THE ROLE OF SHARIA FINANCIAL INSTITUTION TO EMPOWERING SMEs

Jamaluddin
jamaluddin26@rocketmail.com

M. Wahyuddin Abdullah
tosir_wahyu@yahoo.com

Sharia Economic Departement
Postgraduate Program
Universitas Islam Negeri Alauddin Makassar

ABSTRACT

This study aims to determine the efforts of Islamic Financial Institutions in empowering SMEs, strategies and important roles carried out by LKS in order to empower SMEs through the provision of capital to be managed in business. The method used in this research is descriptive analysis method, a method that only describes various forms of paradigms about empowerment strategies for SMEs, the most important data sources in this study are related to the search for library data, relevant books, and scientific papers. others relevant to the object of study. The results of this study indicate that there has been much power and effort carried out by the Islamic Finance Agency in order to empower SMEs, this can be proven by the existence of several programs, products, and financing aimed directly at SMEs. The strategy used is; provide complete information as well as promotion to SMEs, provide financing for their business development, provide financing in accordance with the type of business that SMEs are involved in with the concept of sharia principles. The implication of this research is to continue to provide services professionally and provide the best so that they are truly able to provide community welfare, more selective in providing financing so as to minimize the losses that will occur, increase technological resources so that SMEs can easily access information.

Keywords: Sharia Financial Institution, Empowerment, SMEs

INTRODUCTION

Small and Medium Enterprises (SMEs) play an important role in the development of the Indonesian economy. SMEs have contributed around 97 percent of employment in Indonesia. In addition, the data show that SMEs accounted for 56% of the Gross Domestic Total (TDB) in Indonesia in 2013 (Ministry of Cooperatives and Small and Medium Enterprises, 2013).

Attention to SMEs increased after the global financial crisis in 2008-2009. Along with these increases, SMEs play a role in creating employment and increasing economic growth (Ardic 2011). Several studies show that SME development has a positive impact on economic growth in Indonesia (Beck, 2005).

Other findings in the study, that SMEs have a strategic role in national development, economic growth and employment, as well as in the distribution of development outcomes, SMEs also proved to be more resistant to the economic crisis that occurred in Indonesia (Kristiyanti, 2012).

The importance of SMEs in Asia, according to a survey conducted by the Asian Development Bank (ADB) in 14 economies from five ADB regions including: 1) Kazakhstan (Central Asia); 2) the People's Republic of China and the Republic of Korea (East Asia); 3) Bangladesh, India, and Sri Lanka (South Asia); 4) Cambodia, Indonesia, Malaysia, Philippines, Thailand and Vietnam (Southeast Asia); and 5) Papua New Guinea and the Solomon Islands (Asia Pacific), SMEs account for more than 90 percent of the total companies in each country (Yoshino and Taghizadeh-Hesary, 2016).

Get a general statement that SMEs have the following features: 1) usually in the form of individual businesses and not corporate legal entities; 2) weak legality aspects; 3) simple organizational structure; 4) there is no separation between personal wealth and company assets; 5) low quality management; 6) the main source of venture capital is private capital; 7) limited human resources; and 8) the owner has a strong bond with the company so that all company obligations are also the duty of the owner (Winarni, 2006).

The strategy for empowering SMEs in Indonesia in the 1997-2001 period revealed the problems faced by SMEs, both from within and outside of SMEs. The problem includes: 1) lack of funds for working capital and investment; 2) difficulties in marketing; 3) difficulties in procuring raw materials; 4) human resource skills are still low; 5) The technology used is still low; and 6) difficulties in the administration of SMEs. In addition, it also suggests strategies for empowering SMEs that include systems development strategies, growth policy strategies that support the business climate, and strategies to strengthen policy support for cooperatives and SMEs (Sukidjo, 2004).

The relationship between Islamic Financial Institutions (LKS) and SMEs is very important to note. This is because SMEs are businesses managed by small entrepreneurs with small capital, but have a large contribution as one of the pillars of the Indonesian economy. On the other hand, they are businesses that are vulnerable due to lack of access to capital, small production capacity and a relatively narrow market share. (Singgih, 2017).

In relation to the implementation of empowerment of SMEs in Indonesia, several institutions and agencies must cooperate with each other, especially Islamic Financial Institutions (LKS). This Syaiah Financial Institution must be optimized to reach SMEs. This is in line with the Indonesian Banking Architecture (API) program in 2004 (Siti Maesaroh, 2011).

