



Islamic Social Finance Architecture in Indonesia: Demographic and Technology Based of ISF (Waqaf) Development

By

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Chairman of Indonesian Awqf Board

Jakarta, 12 November 2019

Agenda

- **Introduction**
- **Opportunity of ISF (waqf) development in Indonesia**
 - Population and demographic dividend
 - Culture and value
 - Trends of prosperity
 - Big market of Islamic economy and Digital dividend
- **What we should do**
 - Ecosystem development and shifting paradigm
 - Preparing new waqf generation
 - Develop waqf core principles and waqf linked sukuk
- **Conclusion**

Introduction

Opportunities of ISF (waqf)

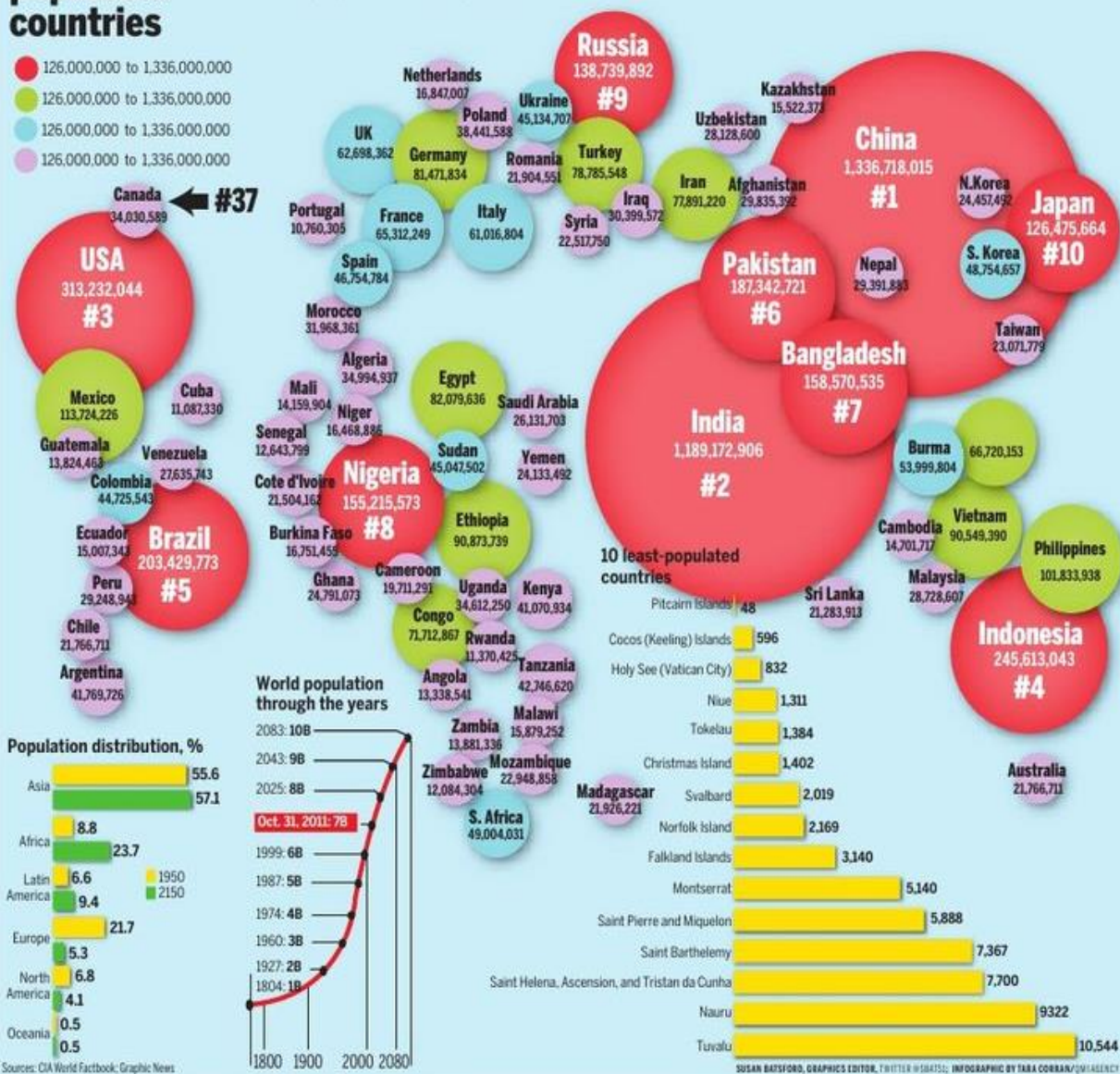
Development in Indonesia-very challenging:
population number, religiosity awareness, culture,
prosperity and advantage of digital technology

Opportunities of ISF (waqf) Development in Indonesia:
(1) Number of population and early
demographic dividend

7 BILLION

Top 75 most populated countries

World population is expected to hit 7 billion on or about Oct. 31.



World Population

Projected world population until 2100

1990



5.3 billion

2017



7.6 billion

2030



8.6 billion

2050



9.8 billion

2100



11.2 billion

Source: United Nations Department of Economic and Social Affairs, Population Division, *World Population Prospects: The 2017 Revision*
Produced by: United Nations Department of Public Information

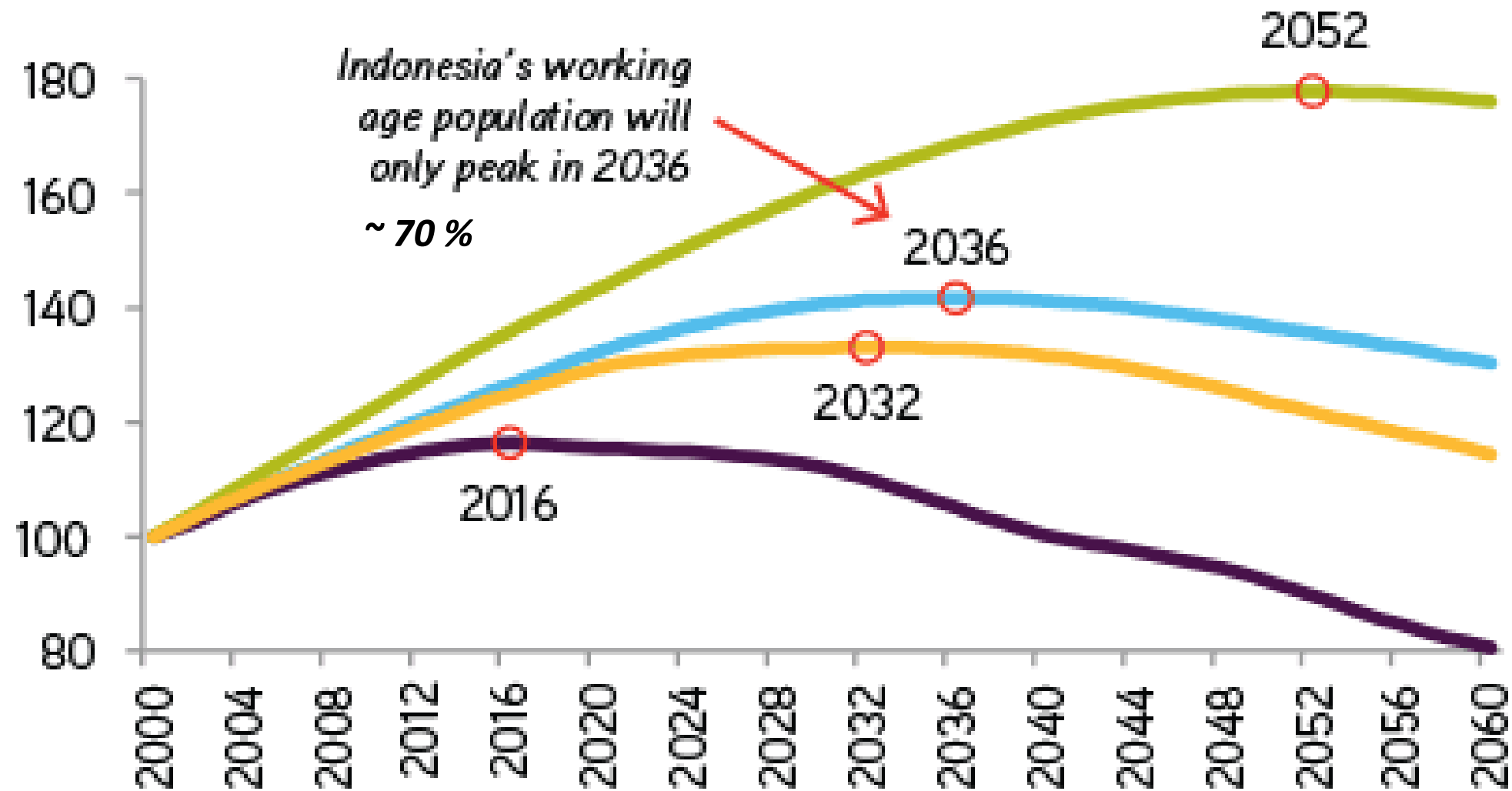
Number of Religion in Indonesia

Religion	Number	%
Islam	207.176.162	87.18
Christian	16.528.513	6.96
Catholic	6.907.873	2.91
Hindu	4.012.116	1.69
Budhism	1.703.254	0.72
Kong Hu Cu	117.091	0.13
Others	1.196.317	0.51
Total	237.641.326	

Source: Biro Pusat Statistik, Sensus 2014

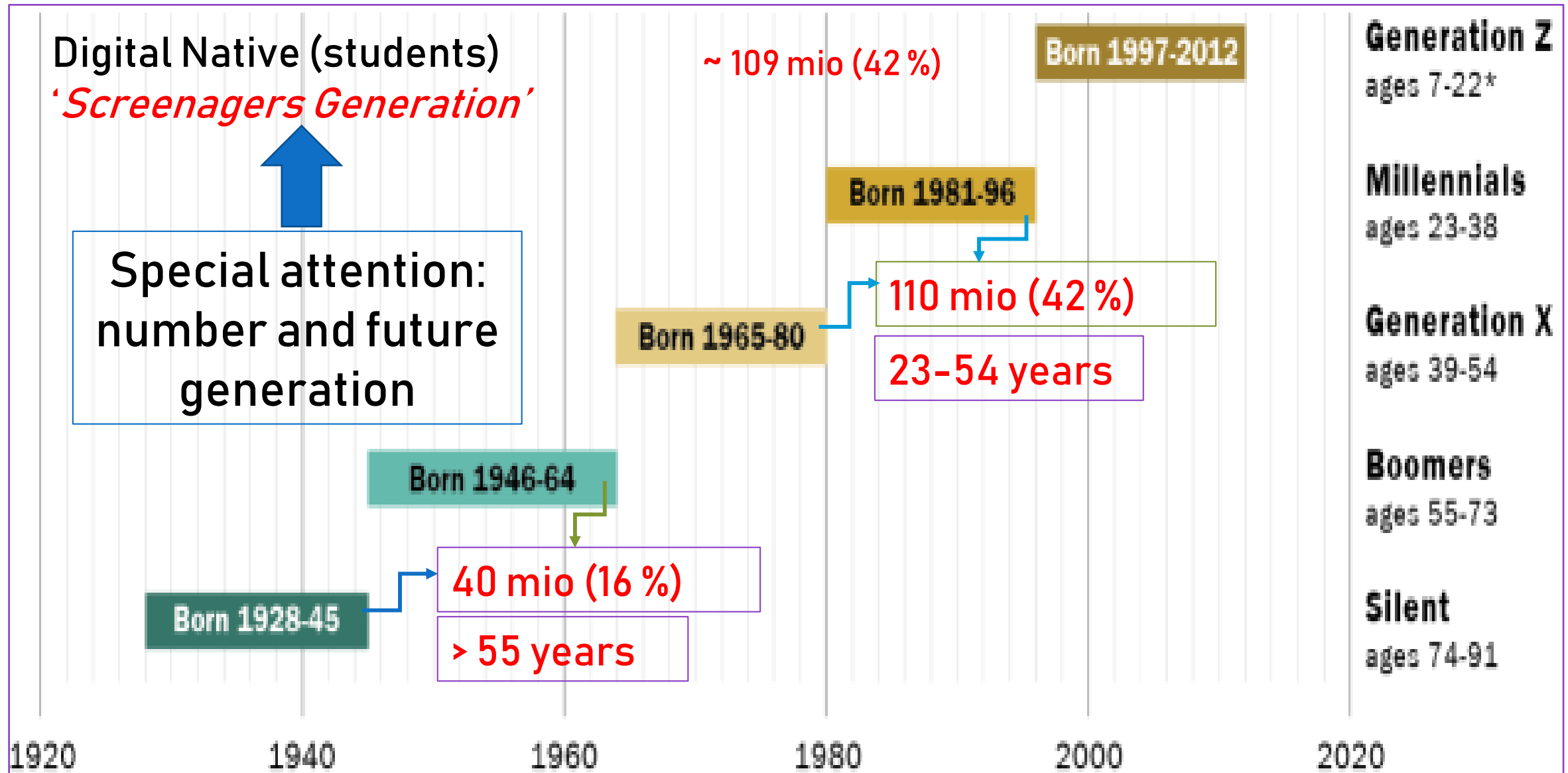
Working Age Population Indexed: 2000 = 100

