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AN INTEGRATION OF WAQF AND VENTURA CAPITAL: A PROPOSED MODEL FOR INDONESIA

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ABSTRACT

This study aims to find the appropriate model for the modus operandi of a financial institution called *Waqf*-Ventura Capital Syariah (WVCS). WVCS is integration between social finance (*waqf*) and commercial finance (Ventura capital). This WVCS has been adopted in Indonesia but the right form of operation is still yet to be found. In addition, this study also looks for appropriate contracts able to be practiced within the WVCS itself. WVCS is conceptualized based on the content analysis of cash *waqf* operations, profit and loss sharing modes and venture capital strategies. It has been found that there are at least 3 alternative models of operation for this WVCS. Firstly, the *waqf* fund is pooled into the capital; secondly, the *waqf* fund is pooled into a third-party fund; and thirdly, the *waqf* fund is pooled into both the capital and third party-fund. These unique operandi of WVCS could be adopted, as long as there are *mudharabah* dan *musharakah* contracts for development of the Indonesian Economy.

Keywords: Integration, Waqf, Venture Capital, Indonesia.
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I. INTRODUCTION

A venture capital company is a company that invests some of its fortune in the form of capital / equity participation with business partners (customers). Since the investment format is equity participation, there is no guarantee of return on investment, and that causes so-called high risk. However, on the other hand, there is a high return opportunity, especially for new businesses in the creative industry and the implementation of new technology research. Therefore, the most applicable contract utilized in a venture capital company is a profit-sharing agreement (*mudharabah* and *musharakah*).

Besides, the venture capital company has for its vision the assistance of new business innovations by engaging in the development and establishment of the company. As commercial financial institutions, venture capital firms are certainly profit-oriented.

In terms of business opportunities, Islamic venture capital companies have a promising future, considering the increase in public awareness in the practice of Islamic injunctions, especially in the field of economics. For those who are looking for capital, they look towards Islamic institutions. For those who have excess money (upper middle class), they also look for Islamic ventures in which to invest. Therefore, the future for business opportunities within Islamic venture capital companies is quite promising.

Nevertheless, Islamic venture capital companies face some challenges. Firstly, lack of socialization. In order to overcome this problem, more intensive introductions through mass media or by means of exhibitions, brochures, seminars and various forums involving businessmen must be performed. The second challenge is the limitedness of human resources (HR) professionals in Islamic venture capital. Human resources in venture capital firms are not only experts in investment and financing but also have to master the real sector business so that they can play a more optimal role in advancing the customers, which are the partners of their business. The third challenge is limited capital. Because the nature of investments is in the form of equity, this naturally requires large enough capital for a venture capital company. Sufficient capital will have more flexibility to engage in companies with good prospects.

In addressing serious challenges in terms of capital, it is necessary to think about the capital sources for Islamic venture capital, including reviewing the possibility of the utilization of *zakat* and *waqf* funds to be invested by means of these venture capital firms. This study is conducted for this reason, namely the focus upon the utilization of *waqf* funds as venture capital of this Islamic institution. In other words, integration between *waqf* and Islamic Venture capital is required.

Furthermore, 'Waqof Ventura Syariah' has been registered as *Waqf* based venture capital at the financial authority of Indonesia (OJK). Unfortunately, after several months, OJK still has not given permission for its operation due to 'unclear' modus operandi.

The objective of this study is to look for a possible integration model between *waqf* and Islamic venture capital. The research method used is a qualitative method, referring to documents in the form of books, scientific journals, writings in newspapers, and some statements of practitioners and regulators in the field of venture. This research has conducted from July to September 2017. The analysis is content analysis of cash *waqf* operations, profit and loss sharing modes and venture capital strategies.

II. LITERATURE REVIEW

2.1. Theory *Waqf*, Venture Capital, and Islamic Contracts

Before discussing the issue of the integration of *waqf* and venture capital, this section will present theories with respect to *waqf* and cash *waqf*, venture capital and Islamic contracts

2.1.1. *Waqf* and Cash *waqf*

The general principle of *waqf* is that the value of *waqf* itself does not diminish. The *waqf* has its perpetual nature. For those reasons, the most common *waqf* is land and buildings. However, according to the Hanafi school, there are three things that can be excluded from the general principle: firstly, the contribution of movable assets owned by immovable assets, such as cattle or goats from a garden, are permissible as *waqf* treasures; secondly, when there is a related hadith; and thirdly if the donation of movable assets is a common practice in an area. Even Imam Sarakhsi and Imam Muhammad had allowed the movement of *waqf* of assets though not as a habit in that area.

