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Regulatory Framework and Implementation Gap: Determinants of Micro Waqf Bank Establishment in Banten Province, Indonesia

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Abstract

Micro Waqf Banks (MWBs) emerged in Indonesia in 2018 as Islamic microfinance institutions regulated under Law No. 1 of 2013 and OJK Regulation (POJK) No. 41 of 2024. Despite robust regulatory frameworks, implementation gaps persist between legislative intent and field reality in MWB establishment. This empirical legal research employs a qualitative methodology, with Analytic Network Process (ANP) analysis, to examine the determinants of successful MWB establishment in Banten Province, Indonesia, and to highlight discrepancies in regulatory implementation. Nine expert informants from regulatory bodies (OJK, BWI), Islamic banking practitioners (BSI Maslahat), academics, and MWB operators participated via snowball sampling. Findings reveal that motivation (spiritual-economic drive) dominates establishment success, with a weight of 0.80, vastly exceeding the influence of regulatory support, technical capacity, infrastructure, human resources, trust, and assessment factors (each ~0.03-0.04). The study identifies four critical regulatory gaps: (1) absence of enforcement mechanisms linking founding motivation to operational sustainability; (2) insufficient normative clarity on nazir (trustee) accountability structures; (3) disconnection between policy objectives and institutional capacity requirements; and (4) lack of post-establishment motivation monitoring protocols. These gaps explain suboptimal MWB performance despite favourable legislation. The research demonstrates that while regulatory frameworks establish the legal foundations for MWB operations, the success of policy implementation fundamentally depends on stakeholder motivation rather than on structural-technical factors alone. This mismatch reveals a compliance deficit in Indonesia's Islamic finance regulatory architecture. Implications address both legal policy design and institutional enforcement mechanisms to bridge the motivation-structure asymmetry in Islamic microfinance governance. The study further evaluates the extent to which MWB practices comply with existing regulatory frameworks, revealing a distinction between formal compliance and substantive regulatory effectiveness.

Keywords
Micro Waqf Bank, Regulatory Gap, Islamic Finance Law, Empirical Legal Research, Indonesia

A. Introduction

Islamic microfinance institutions in Indonesia have experienced substantial development, particularly since the establishment of Micro Waqf Banks (MWBs) in 2018, which were designed as an integrated model combining Islamic microfinance services, community empowerment, and the management of zakat and waqf-based social funds.[1] Positioned as a response to financial exclusion and exploitative lending practices, these institutions primarily target ultra-micro entrepreneurs, providing them with access to Sharia-compliant financing intended to reduce dependence on informal moneylenders.[2]

[1] OJK, "Bank Wakaf Mikro Program Pemberdayaan Masyarakat Melalui Pendirian Bank Wakaf Mikro-LKM Syariah," *Otoritas Jasa Keuangan* (Jakarta, 2018).

[2] Muhamad Fauzi et al., "Micro Waqf Bank for Empowerment of Indonesian Women'S Microeconomic and Efforts Minimizing the Loansher Trap," in *I-IECONS*

Unlike conventional banks, MWBs operate as Islamic Microfinance Institutions (*Lembaga Keuangan Mikro Syariah*/LKMS), typically managed under the auspices of pesantren and supervised by the Financial Services Authority (Otoritas Jasa Keuangan/OJK), thereby embedding them within both regulatory and religious-institutional ecosystems.[3] Their legal and institutional architecture is anchored in Law No. 1 of 2013 on Microfinance Institutions and further elaborated through OJK Regulation (POJK) No. 41 of 2024. [4] Complemented by Badan Wakaf Indonesia (BWI) Regulation No. 01 of 2020 on the management and development of waqf assets.[5] These collectively provide the normative basis for MWB licensing, governance, and waqf-based funding structures.[6]

Within this framework, MWBs mobilise funds from zakat, infaq, sedekah, and, especially, productive cash waqf, and channel them to ultra-micro enterprises through *qardh-hasan* (benevolent, interest-free) financing schemes that dispense with conventional collateral requirements.[7] The financing model relies on joint-liability group mechanisms and is subject to strictly regulated administrative charges, generally capped at 3% per annum, thereby ensuring affordability while maintaining operational viability and adherence to Sharia principles.[8]

Despite comprehensive regulatory frameworks, significant implementation gaps persist between legislative objectives and field reality.[9] Multiple empirical studies document persistent regulatory

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e-Proceedings (Kuala Lumpur: USIM, 2023), 753–64, https://doi.org/10.33102/iiecons.v10i1.89.

[3] OJK, "Infografis Bank Wakaf Mikro Mendorong Ekonomi Umat," 2018.

[4] POJK 41, "Peraturan OJK Nomor 41 Tahun 2024 Tentang Lembaga Keuangan Mikro" (Jakarta: Otoritas Jasa Keuangan, 2024).

[5] BWI, "Peraturan Badan Wakaf Indonesia Nomor 01 Tahun 2020 Tentang Pedoman Pengelolaan Dan Pengembangan Harta Benda Wakaf" (Jakarta: Badan Wakaf Indonesia, 2020).