In Sharia Financial Institutions, the implementation carried out by Islamic Banks through strategic programs. The existence of Sharia Microfinance Institutions such as BMT as a mediation between the SME sector and the Sharia Bank is needed, because it is aligned with the needs of SMEs. So that the BMT as an extension of a Sharia Bank can channel financing without the fear of a Sharia Bank taking enormous risks. Through the SME empowerment project as well as the development of sharia investment models or models for SMEs. Islamic banks can directly handle profit sharing financing (mudharabah and musyarakah) with a joint responsibility system (Hamida, 2015).

THEORETICAL BACKGROUND

A. Islamic Financial Institution

In accordance with the financial system in Indonesia, financial institutions can be in the form of conventional financial institutions and Islamic financial institutions. According to the Decree of the Minister of Finance of the Republic of Indonesia No. 792, financial institutions are all entities whose activities are in the financial sector, collecting and channeling funds to the public, especially to finance company investments. Financial institutions according to Dahlan Siamat are business entities whose wealth is mainly in the form of financial assets or claims compared to non-financial assets or real assets. Thus, financial institutions are every company whose business activities are related to the financial sector (Soemitra, 2014: 29).

Sharia Financial Institutions are different from conventional financial institutions both in mechanism, scope, power, responsibility, and also their purpose. Islamic financial institutions were established with the aim of promoting and developing the application of sharia principles. Sharia and its tradition into financial and banking transactions and related businesses. The definition of sharia principles is the principle of Islamic law in financial banking activities based on a fatwa issued by an institution that has the authority to determine fatwa in the field of sharia (Soemitra, 2010: 35).

LKS has characteristics that are different from conventional financial institutions. The characteristics of LKS are as follows:

a. In receiving deposits and investments, LKS must comply with the fatwa of the Sharia Supervisory Board (DPS)
b. The relationship between investors (depositors of funds), users of funds, and LKS as an intermediary institution, based on partnership, is not a debtor-creditor relationship.
c. The LKS business is not only based on profit or not, but it is also orianted, namely prosperity in the world and happiness in the hereafter.
d. The concepts used in LKS transactions are based on the principle of profit sharing partnerships, buying and selling or leasing for commercial transactions, and lending and borrowing (qardh / credit) for social transactions.
e. LKS only invests lawfully and does not cause harm and does not harm Islam.

B. The Concept of Baitul Mal Wa Tamwil (BMT)

Baitul Mal wa Tamwil (BMT) is an independent and integrated sharia financial institution. Serves to develop productive businesses and investments in order to support the activities of small and medium enterprises in the community. The establishment of BMT was motivated by the demands of the community for financial institutions that use sharia principles. The principle and purpose of the establishment of BMT is to organize various types of service products and financial services to people who are spared from business practices that contain elements of usury and illiteracy (Sadrah, 2004: 114). In addition, BMT can also receive deposits of zakat, infaq and alms, and distribute them in accordance with the regulations and mandate (Ridwan, 2013: 23).

As its operation, BMT accepts zakat, infaq, and alms deposit and distributes (tasaruf) in accordance with its regulations and mandate. Another goal is to develop productive businesses and investments in improving the quality of activities of micro, small and medium entrepreneurs by encouraging savings activities and supporting economic activities (Azis, 2007: 6).

The forms of distribution of funds provided are quite varied, the distribution of which is purely a grant, and there is also a distribution which is a revolving loan without being burdened with costs in return (qardhul hasan). Grants are usually in the form of direct assistance for urgent life needs that are in desperate need, including medical treatment, school fees, donations for disaster victims, and others. The revolving loans are usually given as productive business capital. BMT does not provide financial assistance, but also provides technical assistance in the form of training, consultation, management assistance, and marketing assistance (Junita, 2013: 181).

As an independent business entity, BMT has the following characteristics (Ridwan, 2013: 23):

1. Business oriented, which is to have a goal for mutual profit and to increase the benefits of all economic potential as much as possible for the members and their environment.
2. It is not a social institution but can be used to manage community social funds, such as zakat, infaq, almsgiving, grants and endowments.
3. Community economic institutions built from the bottom are self-reliant that involves the participation of the surrounding community.
4. Economic institutions jointly owned by the lower and smaller communities and not belonging to certain individuals or groups outside the community around the BMT.