Furthermore, Imam Muhammad As-Syaibhani and Abu Yusuf said that the donation of movable property can be attached to a building. For example, 2 million rupiahs can be attached with one meter of *waqf* building. Thus, we see a great deal of mergence between the *waqf* of the building and the money *waqf* that was the practice in Ottoman Turkey, which in fact follows the Hanafi School.

The Ottoman court had approved the practice of cash *waqf* in the 15th century, and it surged in popularity in the 16th century throughout Anatolia and the European mainland of the Ottoman Empire, Turkey. In the age of the Ottoman Empire, cash *waqf* was practiced for almost 300 years, starting from 1555 to 1823 CE. More than 20 percent of the cash *waqf* in Bursa City, south of Istanbul, survived for over a hundred years. In its management, only 19 percent of the cash *waqf* remained unicreased, while 81 percent had accumulated (capital accumulation) within itself. In his research, Professor Murat Cikazca (1998) concluded that cash *Waqf* was used to organize and finance the cost of education, health, and other activities, which today are borne by the state or local government. Therefore, that cash *waqf* played a vital role in the era of the Ottoman Empire at no cost to the state.

There are several forms of cash *waqf* management. Firstly, the collected cash *waqf* is addressed towards the financing of certain businesses, and of course with *mudharaba* contracts (profit sharing). Profits derived from the business will go back to the *waqf* basket. This will bring about the accumulation of capital from the cash *waqf*.

Secondly, the cash *waqf* collected, is partly used to build the means for da'wah, for example Islamic boarding schools, and also is partly invested by means of *murabaha* contracts, wherein profit will be used for the salaries of *ustadzh's* / teachers, assistants, *qoris*, and the *waqf* manager (nazir). This happened in the month of Safar, 1513 CE, when Elhac Sulaymen donated 70,000 silvers dirhams for *waqf*. 40,000 dirhams were used to build schools, and another 30,000 dirhams were used for *murabahah* financing. The result of this *murabahah* investment was used to pay the teacher's salaries of 3 dirhams per day, 1 dirham for an assistant, a qori reader of Al-qur'an, 1 dirham, and the *waqf* manager, 2 dirhams per day.

2.1.2. Venture Capital

Venture capital (VC) is a type of private equity, a form of financing that is provided by firms or funds to small, early-stage, emerging firms that are deemed to have high growth potential, or which have demonstrated high growth (in terms of the number of employees, annual revenue, or both). Venture capital firms or funds invest in these early-stage companies in exchange for equity, or an ownership stake, in the companies they invest in. Venture capitalists take on the risk of financing risky start-ups in the hope that some of the firms they support will become successful. The start-ups are usually based on an innovative technology or business model and they are usually from within high technology industries, such as information technology (IT), clean technology or biotechnology.[2]

Distribution of funds made by a venture capital company to a partner may be in the form of: 1) Equity participation, 2) purchase of convertible bonds, and 3) financing in the form of profit sharing. Meanwhile, the funds used by venture capital companies to support the financing come from loans obtained from financial institutions and non-financial institutions (Mahardika, 2015).

Equity participation is made by purchasing shares of the Company's partner(s). By purchasing such shares, the venture capital company becomes one of the shareholders of the partner financed. In the equity participation method, the gain is derived from the difference between the selling and the purchasing price of the partner's share.

Channeling of funds through the conversion method requires a venture capital company to purchase convertible bonds issued by the company's partner. Convertible bonds are bonds that can be converted into shares during the conversion period. The purchase of convertible bonds is essentially a debt, whereby at the end of the bond period, the business partner is required to redeem the bonds issued.

Distribution of funds through the profit sharing method means that venture capital companies provide loans to partners for business development. The business results obtained by the partner will be shared between venture capital companies and the partner as agreed. Profit ratios are agreed upon before financing is made. Losses are also divided by agreement (Mahardika, 2015)..

2.1.3. Islamic Contracts

In the trade there are contracts which contain elements of cooperation, called the syirkah contract or cooperation contract in a business. Among the contracts containing the elements of cooperation are: *Musharakah* and *Mudharabah*.

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2. https://en.wikipedia.org/wiki/Venture_capital

1) *Musharakah*

According to the term, syirkah (*musharakah*) is the cooperation between two or more persons in a business in which profit and loss is mutually shared.

Shirkah is divided into four types, namely;

a) *Shirkah al-inan*, the cooperation between two or more people in capital, and then together they manage the capital and profit divided by the amount of capital respectively.
b) *Shirkah al-mufawadhah*, the cooperation between two or more persons performing business with the provision of equal amounts of capital. They equally have the right to decide a policy and are capable of taking legal action.
c) *Shirkah al-wujuh*, two people make a cooperation without contributing any treasure capital, but both undertake business together, and the basis of this partnership is trust.
d) *Shirkah al-abdan / a'mal*. A cooperation between two or more people to do a business with the provisions of the results divided by agreement.

