

Zakatability Of Contemporary Wealth in Malaysia

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ABSTRACT

Zakat institutions in Malaysia are under the state's governance. Even though Malaysia gains its national independence 59 years ago, its zakat governance at both state and federal level seems acts as an obstacle to the system, especially in term of its uniformity in imposing fatwa on zakat including in identifying contemporary zakatable assets. This paper attempts to analyze the classical and contemporary wealth which is made subject to zakat in Malaysia and its application at state and federal levels as well as suggests ways of overcoming any obstacles associated with them. It discusses the development phases of zakatable wealth in this country and then its zakat governance at both state and federal authorities, before exploring the wealth or assets are made subject to zakat. To achieve the intended objectives, this study will be fully implemented by using the library research method based on qualitative evaluation. It involves document analyses of policy documents, journal articles, internet sources, and books. The study found that the tremendous improvement in the zakat management efficiency is because of the support from the federal government and the corporatization of zakat institutions. The study also found that there are several contemporary wealth and assets are subject to zakat made by



religious authorities at state and federal levels. Among the significant zakatable wealth like various sources of personal income such as salary and remunerations, EPF, various types of business, investment, finance, and many more. The findings of this research show that zakat authorities in Malaysia accommodate contemporary changes in the concept of wealth and give an opportunity in exploring the expansion of other zakatable assets resources in the form of modern assets. However, some contemporary wealth is not clearly defined by JAKIM or JAWHAR at the federal level authority but it is adopted by some state zakat institutions.

Keywords: contemporary, fatwas, the basis of zakatability, wealth, zakat.

INTRODUCTION

The microenterprise 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 & Ouajdouni (2021) emphasized that microbusiness activities are a business that develops consistently in the national economy and is a forum for creating jobs. It potentially provides broad opportunities for anyone to become a microbusiness actor, including those who have worked in the formal sector.

From the economic aspect, the Shariah microfinance contributed 31.26% of the total small and medium business entities in 2020. This was represented by the involvement of 4,230,000 business actors from 13,350,000 people through 80 Islamic microfinance institutions with IDR. 490,200,000,000 and 4,169 Shariah savings and loan cooperatives with assets amounting to IDR.17,628,000,000,000 (OJK, 2021; Cooperation Ministry, 2021). The data illustrates the potential and market share of Islamic microfinance services. Thus, it must be pursued through various macro policy channels so that the growth rate impacts the underprivileged or poor.

The potential of microenterprises through Islamic microfinance institutions is expected to grow alongside the implementation of government policies. These policies aim to facilitate and expand access for job creation and community welfare, particularly through the utilization of innovative instruments and the digitization of products. Additionally, Hagqvist et al. (2020) argue that microenterprises with innovative approaches can add value and enhance competitiveness among other business entities in terms of product innovation and marketing facilitation.

The government has established a Micro *Waqf* Bank (MWB) through a Shariah microfinance institution as one of the provided instruments. These banks have remained stable at Islamic Boarding Schools in Indonesia, providing capital, fostering product innovation, and facilitating access to marketing. Furthermore, according to Fianto et al. (2019), the development of microenterprises will lead to increased income and improved welfare for microbusiness actors through financing from Islamic economic institutions.

However, access to financial services remains limited, especially for economically disadvantaged individuals. According to Habibullah (2019), only 22.2% of the low-income adult population, among the 40% considered low-income, has an account, leaving a significant portion of the population without access to financial services. Approximately 80% of people living in poverty are excluded from traditional financial institutions. Additionally, Addae and Korankye (2014) found that those in poverty often lack access to the banking sector and have limited means to generate income. Erlando et al. (2020) suggest that the challenge of eradicating poverty is difficult, as it is primarily a structural issue stemming from the unequal distribution of welfare. Moreover, Bolton and Rosenthal (2005) highlight the inaccessibility of conventional credit markets for low-income individuals.

Additionally, Duasa and Thaker (2017) have highlighted the challenges faced by small business owners, who are often low-income individuals, in accessing bank financing. These challenges include higher interest rates, strict documentation requirements, demands for collateral, inadequate funding, lengthy loan durations, and specific characteristics of the businesses. Diniyya (2019) concluded that *waqf*-based microfinance organizations may encounter various issues that require attention, such as credit risk, moral hazard, and economic feasibility.