Indonesia China India Brazil



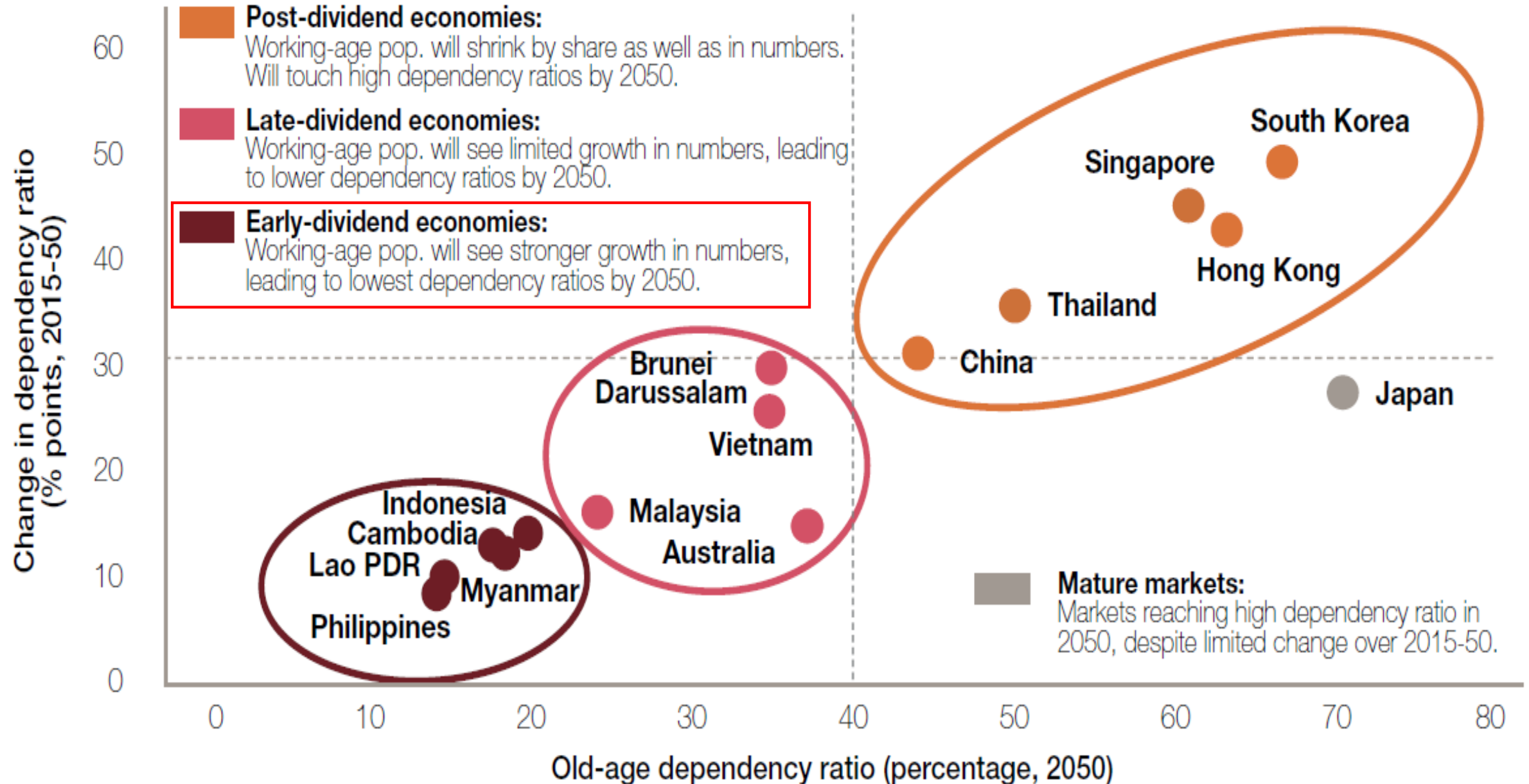
The Generations Defined

Generation Age
in 2019



Source: PEW Research Center and BPS

Ageing population in ASEAN and other Asian Economies



Source: International Monetary Fund, 2017, World Population Prospect, UN Population Division, 2017

Opportunities of ISF (waqf) Development in Indonesia: Philanthropist culture and value

7 PERSONALITY TRAITS THAT DEFINE Gen Z

GENERATION Z (BORN BETWEEN 1995 AND 2012)

1

PRAGMATIC

60% say they want a long career with **one** company



2

COMPETITIVE

Almost **1/2** consider themselves **very competitive**



3

CONNECTED

78% prefer **face-to-face** communication with work and bosses



4

SOCIALLY RESPONSIBLE



93% say that a company's **impact on society** affects their decision to work there

5

CUSTOMIZERS

No limit of ideas, but



would rather **get a job** than create one

6

PLUGGED IN

44% check in on **social media** at least hourly



7

SELF RELIANT

Even though **77%** say **personal relationships** with co-workers are important, many prefer to learn at their own pace

4

SOCIALLY RESPONSIBLE



93%

say that a company's
impact on society affects
their decision to work there



CAF World
Giving Index
ranking



CAF World
Giving Index
score (%)



Helping a
stranger
(%)



Donating
money
(%)



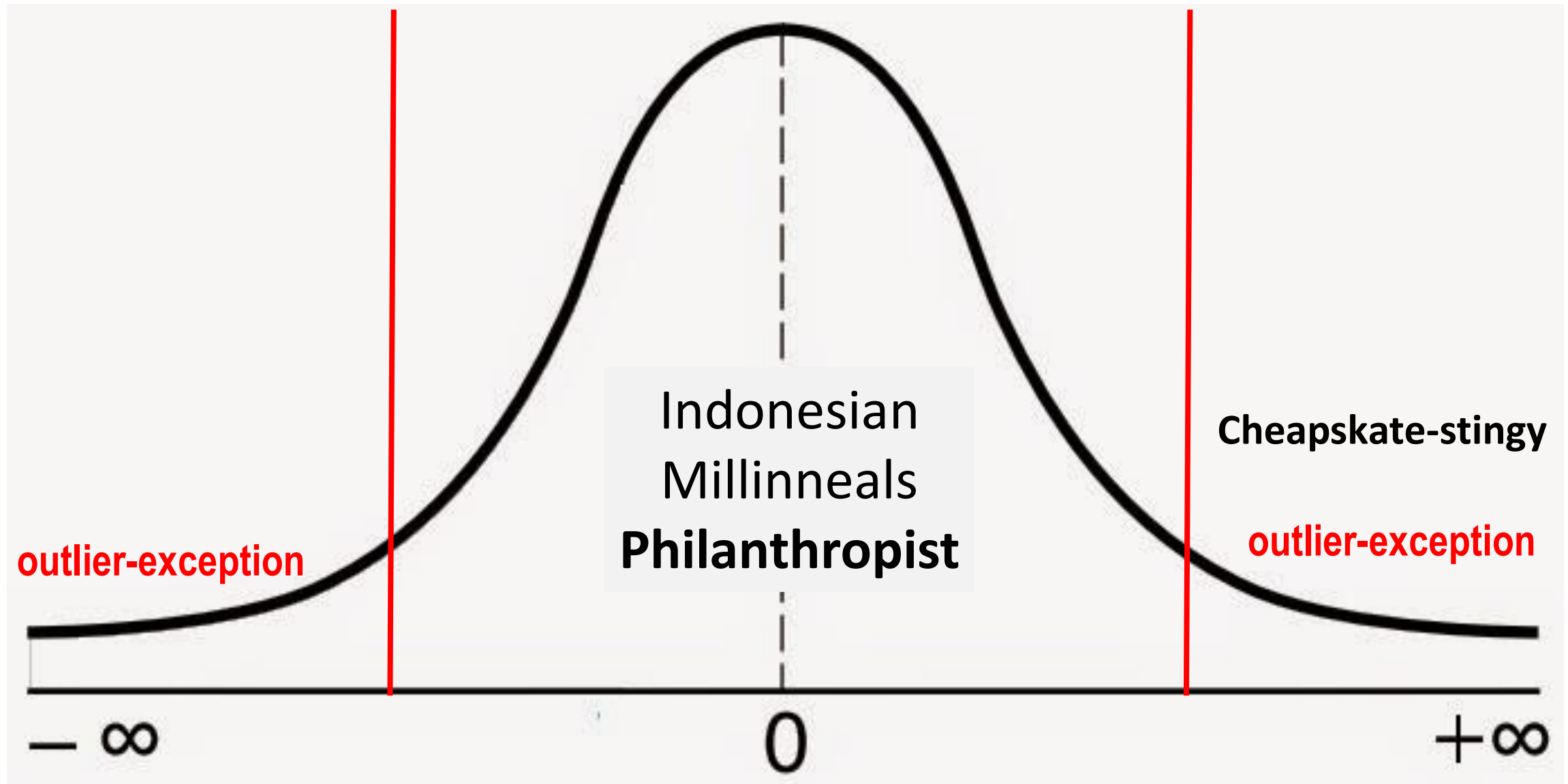
Volunteering
time
(%)

