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BISAIN APP AS A SOLUTION OF SHARIA FUNDING FOR SMES IN INTEGRATED SYSTEM

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Abstract

Indonesia has named as a country with the fourth largest population in the world, which reaching 267 million peoples. In fulfilling its economic activities, one of the Indonesian people's businesses is opening a small and medium-sized business. In 2018, there were a number of Indonesian SMEs, which reached 59.2 million SMEs. Every SMEs actor needs a capital boost to proclaim his business. Besides that, investors also want to invest their money to make a profit. Since this very potential market, make a strong reason for the establishment of BisaIn App as an application that connects between SMEs actors and investors with sharia principles. With sharia principles, every transaction that is carried out will guarantee transactions that are transparent, safe, legal, profitable and lawful. The government through the Financial Services Authority (FSA) will also guarantee from every transaction for all parties. This App platform will also increase funding alternatives for developing SMEs business as well as supporting the government to expedite the SMEs business community by utilizing the industry era 4.0 in the Non-Bank Financial Industry sector.

Keyword

BisaIn App, SMEs, Funding, Sharia

1. Introduction

In the Asian economy, especially Indonesia, Small and Medium-sized Enterprises (SMEs) are most contributing. Can be seen from last 5 years from 2014 - 2018. Based on data from the Ministry of Cooperatives and Micro Small and Medium Enterprises, the contribution of SMEs is to increase the Gross Domestic Product (GDP) from 57.84% to 60.34%. SMEs also contributes to the absorption of domestic workforce, from 96.99% to 97.22% (Kemenperin, 2018). Indonesia President stated that SMEs with high endurance will be able to sustain the country's economy even during the global crisis. SMEs has become the backbone of the Indonesian and ASEAN economies. Approximately 88.8-99.9% form of business in ASEAN is SMEs with labor absorption reach 51.7-97.2% (Kemenperin, 2018).

Therefore, SMEs should continue to increase and can expand its market share. And also the external antecedents of pricing information practices have a positive impact for SME pricing performance, and pricing performance is positively related to firm performance (L H Achterberg, 2018). Funding is one of the main factors of developing SMEs. In USA there are 59 percent of SMEs seeking funding from banks, but only 27 percent of those who managed to get it, even the success rate in obtaining financing from local banks only 10 percent. In addition, bank loans are also burdened with interest. The Bank has the right to interest on the loan, regardless of the success of its borrowing business. In fact, SMEs that borrow from banks are subject to interest rates of 10-20 percent, which is really heavy for SMEs (Pollari, 2016). Besides that, investors also wanna invest their money to make a profit. Therefore, BisaIn App present as an application that connects between SMEs actors and investors with sharia principles. With sharia principles, every transaction that is carried out will guarantee transactions that are transparent, safe, legal, profitable and lawful. This BisaIn app also as implementation of green financial innovation that can be the potential for economic gain, because the new ideas, comprehend new and existing legislation and identify potential supports in pursuit of green financial innovation capability development and also can be raise up SMEs business (Mellett, 2018)

2. Problem

- a. How BisaIn App concept as a solution of sharia funding for SMEs?
- b. How BisaIn App can be integrating between SMEs actors and investors?

3. Objective

The main objective of BisaIn App is a solution of sharia funding for SMEs and can be integrating between SMEs actors and investors. Which is will guarantee transactions that are transparent, safe, legal, profitable and lawful.

4. Literatur Review

4.1 SMEs

To raise up SMEs Business, SMEs needs to be seen how SMEs can take a part in this Industrial era 4.0. SMEs also needs supporting from government to raise up SMEs business. Entrepreneurs with higher levels of personal capital enjoyed higher incomes. However, those with lower levels of personal capital were more likely to have negative returns from self-employment (Andrew Atherton, 2018).

SMEs through Law No. 20 of Article 1, 2008 on Micro, Small and Medium Enterprises, defined that the definition of SMEs is as follows:

- a. Small-scale business is a stand-alone productive economic enterprise, conducted by an individual or a business entity that is neither a subsidiary nor a branch companies owned, controlled, or become part directly or indirectly from Medium Enterprises or Large Enterprises that meet the criteria of Small Business as be regulated to in this Law.
- b. Medium-sized Enterprises shall be independent, productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of a company owned, controlled, or become part directly or indirectly with the Small Business or Large Business with the amount of wealth net or annual sales proceeds as be regulated in this Law.

4.2 Venture Capital

Venture capital is a form investments wishing to expand its business. While sharia venture capital is a financing business in the form of equity participation into a company that receives financing assistance for a certain period of time based on the principles of sharia. The practice of venture capital based on sharia contracts and moves on business that is not contrary to recognized sharia principles (Sholahuddin, 2013).