Considering the efficiency of innovation services, Shin et al. (2022) highlight that all efforts to improve product innovation aim to obtain recommendations from consumers for market access, thus enhancing the community's economy sustainably. Furthermore, Chang-Muñoz et al. (2021) explain that innovation can benefit producers, consumers, and distributors, consequently increasing demand. Subsequently, business actors must be capable of creating change and innovation to generate new market opportunities for economic development in the community (Maulida et al., 2020). The number of workers supporting microenterprises, as explained by Slavec (2022), amounts to 9 people, who are increasingly innovative in providing competitiveness for their products. The lack of innovation among small business actors will further hinder business growth (Luamba et al., 2021).

In several developing countries, microfinance institutions have been considered a successful effort in alleviating poverty. This microfinance initiative not only aids in poverty reduction but also works towards empowering individuals experiencing financial hardship. As an empowerment program, microfinance activities have a broad impact, encompassing economic, socio-political, cultural, and personal or psychological aspects (Miled & Rejeb, 2015). Meanwhile, Rout and Bag (2020) elaborate that the key to poverty alleviation lies in exploring the potential of the impoverished and their available resources through empowerment activities.

According to Riwayati (2017), the Indonesian experience demonstrates that only financially sustainable institutions can reach a large number of people experiencing poverty. The survival and sustainability achieved in banking with people in Indonesia confirm this experience. This is supported by Ginanjar and Kassim (2020), who reveal that Islamic microfinance institutions alleviate poverty by catering to individuals in the informal sector of the economy who are experiencing financial hardship. These institutions are typically sponsored by Islamic social funds such as *zakat*, *infaq*, *sadaqah*, and *waqf*. Additionally, as Nursini (2020) indicated, other opinions also suggest that Islamic microfinance institutions help alleviate poverty in Indonesia.

The findings of the study by Febianto et al. (2019) concluded that the incomes and spiritual levels of household microentrepreneurs have increased as a direct result of their involvement with Islamic microfinance organizations. The participation of microentrepreneurs in the funding program has led to a reduction in the number of people living in poverty, both in material and spiritual terms. Furthermore, microfinance in Indonesia has played an essential role as a source of income for economically disadvantaged individuals and microentrepreneurs (Yasin, 2020).

It should be emphasized that the *mustahik* (low income) empowerment program needs to be connected with Islamic microfinance institutions to achieve the goal of successful financial inclusion for the *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 Shariah microfinance organizations (also known as Micro *Waqf* Banks (MWB)) since 2017. The objective is to enhance financial resources or capital availability for socio-economically disadvantaged communities that lack access to banking services or other established financial institutions. The primary goal is to improve the well-being of individuals and mitigate disparities in economic and social conditions. Furthermore, providing training and business support yields optimal benefits within the context of the Micro *Waqf* bank.

In a study on the development of MWB, Nugroho and Hilal (2019) argue that the effectiveness of Islamic banks and Indonesian *waqf* organizations, along with their respective laws, should be enhanced. Due to this rationale, the government introduced MWB. 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 money 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 based on their framework and regulatory mechanism, but it requires management skills to fulfill the beneficiaries (Baharudin & Bahri, 2023).

According to Mahat et al. (2015), the benefits or impacts of MWB explain the differences before and after receiving MWB funds, which include increased profits, religious guidance, organizational development, market orientation, and business assistance. Yuwono et al. (2022) further explained that MWB 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) stated that a MWB acts as a mediator for improving micro-scale funding services for small, micro, and medium-sized enterprises, aiming to boost the economy and productivity geared towards income and community welfare. These positive impacts contribute to poverty reduction and the creation of employment opportunities, enabling the community to carry out productive economic activities for its daily needs.

Innovation poses a significant challenge for developing communities, especially for microenterprises. In addressing this challenge, the concept of the MWB is developed in collaboration with the government, financial authorities, national zakat institutions, Shariah microfinance institutions, and Islamic boarding schools. Utilizing *waqf* as a tool for empowering low-income individuals through productive financing can significantly benefit the MWB community. The outlined scenario emphasizes a crucial gap where policy instruments must be accompanied by substantial potential and resources. However, the primary concern remains the necessity of product innovation for MWB customers, who also function as microbusiness operators within the informal economy sector. Therefore, this study aims to adopt a social evolution approach to foster welfare and encourage product innovation among MWB customers.