millennials and
digital native
generation:
Philanthropist

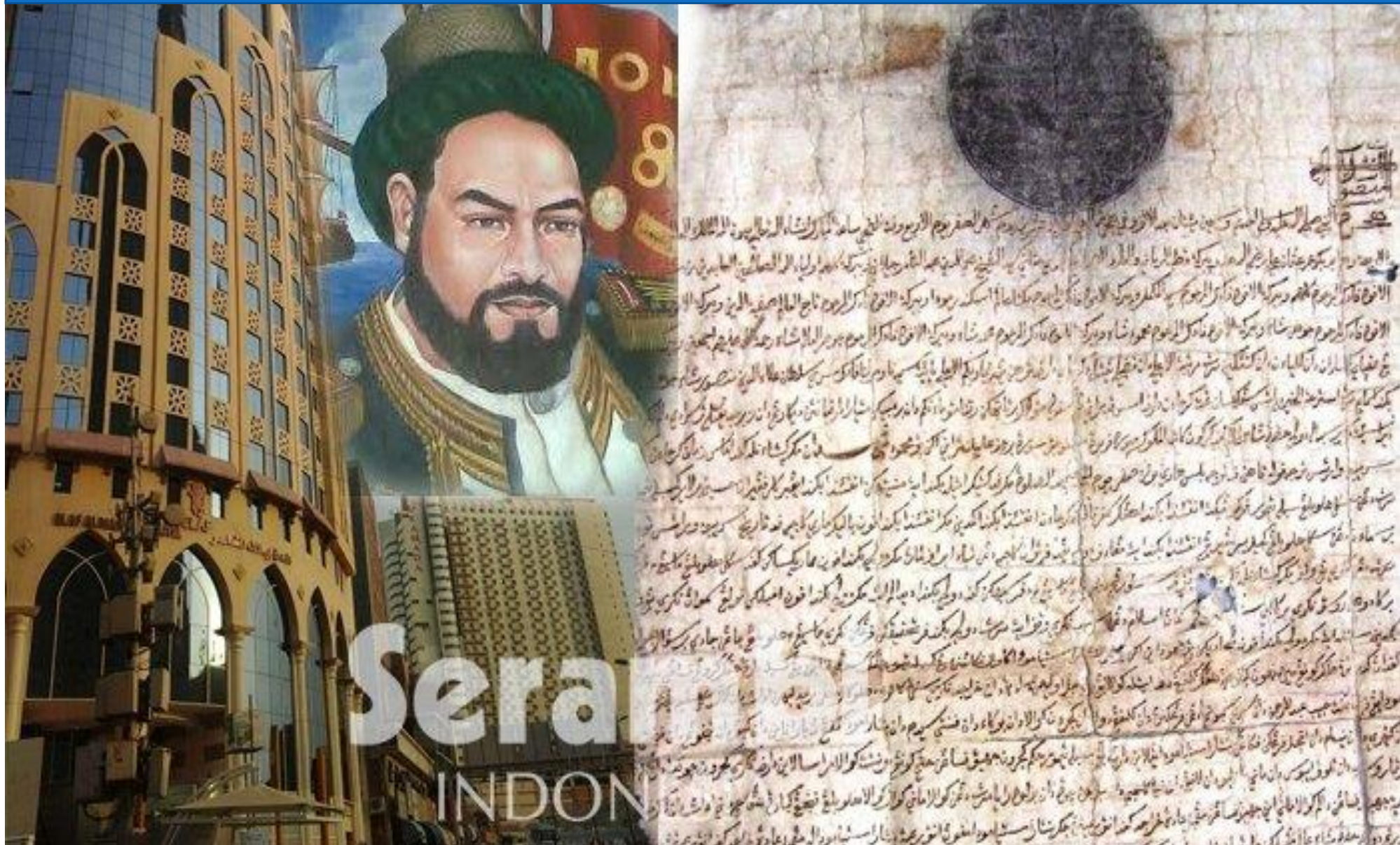
Indonesia	1	59	46	78	53
Australia	2	59	65	71	40
New Zealand	3	58	66	68	40
United States of America	4	58	72	61	39
Ireland	5	56	64	64	40
United Kingdom	6	55	63	68	33
Singapore	7	54	67	58	39
Kenya	8	54	72	46	45
Myanmar	9	54	40	88	34
Bahrain	10	53	74	53	33

Top 10 countries in the CAF World Giving Index 2018
Charities Aid Foundation (CAF), October 2018

Philanthropist: basic character of Indonesian millennials



Prominent Wqif from Aceh: Habib Bugak (1800 M-1224 H, Hotel and Jiad Tower Mekkah)





Elaf al-Mashaer Hotel, yang berdiri di atas tanah wakaf Habib Bugak Asyi di Mekkah.



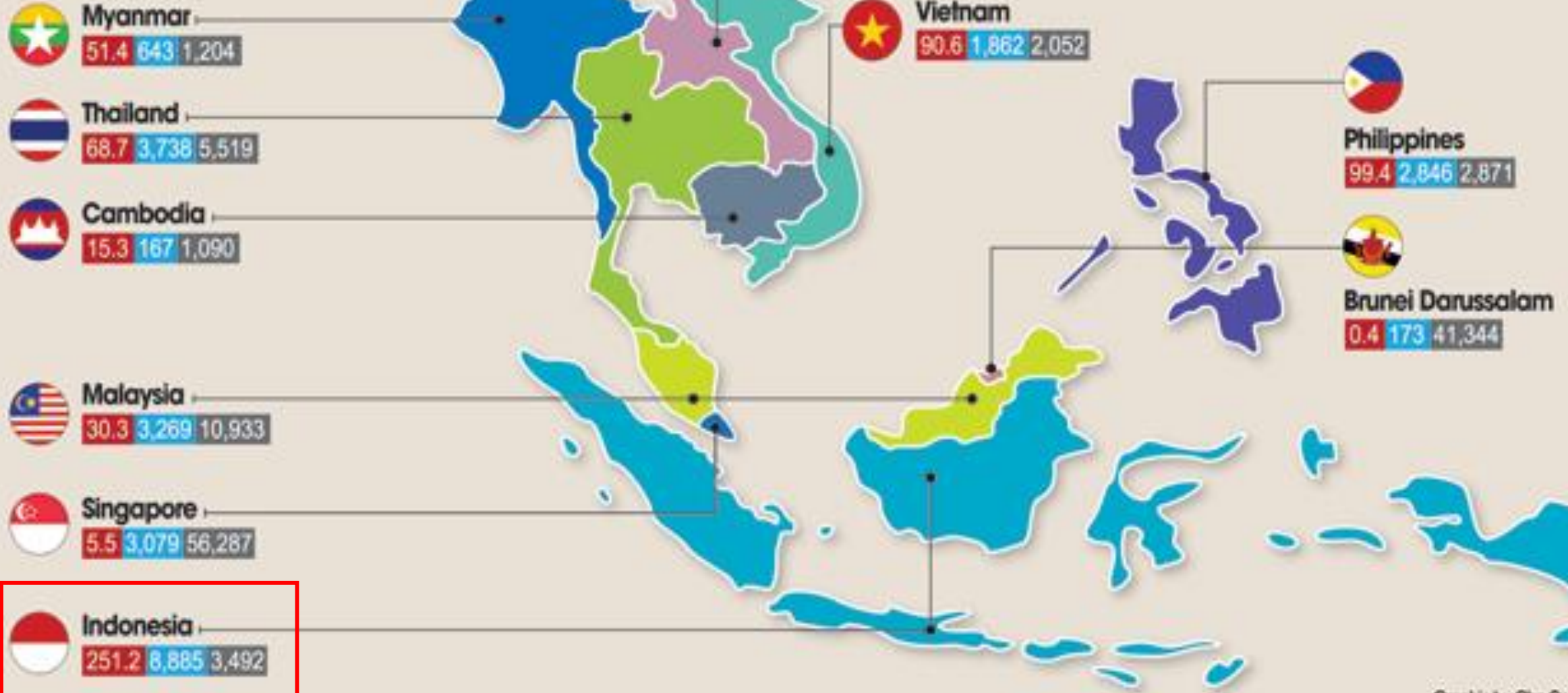
Aceh's Hajj (mauquf alaih) receive benefit from Habib Bugak waqf asset management IDR 22 milyar for 4000 jamaah.

Opportunities of ISF (waqf) Development in Indonesia: Trend of Prosperity

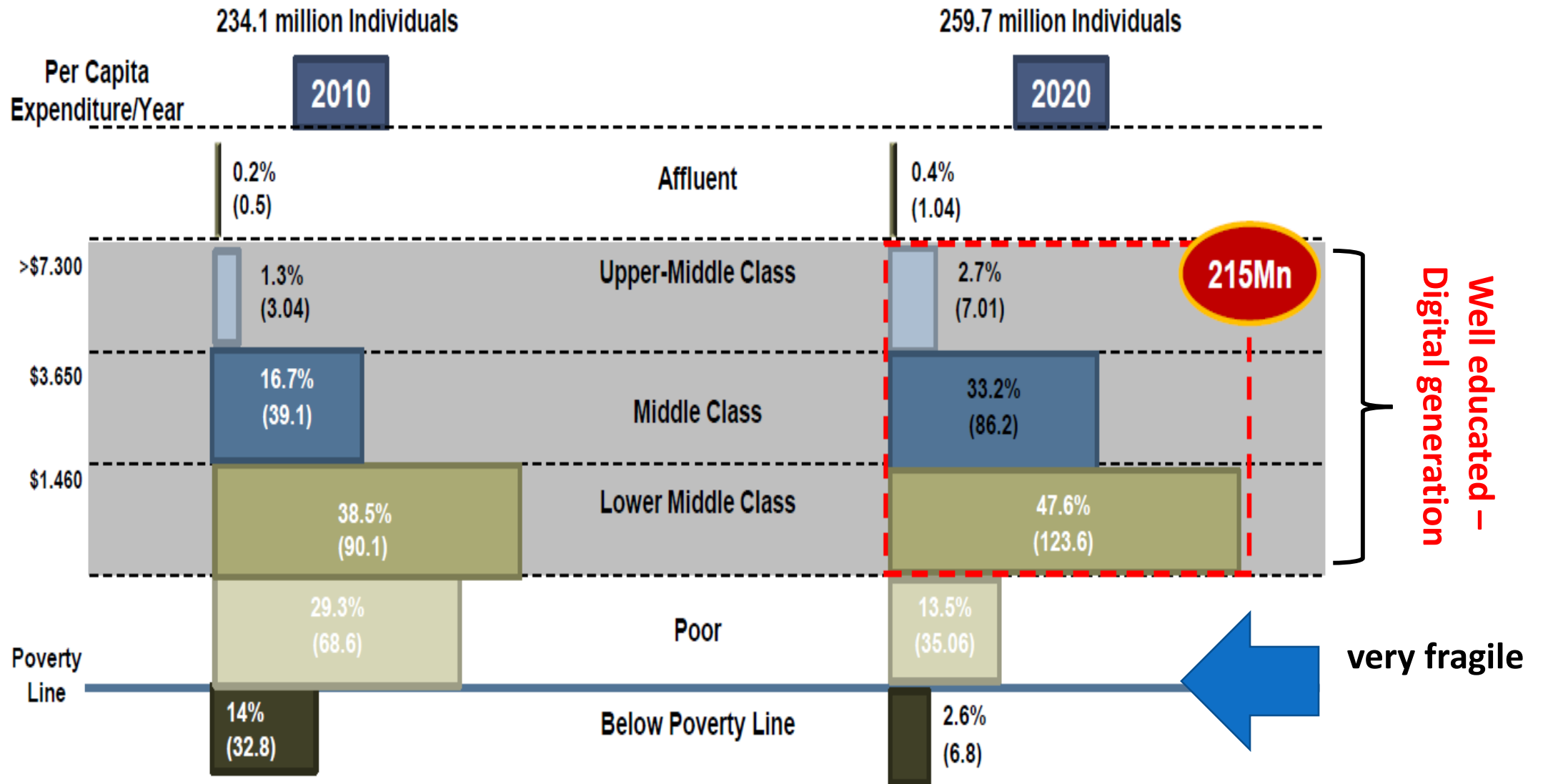
ASEAN Economic Community

Population (1 million) GDP (\$100 million) Per capita GDP (\$)

Prosperity Indicator



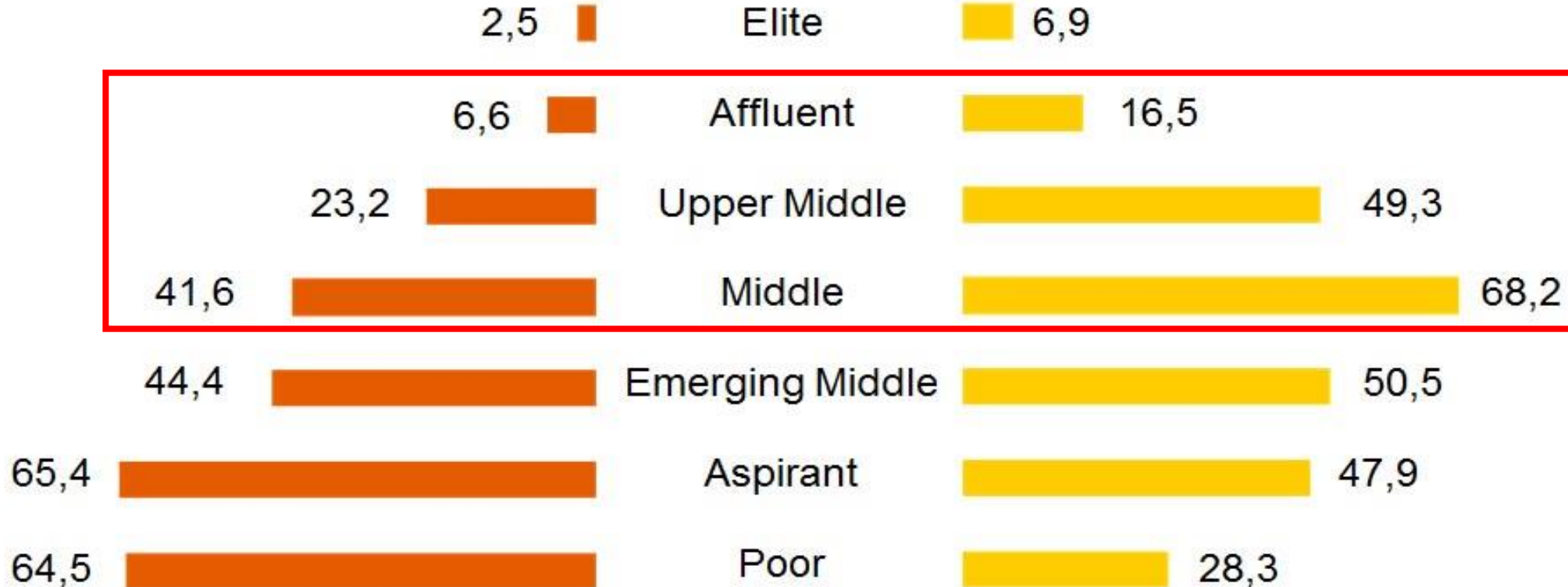
Income Pyramid, Indonesia, 2010 & 2020



Middle Income Forecasting

2012 (million)

