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## Strategy and Business Model Reformulation for Development of Zakat, Infaq, Alms, and Waqf (ZISWAF) (Case Study Bank XYZ, Pekanbaru)

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\*Corresponding author:  
Aulia Rahman, School of Business, IPB University, Bogor, Indonesia

E-mail:  
auliarhmn1@gmail.com

Additional information is available at the end of the article

Aulia Rahman<sup>1\*)</sup>, Idqan Fahmi<sup>2</sup>, Imam Teguh Saptono<sup>3</sup>

**Abstract:** Indonesia has enormous potential for zakat and waqf, but Bank XYZ has not maximized the collection through the sharia business unit (UUS). Therefore, it is necessary to reformulate the strategy and business model of developing ZISWAF Bank XYZ in order to obtain optimal results. This study used a qualitative descriptive method with a case study at Bank XYZ. The research was conducted from February 2021 to October 2021. The response survey was determined based on purposive sampling consisting of internal practitioners, academics, BWI, BAZNAS, and ziswaf institutions affiliated with Islamic banks. The data collection technique was based on observation, in-depth interviews, and questionnaires to respondents. Data analysis used IPA, BMC, SWOT, and QSPM approaches. Based on IPA analysis, this study recommends that three selected elements be developed: value proposition, channel, and critical resource. Technology adjustment and strengthening of bank image as ZISWAF recipients, improving bank channels through optimizing office networks and utilizing social media marketing and customer databases, as well as improving SOPs to improve the business model of Bank XYZ in the future.

**Keywords:** Business model canvas (BMC), Islamic Bank, Quantitative Strategic Planning Matrix (QSPM), SWOT, Ziswaf

JEL Classification: G21, G23, M40, P34



Aulia Rahman

### ABOUT THE AUTHORS

Aulia Rahman is a Masters and Business Student at the School of Business, IPB University, Indonesia. He works at the Bank Riau Kepri since 2006. He can be reached via [auliarhmn1@gmail.com](mailto:auliarhmn1@gmail.com)

Idqan Fahmi is a lecturer at the School of Business, IPB University, Indonesia. His areas of specialization include microeconomics, business research methods and islamic managerial economics and business strategy. He can be reached via [ifahmi@apps.ipb.ac.id](mailto:ifahmi@apps.ipb.ac.id)

Imam Teguh Saptono is a lecturer at the School of Business, IPB University, Indonesia. His areas of specialization include sharia business risk management and banking and sharia finance. He can be reached via [itsaptono@yahoo.co.id](mailto:itsaptono@yahoo.co.id).

### PUBLIC INTEREST STATEMENT

The high potential for collecting zakat and waqf funds is a challenge for Islamic banking to participate in raising funds and strengthening Islamic bank funding itself.

This study provides recommendations for alternative business models for ziswaf activities in regional Islamic banking that can be used as references for another Islamic banking in Indonesia.



## 1. Introduction

Indonesia has a vast potential for zakat and waqf. BAZNAS (2019) released the potential for zakat in Indonesia to reach 233.85 trillion rupiahs with zakat objects including agriculture, farm, money, companies, and income zakat. BAZNAS also released data on the potential for zakat in each province. For example, the potential for zakat in Riau Province reaches 8.41 trillion rupiahs, while in Riau Islands Province, it reaches 3.02 trillion. The list of zakat potential in Indonesia, Riau Province, and Riau Islands Province is shown in Table 1.

Table 1. Zakat potential in Indonesia, Riau Province, and Riau Island Province (trillion rupiahs)

Object of Zakat	Indonesia	Riau	Riau Island
Agriculture	19,787.8	867.5	11.7
Farm	9,510.5	216.5	222.0
Money	58,764.2	659.9	867.0
Companies	6,713.6	15.3	0.3
Income	139,070.4	6,655.7	1,921.7
Total	233,846.5	8,414.9	3,022.7

In addition to zakat, the potential for waqf is also extraordinary, both waqf in the form of movable property and waqf of immovable property. Nizar (2017) revealed that Indonesia has waqf assets in the form of the largest land in the world. Saptono, Raihan, and Shalehanti (2018) revealed the potential for cash waqf of 77.4 trillion rupiahs. Riau Province and Riau Island Province have a considerable potential for waqf management, reaching 1.78 trillion per year, as shown in Table 2 (Saptono, Raihan, & Shalehanti, 2018).

Tabel 2. Waqf potential in Riau Province and Riau Island Province (million rupiah)

Province	No of Moslem	Middle Class (%)	Middle Class (Jumlah)	Apathetic (27%) (-)	Potential Middle Class	Potential Money waqf
Riau	5.37	21.99	1.18	0.32	0.86	1,163,740
Riau Island	1.53	41.06	0.63	0.17	0.46	619,109

Islamic banking is one of the stakeholders in moving the Islamic economy through ziswaf. Fahrurrozi (2019) describes the three pillars of the Islamic economic system consisting: (i) zakat, infaq, alms, waqf, and inheritance; (ii) anti-usury; and (iii) anti-gambling. The regulation on the implementation of the first and second pillars in Indonesia is with the enactment of the Sharia Banking Law Number 21 of 2008, which mandates sharia banking to carry out social functions, namely receiving social funds in the form of zakat, infaq, alms (ZIS) and other social funds for further distribution to zakat management organizations (OPZ). In addition, Islamic banking also collects waqf funds and then distributes them to waqf managers (nazhir). This social function of Islamic banking is a real differentiator from conventional banking due to the integration between commercial finance and Islamic social finance in Islamic banking activities

The implementation of the integration of Islamic commercial and social finance in Islamic financial institutions shows that the social management of ZISWAF funds can also act as the core business of Islamic banking. Ascarya, Husman, and Suharto (2017) reveal some advantages of Islamic financial institutions that manage Islamic social finance. The first advantage is that it can strengthen bank capital through cash waqf as a component of equity participation. Furthermore, the management of waqf through cash can reduce liquidity risk by improving the liability structure and efforts to minimize maturity mismatches. The third advantage is that it plays a role in providing low-cost financing and subsequently will be able to increase funding sourced from ZISWAF.

The cash waqf funds can be placed through deposits at Islamic Financial Institutions Recipient of Cash Waqf (LKS PWU). Nazhir can also manage waqf funds collected at LKS PWU using a mudharabah muqayadah contract and channeled to real sector projects (Gunawan, 2019), and the bank receives a fee or income as a liaison between

shohibul maal (nazhir) and the manager (mudharib). Meanwhile, the management of temporary cash waqf funds (a certain period) can only be carried out at LKS-PWU so that, if maximized, it can become an additional funding source for Islamic banks.