[6] OJK, "SEOJK Nomor 29 Tahun 2015 Tentang Laporan Keuangan Lembaga Keuangan Mikro" (Jakarta: Otoritas Jasa Keuangan, 2015).

[7] BWM, "Booklet Bank Wakaf Mikro 2019," *Booklet Bank Wakaf Mikro* (Jakarta, 2019).

[8] Muhammad Rizki, Nurmita Sari, and Arifiani Widjayanti, "Optimization of Micro Waqf Bank's Ability to Support Micro and Small Businesses," in *The 3rd International Conference on Governance, Public Administration, and Social Science (ICoGPASS)*, vol. 3 (Jakarta: STIA LAN Jakarta, 2022), 1269–85, https://doi.org/10.18502/kss.v7i9.11015.

[9] Agus Maulana and Dewi Darmastuti, "Awareness, Perception, and Willingness To Contribute To Micro Waqf Banks Among Muslims in Indonesia," *El Dinar: Jurnal Keuangan Dan Perbankan Syariah Volume* 8, no. 2 (2020): 100–114, https://doi.org/10.18860/ed.v8i2.8824.

compliance challenges that undermine the sustainability of the Micro Waqf Bank (MWB) programme, revealing systemic deficiencies in translating legal mandates into operational effectiveness.[10] Establishment patterns remain highly localised, with MWBs disproportionately concentrated within specific pesantren communities rather than achieving the geographically distributed deployment envisaged by policymakers, thereby suggesting the absence of standardised success criteria to ensure uniform institutional development. [11]

Field evidence further reveals a profound structural-motivational asymmetry: while governance support, institutional performance metrics, and infrastructure readiness demonstrably influence establishment success, these factors operate independently of, and often in tension with, formal regulatory requirements. [12] This disconnect manifests as a fundamental compliance deficit, in which technical-legal compliance substitutes for substantive mission alignment, producing institutions that satisfy licensing criteria but fail to deliver intended socio-economic outcomes.

Indonesia's primary microfinance legislation, Law No. 1 of 2013 on Microfinance Institutions, complemented by OJK Regulation No. 41/2024 and BWI Regulation No. 01/2020, constitutes the foundational regulatory architecture for micro waqf banks (MWBs), wherein the former delineates *Lembaga Keuangan Mikro* (LKM) as non-bank entities tasked with capital provision to underserved populations, imposing licensing, prudential norms, and OJK supervisory mandates to mitigate predatory practices and bolster accountability.[13] The latter

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[10] Dewi Fitrotus Sa'diyah et al., "Development of Micro Waqf Bank Strategic Management in Islamic Boarding Schools," *The International Journal of High Education Scientists (IJHES)* 2, no. 2 (2021): 136–47, https://doi.org/https://doi.org/10.1234/.v2i2.188.

[11] FBA Apriliawan, Ahmad Ajib Ridlwan, and Peni Haryanti, "Peran Bank Wakaf Mikro Dalam Meningkatkan Kesejahteraan Masyarakat (Studi Kasus BWM Tebu Ireng Mitra Sejahtera)," *JIES: Journal of Islamic Econimics Studies* 2, no. 1 (2021): 41–55.

[12] Rahmat Dahlan et al., "Analysis of Vicious Circle of Poverty , the Social Role of Micro Waqf Bank , and Permissiveness of Street Vendors in Rural Indonesia," *Al-Intaj : Jurnal Ekonomi Dan Perbankan Syariah* 11, no. 1 (2025): 204–17, https://doi.org/10.29300/aij.v11i1.5728.g4844.

[13] Muhammad Rion, "Optimizing Productive Waqf Management to Achieve Sustainable Development Goal's (Study of the Indonesian Waqf Board (BWI) Representative of Lampung Province)," in *1st International Conference on Islamic Economics, Business Development and Studies*, vol. 1 (Lampung: Universitas Islam Negeri (UIN) Raden Intan Lampung, 2024), 153–68, https://doi.org/10.18502/kss.v9i16.16242.

operationalises these through granular capital adequacy ratios, risk management protocols, and tiered business-scale classifications to fortify technical resilience, and the waqf directive institutionalises productive cash waqf stewardship via LKS-PWU under DSN-MUI Sharia compliance.[14] Notwithstanding these advances, a substantive normative lacuna endures across the triad: while structural imperatives and quantifiable metrics predominate, explicit mechanisms tethering founder motivation, an empirically validated antecedent of institutional longevity to licensing criteria, governance strictures, or nazir fiduciary accountability remain conspicuously absent, thereby engendering a pernicious disconnect between inception-phase aspirations and sustained operational integrity.[15] The investigation examines the challenges, potential solutions, and strategic frameworks for developing a fintech model tailored to Indonesian Islamic banking. Employing a non-parametric, non-Bayesian qualitative methodology within the Analytical Network Process (ANP) paradigm, the study adopts a general framework devoid of prior assumptions to facilitate robust decision-making.[16]

These persistent discrepancies raise critical questions for legal policy design: first, why do ostensibly comprehensive regulatory frameworks fail to ensure uniform quality of MWB establishment across jurisdictions? Second, what normative disconnects exist between stated regulatory intent and the realities of institutional capacity confronting pesantren-based operators? Third, and most fundamentally, how should Islamic microfinance legislation account for motivational factors currently unaddressed in formal law that empirical analysis identifies as the predominant determinant of institutional success? The research contribution addressing these questions demands a re-examination of regulatory architecture that integrates behavioural prerequisites alongside structural requirements.