LITERATURE REVIEW

Concept of *Waqf*

In the context of the term *waqf*, the plural form is *awqaf*, which originates from the Arabic word meaning to prevent or detain. Its literal translation is confinement or detention. Alabij (2004) corroborates this definition, emphasizing that *waqf* involves the holding of properties that can be utilized for specific purposes without depleting or using up these assets, thereby benefiting numerous individuals.

In terms of state law, as stipulated in Law Number 41 of 2004 concerning *waqf*, it explained the legal provisions governing the endowment intention to separate or contribute to perpetual or time-bound happiness to be utilized for the benefit of many. These legal actions primarily serve the interests of multiple stakeholders, encompassing activities such as worship, social welfare, and community well-being, all based on the principles of Sharia (Badan Wakaf Indonesia, 2012).

The concept of *waqf* embodies a virtuous practice that manifests itself as a tangible aspect of social life, both explicitly and generally, based on its specific or general objectives. As a result, its overarching goal remains to serve a social purpose, to extend compassion and aid to the less fortunate as a means of drawing closer to God, and to foster an environment conducive to economic activity and social interactions. The provision of facilities and infrastructure utilized for public welfare represents the specific intention, with the expectation of fostering collective prosperity in various domains, encompassing religious worship and interpersonal dealings (Depag, 2007)

Therefore, *waqf* is essentially a conceptualisation of the intention executed from the *wakif* to the *nazir*, encompassing both individuals and institutions. This intention is accompanied by assets that can be managed for more comprehensive and sustainable benefits in both the short and long term.

Concept of Micro *Waqf* Bank

Micro *Waqf* Bank (MWB) is an Islamic lending institution dedicated to providing Shariah-compliant loans to individuals with low incomes (*mustahik*). Established in October 2017 by the Financial Services Authority (OJK), it collaborated with Islamic boarding schools and the National Amil Zakat Institution (LAZNAS) to manage and allocate lending capital, thereby establishing an Islamic microfinance facility.

In this regard, Fitri (2021) noted that MWB provide assistance to individuals unable to secure traditional bank loans due to their failure to meet the '5Cs of Credit' encompassing character, capacity, capital, conditions, and collateral. The primary objective of MWB is to enhance microfinance services, stimulate economic empowerment and community productivity, and elevate the income and welfare levels of underprivileged communities.

MWB aims to provide assistance to individuals who have been excluded from the formal banking or financial services sector (commonly referred to as the '*unbankable*') and to eradicate the exploitation of communities by loan sharks employing complex debt collection methods. The Financial Services Authority (OJK) collaborates with the MWB model and the Islamic Microfinance Institution (IMFI) platform to offer interest-free business loans and manage the operations of Islamic boarding schools. Additionally, Islamic boarding schools not only help alleviate poverty but also generate interest in Islamic financial services among the populace (Ibrahim et al., 2021). According to Nur et al. (2019), business capital refers to the funds used for business initiation, expansion, and sustenance, including religious aid, aimed at elevating production, income, and profits, thereby enhancing the financial well-being of customers.

MWB operate in collaboration with Islamic boarding schools. According to Sulistiani et al. (2019), these schools manage MWB, ensuring that the funds are distributed and utilized within the community without compromising the fundamental principles of the system. Meanwhile, MWB are established as cooperatives, and their business licenses are overseen by the OJK, ensuring compliance with regulations governing Islamic microfinance organizations.

Disemadi and Roisah (2019) elaborate the role of MWB to serve as a platform in enhancing access to micro-level financing for communities and small to medium-sized enterprises, fostering economic empowerment and productivity. This, in turn, leads to increased income and improved community welfare.