The opinions of the scholars differ in determining which of these *shirkahs* are in accordance with and permissible within Islamic law. Only the Hanafi school of thought permits all of these four forms of *shirkah*. In the *Shafi'i* school only *Shirkah Inan* is allowed, and other than that is forbidden.

2) *Mudharabah*

Mudharabah is a cooperation made by two or more persons where the owner of the capital delivers the capital to be managed by the worker, while the profit is divided by agreement. The concept of *mudharaba* is essentially sharing of profit and loss, called loss and profit sharing (Ibdalsyah and Tanjung, 2014).

In a narration, 'Abbas bin Abdul Muttalib surrendered his wealth to a man skilled in trading using a *mudharaba* contract. He gave the requirement that the property should not pass through the sea and valleys and also should not be brought by a sick animal that was immobilized. When it came before the Messenger of Allah (SAW) he allowed it. (Al hadits of Imam Thabrani).

The Messenger of Allah (SAW) in his saying: "There are three things that bring about blessings: buying and selling with credit system, *mudharaba*, and mixing grain with wheat for home purposes not for sale. (A hadith from Ibn Majah).

2.1. Previous Studies

Cizacka (1998) analyzes the relevance of the history of the *waqf* system for modern Islamic economics. The main argument lies in the fact that *waqf* has provided all the essential services at a zero cost to the government. So, the success of the modernization of the *waqf* system lies in a significant effort to cut government spending and even the elimination of usury. The findings of this study found that to create all of that, lies in the cash *waqf*. So, there are 2 Islamic financial institutions that must be combined, the cash *waqf* and the bank with the principle of profit sharing. It is proposed that this combination exists in the form of an Islamic bank, in which the bank has its own prototype, and is expected to increase the profit-sharing ratio (*mudharabah*)[3].

Mannan (1999) explains that cash *waqf* certificate at a social investment bank is an innovation of Islamic Social Finance. As a case study, the operations of the social investment bank are reviewed in order to provide concrete evidence of the cash *waqf* certificate process.

From a market-driven economy, this social investment bank is motivated by the economy of the ummah. These cash *waqf* certificates can deplete the voluntary sectors within Islam and help accumulate social capital and wealth. When the indirect tax system in Bangladesh and other Muslim countries tends toward economic growth, political will is required for the cash *waqf* movement to succeed.[4]

Chepkwony (2008) concluded in his research that it is necessary to establish an institution that manages the *waqf* well, named "Organized Voluntary *Waqf*". In order for *waqf* to be more effective, *waqf* management must plan projects that are both primary and secondary. This requires a proactive *waqf nazir*, with good leadership skills. If the Organized Voluntary *Waqf* is managed by a competent Nazir, as mentioned above, then *waqf* can play an important role in alleviating poverty.

Salarzerhi, Armesh and Nikbin (2010) through their research on *waqf* concluded that *waqf* is very significant in building the economy of the ummah. The experiences of Islamic countries prove that *waqf* has been able to distribute wealth in the midst of society and is used as finance for the poor. In Islamic culture, *waqf* is one of the permanent patterns of social entrepreneurs or charitable patterns of charity, which aspire towards some aspects that appear simultaneously such as business skills, entrepreneurial innovation, and the use of profits to combat poverty. In addition, if this *waqf* is overwhelmingly in use for the benefit of the *ummah*, then government spending will be suppressed. In addition, education needs of a lot of attention and funding from the government, and this can be taken over by NGOs.

Haji Muhammad (2011) put forward the idea of *waqf* bank in terms of Islamic law. In consideration of the needs of poor Muslims around the world, it is necessary to establish a *waqf* bank as a continuation of the cash *waqf*. *Waqf* cash collected and the proceeds from the investment of this cash *waqf* can be used as the initial capital of bank *waqf*. It needs tobe noted that the nature of *waqf* should not be reduced and remain in perpetuity and must be considered in the management of this *waqf* bank.

Chowdhury et al. (2012) identifies four issues of *waqf* management in Malaysia: i) *waqf* accumulation; ii) *waqf* manager qualification (*mutawali*); iii) idle *waqf* wealth; iv) insufficient acceptance of *waqf* to finance *waqf* management operations. As a solution, two recommendations are offered. Firstly, the improvement of *waqf*

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3. Murat Cizacka (1998), Awqaf in History and its implications for modern Islamic Economies. Islamic Economies Studies, Vol. 6 No. 1, November 1998.
4. MA. Mannan (1999), Cash *Waqf* Certicficate: Global Opportunities for developing the social capital market in the 21st-century voluntary- sector banking. Proceeding of the third Harvard university forum on Islamic Finance: Local Challenges, Global opportunities, Cambridge Massaschucet, Centre for Middle Eastern studies, Harvard University, 1999. pp 243-256.

management includes the enhancement of *mutawali* skills (*waqf* managers), and secondly, the use of *waqf* assets for productive enterprises, for example, micro-enterprises and insurance.