BMT has functions for the community including (Huda, 2010: 364):

1. Improve the quality of human resources of members, administrators, and managers to be more professional, salaam (safe, peaceful and prosperous), and trustworthy so that they are more intact and resilient in struggling and trying (to worship) to face global challenges.
2. Organizing and mobilizing funds so that funds owned by the community can be utilized optimally within and outside the organization for the benefit of the people.
3. Strengthen and improve the quality of business and market products of members, strengthen and improve the quality of economic and social institutions in many communities.

C. Sharia Cooperation

The Sharia Financial Institution (LKS) consists of two groups of institutions, namely financial institutions in the form of banks and financial institutions in the form of non-banks. Financial institutions in the form of banks include Sharia Commercial Banks (BUS) and Sharia People's Financing Banks (BPRS). Whereas financial institutions that are not in the form of banks are the Sharia (UUS) Business Unit and Bait al Maal wa al Tamwil (BMT) (Nuryadin, 2004: 159).

Sharia Cooperative Indonesia is a secondary cooperative consisting of primary sharia cooperatives spread throughout Indonesia, sharia cooperatives are a conversion from conventional through an approach that is in accordance with the economic example of Rasulullah and his companions (Jenita, 2013: 184).

Islamic cooperative as one of the financial institutions that has the function of raising funds from the public. Funds that have been collected are then distributed back to the community. As a collector and channeler of funds, cooperatives must carry out in accordance with the applicable rules, especially the rules of transaction in the collection and distribution of funds according to

Islam, sharia principles, and do not conflict with the objectives of the cooperative.

Based on the decree of the cooperative state minister and the Republic of Indonesia Small and Medium Enterprises Number 91 / Kep / IV / KUKM / IX / 2004 concerning the implementation guidelines for business activities sharia financial services cooperatives provide an understanding that sharia savings and loan cooperatives or sharia financial services cooperatives are cooperatives whose business activities engaged in financing, investment and savings according to the pattern of profit sharing (sharia) (Solihin, 2009: 456). Business practices of cooperatives managed in sharia have grown and developed in the community and have taken an important part in empowering the community's economy.

In terms of its business, cooperatives can be divided into two types, namely single-purpose cooperatives, namely cooperatives that only run one business field, such as cooperatives that only work in the fields of consumption, credit or production. Multi-purpose cooperatives, namely cooperatives that strive in various (many) fields, such as cooperatives that make purchases and sales (Suhendi, 2010: 291).

In the view of scholars, cooperatives (syirkah ta'uwuniyah) in Islam are using musyarakah contracts, namely a cooperation agreement between two or more people, on the one hand providing business capital, while the other doing business on the basis of agreement based profit sharing, and in Among the legal requirements for musyarakah is the annual profit with a fixed percentage to one of the parties of the musyarakah.

The purpose of developing sharia cooperatives (Solihin, 2009: 459):

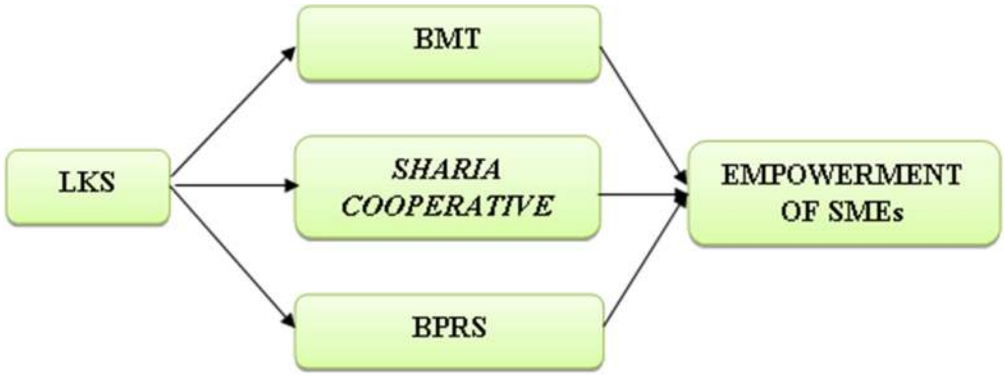
1. Improve economic empowerment programs, especially in micro, small, medium enterprises and cooperatives through the sharia system
2. Encourage the life of the Islamic economy in the activities of micro, small and medium enterprises in particular and the Indonesian economy in general
3. Increase the enthusiasm and participation of community members in the activities of sharia financial services cooperatives.