MWB provide various services, including offering loans and guidance, providing collateral-free loans, promoting financial literacy and inclusivity, reducing inequality and poverty, facilitating business capital funding, employing a rotating savings and credit association (ROSCA) system to discourage loan sharks, offering modest returns of around 3%, and operating on a group-based structure known as '*kumpi*'. Consequently, OJK has devised a business model for MWB based on these functions, as illustrated in Figure 1:



Figure 1: Business Model of Micro Waqf Bank (Source: Bank Wakaf Mikro (2019))

The following is an explanation based on the provided illustration:

- a. Donors encompass all Indonesians who possess surplus funds and are inclined towards empowering the impoverished and eliminating poverty in Indonesia.
- b. Productive society is characterized by:
 - Communities that have fulfilled their fundamental survival needs.
 - Individuals engaged in productive businesses or those displaying the desire and eagerness to work.
 - Communities dedicated to participating in the empowerment program to financially support individuals who are productive yet lack access to formal financial institutions.
- c. It falls under the non-deposit-taking category as it does not oversee public funds through savings, deposit accounts, etc. Its objective is to empower the productive poor through microfinance, guidance, financial outcomes, and additional service-related income.

Thus, MWB serves as an alternative for facilitating the distribution of wealth through cash *waqf* and productive *waqf*, providing access to substantial benefits that extend beyond economic and social realms to encompass spiritual and religious dimensions.

METHODOLOGY

The present study employs a qualitative methodology, specifically using a grounded theory approach. According to Creswell (2014) grounded theory, as both systematic design approach and qualitative methodology, is capable of generating and implementing conceptual ideas on a broader scale by examining

processes, activities, or interactions related to a significant issue.

The grounded theory addresses the challenges associated with suboptimal product innovation among MWB customers, as reported by the customers themselves. This focus was aimed at finding solutions to improve the welfare of the residents surrounding Islamic boarding schools. The introduction of the MWB to the wider community necessitates a thorough exploration of the issues at hand, requiring the development of a theory that can be tested to identify effective solutions. Therefore, this research aims to generate new ideas or build upon existing ones. The study was conducted at the An-Nawawi Tanara MWB in Serang Regency, Banten Province, Indonesia.

The selection of informants or respondents is based on purposive sampling in alignment with the research objectives (Etikan, 2016). The data sources for this study are derived from both customers and managers of *waqf* banks. Research data is gathered through various means, including observation, interviews, documentation, and literature studies. Data validation is achieved using triangulation, encompassing data collection, reduction, presentation, and the drawing of conclusions. According to Miles et al. (2005), data analysis is an iterative and ongoing process that continues until data saturation is achieved, meaning that no additional data is obtained upon its removal.

The current study employed the continuous comparison analysis technique for interview data, developed by Strauss and Corbin (1998). This technique involves three key stages: open coding, axial coding, and selective coding. Since 2008, design thinking has emerged as an adaptable and responsive approach, effectively addressing the challenges posed by the rapid technological advancements that characterize the modern era.

RESULTS AND DISCUSSION

Optimization of Micro *Waqf* Banks on Welfare

The community welfare of the MWB is being optimized through the active participation of the Indonesian Ulama Council, the government, and certification bodies. The collaboration between the MWB and its customers has facilitated the establishment of reliable and accountable Shariah microfinance institutions, supported by skilled resources. Furthermore, customers have received microfinance assistance to enhance their capabilities and become productive individuals. The performance data of An-Nawawi's MWB is outlined in Table 1.

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

| Performance | Amount |
|-----------------------|-------------------|
| Cumulative Finance | IDR 1.8 Billion |
| Outstanding Finance | IDR 255.2 Million |
| Cumulative Customers | 1200 people |
| Outstanding Customers | 232 people |
| Kumpi/Group | 89 Group |
| Sum Product | 3 Type |

Source: Bank Wakaf Mikro (2021)

Table 1 indicates that from 2018 to 2021, An-Nawawi Tanara MWB has witnessed a growth in the range of supported products, specifically in the production of birthday cakes and *kropcok* snacks. Nevertheless, there remains untapped potential in leveraging local resources and the distinctive characteristics of Serang Regency to expand product innovation, thus creating more market opportunities and reinforcing the brand's identity, as presented 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: Badan Pusat Statistik (2021)

Based on the data provided in Tables 1 and 2, it is evident that there are approximately 83,090 individuals in Serang Regency living below the poverty line, with an income of IDR 362,102 per person per month. In contrast, the cumulative count of An-Nawawi Tanara MWB customers amounts to 1200 people, with a total financing sum of IDR 1,800,000,000. These figures indicate the potential impact of An-Nawawi Tanara MWB in reducing the poverty rate in Serang Regency by 1.44%, affecting a total of 81,890 individuals with an average monthly income of IDR 2,000,000. Therefore, it can be inferred that An-Nawawi Tanara MWB plays a pivotal role as a catalyst for social change, contributing to the welfare of the community surrounding the Islamic boarding school.