2020 (million)



Vertical Mobility

Monthly household expenditure (IDR millions)¹

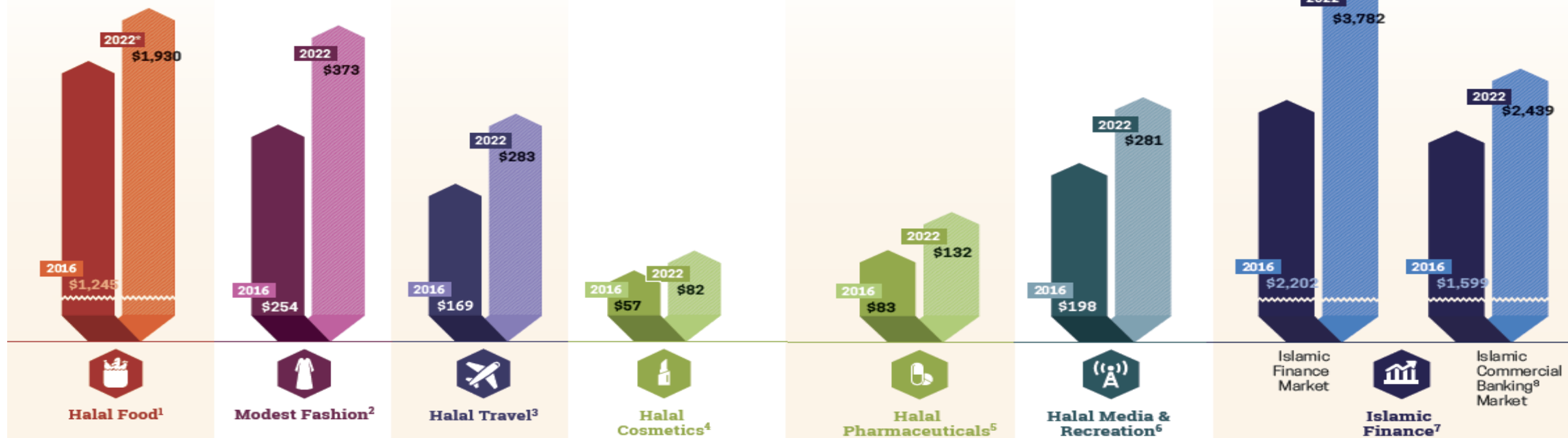
Elite	7.5 and more
Affluent	5.0–less than 7.5
Upper middle	3.0–less than 5.0

Middle	2.0–less than 3.0
Emerging middle	1.5–less than 2.0
Aspirant	1.0–less than 1.5
Poor	less than 1.0

Opportunities of ISF (waqf) Development in Indonesia: Big market for Islamic economy

GLOBAL ISLAMIC ECONOMY

Global Islamic Economy Sectors (US\$ Billion)

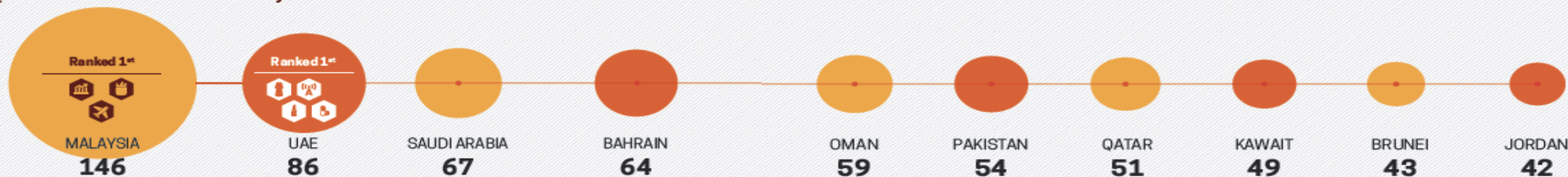


Global Muslim Spend on Food, Beverage & Lifestyle Sectors:

2016 Existing Muslim Market
11.9% of global expenditure
\$2,006 BILLION

2022 Potential Market Size
7.3% CAGR Growth (2016-2022)
\$3,081 BILLION

Top 10 Global Islamic Economy Indicator Score



*Projections were determined by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, showing high correlation. The regression determined a line of best fit that, using IMF GDP forecasts, projected industry growth. IMF Outlook Oct 2014 Database for baseline projections. DinarStandard Muslim market estimates & analysis. | 1. A potential market based on Muslim food &

non-alcoholic beverage spending. Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies. | 2. A potential market based on Clothing and footwear spending. Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies. | 3. A potential market based on Global Muslim Outbound Tourism expenditure. Expenditure data Baseline from 2014

UNWTO data. | 4. A potential market based on Global Muslim personal care/cosmetic expenditure. Expenditure data from national industry associations, national statistics agencies, Eurostat and DinarStandard Analysis. | 5. A potential market based on Global Muslim Pharmaceutical expenditure. Various National Statistics Agencies/Pharma Industry Associations and UN Comtrade Data, DinarStandard Analysis. | 6.

A potential market based on Global Muslim Recreation & Culture expenditure. | 7. A potential market for Islamic Finance based on Potential Islamic Finance Assets. Total Commercial Banking Assets data from Central Banks. Current market estimates and projections: ThomsonReuters 2014 Data. | 8. Commercial banking assets only (Funds, Insurance, other not included)



TOP 15 COUNTRIES GIE Indicator Score

MALAYSIA		146
UAE		86
Saudi Arabia		67
Bahrain		64
Oman		56
Pakistan		54
Qatar		51
Kuwait		49
Brunei		43
Jordan		42
Indonesia		42
Iran		38
Singapore		36
Sudan		35
Bangladesh		31



TOP 10 Halal Food

- 1 **MALAYSIA**
- 2 UAE
- 3 Brazil
- 4 Australia
- 5 Pakistan
- 6 Oman
- 7 Brunei
- 8 Singapore
- 9 Sudan
- 10 Saudi Arabia



TOP 10 Islamic Finance

- 1 **MALAYSIA**
- 2 Bahrain
- 3 UAE
- 4 Saudi Arabia
- 5 Oman
- 6 Kuwait
- 7 Pakistan
- 8 Qatar
- 9 Iran
- 10 **Indonesia**



TOP 10 Halal Travel

- 1 **MALAYSIA**
- 2 UAE
- 3 Turkey
- 4 **Indonesia**
- 5 Thailand
- 6 Saudi Arabia
- 7 Tunisia
- 8 Maldives
- 9 Qatar
- 10 Jordan



TOP 10 Modest Fashion

- 1 **UAE**
- 2 Turkey
- 3 Italy
- 4 Singapore
- 5 France
- 6 China
- 7 Malaysia
- 8 India
- 9 Sri Lanka
- 10 Morocco



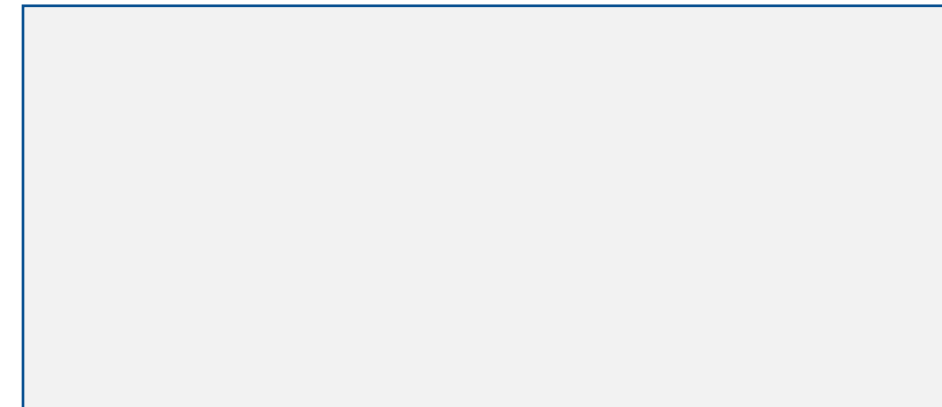
TOP 10 Halal Media and Recreation

- 1 **UAE**
- 2 Singapore
- 3 Qatar
- 4 Malaysia
- 5 United Kingdom
- 6 Lebanon
- 7 Germany
- 8 Oman
- 9 Bahrain
- 10 France



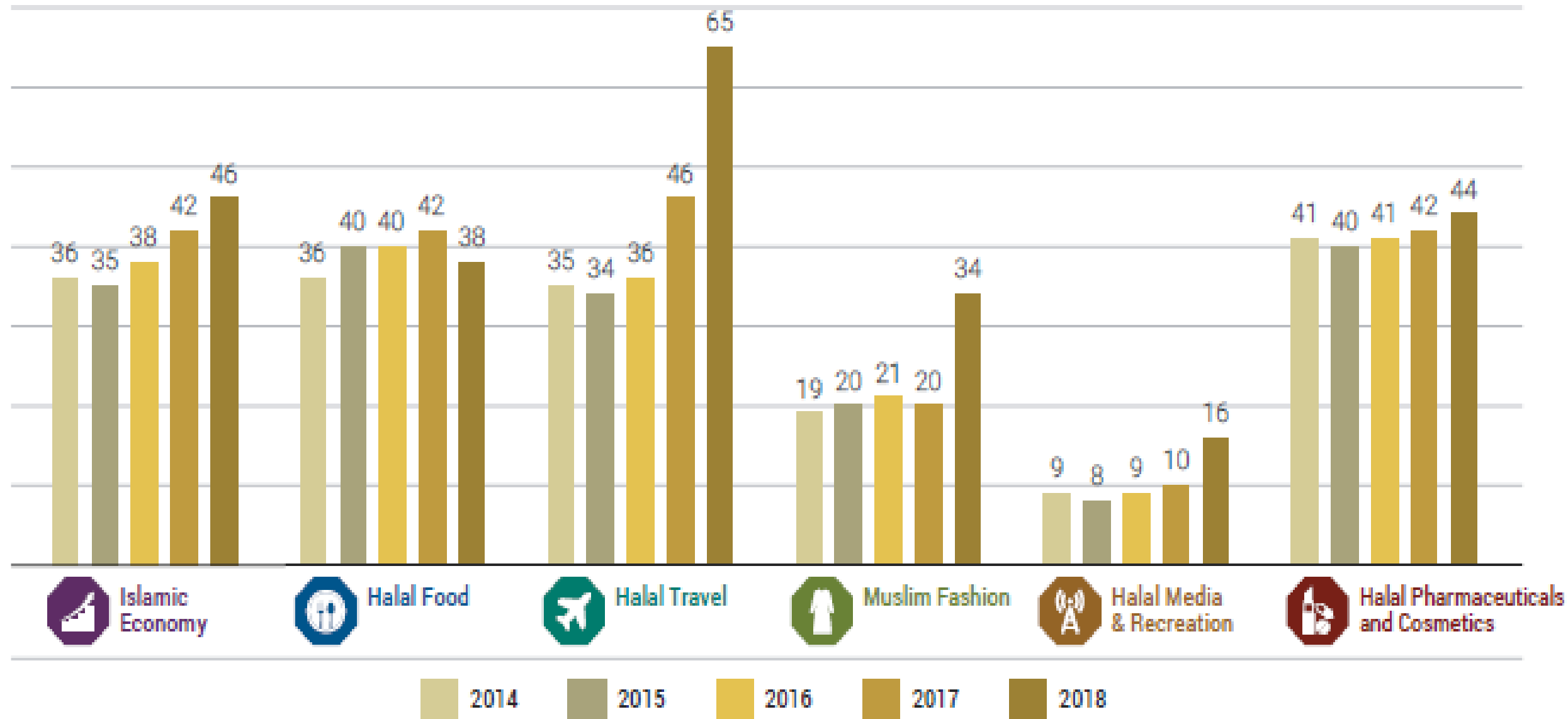
TOP 10 Halal Pharmaceuticals and Cosmetics

