banks do things like give loans and advice, lend money without collateral, do not handle public money, improve financial literacy and inclusion, reduce inequality and poverty, fund business capital, use a pick-up system to avoid moneylenders, offer low returns of about 3%, and are group-based (called "kumpi"). Because of this, OJK has come up with a plan or business model for mini *waqf* banks that look like this:



Fig. 1. Business Model of Micro Waqf Bank

Source: Bank Wakaf Mikro, (2019)

The following is an explanation based on the image above:

- Donors are all Indonesians who have extra money and are interested in empowering the poor and eradicating poverty in Indonesia.
- Productive society is defined as:
 - Communities that have met their basic survival needs
 - People who have productive businesses or have the will and enthusiasm to work
 - Communities committed to participating in the empowerment programme to finance customers who are productively poor but cannot access formal financial institutions.

- c. It is classified as non-deposit-taking because it does not manage public funds through savings, savings deposits, etc. It aims to empower the productive poor through microfinance, mentorship, financial outcomes, and other service income.

Thus, Micro Waqf Banks are an alternative for realising the wealth distribution process through cash waqf and productive waqf by offering access to more significant benefits that are not only economic and social but also spiritual or religious.

METHODS

The present study employs a qualitative methodology, specifically using a grounded theory approach. Creswell (2014) asserts that grounded theory, as a systematic design approach and qualitative methodology, can generate and apply conceptual ideas at a broader level by examining processes, activities, or interactions related to a significant issue.

The grounded theory understands the problems of unoptimal product innovation for Micro Waqf Bank customers, that statement coming from customers of Micro Waqf Bank. It was about finding solutions to create welfare for residents around Islamic boarding schools. The Micro Waqf bank approach is because it is an institution introduced to the broader community. So, the problems that occur must first be explored, and we have yet to find a theory that can test to find solutions. Thus, it hopes this research can produce new ideas or develop existing ones. This research was conducted at the An-Nawawi Micro Waqf Bank of Serang Regency, Banten Province of Indonesia.

The informants or respondents use purposive sampling as the research objective (Etikan, 2016). The data sources come from customers and managers of waqf banks. It collects research data from informant sources through observation, interviews, documentation, and literature studies. Data validation using triangulation includes data collection, reduction, presentation, and conclusion. Miles and Huberman (2005) define data analysis as a process involving iterative and ongoing operations until data saturation is achieved. This implies that no data will be acquired after its removal.

The present study used a data analysis technique for interviews known as continuous comparison analysis, developed by Strauss and Corbin (1998). This technique consists of three distinct stages: open coding, axial coding, and selective coding. Design thinking has emerged as a highly adaptable and responsive approach since 2008, effectively addressing the challenges posed by the rapid technological advancements characterising the modern era.

RESULTS AND DISCUSSION

Optimisation of Micro Waqf Banks on Welfare

They are optimising Micro Waqf Bank's community welfare by inviting the involvement of the Indonesian Ulama Council, the government, and certification bodies. Convergence between MWB and customers assisted in achieving accountable and trustworthy Sharia microfinance institutions accompanied by skilled resources. In contrast, customers have been given microfinance to get used to and are ready to become productive human beings with their help. The performance data of An-Nawawi's Micro Waqf Bank is as follows in Table 1:

Table 1: An-Nawawi Tanara Micro Waqf Bank Performance in 2021

| No | Performance | Amount |
|----|-----------------------|-------------------|
| 1 | Cumulative Finance | IDR 1,8 Billion |
| 2 | Outstanding Finance | IDR 255,2 Million |
| 3 | Cumulative Customers | 1200 people |
| 4 | Outstanding Customers | 232 people |
| 5 | Kumpi/Group | 89 Group |
| 6 | Sum Product | 3 Type |

Source: BWM (2021)

Table 1 shows that since its inception in 2018-2021, the number of fostered products carried out by the An-Nawawi Micro Waqf bank with superior products, namely birthday cakes and *kropcok* snacks, has increased. However, they have yet to utilise local resources or Serang Regency's characteristics to make more product innovation variations to provide market potential and a stronger brand image, as shown in Table 2:

Table 2. Population Data for Tanara Subdistrict in 2021 and Poverty Data for Serang Regency in 2021

| Man | Woman | Amount | Shops | Poverty | Poverty Line (IDR) |
|--------|--------|--------|-------|---------|--------------------|
| 20.982 | 19.490 | 40.472 | 111 | 83.090 | 362.102/Month |

Source: BPS, (2021)

Tables 1 and 2 above show that based on the number of poor people in Serang Regency, there are 83,090 people with a poverty line income of IDR. 362,102/person/month. Then, it was posed with the cumulative number of MWB An-Nawawi customers, as many as 1200 people, with a total financing cumulative of IDR. 1,800,000,000. The two data explained that the role of BWM An-Nawawi could reduce poverty rates in Serang Regency. Which is relatively small by 1,44%, or the total poverty rate of 81,890 people with an average income of IDR 2,000,000. Thus, from the various explanations above, it is explained that the An-Nawawi Tanara Micro Waqf Bank acts as a social agent in creating the community's welfare around the Islamic boarding school.

Knowing the definition of a micro waqf bank cannot represent a part of a bank or a *waqf* institution because it is a non-bank. The manager said that “*the naming of Micro Waqf is due to its operations being in an Islamic boarding school environment. It has operated as a Sharia microfinance institution to answer the problem of poverty in Indonesia in collaboration with institutions or based on Islamic boarding schools*”.

In its focus, MWB runs its operations as a Sharia microfinance institution focused on financing people with low incomes without yields, stating that this institution is purely for financing. The funds come from individual, institutional, or corporate donations submitted through the national Amil Zakat institution. Then, it provides funding to help those in need around the Islamic boarding school. Why the boarding school? Because it is one of the elements of society that have a strategic function in assistance that aims to encourage the surrounding community's economy (Fitrotus et al., 2021).

The strategy increases the role of Micro Waqf Banks by intensively inviting the involvement of administrators, managers, and supervisors and the participation of Islamic boarding schools and universities. This is the same environment in which the Islamic microfinance institution, the Micro Waqf Bank, was established.

As a Sharia microfinance institution, the role of Micro Waqf Banks has an essential purpose and is an instrument for strengthening synergy. That utilises support from national amil zakat institutions and then builds a business cycle with the financial authority through Sharia microfinance institution (MWB), which uses Islamic boarding schools as the spearhead. Why is boarding school the key to accessing and collaborating with the existence of the MWB policy? The manager of Micro Waqf Bank said, “*First, having*

character, leadership, and trust for the boarding school residents. Secondly, to provide support for the world of education to the community. Third, it has cultivated resources that support waqf and Islamic financial literacy. Fourth, implementing and developing social and economic aspects; fifth, strengthening Islamic values in Indonesia."

The role of MWB means not only financing or business profits but also broader business relationships and networks, domestic tranquillity, and improved religious attitudes and behaviour. This is supported by the opinion of Wulandari and Dzakiroh (2019), where the role of micro waqf banks on the welfare of customer members, including Islamic commercial financing, significantly increases the monthly liquidity of its members.

1. The social condition of the members shows that after becoming members, they created a friendlier and more helpful environment
2. Members' spiritual awareness increases after *practising* several *muamalah* based on verses and hadith
3. The number of members moving from poor to empowered conditions shows a positive trend.

An increase in business profits, household income, and peace in the family indicate the creation of welfare as individual and family resilience. Therefore, Fatira and Nasution (2019) support that the interest created by Micro Waqf Banks is essential for economic well-being by income (GNP, GDP, income per capita per month, asset value); social well-being is characterised by work/business activities and encouraging family members to continue or complete formal education; and mental/spiritual (psychological/spiritual) psychological well-being is described by individual, family, and community friendliness and serenity in worship. One of the achievements of family or community welfare is family resilience. At the same time, Nakabayashi (2019) explains that family resilience is the ability of the family to use its resources to achieve family welfare.