Understanding the concept of MWB implies recognizing that it does not exclusively embody a fraction of bank or *waqf* institution, as it operates independently as a non-bank entity. According to the Manager, *‘the naming of Micro Waqf is due to its operations being in an Islamic boarding school environment. It has operated as a Shariah microfinance institution to answer the problem of poverty in Indonesia in collaboration with institutions or based on Islamic boarding schools’*.

In its core mission, the MWB operates as a Shariah-compliant microfinance institution with a primary focus on providing financing for individuals with low incomes, without expecting any returns. It emphasizes that its core function lies in offering financial support. The funds for these operations are sourced from individual, institutional, or corporate donations facilitated through the national *amil* zakat institution. Subsequently, the bank distributes these funds to aid those in need within the vicinity of the Islamic boarding school. The choice of the boarding school as a focal point is informed by its strategic role in facilitating assistance and fostering the local community's economic well-being (Fitrotus et al., 2021).

The approach seeks to strengthen the influence of MWB by actively engaging administrators, managers, and supervisors, alongside the collaboration of Islamic boarding schools and universities. It is within this very environment that the Islamic microfinance institution (MWB) was established.

As a Shariah microfinance institution, the role of MWB serves a fundamental purpose and acts as an instrument for reinforcing synergy. This involves leveraging support from national *amil* zakat institutions and establishing a business cycle in collaboration with the financial authority through the Shariah microfinance institution (MWB), with Islamic boarding schools serving as the main catalyst. The choice of boarding schools as a focal point for access and collaboration in the MWB policy is a deliberate strategic decision. The manager of the MWB explained '*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 extends beyond mere financing and business profits; it encompasses broader business relationships and networks, domestic harmony, and improved religious attitudes and behavior. Wulandari and Dzakiroh (2019) support this notion, stating that the role of MWB in the welfare of customer members, including Islamic commercial financing, significantly increases the monthly liquidity of its members. Their findings suggest the following points:

- a. The social environment of the members exhibits a friendlier and more helpful atmosphere after becoming members.
- b. Members' spiritual awareness increases as they engage in various *muamalah* based on Quranic verses and hadith.

- c. The number of members transitioning from impoverished to empowered conditions demonstrates a positive trend.

The elevation of business profits, household income, and family harmony signifies the establishment of welfare as individual and familial resilience. In line with this perspective, Fatira and Nasution (2019) endorse the notion that the impact created by MWB is crucial for economic well-being, as evidenced by various factors such as Gross National Product (GNP), Gross Domestic Product (GDP), income per capita per month, and asset value. Moreover, social well-being is defined by work or business activities and the encouragement of family members to pursue or complete formal education. Furthermore, mental and spiritual well-being is characterized by individual, familial, and communal kindness and tranquility in religious practices. One of the benchmarks of family or community welfare lies in family resilience, as elucidated by Nakabayashi (2019), who defines family resilience as the family's ability to utilize its resources to achieve overall family welfare.

The attributes of microenterprises managed by patrons of MWB are predominantly found in rural regions, engaging in traditional economic activities for their livelihood. As highlighted by Lu et al. (2020), individuals could experience enhanced prosperity and well-being through initiatives aimed at elevating living standards, reducing poverty, and improving healthcare provisions. Moreover, this could contribute to achieving higher levels of education and bolstering the productivity of community businesses, ultimately leading to an augmentation in household income. The direct consequence of the MWB's financing is the augmentation of business capital and profits, thereby not only impacting household income but also fostering the welfare of the community surrounding the Islamic boarding school.

Customers reveal that through the MWB, *‘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. Halaqah activities are essential for increasing religious knowledge and muamalah to balance the world. The hereafter for the context of welfare brought into the Shariah 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 syariah’*. Hashim and Tumiran (2022) similarly highlight food safety as a critical area, emphasizing the application of the concept of preserving life in *maqasid Shariah* through the implementation of specific safety measures in the food production chain process.