D. Sharia Rural Banks

Sharia Rural Banks (BPRS) according to Banking Law No. 7 of 1992 is a bank financial institution that accepts deposits only in the form of savings deposits and / or other equivalent forms and disburses funds as a BPR business whose operations use sharia principles. The history of the establishment of Sharia Rural Banks cannot be separated from the influence of the establishment of financial institutions as mentioned in the legal status of BPR which was first recognized in October 27, 1988, as part of the financial, monetary and banking policy package (Jenita, 2007: 186)

More clearly the existence of financial institutions is reinforced by the emergence of the idea of establishing Islamic banks at the national level. The intended sharia bank is Bank Muamalat Indonesia (BMI) which was established in 1992. but the BMI's reach is limited to certain regions, for example in Districts, Districts and Villages. Therefore the role of Sharia BPR is needed to deal with public financial problems. BPRS is also believed to be one of the institutions that can be relied upon in empowering SMEs.

Figure 1. Theoritical Framework



METHODOLOGY

As mentioned earlier, this study is an idea based on various references and previous studies, thus the method used in this study is literature study (library reseach). The research specifications used are descriptive analytic, which describes the concepts and theories of Islamic economics that apply in a comprehensive and systematic manner which then analyzes the problem solving that arises.

In this method the researcher does not need to use observation or experiment, the researcher only needs data sources. The reason for this method is chosen as a separate stage, namely a preliminary study to understand the new symptoms that occur in society. There are at least four main characteristics of library studies. First: researchers deal directly with text and numerical data rather than with direct knowledge from the field or eyewitnesses in the form of events, people or other objects. Second, library data is ready to use. Third: library data is generally a secondary source that is not original data from first hand in the field. Fourth: the condition of library data is not limited by space and time.

Data collection techniques are literature studies or literature that are closely related to the object of study. Therefore this research is a literature study, namely research that seeks to collect data from literary literature and make the world of text the main object of analysis. The data analysis technique is carried out by descriptive analysis of the phenomenon in the form of a presentation in the form of a description. Where the results of the analysis will be presented descriptively, with the hope that it can clearly illustrate the role of Islamic financial institutions in the development of small and medium enterprises.

RESULTS AND DISCUSSION

Based on Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises, that Micro Enterprises are productive businesses owned by individuals and / or individual business entities that meet the criteria. Micro business is the maximum capital of Rp. 50 million, while the turnover reaches Rp. 300 million. Small-scale business is a productive economic enterprise that is independent, carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part of either directly or indirectly from medium-sized businesses or large businesses that meet the criteria. Maximum capital of Rp. 500 million with a maximum turnover of Rp. 2.5 M. Medium-sized business is a productive economic enterprise that is independent, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with small businesses or large businesses with maximum net worth of Rp. 10 Milayar or annual sales of Rp. 50 billion (Mahmud, 2013: 603).

As is known, SMEs are the most flexible sector in absorbing labor quickly and naturally compared to other sectors. Large quantities and even distribution, make this sector not only able to create growth but at the same time reduce disparities between regions. However, MKM also has unique financing characteristics, namely the need for availability of funds at that time, the right number and targets, relatively simple procedures, easy access to sources of funding and the need for assistance programs (technical assistance). Behind the toughness of tens of millions of SMEs, efforts to develop SMEs still encounter various obstacles such as still traditional business management, inadequate quality of Human Resources (HR), low scale and production techniques and limited access to financial institutions, especially the banking industry .

In general, SMEs themselves face two main problems, namely financial (financial) and non-financial problems (management organizations). Problems that are included in financial problems include (Urata, 2000):

1. Lack of conformity (occurrence of mismatch) between available funds that can be accessed by SMEs;
2. The absence of a systematic approach in SME funding;
3. High transaction costs, which are caused by credit procedures that are quite complicated so that it takes a lot of time while the amount of credit disbursed is small;

4. Lack of access to formal funding sources, both caused by the absence of banks in remote areas and in the absence of adequate information;
5. Credit interest for investment and working capital is quite high;
6. Many SMEs are not yet bankable, both due to the absence of transparent financial management and lack of managerial and financial capabilities.

Unlike the ones included in the problem of management organizations (non-financial), among them are (Machmud, 2013: 605):

1. Lack of knowledge of production technology and quality control caused by the lack of opportunities to keep up with technology developments and lack of education and training;
2. Lack of marketing knowledge, which is caused by limited information that can be reached by SMEs regarding the market, in addition to the limited ability of SMEs;
3. Lack of understanding of finance and accounting.