The characteristics of micro-businesses run by customers at Micro Waqf Banks reside in rural areas and make a living in the traditional economic sector. According to Lu et al. (2020), people could be more prosperous and better. Hence, efforts must be made to improve the community's living standard through poverty alleviation and improved health standards. Increase the achievement of a better level of education and the productivity of the community's businesses, increasing household income. This Micro Waqf Bank financing directly increases business capital and profits but does not impact household income and creates the community's welfare around the Islamic boarding school.

Customers reveal that with Micro Waqf Banks, "*they are aware not only of getting money but also of knowledge and attitudes related to the Islamic religion in the form of home or recitation. Because the purpose of Micro Waqf banks is to fulfil worldly or physical needs and spiritual or afterlife needs. HALMI activities are essential for increasing religious knowledge and muamalah to balance the world. The hereafter for the context of welfare brought into the Sharia microfinance institution, and MWB is not only to gain economic, material, and worldly benefits but to build a balance with the goal of Islamic interest in the context of maqasid sharia*". The same thing is revealed by Hashim and Tumiran (2022) in the form of food safety, where the concept of protecting life in maqasid sharia can be applied to the food production chain process via the specified food product safety factors.

Thus, from the discussion above, the Micro Waqf Banks' role is to create community welfare, finance, business income, poverty alleviation, weekly *Halaqah* (HALMI), micro-business development, and MWB product innovation. Meanwhile, the community welfare obtained is economical and mental-spiritual welfare for the community or customers. The role of women in active participation in MWB encourages effectiveness in the activities held and discipline in submitting regular instalments so that their involvement encourages family resilience efforts. Therefore, customer satisfaction is essential to making high-quality Islamic social finance and banking with the Maqasid Sharia principle (Yusoff & Ismail, 2020).

Six (6) Models of Social Evolution Create Product Innovation

Social innovation is intricately connected to utilising inventive approaches and advancing novel resolutions to address societal requirements. The following concepts encompass a range of approaches, from models of social innovation aimed at addressing specific issues to the intricate challenges posed by societal concerns. In addition to ascertaining lasting resolutions, it is crucial to address the issue of economic parity (Palma, 2020).

The research findings indicate that the SE6 model integrates the evolutionary model 6 and the spiral model of the six stages of social innovation. Murray et al. (2010) are a progressive approach towards design thinking and social innovation. Subsequently, the Portuguese enterprise Mindshake devised a prototype by modifying the social innovation method to enhance accessibility while ensuring its intuitiveness and applicability across diverse transdisciplinary domains (Moreira et al., 2021).

The Mindshake team decided to retain the divide into six phases, considering the presence of the design thinking evolution 6 model and the social innovation spiral model within the model framework. The author has additionally emphasised the letter 'E' due to its rationality, which strengthens and illuminates not only the concept of 'Evolution' but also the logical structure of the model and the foundation upon which it was constructed (Moreira et al., 2021) as in the following:



Fig. 2. 6 Models of Social Evolution
Source: Moreira et al., (2021)

- The concept of empathy encompasses forthcoming obstacles and societal requirements
- The process of exploration involves the generation of innovative concepts
- Elaboration entails the stages of prototyping, testing, and development
- Exposure refers to the act of presenting a project
- Execution involves the implementation and evaluation of the project's impacts
- Expansion denotes the pursuit of systemic improvements.

While optimising product innovation for Micro Waqf Bank customers is through the involvement of the Indonesian Ulama Council, the participation of the government, and the involvement of certification bodies, however, they have yet to utilise local resources or each region's characteristics to ensure that a wider variety of product innovations provide market potential and a stronger brand image.

Empathy

Empathy endeavours to identify prospects through trend analysis and research endeavours in social innovation, which necessitate a human-centred understanding of forthcoming issues and societal requirements. Empathy can be cultivated by seeing and understanding the underlying motivations and reasons behind an individual's actions (Peschl et al., 2021).

In general, the utilisation of data can facilitate the understanding of the underlying factors that drive human behaviour among users. Through empathising, the designer actively sets aside preconceived notions and personal biases to gain a deeper and more comprehensive understanding of the user.