- 1 **UAE**
- 2 Singapore
- 3 Malaysia
- 4 Egypt
- 5 Pakistan
- 6 Jordan
- 7 Saudi Arabia
- 8 **Indonesia**
- 9 France
- 10 Oman



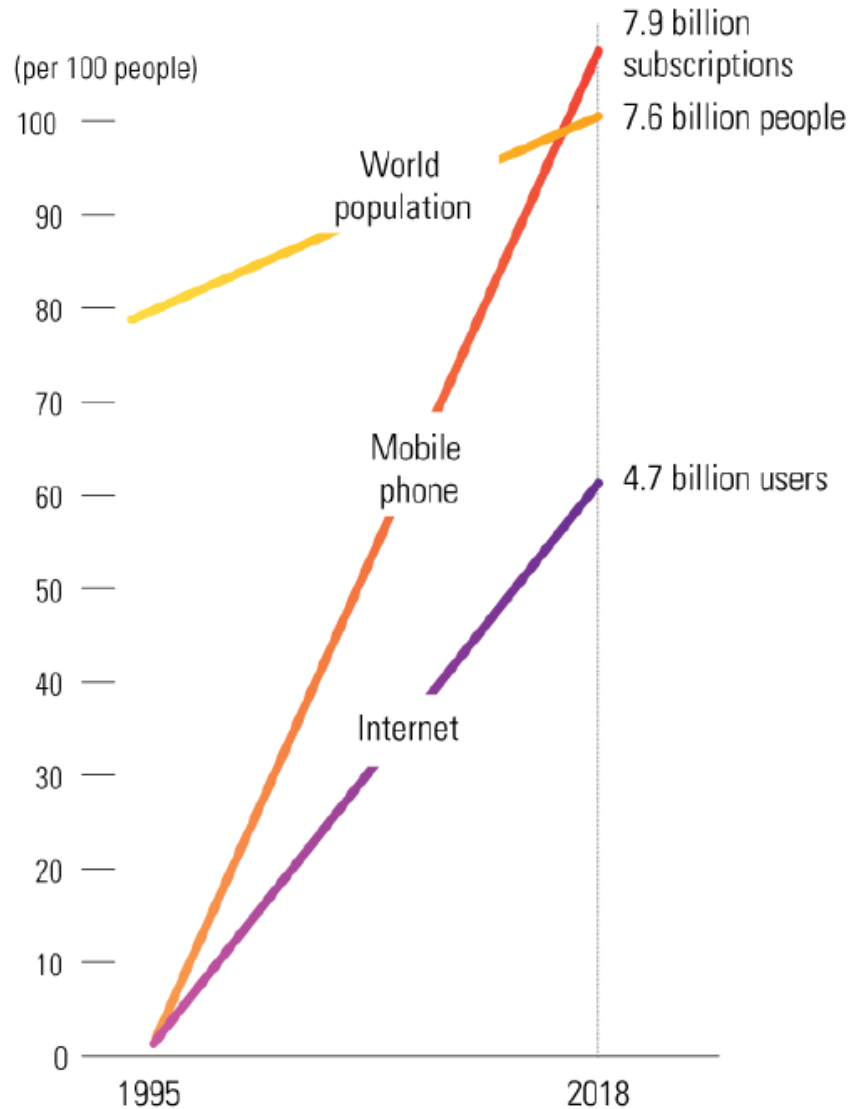
Comparison of Halal Sector Scores in Indonesia 2014-2018

Source: Global Islamic Economy Gateway (2018)



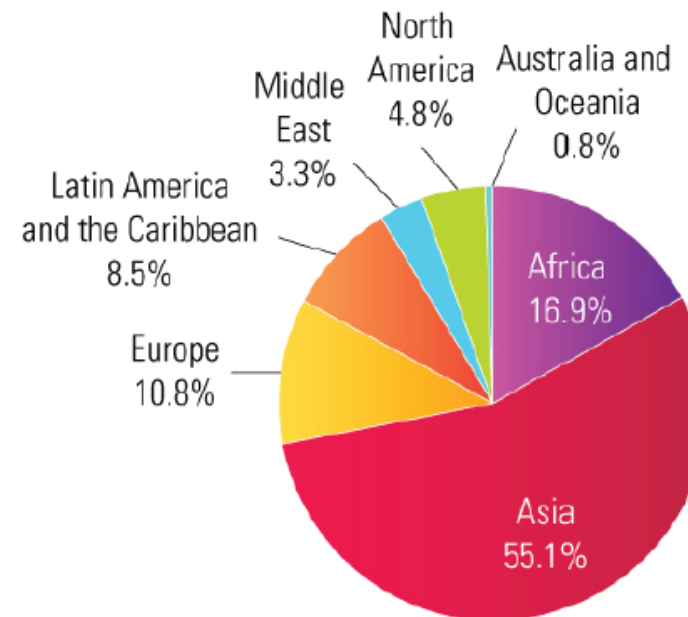
Opportunities of ISF (waqf) Development in Indonesia: Digital technology as enabler

The change in technology penetration around the world between 1995-2018 was substantial and holds promise to benefit people around the world



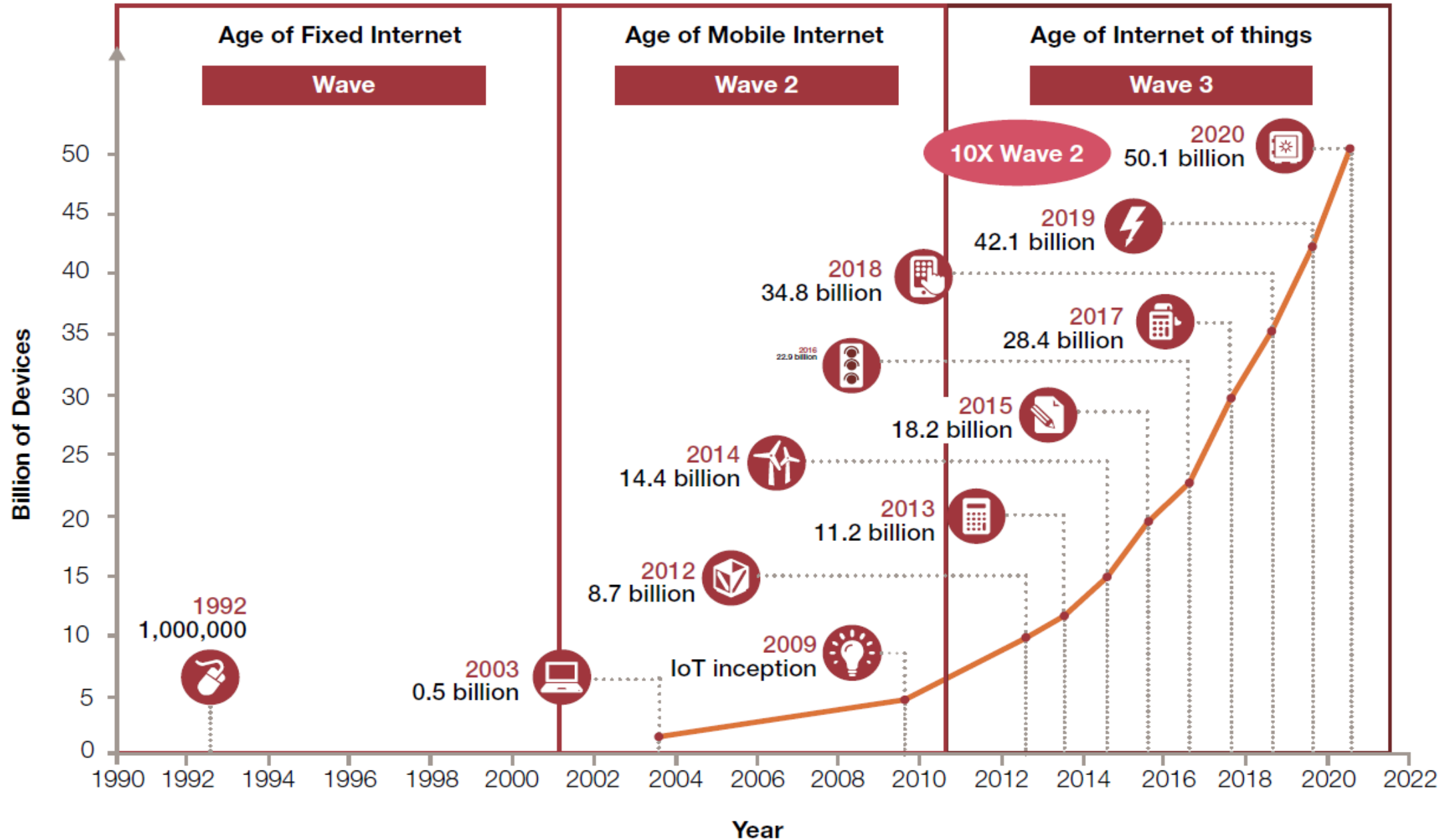
Mobile services for ZISWAF: required and obligatory

2018 Internet users by region (% of global Internet users)

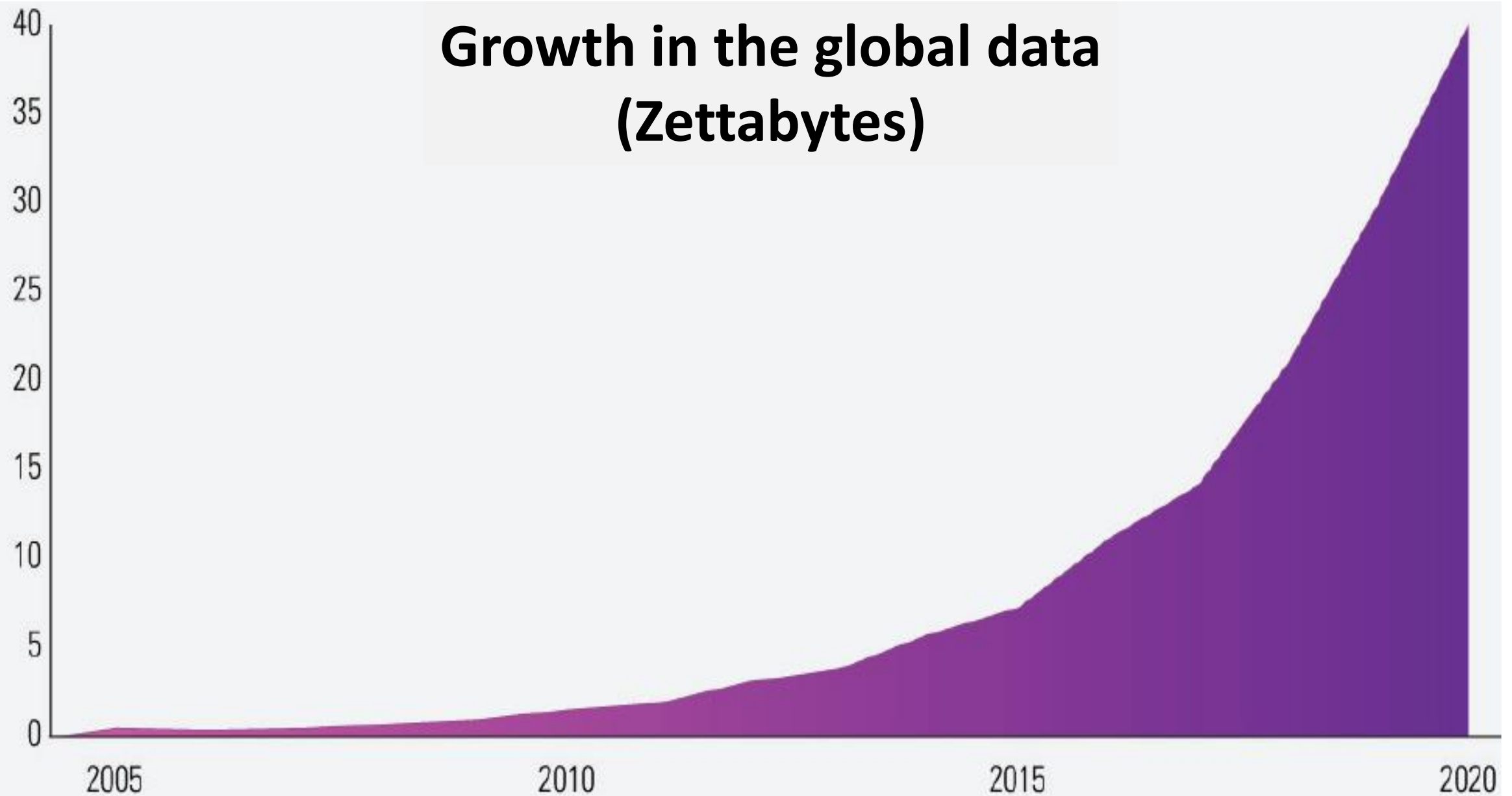


Source: Human Development Report Office calculations based on World Bank and ITU data.