Hence, as evidenced in the above discussion, MWB plays a crucial role in fostering community welfare, facilitating business income, reducing poverty, hosting weekly *halaqah*, fostering microbusiness development, and promoting MWB product innovation. Furthermore, the community welfare derived includes both economic and mental-spiritual well-being for the community and customers. The active participation of women in MWB contributes to the effectiveness of the conducted activities and the discipline in timely installment submissions, thereby supporting family resilience endeavors. Consequently, ensuring customer satisfaction is imperative to uphold the high quality of Islamic social finance and banking, all within the framework of the *maqasid Shariah* principle (Yusoff & Ismail, 2020).

Six (6) Models of Social Evolution Fostering Product Innovation

Social innovation involves the use of creative methods and novel solutions to address societal needs. These concepts encompass a range of approaches, from models of social innovation aimed at specific issues to the complex challenges posed by societal concerns. In addition to identifying lasting solutions, addressing the issue of economic parity is crucial (Palma, 2020).

The research findings suggest that the SE6 model integrates the evolutionary model 6 and the spiral model of the six stages of social innovation, as proposed by Murray et al. (2010). This model presents a progressive approach to design thinking and social innovation. A Portuguese enterprise, Mindshake, developed a prototype by adapting the social innovation method to enhance its accessibility, ensuring its intuitive nature, and applicability across diverse transdisciplinary domains (Moreira et al., 2021). The Mindshake team maintained the division into six phases, acknowledging the inclusion of both the design thinking evolution 6 model and the social innovation spiral model within the framework.

The author has also underscored the significance of the letter 'E' due to its rationale, which fortifies and illuminates not just the concept of 'Evolution' but also the logical structure of the model and its foundational principles (Moreira et al., 2021), as the following:



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

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

While optimizing product innovation for MWB customers involves the participation of the Indonesian Ulama Council, the government, and certification bodies, it has yet to fully utilize local resources or the distinctive characteristics of each region to ensure a wider array of product innovations that provide market potential and a stronger brand image.

i. Empathy

Empathy seeks to identify opportunities through trend analysis and research in social innovation, requiring a human-centered comprehension of upcoming challenges and societal needs. It can be fostered by observing and comprehending the underlying motivations and rationales behind an individual's actions (Peschl et al., 2021).

In essence, the use of data can aid in grasping the fundamental factors that influence human behavior among users. By empathizing, the designer consciously puts aside preconceived notions and personal biases to attain a more profound and comprehensive understanding of the user.

ii. Exploration

The exploration phase assesses concepts that encourage personal engagement within the project, emphasizing the interactive element as crucial throughout this stage. The initial phase involves identifying potential opportunities and contexts, while the subsequent phase entails convening individuals to exchange ideas concerning the current environment under analysis.

When implementing guidelines for MWB, the role of Islamic boarding schools contributes to aspects of spiritual welfare. Consequently, customers receive not only economic or material welfare but also religious welfare, including recitations, religious discourses, and other spiritual practices. Therefore, this exploration stage involves various stakeholders gradually enhancing public awareness about MWB, optimizing customer product marketing, and improving product innovation for customers.

iii. Elaboration

The third stage encompasses prototyping, testing, and development to further elaborate on the subject. The elaboration stage involves the use of prototypes for testing and development. After the exchange of ideas among individuals, the subsequent stages of prototyping and testing are typically time-consuming. At this stage, an optimal solution may not be immediately realized. However, conscious awareness involves engaging in trial and error, refining one's understanding, and conducting experiments to develop an initial perspective on the solution.

In the case of the MWB, it has only been operational for four years since its establishment in 2018. Its primary focus lies in internal strengthening and meeting customer needs, leading to a relatively short-term prototype. Meanwhile, efforts are being made to enhance customer product innovation through halal standardization training, ease of product licensing, and advancements in packaging technology.

iv. Expose

The fourth stage of the exhibition project concentrates on presenting meaningful solutions. These solutions offer recommendations for enhancing support and ensuring appropriate content creation. Moreover, the employed approach underscores the significance of maintaining sustainable solutions. To foster customer product innovation, businesses can pursue various strategies, including obtaining halal certifications, implementing brand labeling, securing governmental licenses for their products, and designing attractive packaging.

v. 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 delves into the theoretical foundations and practical instruments associated with this stage. The execution phase involves applying 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 emphasizes the impact of the social and psychological state on society and investigates whether it represents a socially creative solution.

vi. Expansion

The expansion stage deals with systemic change for the greater involvement of all individuals. At this stage, intrinsic factors related to culture, behavior, and professional and coordinated practice elevate the new one into further expansion and growth. It analyzes what is developing based on the specifics of the system. A sustainable approach that only works due to old habits and patterns reinforces the perception of security and comfort. It should be considered a gold mine for systemic change because security and comfort are illusions and goals. The aim is to achieve consistent growth. Meanwhile, the increase in customer product innovation involves 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 situations 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.