Despite extensive regulation, there remains limited scholarship examining whether MWB implementation reflects genuine regulatory compliance or merely procedural adherence. This study addresses this

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[14] Besse Wediawati et al., "Sustainability of Islamic Microfinance in Indonesia: A Holistic Approach," *Academy of Strategic Management Journal* 17, no. 3 (2018): 1–14.

[15] Risa Bhinekawati, "Synergizing Islamic Microfinance Institution with Village Owned Enterprise Initiative: A Holistic Approach for Village Development," *El-Qist: Journal of Islamic Economics and Business (JIEB)* 11, no. 1 (2021): 1–16, https://doi.org/10.15642/elqist.2021.11.1.1-16.

[16] R. Donny M. Iskandar et al., "Indonesian Islamic Banking Fintech Model Strategy: ANP Method," *APTISI Transactions on Technopreneurship* 4, no. 2 (2022): 142–52, https://doi.org/10.34306/att.v4i2.257.

gap by integrating compliance analysis with empirical prioritisation of establishment determinants.

This empirical legal research pursues the primary objective of analysing the determinants of the successful establishment of Micro Waqf Banks (MWBs) in Banten Province, whilst systematically identifying regulatory implementation gaps that undermine policy effectiveness. Complementing this central aim, the study undertakes four secondary objectives: first, to quantify the relative prioritisation of establishment factors through Analytic Network Process (ANP) methodology; second, to map regulatory normative requirements against prevailing institutional capacity realities systematically; third, to pinpoint specific compliance deficit points within Indonesia's Islamic finance regulatory architecture; and fourth, to propose targeted normative revisions that address the critical motivation-structure asymmetry characterising current MWB governance frameworks.

B. Method

1. Research Design

This study adopts an empirical legal research approach that integrates qualitative case-study methodology. Qualitative case study research is an approach in which the investigator explores a bounded system, a single case, through detailed, in-depth data collection from multiple sources, such as observations, interviews, audiovisual materials, and documents. [17]

This study employs the Analytic Network Process (ANP) as a multi-criteria decision-making tool to quantify the relative importance of establishment factors.

The compliance assessment examines the determinants of the establishment of the Micro Waqf Bank (MWB). Three purposively selected MWBs within Banten Province, Lan Taburo and El Manahij (both Lebak District), and An Nawawi (Serang District), provide the empirical foundation for analysis. Banten constitutes an optimal jurisdictional context due to its strategic poverty profile, extensive Islamic institutional network, rich historical Islamic heritage conducive to motivation analysis, and heterogeneous MWB implementation patterns that reveal divergent regulatory outcomes within comparable socio-economic conditions.

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[17] John W Creswell, *Qualitative Inquiry and Research Design : Choosing among Five Approaches*, 3rd ed. (Washington: Sage Publication, 2013).

2. Sample and Data Collection

Nine expert informants, selected through purposive snowball sampling, possess at least 5 years' specialised experience in Islamic microfinance or MWB management and represent authoritative perspectives on the determinants of establishment.

John W. Creswell defines snowball sampling as a purposive nonprobability sampling technique commonly used in qualitative research, in which the process begins after the study starts and involves initial participants recommending additional individuals who meet the research criteria.[18] The informant composition encompasses regulatory supervisory expertise from Otoritas Jasa Keuangan (OJK), policy and governance insights from Badan Wakaf Indonesia (BWI), Islamic banking partnership perspectives from BSI Maslahat, academic research authority, and operational implementation experience from MWB practitioners. Triangulated data collection comprised: (1) structured ANP questionnaires eliciting pairwise comparisons across seven establishment factors; (2) in-depth semi-structured interviews conducted online via Zoom (60-90 minutes duration); and (3) comprehensive regulatory document analysis of Law No. 1/2013, POJK No. 41/2024, BWI Regulation No. 01/2020, and associated OJK circulars.

3. Analytic Network Process (ANP)

The ANP methodology quantifies establishment factor prioritisation through a network structure that accommodates both independent clusters and interdependent relationships, extending beyond the hierarchical assumptions characteristic of the Analytic Hierarchy Process (AHP).[19] The technical process entails: (1) pairwise comparison matrix construction utilising a nine-point Saaty scale; (2) unweighted supermatrix development capturing interdependencies; (3) weighted supermatrix transformation incorporating cluster priorities; and (4) limit supermatrix iteration yielding stable priority vectors. Analysis employed SuperDecisions software.[20]

Parallel to quantitative prioritisation, regulatory compliance assessment systematically examines: (1) alignment between normative

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[18] John W Creswell and J. David Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, Fifth (California: Sage Publication, 2018).