Obtaining material benefits as part of the management of ZISWAF, Islamic banks also obtain intangible benefits, called benedictions. Benediction is a concept upheld by Muslims, both benedictions in the form of material benefits and benedictions in the hereafter (Najib, 2017; Soenjoto, 2018). ZISWAF's benedictions are not only for those who pay tithe and waqf but also for Islamic banks in the form of increased customer loyalty (Maulidiyah & Arifin, 2017; Masruroh, 2015). This is where the role of ZISWAF is one of the ways in the Islamic economic system to realize the benefits and benedictions of the people (Latifah, 2021).

The General Meeting of Shareholders (RUPS) of Bank XYZ on April 22, 2019, agreed on the transfer or conversion of bank operations from conventional banks to banks that implement sharia principles. Conversion to a sharia bank has consequences for changes in the organization and governance of Bank XYZ. One of the governance aspects that differentiate it from conventional banks is the management of ziswaf funds. Therefore, to optimize the collection of ziswaf as a social function of the Bank, Bank XYZ requires an effective managerial strategy.

The management of the ziswaf of Bank XYZ is currently carried out by the Sharia Business Unit (UUS). This management is considered less than optimal when viewed from the amount of zakat collected based on published reports. The collection of zakat is not optimal due to the ineffective management of zakat. The UUS of Bank XYZ also has not managed the collection of infaq and alms published in the OJK report. Regarding waqf management, Bank XYZ has been registered as LKS-PWU and is collaborating with BWI and several waqf nazhir. This indicates that Bank XYZ needs a strategy for developing ziswaf management to maximize profits for the bank and benefit the community. In addition to requiring a strategy for developing ziswaf management, Bank XYZ requires an appropriate and accessible business model design to describe all ziswaf management activities. One tool that helps companies map their business goals is the Business Model Canvas (BMC). Osterwalder and Pigneur (2012) revealed that the best way in a business model is a combination of classic SWOT analysis through BMC.

There is quite a lot of strategic research combined with the concept of a business model, but have not found any research that combines the concept of strategy and model in the management of ziswaf in Islamic banking. Putra and Pakkana's research (2019) formulated the development strategy of BAZNAS Bogor using the SWOT and BMC methods. Buraera, Kadir, and Alam (2014) use BMC and SWOT in formulating strategies for BNI's consumer and retail bank segments. In addition, several studies have shown that the use of SWOT, BMC, and QSPM can be used to formulate a strategy for collecting zakat at the XYZ zakat institution as well as a business model for gold annuity products at Bank XYZ (Purnamasari & Firdaus, 2017; Brahmana, 2016). Therefore, research that combines the concept of strategy formulation with the ziswaf business model in Islamic banking or banks that have sharia business units (UUS) is interesting to study

This study aims to 1) map the strategies and concepts of the current ZISWAF business model of Bank XYZ; 2) identify and evaluation of internal and external strategic factors for managing ZISWAF Bank XYZ; 3) formulate alternative strategies for managing ZISWAF Bank XYZ; 4) formulating strategic priorities in developing ZISWAF Bank XYZ; 5) formulating a new development of ZISWAF Bank XYZ business model.

## **2. Literature Review**

### **2.1 Integration of ZISWAF in Islamic Banking**

ZISWAF funds can be managed in an integrated manner with Islamic financial management in banking activities. According to Ascarya, Husman, and Suharto (2017), the integration of social and commercial finance begins with the emergence of the

concept of Corporate Social Responsibility (CSR), Triple Bottom Line (TBL), as well as microfinance and cooperative activities in conventional banking. Furthermore, in Islamic banking, this integration is evident when Islamic banks pay zakat from profits and assets owned. The application experience in Bangladesh can be the initial evidence of developing a model run by Social Islamic Bank Limited (SIBL), which has been operating since November 22, 1995. The model used is called three-sector banking, which consists of voluntary, non-formal, and corporate banking. Waqf is a source of funds that are managed within the scope of voluntary banking. Apart from Bangladesh, social finance management in banking activities is also found in Egypt, Turkey, and Jordan. In Egypt, for example, the Egyptian Waqf Board has even become the founder and manager of Islamic financial institutions, namely Bank Faishal al-Islamy al Mashry and Bank Bank at-Ta'mir wa al Iskan. Bank Faishal al-Islamy is also a collector of zakat funds (Thayyeb, 2012). In Turkey, in order to finance various projects and raise sources of waqf funds, the Waqf Bank & Finance Corporation was established (Kasdi, 2017). In Jordan, Islamic banks function as a place to receive cash waqf for people who are waqf (wakif) but cannot directly submit waqf funds to nazhir (Ubaid, 2015).

In Indonesia, the integration model of Islamic commercial and social finance is not only applied to Islamic microfinance institutions but also Islamic financial institutions. Baitul Maal wat Tamwil (BMT) combines social finance that manages ZISWAF at Baitul Maal and microfinance services by Baitut Tamwil. In LKS, namely Islamic banking and BPR Syariah, the integration of commercial finance and Islamic social finance is carried out with several models. For example, some Islamic banks act as zakat collection units from zakat management institutions, as nazhir of several waqf management organizations, and even form separate baitul maal in zakat and waqf management (Ascarya, Husman & Suharto, 2017).

## 2.2 Existing Model of BMC

Osterwalder and Pigneur (2012) revealed that an effective way in a business model is to combine SWOT analysis through Business Model Canvas (BMC). Furthermore, Osterwalder and Pigneur (2012) reveal that a business model can be described through nine building blocks called the BMC. BMC design can be shown in Figure 1.

Key Partnership	Key Activities	Value Proposition	Customer Relationship	Customer Segment
	Key Resources		Channels	
Cost Structure		Revenue Stream		

Figure 1. *Business Model Canvas (BMC) Model*

BMC is a business model that is easy to apply. Based on research by Athia, Saraswati, and Normaladewi (2018), BMC visualization makes it easier for students to be creative and innovative, think simple, describe business elements and facilitate students' understanding of running a business. Putra and Pakkana (2019) conducted a study related to the formulation of the development strategy of the Bogor City Amil Zakat Agency (BAZNAS) through a combination of the SWOT method, Business Model Canvas (BMC), and Balanced Scorecard. Buraera, Kadir, and Alam (2014), in their research, use the BMC and SWOT approaches in formulating the consumer and retail segment strategies at BNI banks. Purnamasari and Firdaus (2017) used the SWOT and BMC approaches in analyzing the strategy to collect zakat at BAZNAS. Brahmin (2016) researched the business model and strategy of gold installment products at the XYZ Islamic bank using the BMC, SWOT, and QSPM approaches. At the initial research stage, the existing gold installment product business model was identified. The results of identifying the existing BMC produce a description of the performance and priority scale of the BMC elements so that the BMC elements developed are selected. The developed BMC elements were then analyzed for internal and external factors and continued using the SWOT analysis method. The choice of priority strategy uses the QSPM method. Researchers use the results of the QSPM as the basis for developing an

updated BMC. Saputra, Arsyianti, and Saptono (2021) combined SWOT, BMC, and ANP in formulating a strategy for developing waqf-based Islamic Boarding Schools (IBS) with a case study on IBS Daarut Tauhiid Bandung.