Whereas for capital, micro and small business constraints there is already another promising alternative, namely the existence of Microfinance Institutions which are institutions that carry out activities to provide financial services to micro and small entrepreneurs and low-income communities that are not served by formal financial institutions and those who has been market oriented for business purposes.

Small and medium enterprises really need the role of the Syari'ah Microfinance Institution (LKMS), especially in terms of capital that is used to expand the market and develop its business so that it contributes greatly to the national economy. After the economic crisis some time ago it was increasingly strengthened that SMEs were included as a business unit that could be relied on in the long run for the good of the Indonesian economy. Not surprisingly, if there are many parties who look at SMEs, the attention given is not fully able to touch the fundamental problems faced by LKMS so that they can truly strengthen and develop funding institutions for SMEs, especially small communities.

To deal with these problems, sharia principles can be used. Currently Islamic banks have collaborated in channeling financing to the sector. The collaboration is in the form of financing cooperation that uses the concept of linkage, where larger Islamic banks channel their SME financing through smaller Islamic financial institutions, such as BPRS and BMT. This is done because it is indeed the reach of large Islamic banks that have not yet reached the remote areas of small businesses.

A. Opportunities and Challenges of Islamic Financial Institutions

Islamic financial institutions are financial institutions that in operation use Sharia principles based on the basic concepts of the Qur'an and Hadith. The philosophical foundation of Islamic finance is basically guided by the Islamic economic philosophy which has one purpose, three pillars and four foundations. One goal is the achievement of essential success (falah) in economy in the form of achieving prosperity which includes happiness (spiritual) and prosperity (material). The three pillars of sharia economy are:

1. Economic activities that are just by avoiding excessive exploitation, excessive hoardings / unproductive, speculative, and arbitrariness,
2. There is a balance of activities in the real-financial sector, management of risk-returns, social business activities, spiritual, material aspects and benefit principles, as well as environmental sustainability,
3. Orientation on the benefits that means protecting the safety of religious life, the regeneration process, and protecting the safety of life, property and reason.

The four sharia economic foundations are: a) Laying the business relationship in the context of universal togetherness to achieve mutual success, b) Muamalah legal principles in the economic field that guide economic activities so that they are always in accordance with sharia, c) Morals that guide economic activity are always the foundation prioritizes kindness as a way to achieve goals, d) Godhead the One who raises awareness that every human activity has divine accountability so that it fosters integrity that is in line with the principles of Good Corporate Governance and market discipline.

One of the institutions which is a very big opportunity for the development of LKS is BMT. BMT is a rapidly developing SME institution in Indonesia, which at first as a trial towards the establishment of Islamic banks in the 1980s has succeeded not only in replacing banks, but also in carrying out various functions that Islamic banks cannot properly carry out. In addition to the question of how many people or micro businesses are unbankable, BMT has managed to accommodate local culture in its operational aspects. The characteristics and identity of the local community are generally reflected in the dynamics of BMT that exist in the region.

Accurate statistics about BMT are indeed not yet available and cannot be fully verified. The Small Business Incubation Centre (Pinbuk) once presented data and has a detailed list that until mid-2006, there were around 3200 BMTs operating in Indonesia. Pinbuk also estimated the total BMT assets, which were calculated to have reached Rp 1.5 trillion in 2005 and Rp 2 trillion in 2006. Members and prospective members served on were considered to be around 3 million people. Based on data from the Indonesian BMT Association, accompanied by scrutiny of the Pinbuk data, cooperative ministry data, it is estimated that there are around 3,900 BMTs operational until the end of 2010.

B. SMEs Empowerment Model Through Islamic Financial Institutions

Efforts to empower the SME sector are intended to enhance the dignity of SMEs, so that SMEs are better able to play a role in the national economic arena. Often empowerment efforts are trapped in empowerment biases. This needs to be done so that experts and practitioners who do not understand and may not believe become aware of the nature of empowerment (Idrus, 2005: 87).

The model that can be offered in order to empower MSMEs is related to poverty alleviation. The phenomenon of poverty is an interesting phenomenon to be attributed because in the Islamic perspective that full poverty is a structural problem, because Allah has guaranteed the wealth of every creature that has been, is being, and will be created (QS 30:40; QS 11: 6) and at the same time Islam has closed the opportunity for cultural poverty by giving the obligation to make a living for each individual (Qur'an 67:15). Every creature has its own rizki (Qur'an 29:60) and they will not starve (Qur'an 20: 118-119).