[19] Thomas L. Saaty, "The Analytic Hierarchy and Analytic Network Measurement Processes: Applications to Decisions under Risk," *European Journal of Pure and Applied Mathematics* 1, no. 1 (2008): 122–96, https://doi.org/10.29020/nybg.ejpam.v1i1.6.

[20] Thomas L. Saaty and Luis G. Vargas, *Decision Making with The ANP*, vol. 15 (London: Springer, 2006).

requirements and field implementation; (2) comprehensive mapping of compliance gaps across licensing, governance, and supervisory domains; and (3) critical evaluation of enforcement mechanism adequacy.[21] This dual analytical framework enables the identification of structural disconnects between the design of regulatory architecture and the realities of institutional capacity, establishing the empirical foundation for proposed normative revisions.

C. Result and Discussion

The results indicate a significant disparity in factor weights, with motivation emerging as the dominant determinant. Specifically, motivation accounts for 0.800 of the total weight, substantially exceeding all other factors, which remain below 0.05.

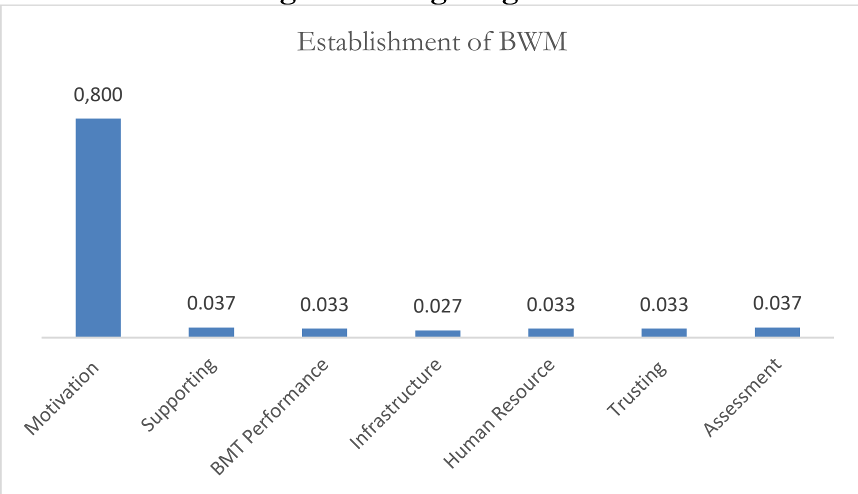
Establishment Factor Prioritisation reveals ANP results indicating an uneven distribution of factors across Micro Waqf Bank determinants. Table 1 presents the priority weights derived from stakeholder synthesis.

Table 1. Priority Weight Factor

Priority Rank	Factor	Weight	Type
1	Motivation (Spiritual-Economic)	0.800	Primary Driver
2	Supporting (Regulatory-Institutional)	0.037	Secondary Enabler
2	Assessment (Performance Evaluation)	0.037	Secondary Enabler
4	BMT Performance (Partner Capacity)	0.032	Tertiary Enabler
4	Human Resource (Staff Competence)	0.032	Tertiary Enabler
4	Trust (Stakeholder Confidence)	0.032	Tertiary Enabler
7	Infrastructure (Facilities-Systems)	0.027	Tertiary Enabler

[21] TL Saaty and LG Vargas, "Decision Making with the Analytic Network Process (Economic, Political, Social and Technological Applications with Benefits, Opportunities, Costs and Risks)," in *International Series in Operations Research & Management Science Thomas*, Second, vol. 195 (London and New York: Springer, 2014), 1–370, https://doi.org/10.1007/978-1-4614-7279-7.

Figure 1. Weighting Factor



Analytic Network Process (ANP) analysis reveals a strikingly asymmetric distribution of establishment factors, with stakeholder motivation (spiritual-economic drive) commanding an overwhelming priority weight of 0.800, dwarfing all other determinants by a factor exceeding 20:1. This primary driver encompassing both Islamic values-based mission commitment and genuine poverty alleviation objectives emerges as the singular dominant predictor of Micro Waqf Bank (MWB) establishment success within Banten Province, fundamentally challenging conventional regulatory assumptions that privilege structural prerequisites.

Supporting factors (regulatory-institutional framework) and assessment mechanisms (performance evaluation protocols) are modest secondary enablers, registering at 0.037 each and collectively comprising less than 5% of the total priority weight. Tertiary enablers encompassing Baitul Maal wat Tamwil (BMT) partner capacity, human resource competence, stakeholder trust, and physical-technological infrastructure cluster tightly around 0.027-0.032, underscoring the limitations of technical interventions in the absence of motivational alignment.

This empirical prioritisation exposes a profound disconnect between regulatory design and field realities: current frameworks disproportionately burden operators with infrastructure, staffing, and compliance requirements that ANP analysis relegates to tertiary status, whilst systematically neglecting the dominant motivational determinant that accounts for 80 per cent of establishment variance. Such misalignment constitutes a fundamental design flaw within Islamic microfinance governance, demanding urgent recalibration toward behavioural prerequisites rather than structural preconditions.

This finding aligns with regulatory compliance theory, which distinguishes between formal compliance (rule adherence) and substantive compliance (achievement of regulatory objectives), highlighting a critical gap between legal conformity and policy effectiveness.