### 2.3 BMC Element to be Developed

The selection of BMC elements is to be developed and done by looking at the performance portrait of the existing business model compared to the scale of importance of the BMC elements. The method used to select BMC elements and develop the Importance Performance Analysis (IPA). The IPA method is carried out by comparing the performance portrait of the existing business model (performance) with the importance scale of the BMC element (importance).

### 2.4 Strategy Formulation

David and David (2016) reveal three frameworks of strategy formulation as the basis for decision making: the input stage, the matching stage, and the decision stage. You can use the IFE and EFE matrix at the input stage to analyze the internal and external environment. At the matching stage, one of the matrices used is the Strength-Weaknesses-Opportunities-Threats (SWOT) matrix in formulating alternative strategies based on information at the input stage. In the final stage, QSPM is the only method used in the decision-making framework. Through QSPM's method, testing is carried out by determining the attractiveness scores (AS), which indicate the level of interest of internal and external strategic factors in the resulting alternative strategies. The attractiveness scores (AS) results are then multiplied by the weights of the previous stage's internal and external strategic factors and produce Total Attractiveness Scores (TAS). Finally, the TAS values for each alternative strategy are summed and produce the total attractiveness score (STAS). An enormous STAS value identifies a more attractive strategy and is more prioritized than alternatives. According to David and David (2016), the strategy formulation framework is shown in Figure 2.

Matrix External Factor Evaluation (EFE)		<u>Step 1: Input</u>		
		Competitive Profile Matrix (CPM)		Matrix Internal Factor Evaluation (IFE)
<u>Step 2: Matching Stage</u>				
Matrix Strength- Weaknesses- Opportunities- Threats (SWOT)	Matrix Strategic Position and Action Evaluation (SPACE)	Matrix Boston Consulting Group (BCG)	Matrix Internal External (IE)	Matrix Grand Strategy
<u>Step 3: Decision Stage</u>				
Quantitative Strategic Planning Matrix (QSPM)				

Figure 2. Strategy Formulation Framework

There are several studies on the ziswaf strategy in Indonesia. Lubis and Latifah (2019) revealed the massive potential for ziswaf in Indonesia using a SWOT analysis in formulating alternative ziswaf development strategies. Rusydiana and Rahayu (2019) describe solutions and strategies for developing cash waqf in Indonesia using the Internal Factor Evaluation (IFE) matrix, External Factor Evaluation (EFE) matrix, Internal External (IE) matrix, and finally, the SWOT matrix analysis. Coryna and Tanjung (2015) used the IFE matrix, EFE matrix and SWOT in formulating the BAZNAS strategy in collecting zakat funds. Kadir and Nafis (2017) used SWOT and QSPM analysis to formulate the DKI BAZIS strategy for collecting zakat funds. Edriyanti, Marpaung, Sugianto, Musthofiyah, and Listiana (2021) also used SWOT and QSPM in formulating development strategies for waqf nazirs in Indonesia in 7 (seven) provinces with 8 (eight) institutional nazirs as research samples.

### 2.5 Business Model Development

Business model development is based on previous research stages related to business model elements that need to be developed. The selection of business model elements

that need to be developed is generated using the Importance Performance Analysis (IPA) method. For selected elements, the strategy formulation stages were carried out using the External Factor Evaluation (EFE) Matrix and the Internal Factor Evaluation (IFE) Matrix, the Strength-Weaknesses-Opportunities-Threats (SWOT) Matrix, and the Quantitative Strategic Planning Matrix (QSPM). The formulas produced by the SWOT analysis and QSPM become the basis for a review of the existing BMC to generate a new BMC due to development. The design of this study is in line with Brahmin's research (2016) in reviewing the business model and strategy of the golden installment product, the Islamic bank XYZ case study.

### 3. Conceptual Framework

This research begins with the conversion plan of Bank XYZ from conventional banks to Islamic banks. The next step of this research is to identify the existing business model of Bank XYZ, which is analyzed and photographed in 9 (nine) elements of the Business Model Canvas (BMC). Then, selected Business Model Canvas (BMC) elements need to be developed through a snapshot of the elements' current performance and scale of importance. From the results of the selection of BMC elements that were developed, an analysis of internal and external strategic factors for each BMC element was carried out, which resulted in alternative strategies and strategic decisions. The final result of this research is the development of a new Ziswaf Bank XYZ Business Model. The conceptual framework can be shown in Figure 3.

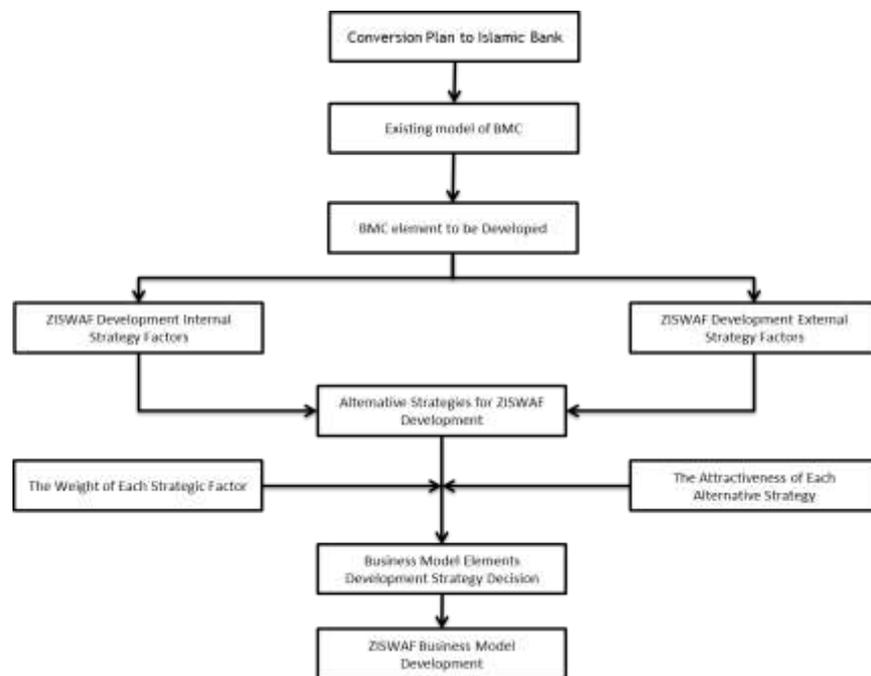


Figure 3. Conceptual framework

## 4. Methods

### 4.1 Participants

This research uses a descriptive method in the form of a case study. The research was conducted at Bank XYZ, headquartered in Pekanbaru, from February 2021 to October 2021. Survey respondents were determined based on a purposive sampling of internal and external respondents. Internal respondents consist of the Board of Directors who supervises the Sharia Business Unit (UUS), the Division Head related to strategic planning at the Bank, the Sharia Division of Bank XYZ, the head of the sharia branch, and the head of the conventional branch that has a sharia service unit. External respondents include academics, the Indonesian Waqf Board (BWI), the National Amil Zakat Agency (BAZNAS), and ziswaf institutions affiliated with Islamic banks.