As previously explained, one of the instruments used to encourage equity policies and income distribution in the context of Islamic economics is the application of zakat, infaq, almsgiving, waqf, and qardhul hasan. This is very relevant if implemented in Indonesia, with the following reasons: First, the potential of ZIS in Indonesia is still very large, along with the largest number of Muslims in the world and also has such abundant natural wealth. Second, the increasing number of Islamic philanthropic institutions that are legally recognized by law to manage ZIS. Third, in macro terms ZIS has a multiplier effect on national income (Azis, 2011: 64).

The reasons for LKMS as a mediation in the effort to empower SMEs and alleviate poverty are as follows:

1. LKMS is a people's economic institution, which concretely and in fact is indeed more focused on the lower class, the poor and near poor (poor and near poor). The main activity agenda is the development of micro and small businesses, especially through capital assistance.
2. The ability of LKMS to raise public funds can be said to be extraordinary, considering that the majority of members and customers are MSMEs, who are even micro-scale. Most of the depositors are those who have not been taken into account by conventional banking institutions, perhaps even less calculated by Islamic banking as a source of funds.
3. LKMS makes a big contribution, especially taking into account the very unimpressive development of other microfinance institutions. Most other microfinance institutions have relatively not grown in the last five years, except for only certain regions.
4. LKMS has the role of increasing the community's ability to save. Most of the increase in community savings comes from rationalizing expenditures and their financial planning ability, which develops

increasingly better. Interaction in the activities of LKMS, managers and those served, creates a learning process in financial planning at the family level and small business units.

5. LKMS's ability to channel funds in the form of financing can be said to be very spectacular. Financing to Deposit Ratio (FDR), which is generally close to or more than 100%, indicates that funds collected from members and customers can be fully channeled, often inadequate.
6. In general, LKMS is able and willing to finance new and growing businesses in their environment. This kind of thing is very rarely done by banks, both conventional and sharia. Banks are usually more interested in financing a sustainable business. The definition of established here is not related to the size of the loan, but with an assessment of the stage of development of the business concerned.
7. It is no exaggeration to say that Islamic values become something that lives in LKMS activities. Sharia is not merely considered a set of rules and prohibitions, but a principle that can be operationalized.

Historically, LKS was part of the Islamic economy which in its operations adhered to Islamic values. The products in it suggest an Islamic image, so it must be responsible for remaining committed to Islamic norms and ethics, and most importantly responsible to Allah. In Islamic economics, besides being material and spiritual, it is also related to ethical and moral conceptions. This implies that the concept of welfare must be in line with the universal principles of Islam, where the concept of welfare is not only related to material things but also non materials (such as spiritual aspects and ethical-moral aspects) that are subject to Islamic teachings.

Islamic finance is not only related to the replacement of the mechanism of interest with a profit sharing system for profit. The financial system in Islamic societies must be socially oriented, ready to sacrifice profits in order to prioritize social interests. This is the economic nature of Islam which must be fully derived in the institutional system, both macro and micro. Thus, in Islamic finance, it must have a balance between the interests of seeking profit, social responsibility and responsibility to the surrounding world, as a form of trust and accountability to Allah SWT.

CONCLUSION

Small and Medium Enterprises (SMEs) greatly require the role of Islamic Financial Institutions (LKS), especially in terms of capital used to expand the market and develop their businesses, thus making a major contribution to the national economy. The role of Islamic microfinance institutions has been tested and able to get out of the economic crisis some time ago. SMEs, including business units that rely heavily on LKS / LKMS in the long run for the sake of progress and development of the Indonesian economy, are not surprised if many look at LKMS at this time, but the attention given has not fully touched the fundamental problems faced by LKMS so that it really can strengthen and develop and empower SMEs, especially small communities.

This LKMS can be formed because it is driven by the community's need for capital used in developing its business. The problem of capital needs experienced by most of the community was responded positively by some people who were willing to lend some of their money to MSME capital. Funds lent to customers come from LKMS own money or money from customers who save money at the institution.

The SME sector empowerment program must be a top priority for people's economic development. This empowerment program must be realized and sustainable and far from just rhetoric. If all of that can be realized, the prosperity of all people will become the real goal of the life of the nation and state.