Exploration

The exploration phase examines concepts that foster personal engagement within the undertaking, with the interactive component being of utmost importance throughout this stage. The initial phase involves the identification of potential opportunities and contexts. In contrast, the subsequent phase entails assembling persons to exchange ideas about the presently analysed environment.

In implementing the guidelines for Micro Waqf Banks, the role of Islamic boarding schools provides aspects of spiritual welfare. So, they get not only economic or material welfare but also religious welfare, namely the existence of recitation, *tausiyah*, and other worship practices. Thus, this exploration stage involves many parties gradually increasing public literacy about Micro Waqf banks, increasing optimal customer product marketing, and optimising product innovation for customers.

Elaboration

The third stage involves prototyping, testing, and development to elaborate on the subject further. The elaboration stage is executed using prototype, testing, and development. After sharing ideas among individuals, the subsequent stages of prototyping and testing tend to be time-consuming. At this juncture, an optimal solution will not be achieved. Nevertheless, conscious awareness entails engaging in trial and error, refining one's understanding, and conducting experiments to develop an initial perspective on the solution.

However, the Micro Waqf Bank has only been running for four years since its formation in 2018. It mainly focuses on internal strengthening and customer needs, so the prototype is still short-term. Meanwhile, increasing customer product innovation through halal standardisation training, convenience in product licencing, and packaging technology.

Expose

The fourth stage of the exhibition project focuses on the presentation of semantic solutions. These solutions provide suggestions for improving help and assuring proper content creation. Additionally, the approach used emphasises the importance of maintaining sustainable solutions. In order to enhance customer product innovation, companies can pursue many strategies, such as obtaining halal certificates, using brand labelling, acquiring governmental licences for their products, and designing appealing packaging.

Execution

This study focuses on implementing and evaluating the fifth stage of design thinking and social innovation, which specifically examines the impact of execution on addressing social problems. The research explores the theoretical foundations and practical instruments associated with this stage. The execution phase involves the application of the proposed solution to the relevant environment to assess its impact. The solution is streamlined, and its impact and evaluation are monitored across multiple dimensions. This study emphasises the impact of a social and psychological state on society and examines whether it represents a socially creative solution.

Expansion

The expansion stage deals with systemic change for greater involvement of all individuals. At this stage, the intrinsic factors related to culture, behaviour, and professional and coordinated practice elevate the new one into further expansion and growth. It analyses what is developing according to the specifics of the system. A sustainable approach that only works because of old habits and patterns strengthens the perception of security and comfort. It should be considered a gold mine for systemic change because security and comfort are illusions and goals. It is to have consistent growth. Meanwhile, increasing

customer product innovation through passing halal labels on each product, obtaining official product brand permits, applying attractive packaging, and passing product consumption-worthy tests.

The design thinking process paradigm, which has gained widespread adoption, typically commences with the observation phase, followed by problem formulation, solution generation, and prototype development. The prototype will undergo testing to determine its ability to address the situation. This model was developed by considering the circumstances of the COVID-19 pandemic and the subsequent circumstances that necessitate human engagement in social evolution for survival. It conformed to the prevailing norms and aesthetic preferences. Regarding the attributes deemed suitable for innovation and development, the setting above includes factors such as quantity, composition, dynamics, and temporal availability.

Lack of product innovation after financing gives to the customer, then carries out its business activities only. Because it is a microbusiness with a fast daily cycle, it needs a rapid turnover of money. The business must also earn daily income and cover living expenses, including allocating funds for instalment payments. In marketing, the managers and administrators of Micro Waqf Banks only provide direction to fellow members of Micro Waqf Banks and Islamic boarding schools. They have yet to make more exhaustive marketing efforts, including assisting product innovation so that the products produced by customers have added value to increase their income.

In developing products produced by Micro Waqf Bank customers, it is necessary to map the types of products, whether in the form of consumer products for raw, processed, or ready-to-eat food with different shelf-life times. For this reason, one way to convince consumers or the market of the need for SME products is to innovate in instrument-carrying materials, processing methods, flavours, packaging, and product marketing systems.