## 4.2 Measurements

The research was started to map the strategies and concepts of the current ZISWAF Bank XYZ business model. The research continued with the selection of developed business elements identification and evaluation of internal and external strategic factors for the management of ZISWAF Bank XYZ. Formulates alternative management strategies for ZISWAF Bank XYZ, formulate priority development strategies for Bank XYZ ZISWAF, and formulate a business model for developing a new ZISWAF Bank XYZ.

The Bank XYZ ZISWAF strategy and business model mapping is carried out by observing and confirming internal respondents. The results of observations and confirmations are stated in 9 (nine) BMC elements, namely Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure (Osterwalder & Pigneur, 2012). The research continued through the selection of BMC elements to be developed. The selection of BMC elements developed is done by looking at the performance portrait of the existing business model compared to the scale of importance of the BMC elements. It is done using the Likert scale to assess the existing business model's performance portrait. Filling in the data is given by giving questionnaires to 3 (three) internal respondents. The Linkert scale used is 5 = very good, 4 = good, 3 = average, 2 = bad and 1 = very bad. After carrying out a performance portrait of the existing ZISWAF service business model, each element's importance is assessed to assess how important the business model elements are to be developed. The assessment of the importance scale uses the paired comparison method, which is to compare the level of importance of each factor one by one.

The next step of this research is to identify internal and external strategic factors in the selected BMC elements to be developed. Identification is made by asking questions to research respondents from internal and external Bank XYZ in the form of strategic factors that affect the management of ZISWAF in the form of strengths, weaknesses, opportunities, and threats. After identifying internal and external strategic factors, an evaluation of strategic factors was carried out by filling out questionnaires to research respondents. This questionnaire is intended to determine the weight value and rating value of each strategic factor and determine the rating value for each strategic factor, both external and internal. Determination of weight using the Pairwise Comparison method, namely by determining the comparison between one criterion and another based on the level of importance. The meaning of value 1 (one) is if the strategic factor is considered less important, value 2 (two) is if the strategic factor is considered equally important, and value 3 (three) is if the strategic factor is considered more important than the strategic comparison factor. In assessing the rating of strengths and weaknesses, the scale used is 1 = major weakness, 2 = minor weakness, 3 = minor strength, and 4 = major strength. In assessing the ranking of opportunities and threats, the scale used, 1 = the response is poor, 2 = the response is average, 3 = the response is above average, and 4 = the response is superior (David & David, 2016).

Based on the results of the identification and evaluation of internal strategy factors and external strategies, an alternative strategy is made. The formulation of alternative strategies is carried out by conducting Focus Group Discussions (FGD) and interviews with research respondents based on the SWOT matrix. The next process after generating alternative strategies is the strategic decision stage through the QSPM matrix. Data were collected through filling out a questionnaire to rank alternative strategies by determining the attractiveness scores of each alternative strategy. This rating value will be used to assess the total attractiveness score, multiply by the weights of the previous IFE and EFE matrices, and produce total attractiveness scores (TAS). Ratings on scale 1 = not attractive, 2 = somewhat attractive, 3 = moderately attractive, and 4 = very attractive. The TAS values for each alternative strategy are summed and produce the total attractiveness scores (STAS). A larger STAS value identifies a more attractive and prioritized strategy than alternatives (David & David, 2016). The development business model is a refinement

of the existing business model, and improvements are made through the strategy formulation stage to produce a new business model.

### 4.3 Analysis

Based on the actual situation, the existing business model obtained through observation and confirmation by internal respondents is photographed in the business model canvas (BMC). Once identified, the existing business model is assessed for its performance portrait and level of importance using the paired comparison method. The selection of BMC elements developed is done by looking at the performance portrait of the existing business model compared to the importance scale of the BMC elements using the Importance Performance Analysis (IPA) method. The BMC elements that need to be developed are identified internal and external strategic factors. After identification, evaluation of strategic factors on selected BMC elements. The strategy evaluation tool uses the IFE matrix and the EFE matrix. After obtaining the results of the identification and evaluation of strategic factors, a strategic alternative is formulated using the SWOT Matrix. The alternative strategy obtained through SWOT analysis is carried out by formulating strategic priorities using a quantitative strategic planning matrix (QSPM) approach. The ziswaf development business model of Bank XYZ was produced based on the refinement of the existing business model, and improvements were made through the stages of strategy formulation to produce a new business model using the BMC analysis method. Microsoft Excel is used for data processing in this study.

## 5. Findings

### 5.1 General Description

Bank XYZ is a local government-owned bank with almost 100% of its shares owned by local governments in Riau and Riau Island. This bank has a total network of 1,397 spread across Riau and Riau Island, which consists of 169 office networks and 1,228 delivery channels. In addition to the head office, there are 21 branch offices, 41 sub-branches, 35 shop offices, 56 cash offices, four boutiques, 11 payment points, and 87 Sharia Service Units (ULS) at conventional branch offices and sub-branches. The UUS of Bank XYZ is run by the Sharia Division, running banking operations based on sharia principles, where one of the services is the ziswaf service. This zakat service scheme is managed by UUS at sharia branch offices and ULS as an option for customers when opening mudharabah savings and mudharabah deposits so that the profit sharing received every month is deducted by 2.5% as zakat. Bank XYZ is a Zakat Collecting Unit (UPZ) from the Baznas of Riau Province and is one of the LKS PWU (BRK, 2020).

### 5.2 Identification of Existing Elements of BMC

PPM (2012) revealed three steps in compiling a BMC: a portrait of the current business model, conducting a SWOT analysis, and making improvements to the existing business model with a new business model prototype. The first step in designing BMC is to photograph the current business model in 9 (nine) elements based on the actual situation. Nine elements of the existing BMC related to Bank XYZ ZISWAF services are presented in Figure 4.