The dominance of motivation (0.800) empirically demonstrates that current regulatory frameworks fail to regulate the most critical determinant, thereby reinforcing the conclusion of substantive non-compliance.

This condition reflects a structural misalignment between regulatory design and empirical reality, which is further elaborated through the following regulatory gaps.

1. Regulatory-Implementation Gap Analysis

Gap 1: Motivation Absence from Formal Requirements

The results indicate a significant disparity in factor weights, with motivation emerging as the dominant determinant. This reflects non-compliance with regulatory intent. ANP prioritisation exposes the first-order regulatory gap: whilst Law No. 1/2013, POJK 41/2024, and BWI 01/2020 meticulously establish technical licensing requirements, none incorporate normative provisions addressing the quality of founder motivation, the empirically dominant establishment determinant.[22]

Field reality reveals motivation as dual-dimensional: spiritual commitment prioritising Islamic social mission over financial returns, and economic dedication to genuine poverty alleviation rather than profit maximisation.[23] This disconnect proves catastrophic: regulatory frameworks permit MWB establishment with minimal motivational foundation whilst imposing stringent structural burdens, systematically generating post-founding sustainability failures as mission drift manifests in the absence of behavioural alignment.

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[22] Fatin Fadhillah Hasiba et al., "The Strategies for Developing Micro Waqf Bank in Indonesia," *Review of International Geographical Education Online* 11, no. 4 (2021): 271–85, https://doi.org/10.33403/rigeo.800644.

[23] Iskandar et al., "Indonesian Islamic Banking Fintech Model Strategy: ANP Method."

Gap 2: Structural Asymmetry in Regulatory Burden

This indicates partial compliance, as technical requirements are met but misaligned with empirical determinants. This suggests that structural and technical factors alone are insufficient to ensure the successful establishment of MWB. POJK 41/2024 concentrates supervisory resources on technical compliance domains, capital ratios, risk management protocols, and operational procedures, while ANP analysis relegates them to secondary/tertiary status, manifesting a profound second-order structural asymmetry.[24]

Regulatory architecture inverts empirical priorities: disproportionate attention is paid to marginal enablers whilst the primary motivational determinant evades normative governance entirely.[25] This misallocation constitutes a regulatory design failure, in which sophisticated compliance mechanisms address only 20% of establishment variance whilst neglecting the 80% determinant driving institutional success.

Gap 3: Nazhir Accountability Deficit

This constitutes partial compliance in governance structure. This finding aligns with regulatory compliance theory, which distinguishes between formal compliance (adherence to rules) and substantive compliance (the achievement of regulatory objectives). BWI Regulation 01/2020 establishes nazir fiduciary roles yet manifests a third-order normative deficit by severing motivation-performance linkages essential for asset stewardship sustainability.

Current frameworks privilege structural credentials over demonstrated Islamic commitment in nazir selection, undermining waqf management objectives when trustees lacking intrinsic mission alignment prioritise administrative compliance over social impact. Absent explicit mechanisms linking nazir motivation quality to operational outcomes, productive waqf deployment, central to MWB viability, remains vulnerable to behavioural misalignments that remain undetected by conventional prudential metrics.[26]

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[24] Dwi Fidhayanti et al., "Regulatory Frameworks In Islamic Fintech: Comparative Insights From Indonesia and Malaysia," *JALREV: Jambura Law Review* 12, no. 3 (2025): 486, https://doi.org/https://doi.org/10.33756/jlr.v7i2.30447.

[25] Sugeng et al., "Strengthening Sharia Microfinance Regulations and Business Models in Indonesia," *Jurnal Hukum Dan Peradilan* 13, no. 1 (2024): 89–122, https://doi.org/https://doi.org/10.25216/jhp.13.1.2024.89-122.

[26] Fachry Ganiardi Danuwijaya and Nurwahidin, "Waqf Fund Management through Micro Waqf Bank Program in Indonesia," *Journal of Strategic and Global Studies* 5, no. 1 (2022): 5, https://doi.org/10.7454/jsgs.v5i1.1091.

Gap 4: Post-Establishment Motivation Monitoring

This represents non-compliance in supervisory continuity. In this context, MWBs may satisfy formal regulatory requirements while failing to achieve the intended socio-economic outcomes. The fourth-order gap proves most insidious: current regulatory architectures exhaustively address establishment-phase technical requirements yet provide no mechanisms for monitoring motivation trajectory post-licensing.

This temporal blind spot prevents detection of sustainability threats emerging from gradual motivation decay—predictable among low-intrinsic-commitment founders until operational failure manifests. Regulatory intelligence thus remains reactive rather than predictive, incapable of intervening before mission drift compromises statutory objectives of poverty alleviation.[27]

2. Motivational Drivers: Spiritual And Institutional Dimensions

Banten Province's distinctive Islamic heritage, rooted in the 16th-century Sultanate tradition, sustains institutional culture through prominent ulama authority structures, extensive networks of 6,776 pesantren, and governance embedded in Islamic values. This spiritual motivation density constitutes a critical contextual variable explaining Banten's heterogeneous MWB outcomes.[28] Current regulatory frameworks erroneously treat provincial contexts as neutral institutional environments, ignoring significant inter-regional variation in spiritual commitment that determines model transferability and success replicability.