The lack of product innovation post-financing often results in customers solely focusing on their business activities. Given that these are microbusinesses with fast daily cycles, there is a necessity for a rapid turnover of funds. These businesses also need to generate daily income to cover living expenses, including allocating funds for installment payments. In terms of marketing, the managers and administrators of MWB currently provide guidance to fellow members of the MWB and Islamic boarding schools. However, they have yet to engage in more comprehensive marketing efforts, including assisting with product innovation, to ensure that the products created by customers add value and subsequently increase their income.

To develop the products produced by MWB customers, it is essential to categorize the types of products, distinguishing between consumer products for raw, processed, or ready-to-eat food, each with different shelf-life durations. Consequently, one approach to persuading consumers or the market for SME products involves innovation in instrument-carrying materials, processing techniques, flavors, packaging, and product marketing systems.

The concept of design thinking is primarily employed by product designers to develop products that are accepted by consumers. It revolves around identifying and addressing ongoing issues that persist in a cyclical manner. Design continuously adapts to the behaviors and preferences of both producers and consumers.

In this context, the relevance of MWB to the community, both as clients and managers, will endure. The author aims to clarify the structure of the model flow, drawing on the principles of the design thinking technique. The table below illustrates how this could serve as a factor for stakeholders to consider when designing product enhancements for prospective consumers of the MWB 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 | Indonesian ulama council involvement Government involvement Involvement of certification bodies | Halal standardization and training Ease of product licensing Packaging technology | Halal certification Brand labelling Product has an official license Attractive packaging Suitable for consumption | Getting halal labelling Obtaining official license product and intellectual property right Simple packaging Maintaining product consumption testing | Halal labelling License trademark or copyright Attractive packaging Product consumption feasibility |

The basis of the six social evolution design thinking methodologies is the development of a workshop program, taking into account a comparative and qualitative analysis of the aforementioned model and several tools. This approach aligns with the qualitative research methodology used by the author, which is entirely suitable as the comparison is crucial in reviewing the design thinking literature, following the social evolution and each situation of the community around the Islamic boarding school, particularly for MWB customers.

The author's analysis in this research led to the creation of a program using the six social evolution models as an effective method to address the established research objectives. In addition to the model, this program also incorporates a device to guide individuals or groups who will develop solutions for social evolution during the COVID-19 pandemic or periods of social distancing. The author argues for the use of design thinking due to the numerous restrictions that must be followed in an abnormal situation, particularly during the COVID-19 pandemic. The business activities conducted by MWB customers align well with the six-evolution model approach (Adam & Alarifi, 2021). The methods outlined above can aid in the development of a microsystem that is adaptive and easy to apply to all stakeholders, ensuring that each stage is executed effectively and leading to a well-structured hierarchy.

The weaknesses of the research lie in the use of design thinking analysis. Given that all informants were located in rural areas, there were relative obstacles in accessing internet services, including weak signals, consistency of applications to be implemented, and the level of participation of users, including both customers as sellers and the general public as buyers.

CONCLUSIONS

Micro *Waqf* banks, which are Shariah microfinance institutions, are currently emerging around Islamic boarding schools in Indonesia, providing loans to micro and medium-scale businesses to enhance the welfare of their customers. These banks are striving to improve product innovation for the benefit of communities residing near Islamic boarding schools, with the participation of the Indonesian Ulama Council, government entities, and product certifying authorities. This research adopts a design thinking methodology to devise strategies for enhancing product innovation among Micro *Waqf* Bank consumers, simultaneously promoting their welfare through optimized halal labeling practices. Additionally, it focuses on safeguarding intellectual property rights, including brand protection, attractive packaging, and the viability of product use. The study employs a grounded theory methodology, contributing to theoretical advancements in the relevant discipline.

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CONFLICT OF INTERESTS

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.

AUTHOR'S CONTRIBUTION

Both authors designed the study, gathered the literature, analysed the results and wrote the article.

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