Key Partnership	Key Activities	Value Proposition	Customer Relationship	Customer Segment
<ul style="list-style-type: none"> <li>- Nazir Waqf</li> <li>- BAZ (Amil Zakat Agency)</li> <li>- LAZ (Amil Zakat Institute)</li> <li>- BWI (Indonesian Waqf Agency)</li> <li>- Ministry of Religion</li> </ul>	<ul style="list-style-type: none"> <li>- ZISWAF Collection</li> <li>- Money Waqf Administration</li> <li>- Distribution to BAZ/LAZ Institutions.</li> <li>- Promotion /Socialization</li> <li>- Reporting</li> </ul>	<ul style="list-style-type: none"> <li>- Trusted Sharia Partner</li> <li>- Islamic Financial Institutions</li> <li>- Recipient of Cash Waqf (LKS-PWU)</li> </ul>	<ul style="list-style-type: none"> <li>- Office Network (Limited)</li> <li>- Joint Events</li> <li>- Website</li> </ul>	<ul style="list-style-type: none"> <li>- Internal Staff</li> <li>- Bank Customers</li> <li>- Public</li> <li>- OPZ/OPW</li> </ul>

- OJK (Financial Services Authority)				
	<b>Key Resources</b> - Office Infrastructure/ Network - Human Resources - Information Systems		<b>Channels</b> - Office channeling (Limited) - MSDM division - Funding Officer	
<b>Cost Structure</b> - Promotion/Socialization Fees - Operational & System Management Costs - Salary Fee (BTK-TL)		<b>Revenue Stream</b> - Zakat - Infaq - Alms - Money Waqf - Waqf through Money		

Figure 4. The existing model of BMC

After identifying the existing business model for Bank XYZ ZISWAF services, the next step is to select the BMC elements to be developed. Selection of BMC Elements developed using the Importance Performance Analysis (IPA) method by comparing the performance portrait of the existing business model (performance) with the importance scale of the BMC (importance) element. The results of the measurement of BMC elements that need to be developed are shown in Table 3.

Based on Table 3, there are no elements of a perfect performance business model that are not important to be developed. There are 6 (six) business model elements that fall into the medium category or business model elements with good enough performance so that they are not essential to be developed. Meanwhile, there are 3 (three) elements of a fundamental business model to be developed, namely the value proposition, channels, and key resources. Brahmana (2016) states that the level of conformity is the interrelationship between performance and importance. The results of the level of conformity <25% indicate that the elements of the business model are inferior in performance, so it is essential to be developed.

Table 3. The Results of the IPA Method on the BMC Element

Elemen	Performance	Importance	Conformity level (TK)
	(X)	(Y)	(TK divided by 100)
Customer Segment	3.67	0.06	62.37%
Value Proposition	3.00	0.16	18.90%
Channels	2.67	0.16	16.86%
Customer Relationship	3.33	0.09	37.80%
Revenue Steam	3.33	0.07	50.30%
Key Resources	2.33	0.16	14.55%
Key Activities	3.33	0.12	28.16%
Key Partnerships	3.67	0.11	33.63%
Cost Structure	3.00	0.08	36.52%

### 5.3 Identification and Evaluation of Internal and External Strategic Factors

Identification is made by asking questions to research respondents from internal and external Bank XYZ on the selected BMC elements, namely the value proposition, channels, and critical resources. Then the identification of internal and external strategic factors is carried out. The tool used to summarize and evaluate the main

strengths and weaknesses is using the IFE matrix and evaluating the main opportunities and threats using the EFE matrix (Table 4).

Table 4. IFE matrix of value proposition elements

Internal factor evaluation	Weight	Rating	Value
<i>Strengths</i>			
Banks as transparent and accountable institutions	0.124	4	0.50
Banks as Islamic Financial Institutions - Cash Waqf Recipients (LKS-PWU)	0.102	4	0.41
Bank as Baznas. Zakat Collecting Unit (UPZ)	0.096	3	0.29
The social function of banks is mandatory for the Sharia Banking Law	0.107	4	0.43
<i>Strengths</i>			
Banks as Regional Owned Enterprises (BUMD) and drivers of the regional economy	0.111	4	0.44
Transaction security in banking	0.113	4	0.45
Sub-total strength factor	0.653		2.52
<i>Weaknesses</i>			
ZISWAF management model has not been effective	0.095	1	0.10
Image Bank related to ZISWAF is still weak	0.099	2	0.20
ZISWAF management effectiveness is still weak	0.088	1	0.09
Dominant service orientation of ASN customers	0.066	2	0.13
Sub Total Weakness Factor	0.347		0.51
Total internal factor evaluation	1.000		3.03

The IFE element value proposition matrix results show a strength factor in the form of a bank as a transparent and accountable institution obtaining the highest weight, rank, and value with a score of 0.50 compared to other strength factors. While the results of the IFE matrix on the weakness factor place strategic factors in the form of the effectiveness of ZISWAF management which is still weak with the lowest score of 0.09, which is the lowest weakness factor compared to other values proposition elements (Table 5).

Table 5. EFE matrix of value proposition elements

External factor evaluation	Weight	Rating	Value
<i>Opportunity</i>			
Central and Regional Government Support	0.132	2	0.26
ZISWAF's potential as a support for Bank's Third Party Funds	0.147	3	0.44
Trust institutions related to ZISWAF in Riau and Riau Islands do not yet exist	0.134	3	0.40
Sub Total Opportunity Factor	0.413		1.11
<i>Threats</i>			
Many ZISWAF managers are independent in the community	0.113	2	0.23
The public does not fully know the benefits of ZISWAF through the Bank	0.133	2	0.27
Competitor Bank Technology is superior	0.113	3	0.34
Lack of public understanding regarding ZISWAF	0.119	2	0.24
There is no Regional Regulation (Perda) on Waqf	0.109	2	0.22
Sub Total Threat Factors	0.587		1.29
Total External Factor Evaluation	1.000		2.39

The EFE element value proposition matrix results show that the strategic factor in the opportunity in the form of the potential for ZISWAF as a support for third party funds (TPF) for banks gets the highest score with a score of 0.44 compared to other opportunity factors. On the other hand, the strategic factor in the threat shows that there is no regional regulation (Perda) on waqf, which has the lowest threat score of 0.22 compared to other threat factors (Table 6).