Growth in Device Connectivity Between 1990 and 2022



Growth in the global data (Zettabytes)



Note: A zettabytes is equivalent to the data stored on some 250 billion DVDs

Sources: UNECE 2017

Future Value: Innovation and Data Driven

$$FV = IP$$

**Future
value**

=

Innovation
Outcomes x Personalization

For:
Mauquf 'alaih
Waqif, Nadzir
Society and
Government

Participatory
Precise
Predictive
Proactive

Data

(Connect + Combine + Share)

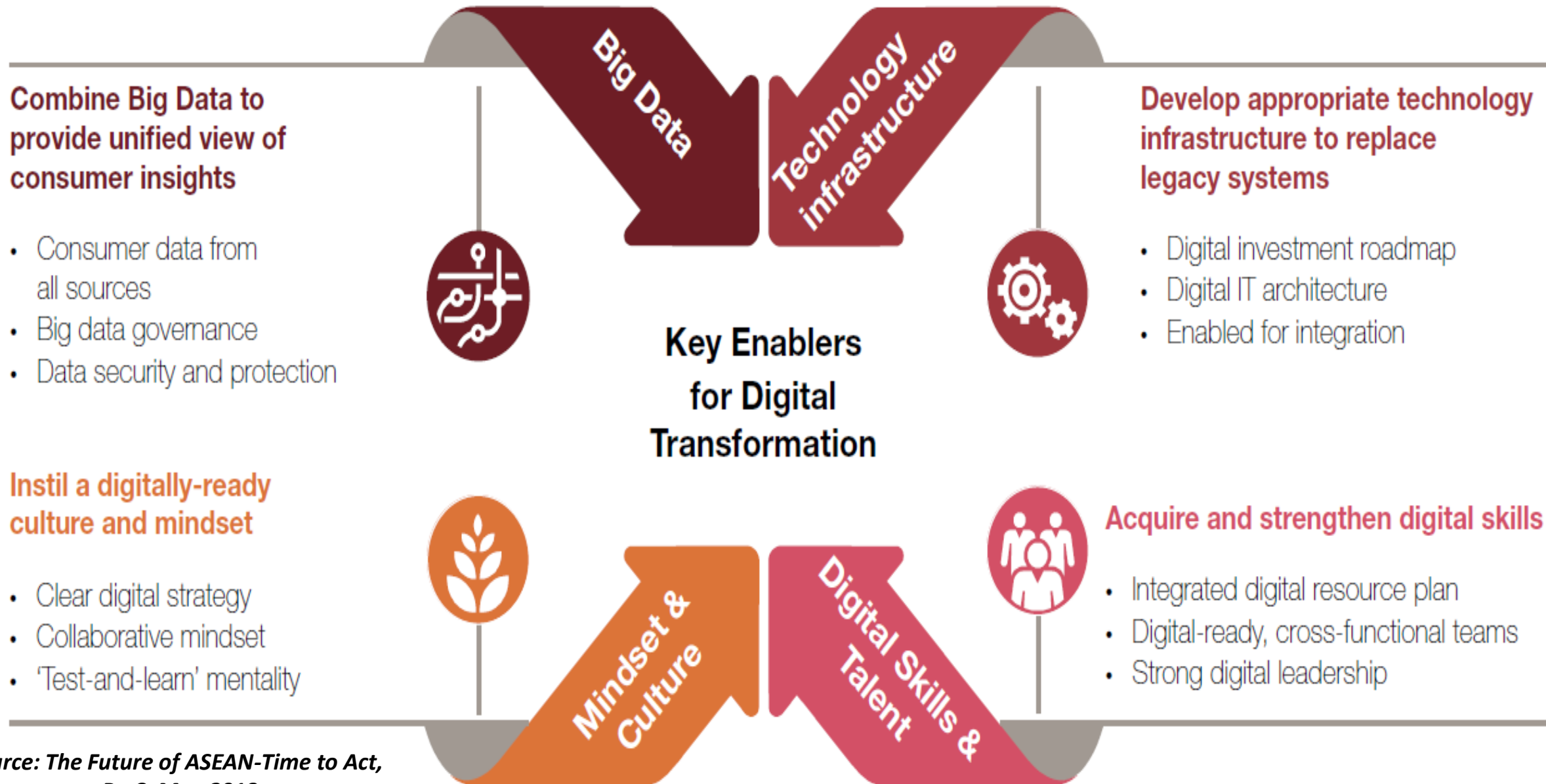
Data streams

Traditional and
non-traditional
partners

Platforms
of care

*Adopted From: When the human body is the biggest data platform,
who will capture value? Progressions 2018, Life Sciences 4.0:
Securing value EY 2018*

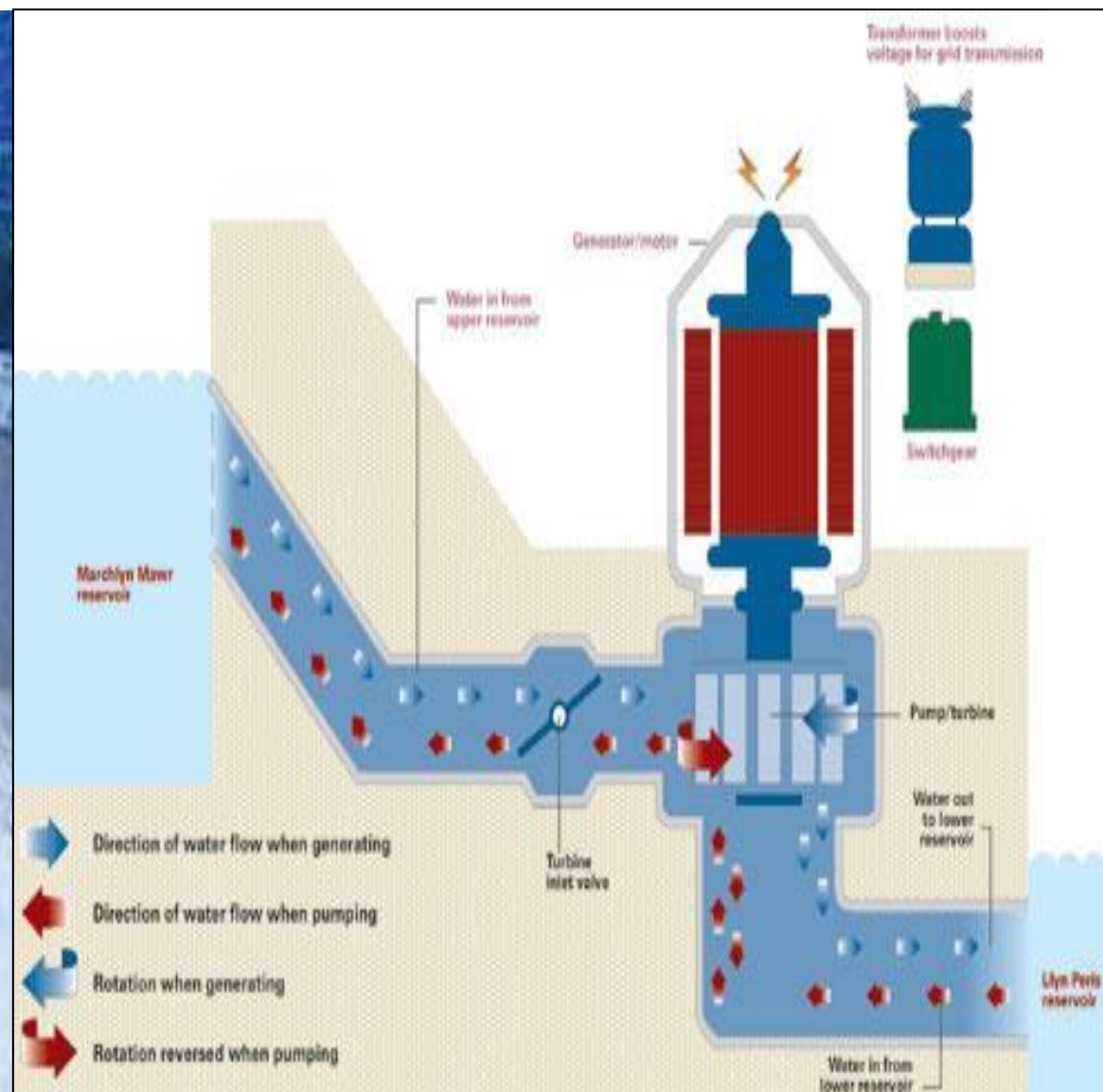
Key Enablers for Digital Transformation



Source: *The Future of ASEAN-Time to Act*,
PwC, May 2018

Indonesia: Giant lake with million cubic of fresh water that required to transform as the hydro-electrical power and water irrigation

Giant Lake: Transformation



Transformation: Maximum number but minimum power to maximum power

What we should do ?