Expert consensus identifies economic motivation as an authentic poverty reduction commitment rather than profit maximisation, evidenced by MWB field effectiveness in achieving 49% poverty reduction potential, UMKM empowerment, employment generation, and 96.8% loan repayment rates through predatory lending displacement.[29] This performance validates statutory objectives

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[27] Winda Fitri, "Sharia Compliance in Micro Waqf Bank Business Activities: A Study of Protection of Consumer's Spiritual Rights," *Law Reform: Jurnal Pembaharuan Hukum* 17, no. 1 (March 2021): 107–20, https://doi.org/10.14710/lr.v17i1.37556.

[28] Muhamad Fauzi and I G N Oka Widana, "Improving Marketing Products of Micro Waqf Bank Customers : Social Evolution Model," *International Journal of Advanced Scientific Innovation* 04, no. 02 (2022): 1–8, https://doi.org/https://doi.org/10.5281/zenodo.6604991.

[29] Muhamad Fauzi, Junaedi, and Mahmudin, "Does Micro Waqf Bank Avoid Loan Shark Practices? Keeping On Indigent Productive Business," *International Economic and Finance Review (IEFR)* 2, no. 1 (2023): 1–29, https://doi.org/https://doi.org/110.56897/iefr.v2i1.23 p-ISSN:

articulated in Law No. 1/2013. The critical regulatory lacuna remains: whilst poverty alleviation constitutes a declared legislative purpose, no mechanisms assess whether founding entities possess the credibility to deliver these outcomes, perpetuating the disconnect between policy ambition and institutional reality.

3. Regulatory Policy Implications

ANP findings necessitate supplementing POJK No. 41/2024 with explicit requirements for the assessment of motivation, and institutionalising the dominant establishment determinant. Founding entities must submit comprehensive motivation documentation comprising: written statements articulating spiritual-economic commitment; track record analysis evidencing prior Islamic charitable engagement; and formal pesantren commitment documentation. A hybrid Founder Motivation Assessment Panel—integrating religious scholars alongside technical regulators would evaluate alignment between declared motivation and regulatory objectives, ensuring only mission-aligned entities progress to licensing. Post-establishment, annual motivation sustainability monitoring through documentation review, stakeholder interviews, and early warning indicators would detect trajectory deterioration, addressing the critical gap wherein current frameworks permit establishment absent motivational sustainability guarantees.[30]

Nazhir provisions within POJK No. 41/2024 require strengthening through enhanced selection standards extending beyond conventional credibility assessments to mandate demonstrated Islamic commitment and robust conflict-of-interest safeguards. Dual accountability metrics would operationalise Nazir's performance evaluation by simultaneously measuring Sharia compliance and social mission achievement against motivation-based indicators, rather than financial metrics alone. Stakeholder participation mechanisms granting *waqif* (donors) and community representatives evaluative voice, coupled with transparency protocols enabling public motivation assessment, would transform nazir selection from a credential-based to a mission-

[30] Muhamad Fauzi, Rahmat Dahlan, and Muhammad Syamanhudi, "The Green Economy Role On Micro Waqf Bank Customers As Farmers In Banten Province," *Al-Tahrir: Jurnal Pemikiran Islam* 22, no. 2 (2022): 273–94.

aligned process, directly addressing the third-order regulatory gap identified through empirical analysis.[31]

Institutionalising OJK-BWI coordination through formal mechanisms represents the third pillar of regulatory reform. Shared motivation assessment standards, harmonised across microfinance and waqf domains, would eliminate duplicative evaluations whilst ensuring comprehensive coverage. Integrated supervisory protocols that combine OJK prudential oversight with BWI Sharia governance, alongside joint early-warning systems to detect motivation decay, would create regulatory synergy absent from current siloed architectures.[32] This coordination imperative addresses the structural asymmetry wherein primary determinants evade normative governance whilst secondary factors bear disproportionate regulatory burdens.

Regulatory evolution proceeds through structured implementation phases: Phase 1 (six months) establishes an OJK-BWI working group tasked with developing validated motivation assessment instruments grounded in ANP prioritisation findings; Phase 2 (twelve months) pilots comprehensive motivation evaluation protocols with consenting MWB operators, refining instruments through iterative field-testing; Phase 3 (twenty-four months) culminates in formal POJK amendment incorporating approved motivation provisions as mandatory licensing criteria. This phased approach balances urgency with methodological rigour, ensuring regulatory evolution reflects empirical evidence rather than theoretical prescription.

4. Comparative Legal Perspective

Micro Waqf Bank (MWB) regulation manifests distinctive patterns within global Islamic finance governance architectures. The Malaysia model prioritises Islamic Financial Services Board (IFSB) standards through lighter-touch prudential oversight, facilitating greater regulatory bandwidth for Islamic mission alignment, a comparative advantage, however, undermined by a predominant capital market

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[31] Yusron Ali Sya'bana et al., "A Collaborative Development Framework for Micro Waqf Banks: Strategic Prioritization Though the Analytic Network Process," *International Journal of Environmental Sciences* 11, no. 4 (2025): 2025.