Nurrachmi (2013) found that the problems that arise in the management of *waqf* property lie on the issue of unqualified *waqf* managers. The *waqf* function here is distribution of capital, not accumulation of capital. The solution to this problem is: Good governance, the creation of a secondary project to generate a steady stream of money for projects with insufficient funds from the accumulated *waqf*. In terms of *waqf* institutions as a capital distribution, the Dynamic Cash *Waqf* model is the solution. The Islamic Bank will act as trustee for cash *waqf*, which will supervise and monitor *waqf* fund raising, investment and profit distribution for charity activities.

Dahlia and Haslindar (2013) investigated the implementation of *waqf* management in Malaysia. The development of *waqf* management under Jcorp has been successfully implemented in Malaysia. However, not all states in Malaysia are successful in managing this *waqf*. Of a total of 14 states, only 5 states are successful.

Hamber and Haneef (2017) study the possibility of the establishment of the '*Waqf*-based Social Micro Venture Fund (WSMVF)' in Singapore. They looked at charitable institutions that practice innovative and progressive forms of giving that the WSMVF could adopt. Resultantly, WSMVF is conceptualized on the basis of the content analysis of cash *waqf* operations, profit and loss sharing modes and venture capital strategies. The organizational structure and operations of WSMVF bring new features into the present institution of *waqf* in Singapore, effectively expanding its role in the community.

From selected previous research studies, it was determined that at the least the effort of thought to build *waqf* banks was started in 1998 by the work of Cizacka. Moreover, this idea continues to grow despite different names, such as social investment banks (by Mannan, 1999), voluntary *waqf* organized (by Chepkwony, 2008), which are essentially the same, and that is how to better manage cash *waqf*. From the operational aspect, there have been proposals for the use of cash *waqf* funds as the initial capital of this *waqf* bank, and this is not a problem in regard to Islamic law (Haji Muhammad, 2011). Furthermore, this cash *waqf* creates a project that can make money. For example, in terms of investment use, there are already proposals to invest in the micro and insurance sector (Chowdhury, et al., 2012). The important thing is that *waqf* money is not reduced, and if possible, increases. With the successful example of the application of the new cash *waqf* management in Malaysia (Dahlia and Haslindar, 2013), the argument for creating a *waqf* bank is gaining in strength.

According to the Financial Services Authority (OJK), *waqf* banks are more aptly called venture capital.[5] The author agrees with the opinion of OJK. From literature study, there is only one article that discusses the idea of merging *waqf* into venture capital form (Hamber and Haneef, 2017), but this is still the angle from the Singaporean perspective. As for Indonesia, we could not find any paper

5. Muliaman hadad , 10 march 2017, for detail, please look at: https://m.tempo.co/read/news/2017/03/10/090854743/ojk-bank-wakaf-lebih-tepat-disebut-modal-ventura

regarding this matter. Therefore, the exploration of *waqf*-based venture capital for the Indonesian model becomes an important undertaking.