What we should do

- Develop ecosystem and shifted paradigm (musabaqoh-muawwanah)
- Increase number of waqif through literacy and awareness
- Increase amount and diversity of waqf asset
- Strengthen nadzir competencies-capacity building in creating added value of waqf asset management (sense of business, entrepreneurship and value creation)
- Improving quality of governance –compliance with good governance principals-waqf core principles)
- Divers in the managing of waqf asset with zero (minimum) risk principal (waqf linked sukuk), especially to support Islamic economy
- Take advantage of digital dividend (incl. asset digitalization)

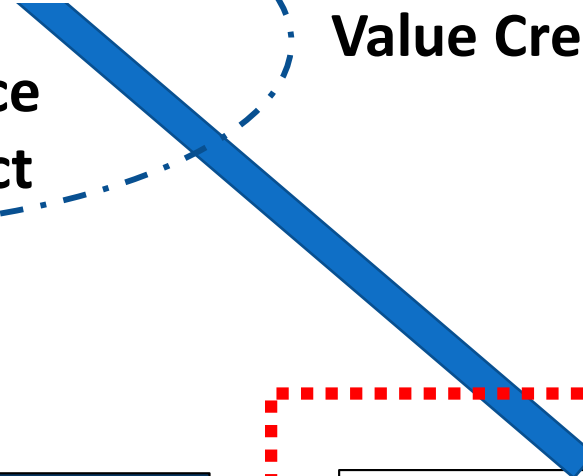
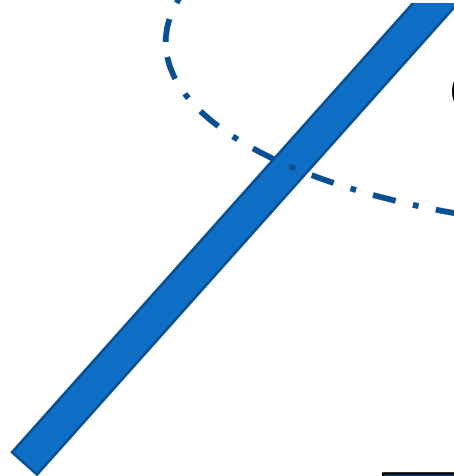
مقاصد الشارع



Convergence-synergy

Good Governance
Maximum Impact

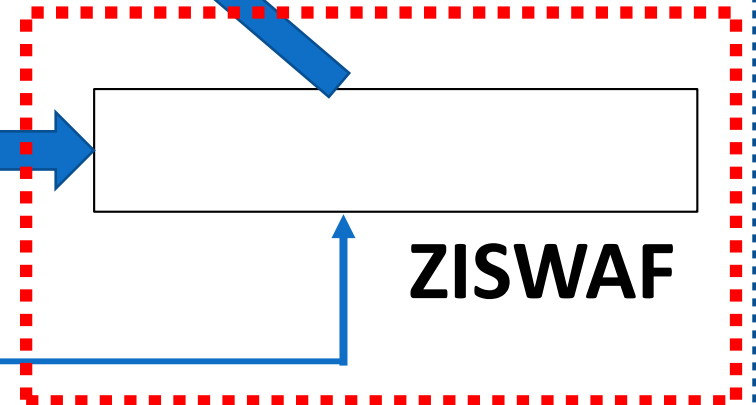
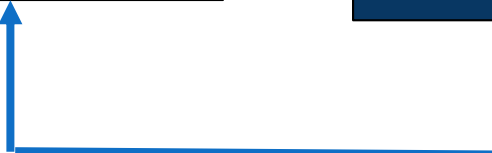
Value Creation



Islamic Bank

Strengthening
Empowering and
Synergizing

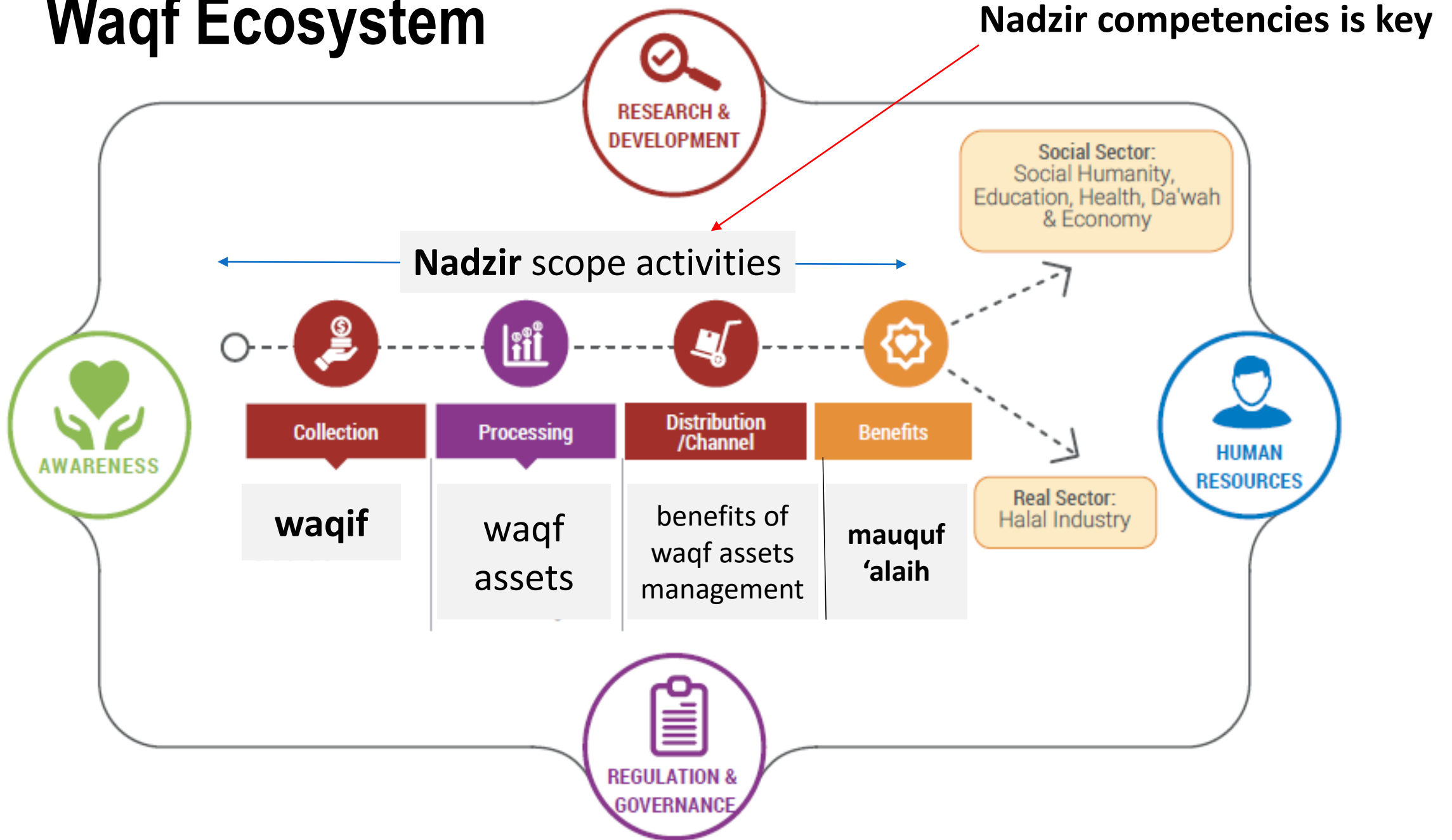
ZISWAF



Ecosystem

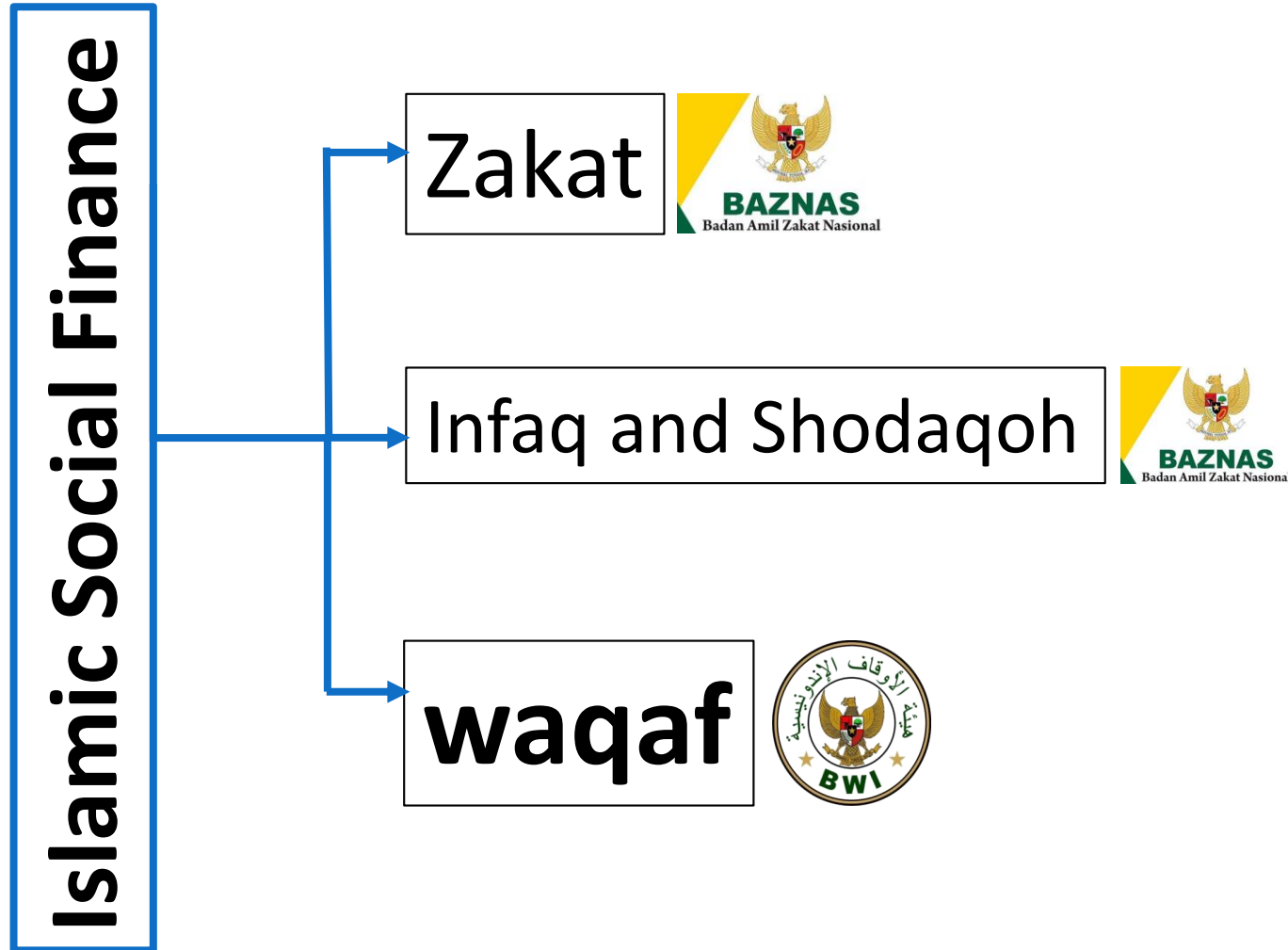
Ecosystem

Waqf Ecosystem



Synergize between Baznas and BWI:

extraordinary resources



Poverty eradication

Four main strategies for shariah economic development in Indonesia

1. Strengthening Halal Value Chain

The main strategy in the masterplan is to strengthen the entire halal industry value chain in Indonesia, from upstream to downstream (end-to-end). This applies to all clusters, which are prioritised and measured in the Global Islamic Economy Indicators (GIEI), as well as those needed by the national economy such as renewable energy or social security.

3. Strengthening Micro, Small, and Medium Enterprises (MSMEs)

Even though individually the economies of MSMEs are small, but if the approximate 60 million MSMEs are combined, they are counted as the largest economic players in Indonesia. In fact, MSMEs have absorbed more than 90% of the national workforce and contributed to more than 50% of GDP. Thus, this sector definitely has a great advantage in strengthening the halal industry.



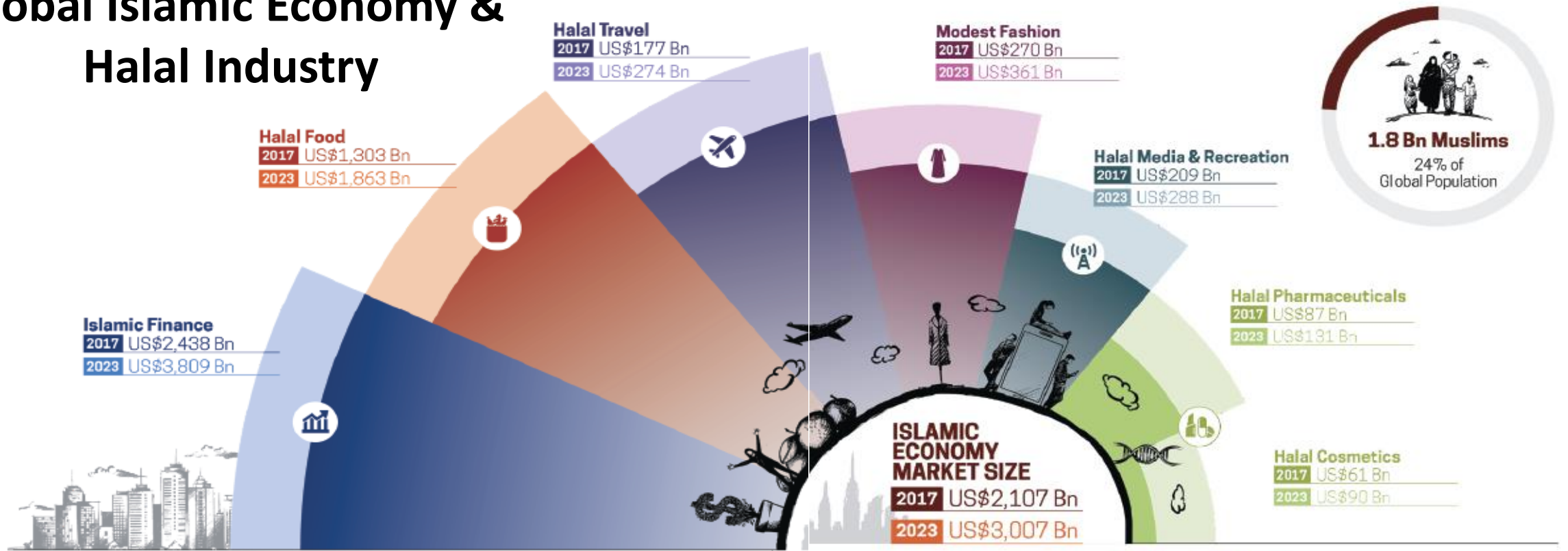
2. Strengthening Islamic Finance Sector

The purpose of this second strategy is to ensure the Islamic financial sector can be a key driver of the halal value chain or the halal industry in Indonesia. At the same time, this strategy also aims to increase the volume of Islamic banking and financial businesses.