FURTHER STUDY

To increase competitiveness, a synergy between the role of government as policy makers and supporting institutions is needed, especially for sharia financial institutions to facilitate access to capital and expand the information network of SMEs to develop and the national economy becomes stronger and more advanced.

For SMEs, they need to be active in collaborating and coordinating with LKS to continue to provide guidance, assistance, and training through increasing capacity building and implementing sharia principles as a whole so that they can have direct implications for SMEs.

Researchers really hope for further research conducted after this study, specifically examining the role of Islamic financial institutions in empowering SMEs, so that a new concept is expected to be created which is a complement to previous research.

REFERENCES

Al-Qur'an and its Translation

Ardic, O.P., N. Mylenko, V. Saltane, *Small and Medium Enterprises: A Cross-Country Analysis with A New Data Set.* World Bank Policy Research Working Paper 5538 (2013).

Arni, E.S. “Small Business Development Strategy Through Increasing Accessibility of Banking Credit”. *Journal of Infocop* (2006), h. 29.

Amen Azis. *The Printis' tenacity*. Jakarta: MAA Institute, 2007.

Al-ldrus Salim. "Empowering Indonesian Small and Medium Enterprises (SMEs) in the Reformation", *El-Harakah Journal*, Vol. 7 no. 1 (2005): h. 86.

Beck, T., A. Demirguc-Kunt, V. Maksimovic. "SMEs, Growth, and Poverty: Cross-Country Evidence". *Journal of Economic Growth*, Vol.1, No.2 (2010), h. 10.

Gunawan, Diah Setyorini. "The Strategy Development of SME's Metal The Strategy Development of SME's". *Journal of Economics and Policy*, Vol.10, No. 1 (2017): h. 121-137.

Hamidah Siti. "Analysis of the Linkage Policy of the Sharia Financial Institution Program in the Framework of Empowerment of SMEs in Indonesia, Legal Arena" 8, No. 2, (2015): h. 147-399.

Hasan Ridwan. *Management of Baitul Mal wa Tamwil*. Bandung: Faithful Library, 2013.

Huda Nurul & M. Heykal. *Islamic Financial Institutions: Theoretical and Practical Reviews*. Jakarta: Kencana Pranada Media Group, 2010.

Jenita. "The Role of Islamic Microfinance Institutions in Economic Empowerment of Small and Medium Communities" *Al-Masraf: Journal of Financial Institutions and Banking,* Vol.2. No. 2 (2017).

Ministry of Cooperatives and Small and Medium Enterprises. *UMKM Absorbs 97 Percent of Workers in Indonesia*. Available at: (2013) http://www.depkop.go.id/index.php?option=com_content&view=article&id=1281:umkm-serap-97-persen-tenaga-kerja-di-indonesia&catid=50:bind- news & Itemid = 97 accessed on 1st of November 2015.

Kristiyanti M. "The Strategic Role of Small and Medium Enterprises (SMEs) in National Development". *Magazine of Scientific Informatics*, (2012).

Muheramtohadi Singgih. "The Role of Islamic Financial Institutions in Empowering MSMEs in Indonesia". *Muqtasid Journal*, Vol.8, No. 1 (2017): h. 65-77.

Maesaroh Siti. "Effectiveness of Linkage of Bank Syariah Mandiri Program in Strengthening Financing of Microfinance Institutions", *Thesis*, Faculty of Sharia and Law, Hidayatullah State Islamic University. Jakarta, 2011.

Machmud Amir. *The Strategy for Empowering Micro, Small and Medium Enterprises through the Role of Islamic Financial Institutions in Efforts to Eradicate Poverty in Indonesia*, 2013.

Nuryadin Hadin. BMT and Islamic Banks: *Instruments of the Syari'ah Financial Institution*. Bandung: Bani Reader Quraish, 2004.

Sukidjo. "Small and Medium Business Empowerment Strategy". *Journal of Economics & Education*, Vol.2. No. 1 (2004).

Soemitra Andri. *Islamic Banks and Financial Institutions*. Cet. 4: Jakarta: kencana, 2014.

Sholihin, Ahmad Ifham. *General Guidelines for Islamic Financial Institutions*. Jakarta: Alfabeta, 2009.

Suhendi Hendi. *Muamalah Fiqh*. Jakarta: Rajawali Press, 2010.

Yoshino, N. and F. Taghizadeh-Hesary. "Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them". *Asian Development Bank Institute Working Paper* 564 (2016).