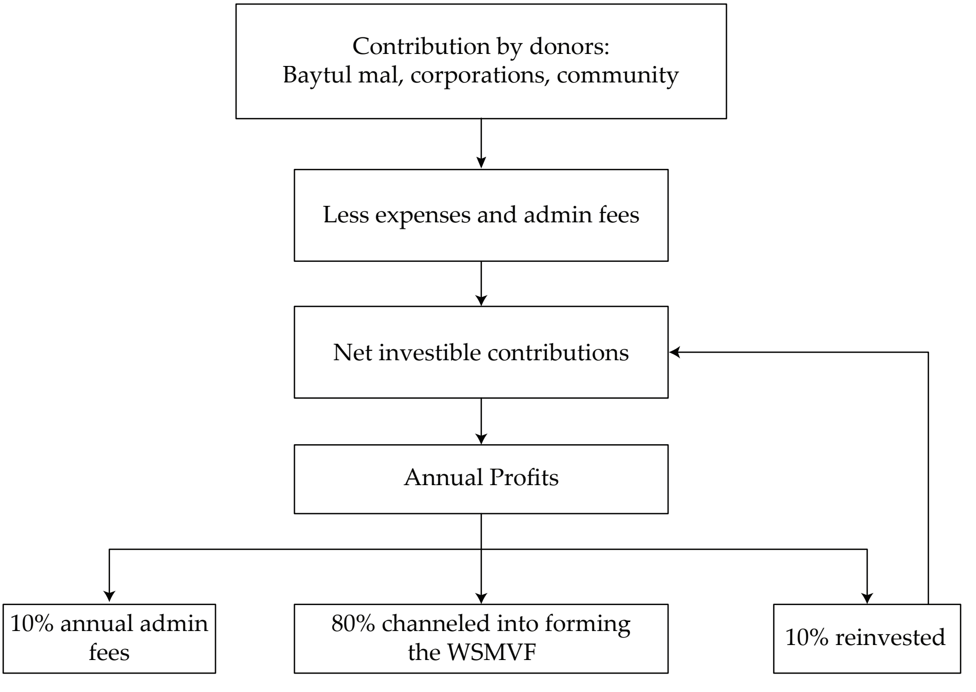
III. METHODOLOGY

The data referred to is from documents in the form of books, scientific journals, writings in newspapers, and some statements of the practitioners and regulators in the field of venture.

This research was conducted from July to September 2017. The research method used is a qualitative method. The analysis is content analysis of cash *waqf* operations, profit and loss sharing modes and venture capital strategies.

IV. RESULT AND FINDING

The *waqf* and venture integration model developed by Hamber and Haneef (2017), as a proposal for the development of *waqf* in Singapore is interesting in its study. They name it the *Waqf*-based Social Micro Ventura Fund (WSMVF). The modus operandi of WSMVF can be seen at Figure 1.



Source: Hamber and Haneef (2017).

Figure1.
Modus Operandi of WSMVF

4.1. Modus Operandi WVCS

From Figure 1, it can be seen that donor contribution consists of 3 types, namely: *baitul maal*, corporation and community. This contribution is then WSMVF minus the costs and administrative costs, entered into a contribution that can be invested. Such investments are not invested into the monetary sector, but more so in the real sector. The profit earned from this investment is divided into 3 parts: the first part for the admin fee of 10%, the second part for the WSMVF endowment of 80% and the third part, to re-invest as much as 10%. With this reinvestment, *waqf* capital is expected to keep climbing up in terms of size of investment.

The author agrees with the modus operandi of this WSMVF. In fact, for *waqf* venture capital *shari'ah* (WVCS), WSMVF modus operandi is suitable and applicable, but needs modification.

The modification arises from the fact that what kind of integration should be conducted between *waqf* as a non-profit organization and venture capital as a profit organization. There are several alternatives that could be proffered:

1. the *waqf* fund is pooled into the capital
2. the *waqf* fund is pooled into the third party-fund
3. the *waqf* fund is pooled into both the capital and third party-fund

4.1.1. The *waqf* fund is pooled into the capital of the venture fund

This alternative occurs when the *waqf* fund and the capital of venture fund is combined in one pool. The scheme can be seen in figure 2. Some notes to pay attention to in figure 2, i.e., there must be a clear record, how much of the *waqf* funds are invested, and how much capital is invested by the venture company. Then the capital, which has been combined with the *waqf* funds, is merged with third-party funds to become a pool of funds that can be invested. Charges are taken from this amount to obtain net investment contributions. These funds are invested into projects. The preferred projects are real sector projects.

Why is it preferred to invest in the real sector? Because in the holy book *Al-Qur'an* chapter 2 verse 275 it says that the sector that must be developed as anticipation of usury is the real sector (buying and selling). In addition to religious advice, the benefit economically can be seen as absorbing a lot of manpower. Finally, unemployment can be reduced.

If there is a loss, then the loss is only borne by the shareholders. *Waqf* funds should not be diminished. So, there is a shareholder's obligation to guarantee the amount of *waqf* funds. In the event of any loss, the shareholders shall bear all losses and have the obligation to substitute the lost funds.

In the event of a profit, all profits will be distributed to the capital of WVCS and to the third-party fund. Profit distributed to the capital of WVCS will be divided into two parts: to the *waqf* fund equal to X% of profit, and to the capital of venture Y%. The profits distributed to the *waqf* post, 10% are taken as the fee for the *waqf* manager (annual fee), and the remaining 45% are put back into the *waqf* funds for reinvestment; and the remaining 45% is for charitable purposes. This 10% is the maximum fee that could be taken by the *waqf* manager as regulated by the Indonesia *Waqf* Board. Reinvestment is needed to increase the *waqf* fund. There is the hope that the *waqf* fund is big enough to undertake economic development, such as building infrastructure and other matters.