Design thinking is a concept that product designers primarily use to develop their products to be accepted by consumers. It also involves finding and determining problems that are in progress and do not stop like a cycle. Suppose the design constantly adapts to the behaviour and desires of producers and consumers.

In this scenario, the relevance of the Micro Waqf Banks to the community as clients and managers will persist. The author endeavours to elucidate the structure of the model flow, drawing upon the principles of the design thinking technique. The table below demonstrates how it might serve as a factor for stakeholders to consider when designing product improvements for prospective consumers of the Micro Waqf Bank in the future.

Table 3. 6 Social Evolution Models Analysis

| Empathy | Exploration | Elaboration | Exposure | Execution | Expansion |
|--|---|---|---|--|--|
| MWB customer product innovation is still weak and un-optimal | <ul style="list-style-type: none"> Indonesian ulama council involvement Government involvement Involvement of certification bodies | <ul style="list-style-type: none"> Halal standardisation and training Ease of product licensing Packaging technology Product health standards | <ul style="list-style-type: none"> Halal certification Brand labelling Product has an official license Attractive packaging Suitable for consumption | <ul style="list-style-type: none"> Getting halal labelling Obtaining official license product and intellectual property right Simple packaging Maintaining product consumption testing | <ul style="list-style-type: none"> Halal labelling License trademark or copyright Attractive packaging Product consumption feasibility |

Source: Authors Analysis (2022) and Adaptive from Moreira et al. (2021)

The foundation of the six social evolution design thinking methodologies is developing a workshop programme by considering a comparative and qualitative analysis of the model mentioned above and several tools—the approach used by the qualitative research methodology. According to the author, it is entirely appropriate because the comparison is essential in reviewing the design thinking literature, which follows the social evolution and each situation of the community around the Islamic boarding school, especially for Micro Waqf Bank customers.

The author's analysis in this research results in creating a programme using the six social evolution models as an effective method to answer the research objectives that have been set. In addition to the model, this program also uses a device to guide individuals or groups who will develop solutions for social evolution or social distancing during the COVID-19 pandemic. The author's argument is to analyse using design thinking because many restrictions must be followed in an abnormal situation, especially during the COVID-19 pandemic. The business activities carried out by Micro Waqf Bank customers are fine with the six-evolution model approach (Adam & Alarifi, 2021). The methods described above can help develop a microsystem that is adaptive and easy to apply to all stakeholders. So that each stage is carried out correctly, resulting in a set hierarchy.

The weaknesses of the research used design thinking analysis. With all informants, this study is in rural areas with relative obstacles in accessing internet services, including weak signals, consistency of applications to be implemented, and the level of participation of users, both customers as sellers and the general public as buyers.

CONCLUSION

Micro Waqf banks are Sharia microfinance institutions currently developing around Islamic boarding schools in Indonesia by providing micro and medium-scale business loans to improve their customers' welfare. The Micro Waqf banks endeavour to enhance product innovation to benefit populations residing near Islamic boarding schools. The Indonesian Ulama Council, government entities, and product certifying authorities are involved. This research employs a design thinking methodology to develop strategies to enhance product innovation for consumers of Micro Waqf Bank while simultaneously promoting their welfare by optimising halal labelling practices. The safeguarding of intellectual property rights encompasses the protection of brands, visually appealing packaging, and the viability of product use. The present study employs a grounded theory methodology, yielding theoretical advancements about the issues in the respective discipline.

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CONFLICT OF INTEREST STATEMENT

In connection with the writing of this article, the author has indicated that they do not have any competing interests, such as financial or personal relationships.

AUTHORS' CONTRIBUTIONS

Muhamad Fauzi carried out the research and wrote and revised the article. IGN Oka Widana designed the research and supervised the research progress. Rahmat Dahlan conceptualised the central research idea and provided the theoretical framework. Ssonko Muhammedi anchored the review and revisions and approved the article submission.

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