Table 6. IFE matrix of channels elements

External factor evaluation	Weight	Rating	Value
<i>Strengths</i>			
The bank office network is spread and varied in Riau and Riau Island	0.101	4	0.41
Bank as holder of ASN salary payroll	0.088	4	0.35
The bank already has a Sharia Business Unit (UUS)	0.086	4	0.34
Banks have communicative and educated officers	0.073	3	0.22
The momentum of the bank to become a Sharia Bank	0.103	4	0.41
Optimization of Bank Office Network as UPZ and LKS-PWU	0.097	4	0.39
<b>Sub Total Strength Factor</b>	<b>0.547</b>		<b>2.12</b>
<i>Weaknesses</i>			
ZISWAF digitization is still limited	0.083	2	0.17
No section specifically manages ZISWAF	0.080	2	0.16
ZISWAF management is limited to specific office networks	0.074	2	0.15
Communication and socialization media are still limited	0.062	2	0.12
ZISWAF Collection Model is not yet effective	0.079	2	0.16
The bank has not set clear targets regarding ZISWAF	0.075	2	0.15
<b>Sub Total Weakness Factor</b>	<b>0.453</b>		<b>0.91</b>
<b>Total Internal Factor Evaluation</b>	<b>1.000</b>		<b>3.02</b>

The results of the channel element IFE matrix show 2 (two) strength factors with the highest score, namely the scattered and varied bank office network in Riau and Riau Island, and the second factor, namely the momentum of the bank to become a sharia bank with the same score of 0.41. Meanwhile, the results of the IFE matrix on the main weakness factor placing strategic factors in the form of communication and socialization media are still limited, with the lowest score of 0.12 compared to other value proposition elements (Table 7).

Table 7. EFE matrix of channels elements

External factor evaluation	Weight	Rating	Value
<i>Opportunity</i>			
Development of Marketing Digitization	0.112	3	0.34
The majority of the population is Muslim	0.125	3	0.38
Massive potential for Zakat and Waqf	0.129	3	0.39
Sharia banking products and services can synergize with ZISWAF	0.113	3	0.34
Cooperation with OPZ and OPW is wide open	0.106	3	0.32
<b>Sub Total Opportunity Factor</b>	<b>0.590</b>		<b>1.76</b>
<i>Threats</i>			
Not all people understand digital marketing	0.095	2	0.19
Community literacy related to ZISWAF is still low	0.113	2	0.23
Competition between Islamic banks & ZISWAF institutions in the community	0.102	3	0.31
Other Islamic banks have already managed ZISWAF	0.105	2	0.21
<b>Sub-total threat factors</b>	<b>0.410</b>		<b>0.93</b>
<b>Total external factor evaluation</b>	<b>1.000</b>		<b>2.69</b>

The channels element EFE matrix results show that strategic factors on opportunities in the form of large zakat and waqf potentials get the highest score compared to other opportunity factors with a score of 0.39. At the same time, the results of the channel's element EFE matrix show strategic factors in the main threat in the form of not all people understanding marketing digitalization getting the lowest score compared to other threat factors with a score of 0.19 (Table 8).

Table 8. IFE matrix of key resources elements

External factor evaluation	Weight	Rating	Value
<i>Strengths</i>			
Qualified and professional bank human resources	0.097	4	0.39
The bank has a capable Core Banking System	0.098	4	0.39
The bank has a customer database that can be ZISWAF's targets	0.103	4	0.41
The majority (99%) of the Bank's HR are Muslim and equipped with Islamic banking basics	0.093	4	0.37
The Bank's HR is dominant from the local workforce and is of a productive age	0.076	3	0.23
Adequate Bank Office Infrastructure	0.097	4	0.39
Expansion of ZISWAF activities through changing status to Sharia Bank	0.100	4	0.40
Sub-total strength factor	0.660		2.58
<i>Weaknesses</i>			
Understanding of HR related to ZISWAF	0.101	1	0.10
Information Technology-based ZISWAF development is still limited	0.082	2	0.16
SOP related to ZISWAF is not clear	0.082	2	0.16
ZISWAF's marketing strategy is still weak	0.072	1	0.07
Sub-total weakness factor	0.336		0.50
Total internal factor evaluation	1.000		3.08

The results of the IFE matrix of key resource elements indicate a strength factor in the form of a bank having a customer database that can be ZISWAF's target, obtaining the highest score with a score of 0.41 compared to other strength factors. In comparison, the results of the IFE matrix on the weakness factor place strategic factors in the form of ZISWAF's marketing strategy, which is still weak, with the lowest score of 0.07 compared to other weakness factors (Table 9).

Table 9. EFE matrix of key resources elements

External Factor Evaluation	Weight	Rating	Value
<i>Opportunity</i>			
The magnitude of potential and opportunities of OPZ and OPW	0.159	3	0.48
Islamic banks have good access to wakif and muzakki targets	0.161	3	0.48
IT-based business development (digital banking)	0.149	3	0.45
ZISWAF collection automation for institutions	0.141	2	0.28
Sub Total Opportunity Factor	0.610		1.69
<i>Threats</i>			
Amil and Nazhir are not yet professionals in managing ZISWAF	0.134	2	0.27
The diversity of public understanding regarding zakat and waqf	0.119	3	0.36
The community has not yet felt the benefits of cash waqf	0.137	2	0.27
Sub Total Threat Factors	0.390		0.90
Total External Factor Evaluation	1.000		2.59

The results of the EFE matrix of key resource elements show strategic factors on opportunities in the form of enormous potentials and opportunities from OPZ and OPW and Islamic banks have good access to wakif targets, and muzakki gets the highest score with a score of 0.48 compared to other opportunity factors. On the other hand, the strategic factor in the threat shows that amil and nazhir are not yet professional in managing ZISWAF, and the community has not felt the benefits of cash waqf, obtaining the lowest threat score of 0.27 compared to other threat factors.

Based on Table 4, Table 6, and Table 8, the total score for the value proposition elements is 3.03, channel elements, 3.02, and key resources elements are 3.08. According to David and David (2016), a weighted score above 2.5 indicates that the organization's internal position has internal strength. Likewise, the external

evaluation results are based on Table 5, Table 7, and Table 9. The total score for the value proposition element shows a score of 2.39, for the channel element with a score of 2.69, and the key resource element with a total score of 2.59. This total score shows that Bank XYZ is slightly above the average on channel elements and key resources and slightly below average on the value proposition element in responding to current opportunities and minimizing the potential impact of external threats.

#### 5.4 Alternative Strategies and Priorities for ZISWAF Development Strategies

The formulation of alternative strategies is carried out based on the identification and evaluation of strategic factors. Alternative strategies were formulated through Focus Group Discussions (FGD) and interviews with research respondents. The resulting alternative strategies are based on a combination of Strengths (S), Weaknesses (W), Opportunities (O), Threats (T), namely SO Strategy, WO Strategy, ST Strategy, and WT Strategy. The last stage in strategy formulation is a decision that uses QSPM to choose strategic priorities from the alternative strategies that have been formulated. The resulting strategic priority is the primary and best strategy to be implemented by Bank XYZ in ZISWAF services. The resulting strategic priorities for the developed BMC elements are shown in Table 10, Table 11, and Table 12.