4.1.2. The *waqf* fund is pooled into the third-party fund

This alternative occurs when the *waqf* fund is pooled into third-party fund. The scheme can be seen in figure 3.

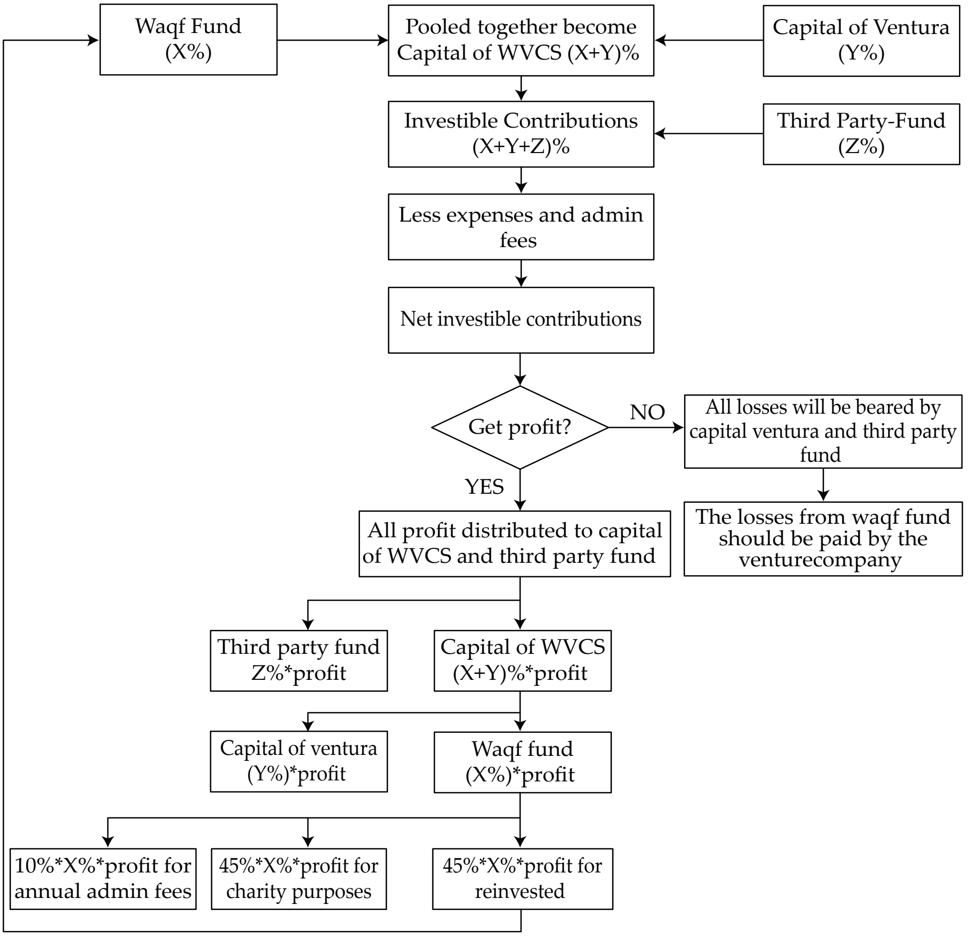


Figure 2.
Modus Operandi of WVCS if *Waqf* Fund is pooled into
The Capital of Venture Company

The pattern of operation in figure 3 is almost identical to the previous pattern of operation in figure 2. It is only in Figure 3, that the third party must know that their funds are combined with the *waqf* fund using *musharakah* contracts. If there is a loss, then the first loss is taken from third party fund. If that is not enough, then the company is responsible for compensating the loss to the *waqf* fund from the pocket of the company.

Figure3.
Modus Operandi of WVCF if *Waqf* Fund Pooled into the Third-Party Fund

4.1.3. The *waqf* fund is pooled into the third-party fund together with capital

This alternative occurs when the *waqf* fund is pooled into a third party-fund together with the capital of company. The scheme can be seen in figure 4.

In Figure 4, the *waqf* funds are combined together with the company's capital and third-party funds. That is, there is *musharakah* between the 3 parties. If there is a loss, then the loss will only be borne by the company and the third party fund and will not be borne by the *waqf* fund. These losses are shared by their capital contribution. For example, if each contribution is 30:30:40 sequential to *waqf* fund, capital and third-party fund, then if there is a loss, the loss must be borne by the capital and third-party funds respectively 30/70 * 100% and 40/70 * 100% or 43:57 from the losses. In addition, both sides must reimburse the losing *waqf* funds. So, both shareholders and third-party funds have a responsibility to maintain and sustain the *waqf* fund.