[32] Siska Lis Sulistiani, Muhammad Yunus, and Eva Misfah Bayuni, "Micro Waqf Bank: New Sharia Financial Instruments in Indonesia," in *Advances in Social Science, Education and Humanities Research*, vol. 409 (London: Atlantis Press, 2019), 4–7, https://doi.org/10.2991/assehr.k.200225.001.

orientation that circumscribes microfinance applicability.[33] Conversely, the Gulf Cooperation Council (GCC) model concentrates supervisory authority within Sharia supervisory boards, analogous to Indonesia's DSN-MUI, achieving robust Islamic compliance through limited secular regulatory integration, yet compromising consumer protection mechanisms essential in microfinance contexts.

Indonesia's hybrid model, balancing OJK conventional prudential supervision with parallel Islamic governance through the DSN-MUI fatwa authority and BWI waqf oversight, positions the jurisdiction advantageously to address the motivation-institutional asymmetry exposed by ANP analysis. This dual architecture theoretically enables integration of behavioural prerequisites alongside structural requirements; however, underdeveloped coordination mechanisms between prudential and Sharia authorities perpetuate regulatory silos, constraining optimal MWB governance and underscoring the imperative for enhanced inter-institutional protocols.[34]

Contemporary MWB challenges reflect three generational phases of microfinance regulatory evolution.[35] First-generation frameworks, exemplified by Law No. 1/2013, focus exclusively on institution-focused requirements, governance structures, capital adequacy, and risk management protocols, establishing necessary but insufficient conditions for delivering the social mission. Second-generation regulation, emerging from the implementation of POJK 41/2024, introduces mission-focused requirements linking institutional outputs to statutory poverty-reduction objectives, yet remains constrained by output-centric metrics divorced from foundational behavioural drivers.

Third-generation regulation, theoretically compelling yet empirically unrealised, demands motivation-performance linkages that ensure institutional behaviour manifests a declared social mission commitment rather than mere technical compliance. ANP findings substantiate this evolutionary imperative: regulatory architectures that neglect motivational determinants cannot achieve policy objectives,

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[33] Nurulhuda Abd Rahman et al., "A Proposed Competency Model for Cash Waqf Manager in Malaysia and Indonesia," *International Journal of Asian Social Science* 14, no. 5 (2024): 129–38, https://doi.org/10.55493/5007.v14i5.5105.

[34] Fadilah Fatin Hasib and Aam Slamet Rusydiana, "Developing Micro Waqf Bank in Indonesia," *Islamic Social Finance* 2, no. 1 (2022): 1–18, https://doi.org/10.58968/isf.v2i1.132.

[35] Wahyu Nugroho and Faridl Noor Hilal, "Micro Waqf Bank in Indonesia: Analysis of The Constitution Concept According to The Maqashid Sharia," *Al-Iktisab: Journal of Islamic Economic Law* 3, no. 1 (2019): 29–40, https://doi.org/10.21111/al-iktisab.v3i1.3905.

however sophisticated their structural provisions, positioning Indonesia to pioneer motivation-integrated microfinance governance through targeted POJK amendments that institutionalise behavioural prerequisites alongside conventional prudential standards.[36]

5. Bridging Regulatory Gaps

Field findings compellingly reflect institutional economics theory, which predicts that behavioural factors systematically outweigh structural determinants in shaping institutional performance, particularly within mission-driven organisations. The operative mechanism proves straightforward yet profound: when formal incentive structures incompletely capture social mission objectives, as characterises current MWB regulation, intrinsic founder motivation emerges as the critical residual determinant.[37] Founders lacking genuine spiritual-economic commitment prove impervious to regulatory incentives that prioritise poverty alleviation over profit maximisation, rendering technical compliance impotent in the absence of behavioural alignment.

This theoretical insight carries decisive regulatory implications: formal legal requirements alone cannot guarantee fidelity to the social mission. Regulatory architecture must therefore integrate explicit motivation assessment protocols, recognising that institutional sustainability fundamentally depends upon congruence between founder motivation and statutory objectives rather than mere structural adequacy.[38] Indonesia's MWB experience constitutes empirical validation of this principle, with ANP quantification providing rigorous evidence that conventional prudential frameworks address necessary but insufficient conditions for policy success.

Expert analysis establishes an unbroken causal continuum between motivation in the establishment phase and post-founding performance

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[36] Euis Amalia and Indra Rahmatullah, "Strategic Alliances between Sharia Microfinance Institutions and Financial Technology in Strengthening Small Micro Enterprises for Socio Economic Justice," in *International Conference on Recent Innovations* (Tangerang Selatan: UIN Jakarta, 2020), 2444–52, https://doi.org/10.5220/0009944224442452.

[37] Ashraf Khan, "A Behavioral Approach to Financial Supervision, Regulation, and Central Banking," *IMF Working Papers* 18, no. 178 (2018): 1, https://doi.org/10.5089/9781484372289.001.