Table 10. QSPM matrix on value proposition elements

No	Alternative strategy	Strategy	STAS
1	Banks make technological adjustments in the face of competition	ST	4.42
2	Image Strengthening as ZISWAF recipient bank	SO	4.30
3	Ziswaf digitization model development	WO	3.27
4	Improvements to the ZISWAF fundraising model	WT	2.50

In the value of proposition element, the QSPM analysis result shows that the banks' alternative strategy of making technological adjustments in the face of competition gets the highest score with 4.42 and Image Strengthening as the ZISWAF recipient bank with a score of 4.30. Therefore, these two alternative strategies were selected and included in developing the BMC elements of the value proposition (Table 11).

Table 11. QSPM matrix on channels elements

No	Alternative strategy	Strategy	STAS
1	Optimization of Bank Office Network and development of banking digitalization	SO	6.02
2	Optimizing the Bank Office Network in educating the public with ziswaf through bank services and digital use	ST	5.38
3	ZISWAF Management Organization Development	WO	3.75
4	Improvement of communication media and socialization of ZISWAF	WT	3.03

In the channel's element, the results of the QSPM analysis show that the alternative strategy for optimization of Bank Office Network and development of banking digitalization got the highest score with 6.02 and optimizing the Bank Office Network in educating the public with ziswaf through bank services and digital use with a score of 5.38 in second place. Therefore, these two alternative strategies were selected and included in developing the BMC element channels (Table 12).

Table 12. QSPM matrix on key resource elements

No	Alternative strategy	Strategy	STAS
1	Utilization of bank HR and IT in promoting and socializing ZISWAF Bank	ST	4.32
2	Utilization of customer databases as potential muzakki and wakif	SO	3.69
3	ZISWAF SOP Completion	WO	3.52
4	HR Education and Training related to ZISWAF	WT	2.93

While on the top resources element, the results of the QSPM analysis show that the alternative strategy for Utilization of bank HR and IT in promoting and socializing

ZISWAF Bank gets the highest score with 4.32, and the utilization of customer databases as potential muzakki and wakif is on the second priority with a score of 3.69 in the second order. Therefore, alternative database utilization strategies are selected and included in cultivating BMC elements of top resources elements.

### 5.5 ZISWAF Business Model Development

Business model development is based on previous research stages related to business model elements that need to be developed, namely value proposition, channels, and key resources. These three elements are carried out in the strategy formulation stage to produce alternative strategies and development strategy priorities and are translated into a strategic action plan as outlined in the BMC. Business model canvas (BMC) development is shown in Figure 5.

Key Partnership	Key Activities	Value Proposition	Customer Relationship	Customer Segment
<ul style="list-style-type: none"> <li>- Nazir Waqf</li> <li>- BAZ (Amil Zakat Agency)</li> <li>- LAZ (Amil Zakat Institute)</li> <li>- BWI (Indonesian Waqf Agency)</li> <li>- Ministry of Religion</li> <li>- OJK (Financial Services Authority)</li> <li>*Bank-affiliated ziswaf institutions</li> <li>*Mosque/Mushalla</li> <li>*Retail Market</li> <li>*Local Government or Treasurer</li> </ul>	<ul style="list-style-type: none"> <li>- ZISWAF Collection</li> <li>- Money Waqf Administration</li> <li>- Distribution to BAZ/LAZ Institutions.</li> <li>- Promotion /Socialization</li> <li>- Reporting</li> <li>*Bundling bank products with ZISWAF</li> <li>*ZISWAF publications</li> <li>* Digitalization of Marketing</li> <li>* HR training</li> </ul>	Islamic Financial Institutions Recipient of Cash Waqf (LKS-PWU) * The Bank's Ziswaf tagline becomes (Easy Amanah Blessing)	<ul style="list-style-type: none"> <li>* Office Network (Sharia)</li> <li>- Joint Events</li> <li>- Website</li> </ul>	<ul style="list-style-type: none"> <li>- Internal Staff</li> <li>- Bank's customers</li> <li>- Public</li> <li>- OPZ/OPW</li> </ul>
	<b>Key Resources</b> <ul style="list-style-type: none"> <li>- Office Infrastructure /Network</li> <li>-Human Resources</li> <li>-Information Systems</li> <li>**Customer database</li> <li>** ZISWAF SOP</li> </ul>		<b>Channels</b> <ul style="list-style-type: none"> <li>**Sharia office network</li> <li>- HR Division/Salary Payer</li> <li>- Funding Officer</li> <li>**ATM</li> <li>**M-Banking</li> <li>**Q-RIS</li> <li>** Partnership channels</li> <li>** Websites</li> <li>** Social Media</li> <li>** Webinars</li> </ul>	
<b>Cost Structure</b> <ul style="list-style-type: none"> <li>- Promotion/Socialization Fees</li> <li>- Operational &amp; System Management Costs</li> <li>- Salary Fee (BTK-TL)</li> </ul>		<b>Revenue Stream</b> <ul style="list-style-type: none"> <li>- Zakat</li> <li>- Infaq</li> <li>- Alms</li> <li>- Money Waqf</li> <li>- Waqf through Money</li> </ul>		

Note: - Existing business model  
 \*\* Developed business model elements (3 elements)  
 \* Impact of developing business models on other elements

Figure 5. Business Model Canvas (BMC) development

## 6. Discussion

This research is related to developing the ziswaf business model of Bank XYZ with the BMC approach through the concept of strategy formulation. Based on the research results, 3 (three) elements are selected to be developed: value propositions, channels, and key resources. The value proposition element requires banks to make technological adjustments in the face of competition and strengthen the image of ziswaf banks as recipients of ziswaf. Developing the value proposition element makes the bank's ziswaf tagline "easy, trustworthy and blessed" a business model for improving Bank XYZ's ziswaf. Improving bank technology is a must so that banks can continue to survive in a very tight competition. Simbolon's research (2014) reveals the importance of information technology for the banking industry in managing good relationships with customers. Kalimah (2019) also revealed the importance of using technology in amil zakat institutions in Indonesia. Technology is used in optimizing fundraising and increasing public knowledge and transparency in managing zakat funds. In addition to technology, Islamic banks need to maintain trust and accountability and strengthen the bank's image as recipients of ziswaf. This research is also in line with other research on the importance of brand image. In addition, several studies have shown that the success of fundraising for ziswaf institutions is strongly influenced by the level of trust in the institution, which is carried out through socialization of the distribution of funds, campaigns as a clean and transparent institution, image campaigns, advertorials, mediation of figures and organizing events (Abidah, 2016; Coryna, 2015; Naim, 2019).