4.2. WCVS requirement

Moreover, there are some requirements, if WVCS is applied in Indonesia. According to Act No. 41 of 2004 on *waqf*, the manager of the cash *waqf* must obtain permission to be acknowledged as a *nazir* from the Indonesian *waqf* Board (BWI).

To become a *nazir* of cash *waqf*, there are several requirements that need to be fulfilled, such as:[6]

1. Management structure of legal entity and wakaf institution structure. *Waqf* institution has at least 2 operational members and 2 supervisors (general supervisor and *shari'ah* supervisor).
2. Legality of legal entity (notarial deed and endorsement of minister). The legal entity is a legal entity that has been established and operated for at least 3 years.
3. Working plan for the collection, management / development of cash *waqf*, and distribution of cash *waqf*. Management of cash *waqf* is a productive purpose, which is composed of at least 2 forms of productive business plans with the cash flow.
4. Recommendation from an Islamic financial institution which has received cash *waqf* (LKS-PWU) from one of LKS PWU.

Judging from the above requirements, the WVCS (*waqf* of venture capital of *shari'ah*) suggested is Islamic venture capital that has been running for at least 3 years. That is, there is a process by which Islamic venture capital is permitted to manage *waqf* funds. For Indonesia, one that can be considered to be WVCS is *PNM Ventura Syariah*.

4.3. Contracts at WVCS

Meanwhile, the type of contract applied in WSMVF Singapore is as depicted in table 1. There are at least four contracts practiced in this *waqf* venture, namely: *qard hasan, ijarah*, *musharakah* and *mudharaba*. Actually, the real contracts that should be practiced in the *waqf* Ventura are *musharakah* and *mudharabah*.

6. Please refer to the registration requirement document of cash *waqf* at Indonesian *Waqf* Board at http://bwi.or.id/index.php/in/tentang-wakaf/panduan-wakaf/pendaftaran-nazhir-wakaf-tanah.html

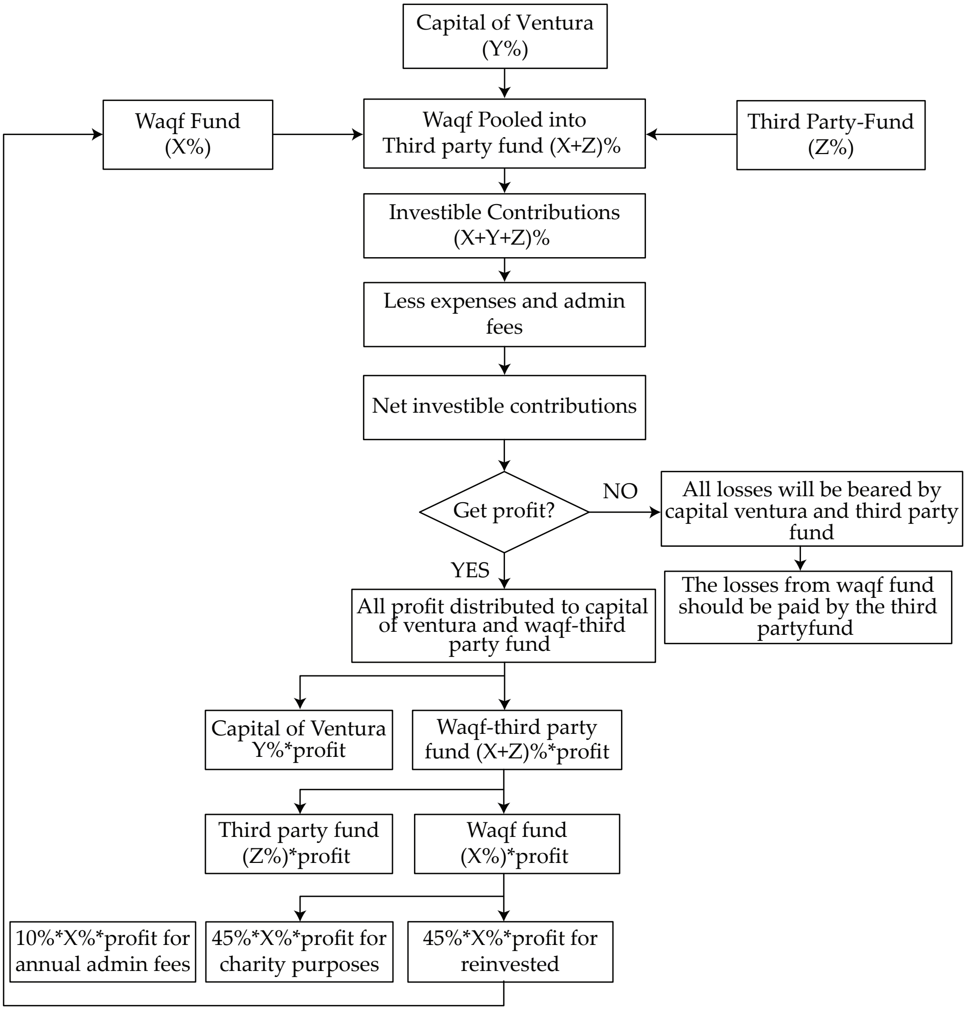


Figure 4.
Modus Operandi of WVCF if *Waqf* Fund is pooled into
Both Capital and the Third-Party Fund