[38] Bronson Mutanda and Bomi Cyril Nomlala, "Exploring the Potential of Islamic Finance in Bridging the Financial Inclusion Gap : A Systematic Review of Literature," *European Journal of Islamic Finance* 12, no. 3 (2025): 72–87, https://doi.org/10.13135/2421-2172/11201.

trajectories. High-motivation founders demonstrate characteristic persistence through operational vicissitudes, sustained cultivation of stakeholder relationships, and mission-driven decision-making that privileges social impact over financial returns.[39] Conversely, low-motivation founders exhibit predictable patterns of performance deterioration coinciding with regulatory pressure abatement, mission drift toward profit maximisation despite formal constraints, and escalating stakeholder dissatisfaction culminating in institutional failure.

This motivation-sustainability nexus carries profound regulatory significance: an assessment of motivation during the establishment phase emerges as a superior long-term sustainability predictor compared to conventional technical compliance metrics. Current frameworks' neglect of this primary determinant explains persistent underperformance in MWB despite sophisticated structural provisions.[40] Bridging this regulatory intelligence gap demands a reorientation from output compliance toward behavioural prerequisites, positioning motivation evaluation as the cornerstone of third-generation microfinance governance capable of delivering statutory poverty-alleviation objectives.

To address the interaction between empirical findings and the regulatory framework, this study evaluates the extent to which Micro Waqf Bank (MWB) practices comply with existing legal provisions.

The analysis reveals varying levels of compliance: *first*, formal compliance is largely achieved. MWBs generally fulfil licensing and administrative requirements as stipulated under Law No. 1/2013 and POJK No. 41/2024. *Second*, substantive compliance remains limited. Despite meeting formal requirements, many MWBs fail to achieve the intended socio-economic objectives, particularly in terms of sustainable poverty alleviation. *Third*, several areas reflect partial or non-compliance, including: the absence of motivation assessment in licensing (non-compliance with regulatory intent); weak nazir accountability structures (partial compliance); lack of post-establishment monitoring (non-compliance).

These findings demonstrate that compliance within the MWB framework is predominantly procedural rather than outcome-oriented,

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[39] Fitri, "Sharia Compliance in Micro Waqf Bank Business Activities: A Study of Protection of Consumer's Spiritual Rights."

[40] Burhanuddin Susamto, "Micro Waqf Bank in Indonesia : Some Critical Notes and Solutions," in *International Conference on Law, Technology, Spirituality and Society* (Malang: UIN Malang, 2025), 1–19.

indicating a significant gap between legal conformity and regulatory effectiveness.

The dominance of motivation as an establishment determinant further reinforces this conclusion, as current regulatory frameworks do not incorporate motivational criteria, thereby allowing formally compliant institutions to operate without ensuring substantive alignment with policy objectives. From a legal perspective, this indicates that the regulatory framework operates within a formalistic compliance model, which prioritises rule adherence over the achievement of legislative objectives.

D. Conclusion

This empirical legal research conclusively demonstrates that the establishment success of Micro Waqf Bank (MWB) hinges overwhelmingly on stakeholder motivation, which commands a decisive priority within the Analytic Network Process (ANP) framework, substantially eclipsing the collective influence of structural-technical factors. Current regulatory architecture, however, systematically prioritises capital adequacy, governance structures, and reporting obligations whilst systematically neglecting founder motivation as an explicit normative criterion, thereby establishing necessary but insufficient conditions for institutional sustainability.

Four critical regulatory gaps emerge from this analysis: first, the conspicuous absence of formal provisions assessing founder motivation quality during licensing; second, structural asymmetry wherein regulatory burdens disproportionately target secondary enablers whilst neglecting the primary determinant; third, nazir accountability deficits that sever motivation-performance linkages within asset stewardship frameworks; and fourth, the lack of post-establishment monitoring mechanisms capable of detecting motivation decay before operational failure manifests.

Policy evolution must therefore advance toward comprehensive regulatory frameworks integrating explicit motivation assessment protocols at establishment, stakeholder participation mechanisms for ongoing evaluation, sustained motivation monitoring throughout institutional lifecycles, and enhanced coordination between Otoritas Jasa Keuangan (OJK) and Badan Wakaf Indonesia (BWI). These findings possess broader legal significance, compelling Islamic finance regulatory architecture to transcend conventional prudential requirements toward holistic motivation-institutional alignment. Social finance institutions encompassing zakat, waqf, and Islamic microfinance require regulatory paradigms that capture behavioural prerequisites alongside structural mandates, and Indonesia's hybrid OJK-Islamic governance model provides a robust institutional foundation for pioneering this necessary evolution.

Subsequent research should focus on designing a comprehensive founder motivation assessment toolkit for Micro Waqf Banks (MWB), comprising structured questionnaires, interviews, and institutional observation protocols to quantify religious, social, and entrepreneurial motivations whilst distinguishing them from exploitative intents.

This study ultimately demonstrates that regulatory effectiveness in Islamic microfinance cannot be achieved through structural compliance alone, but requires the institutionalisation of behavioural and motivational criteria within legal frameworks, thereby redefining the foundations of Islamic social finance governance.

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