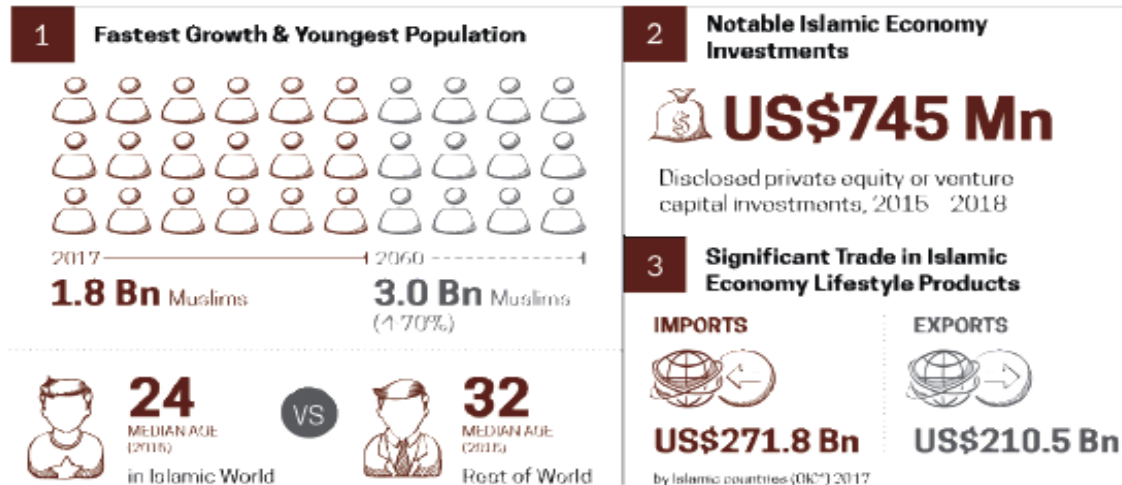
4. Strengthening the Digital Economy

In improving the competitiveness from global player, Indonesia through national halal industry needs to adopt digitalisation in their operation as it will decrease the cost while improving its efficiency such by adopting Islamic digital payment gateway.

Global Islamic Economy & Halal Industry



Key Drivers Today

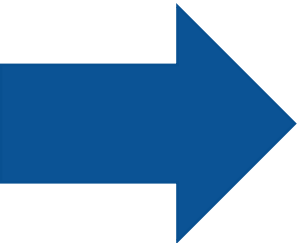


Future Enablers



What we should do ?

**Preparing the new ISF (waqf) generation
(millennial and digital native)**



[illegible]

What we should do ?

**Preparing waqf core principles (WCP)
and waqf linked sukuk**



(a)



(b)



(c)

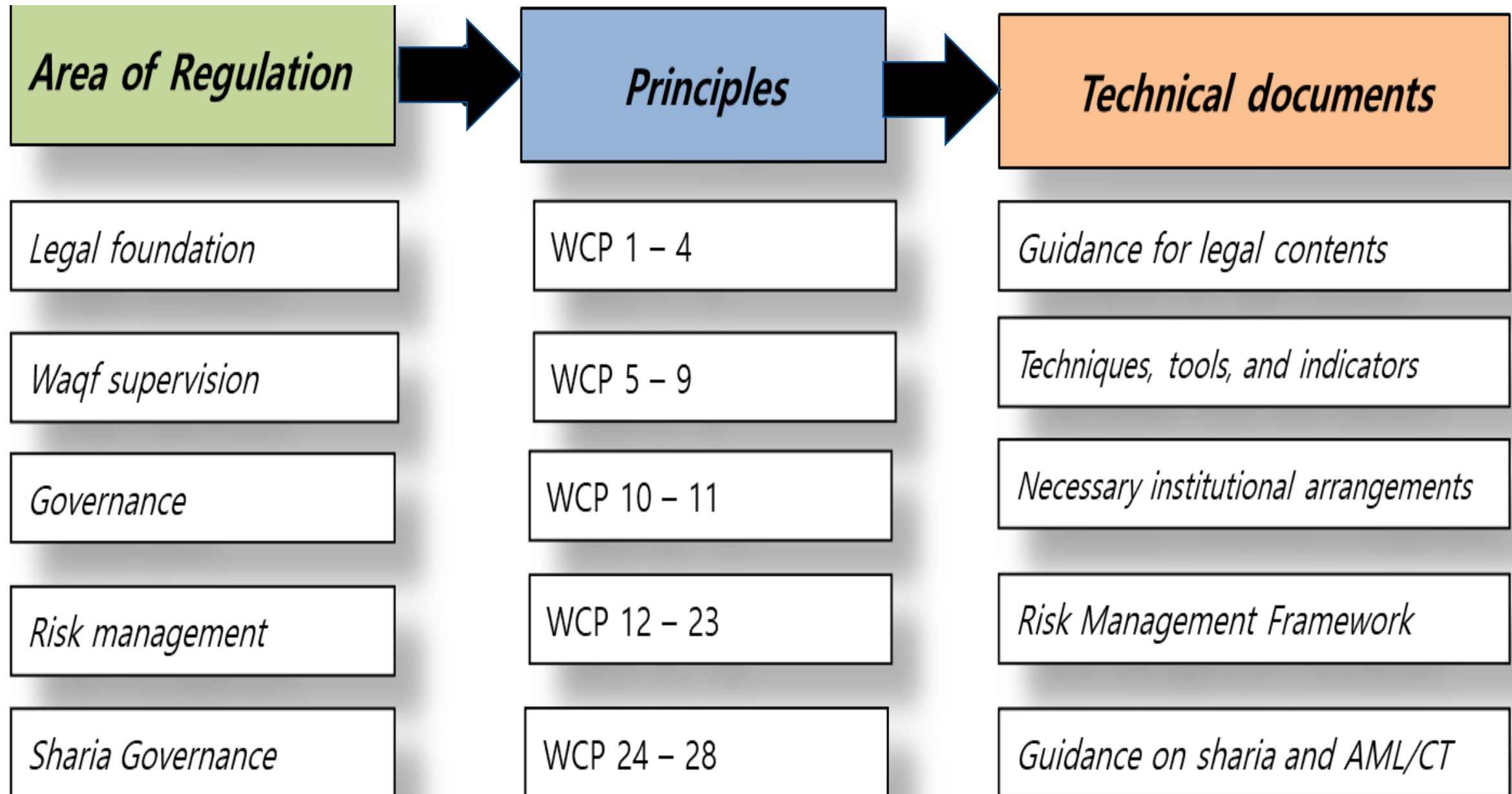
Launching of Waqf Core Principles and Cash Waqf Linked Sukuk Bali, 14 October 2018 (IMF and WB Meeting)

(a) Governor of Bank Indonesia

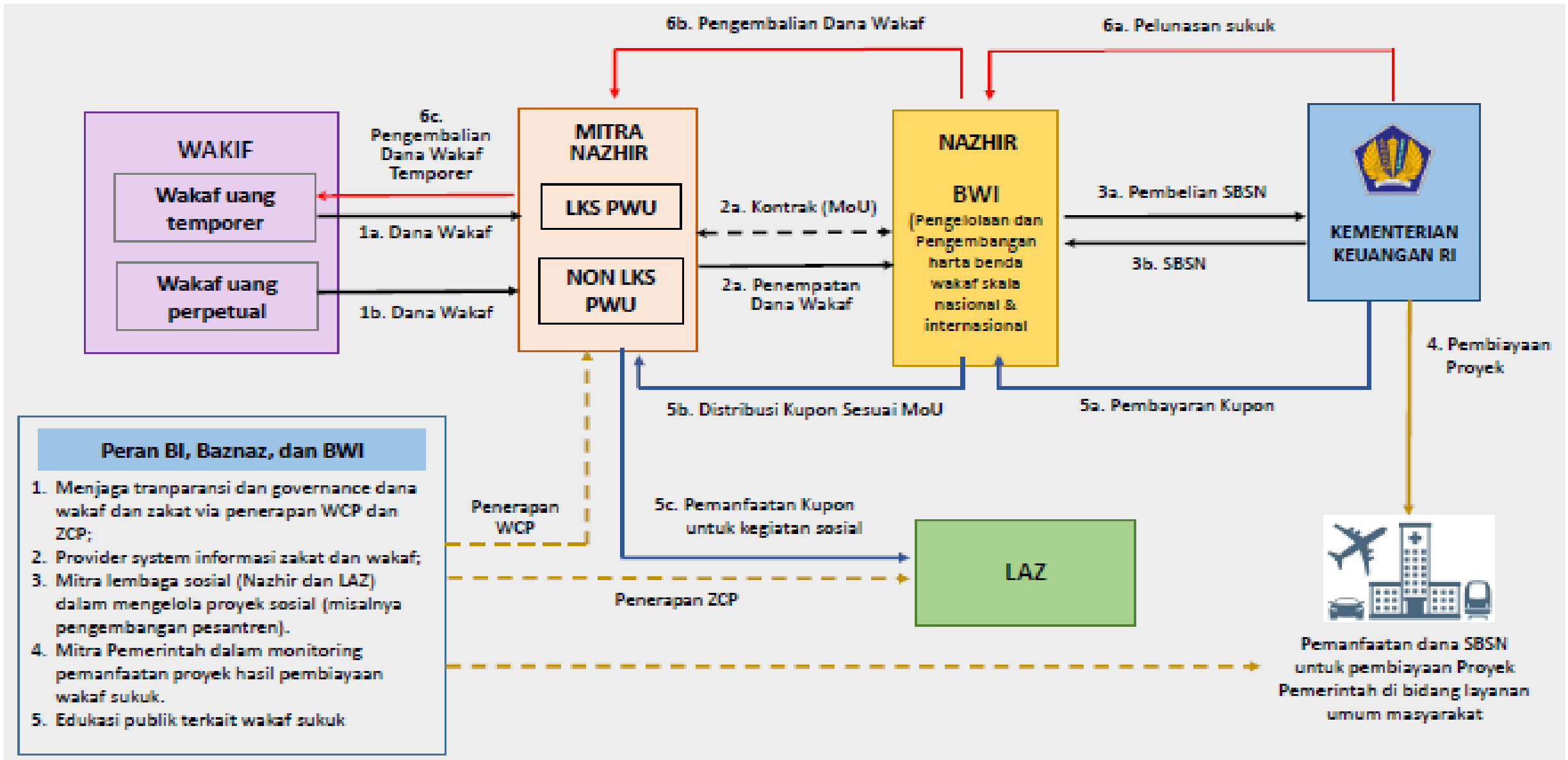
(b) Minister of Finance

(c) Chairman of Indonesian Waqf Board

Waqf Core Principles Contents: Launched on October 2018



Waqf Linked Sukuk scheme: Innovation based on Cooperation between Indonesian waqf board, Ministry of Finance and Bank Indonesia



Waqf: One Give For Many Generation