Tabel 1.
Risk Analysis for Capital Investment[1]

7 stages of the business life cycle	Annual income	Risk profile of enterprise	Islamic financing technique
Seed: When the business is still in the form of an idea.	$ 0 to $ 30,000[8]	High	Qard hasan
Start-up: The business is in existence and has its first customers. Products orservices are in production.		Medium high to medium	Ijarah
Growth: Revenue and customers are increasing, with new opportunities. The profits are plateaued, but competition is surfacing		Medium high to medium low	Musharakah mudharabah
Established: Matured business with a place in the market and loyal customers. Focus on improvement and productivity.		Medium low to low	Musharakah mudharabah
Expansion: New period of growth into new markets and distribution channels	Businesses at this end of the life cycle are deemed not financially excluded from the Banks sector hence does not qualify for receipt offunding from the WSMVF.		
Mature: After years of stable profits and sale, fierce competition is causingsales to decline			
Exit: Is established enough to be valuably sold or at the phase of shuttingdown.			

Source: Hamber and Haneef (2017)

To be applicable and viable in Indonesia, some improvements and adjustments should be taken into consideration. The *Qard hasan* contract is chosen for 'start' business and *Ijarah* contract is chosen for 'start-up' business. Actually, according to the spirit of sharing, qard hasan is not applicable for business. The *ijarah* contract is also not correct for this start-up business. The *ijarah* contract will burden the lessor, because, the incoming income is uncertain, and the outgoing expense is certain. Therefore, we cannot accept the Islamic financing technique: *Qard Hasan* and *ijarah* for *waqf* venture.

Based on the experience of one Islamic venture capital, some customers/ partners requested the application of real *mudharabah* or real *musharakah* in the financing business of partners. Among them, there is a 'start-up', but also there are also 'growth' and 'established'. Their motivation to ask for financing from Islamic ventures is to share the results correctly. They have not been getting the right share of results from Islamic banks. They want to get it in Islamic ventures. By applying the real share of results whether in the form of *mudharabah* or *musharakah*, then the injustice of business can be eliminated. The risk for capital investment analysis and types of contracts for WVCS can be applied as described in Table 2.

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7. Ibid, page 54.
8. POSB's interest-based Micro Credit Business Scheme is the proxy. Furthermore, anyone earning above $30,000 is eligible for a conventional bank loan.

Table 2.
Risk analysis for capital investment and Types of Contracts in WVCS

Stages of the business life cycle	Amount of Financing	Risk profile of enterprise	Contracts
Start-up: The business is in existence and has its first customers. Products orservices are in production.	Rp. 200 million to 7000 million	Medium high to medium	Musharakah mudharabah
Growth: Revenue and customers are increasing, with new opportunities. Stableprofits, but competition is surfacing		Medium high to medium low	Musharakah mudharabah
Established: Matured business with a place in the market and loyal customers. Focus on improvement and productivity.		Medium low to low	Musharakah mudharabah

Source: *PNM Ventura Syariah* in Indonesia

Meanwhile, the amount of financing for each business partner (customer), varies between 200 million rupiahs to 7 billion rupiahs. It sees the experience of PNM VS in channeling financing to its business partners. Of course, the value of financing depends on the size of the business and the feasibility study efforts that have been undertaken.

V. CONCLUSION

The possible integration model between *waqf* and Islamic venture capital in Indonesia is WVCS. There are 3 alternatives model for the modus operandi of WVCS; firstly, the *waqf* fund is pooled into the capital; secondly, the *waqf* fund is pooled into the third party-fund; and thirdly, the *waqf* fund is pooled into both the capital and third party-fund. All of the 3 models can be applied in practice. The contract is profit sharing agreement, which are *musharakah* and *mudharabah*. Both contracts are used during either business cycle in the 'start-up', 'growth' or 'established'.

The results of this study recommend that the financial authority (in this case OJK), are asked to seriously consider these possible practices of the integration of *waqf* and venture capital, given that some have requested permission to become WCVS, but these have not been issued by OJK for various reasons. In the future, this WCVS model could be created and duplicated throughout Indonesia in order to provide the true color of the Islamic financial institution itself.

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