The channels element requires banks to optimize the entire bank office network and develop bank digitalization in providing education, promotion, and ziswaf services. Ziswaf's educational and literacy activities are directed at the use of social media marketing, websites, and webinars. Promotional activities and ziswaf services are directed through optimizing the use of ATMs, M-Banking, developing Q-RIS, brand or product websites, and utilizing channels owned by partners. In addition, Islamic banking must continue increasing knowledge and understanding of the community regarding ziswaf services and other stakeholders such as regulators, religious leaders, universities, and the government. Based on the measurement results of the national waqf literacy in 2020, the figure is 50.48. Meanwhile, the 2020 zakat literacy index generally shows a moderate literacy level with a score of 66.78. Therefore, the statistical data above is a challenge for Islamic banks in providing ziswaf services in collecting zakat funds and waqf in the community.

Ziswaf education and literacy activities through social media marketing, websites, and webinars are in line with research by Waluyo, Rozza, and Sujarwo (2018), which reveals the need for regulators and Islamic banks themselves to increase public understanding of Islamic banks through the use of websites and internet based as well as social media—for example, organizing joint events, seminars, and conferences, talk shows, news, publications, and others. Meanwhile, Akbar and Elsy (2019) revealed that the delivery of information to customers or prospective customers could be conveyed through social media in addition to mass media and the marketing team. In banking, for example, Bank Jabar Banten (BJB) Sharia utilizes digitalization on social media as a marketing strategy (Marlina, 2020). In addition, Bank Syariah Mandiri (BSM), before turning into Bank Syariah Indonesia (BSI), held webinars and communicated online in offering products and communicating to customers and prospective customers, especially during the Covid-19 pandemic (Oktafia, Yani, Firdayanti & Shabirah, 2021).

Promotional activities and ziswaf services are directed through optimizing the office network and digital bank channels such as ATM, M-Banking, Q-RIS, brand or product websites, and utilizing channels owned by partners. Mutiasari (2020) revealed the importance of banking in transforming from electronic banking to digital-based banking so that the industrial revolution 4.0 can be gradual if you want to be gradual or continue conventionally but slowly die. Regarding partner channels, Putri and Firmansyah's research (2017) reveals the use of selling mosque-based smart agents as a bank partner in marketing Islamic financial services. The Laku Pandai agent is a

government program related to branchless banking to improve public financial literacy and inclusion in locations far from bank offices.

Meanwhile, the key resource element requires the bank to optimize the existing human resources (HR) and information technology (IT), utilize the customer database at the bank, and improve bank SOPs for bank ziswaf activities. Banks need to continue to improve the competence of human resources in order to continue to survive in banking competition. Improve the competence of human resources through education and training programs, including in the management of Islamic banking social funds from ZISWAF. Other studies reveal the importance of Islamic bank competence in the era of globalization, both in terms of operational management competence of Islamic banks and the competence of sharia knowledge and good morals (Soenjoto, 2018). In addition to human resources, information technology is something that banks must consider in competing with other banks. Associated with the importance of banks optimizing information technology (IT) in line with Simbolon (2014), mentioning the importance of information technology primarily for the banking industry is facing high competition. Uksumenko, Kuzmicheva, and Vorozhbit (2017) state that the direction of bank priority development should refer to improving bank technology in addition to maximum service to customers, the effectiveness of risk management systems, and efficiency and corporate culture.

The customer database is a potential for banks in carrying out their marketing. The customer database can be valuable information for management, including sorting out potential muzakki and wakif in the ziswaf strategy. The customer database can be valuable information for management, including sorting out potential muzakki and wakif in the ziswaf strategy. Kurniawan (2015) reveals the importance of companies having a strong database as a company's conceptual resource handy for companies to have. It is also essential for banks related to work systems and procedures in carrying out their activities. Work systems and procedures make work more accessible and organized and facilitate coordination between parts of the organization. These results related to the improvement of SOPs are in line with the research by Pramudya and Choiriyah (2021), who revealed the importance of SOPs regardless of the form and type of organization in order to control, tidy up and facilitate work and help workers become independent thereby reducing leadership intervention in daily routine activities.

The development of a business model on the value proposition, channels, and key resources elements also has an impact on the development of other elements, such as the key activities elements in the form of publication of reports and ziswaf activities and bank product bundling with ziswaf services, digitalization of marketing as well as education and training of bank human resources, on key elements partnership with the addition of main partners, namely ziswaf institutions/foundations affiliated with banks, mosques/mushalla, retail markets, and local government treasurers, in the customer relationship element where ziswaf services are carried out on the entire network of bank sharia offices.

The limitations of this research as a case study research in the form of strategies and business models for developing ZISWAF at Bank XYZ cannot be generalized as strategies and business models for developing ZISWAF in other banks. Therefore, the next researcher can conduct the same research with different bank objects.

## **7. Conclusions**

This research deals with the ziswaf business model of Bank XYZ with the BMC approach to produce a new business model through strategy formulation. First, 3 (three) elements are selected to be developed, namely value propositions, channels, and key resources. Then, through the strategy formulation approach, alternative strategies are formulated through the SWOT approach. The last stage in strategy formulation is a decision that uses QSPM to obtain strategic priorities from several formulated alternative strategies.

The development business model is a refinement of the existing business model, and improvements are made through the strategy formulation stage to produce a new business model. The value proposition element requires banks to adjust technology and strengthen the bank's image as recipients of *ziswa*. In addition, optimize the entire bank office network and develop bank digitization in the channel's element. Meanwhile, the key resource element requires the bank to utilize the existing customer database at the bank and the use of Bank SOPs for bank *ziswa* activities. Developing a business model on the value proposition, channels, and key resource elements also impacts the development of other elements.

## 8. Recommendation

Islamic banking is a commercial, financial institution that is mandated by law to carry out social functions in its activities. In carrying out the social function of the bank, of course, it can be aligned and even become the core business in supporting commercial activities. Therefore, it is always necessary to review the bank's strategy in carrying out this social activity in order to support its commercial function optimally. The recommendation of strategies and business models produced in this study is expected to be maximized by Bank XYZ in implementing strategies to produce more optimal bank *ziswa* management performance. In addition to Bank XYZ, the strategies and business models resulting from this research can be a reference for other Islamic banks in carrying out *ziswa* activities.

The alternative strategies this research produced are still general and are explained through strategic initiatives. Therefore, further research in strategic decisions needs to re-examine the resulting explanations and strategic initiatives to obtain more accurate and detailed strategies.

## Citation information

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