In Indonesia, the role of venture capital in financing to SMEs can not be separated from the orientation of venture capital as a development financing institution that apply financing that still heed the way of healthy business. Another role, in particular, is to foster SMEs that have not been bankable to be bankable (worthy of credit). And Financial Technology is the implementation and utilization of technology for the improvement of

banking and financial services, commonly done by startup companies (Sinha, 2017).

4.3 Contracts (Akad) in Sharia

In sharia, many Akads that can apply to servicing business (NSC, 2016), are as follows:

- a. Rahn is holding one of the property of the borrower as collateral for the loan it receives. The goods held shall have economic value, thereby the detaining party shall be guaranteed to be able to take back all or part of the receivables.
- b. Ju'alah is an sale and purchase contract that the payment is based on the performance of the object rented or paid.
- c. Wakalah bil ujah is an contract between the two power-granting parties (muwakil) who gives their power to wakil (representative), where wakil represents to do something by giving ujah (fee or wage) to the deputy who performs its duties and obligations for the representative perform the duties of muwakil as well as possible and should not cancel unilaterally.
- d. Mudarabah Mutlaqah is a mudharabah is a profit sharing contract when the fund owner (investor), usually called shahibul mal provides capital (100 percent) to the entrepreneur as manager, usually called mudharib, to carry out productive activities provided that the profits will be divided between them according to the agreement specified earlier in the contract. Where funds invested are free to be used in business by others.

5. Research Methods

This study uses the study method literature related to SMEs problems and matters relating to the solution of the problem. The data obtained from written documents such as books, journals, and articles. Author provide a solution such financing problems for SMEs in a integrated application.

6. Discussions

6.1 Idea Description in BisaIn App

The development of financial technology in Indonesia is currently quite rapid, one of its kind with venture capital financing. The idea proposed by the author, namely the existence of venture capital in assisting the development of SMEs in the form of capital, managerial assistance and sharia-based business technicians who take advantage of technology in the form of applications. In its implementation involves the parties who play a role in accordance with the duties and functions.

6.1.1 Integrated Platform Monitoring System

The first idea that brought the author is the integrated venture capital platform supervision system. This idea forms a venture capital business ecosystem based on legal principles, transparent, safe and sharia (NSC, 2016).

a. Legal

Fulfillment of legal principles with the authorization and permission Financial Services Authority (FSA) for all parties involved.

b. Transparent

Fulfillment of the transparent principle that all actors in the venture capital platform business convey information related to the identity of themselves and entities with proof of certification of business and profession. In the transaction platform transparent, because any transaction information that occurs will automatically enter into Financial Services Authority (FSA) database as a form of supervision.

c. Secure

Fulfillment of safe principle is intended for lenders and borrowers (SMEs). To that end, every borrower and lender must meet the standard criteria of the Financial Services Authorization Regulation on venture capital (FSA, 2016).

d. Pillars of Sharia Principles

The principles of Islam in mu'amalah that must be considered by the sharia investment (related parties) are, first is not seeking wealth on things that are haram, both in terms of substance and how to get it, and do not use it for things that are unlawful. Second is Not tyrannize and not dzolim. Third is justice distribution of prosperity. Fourth is the transaction is done on the basis of the same pleasure of ridha. Fifth is no element of usury, maysir (speculation), and gharar (ambiguity or vague) (NSC, 2016).

Based on the description above, that in venture capital business refers to the applicable law. Contract (akad) that used is based on sharia and there is no fraud among parties concerned.

6.1.2 Integrated Data Platform BisaIn App

Sharia venture capital platform on BisaIn App is based on four pillars, consists of supervision, education, consumer protection and sharia principles. For explanation of each pillar presented in the picture of the groove along with its description.

a. Pillar of Supervision

Fulfillment pillar of supervision is every data of investment transactions between investors with SMES will be connected and sent on the financial services authority (FSA) database. Financial services authority (FSA) has the right to oversee the business process of

venture capital. This is done by FSA because one of the functions of FSA is supervision on matters relating to the financial industry and venture capital finance is one of the financial industry that became the realm of FSA. In addition to FSA, supervision is carried out by the Sharia Supervisory Board who will supervise related issues related to sharia principles of venture capital business.

b. Pillars of Education

The second pillar of the venture capital sharia platform is education. Education is by the author where there is assistance in the form of managerial, improvement of financial reporting and technical development of business from investor to borrower or SMES. Investors cooperate with accountants to provide education in the financial reporting of SMES and also cooperate with management experts to assist the managerial improvement of SMES in order to have good corporate governance. As for the improvement of business development technicians, investors cooperate with technicians. The three experts are on the salary by investors as venture capital assistance in the form of managerial.

c. Pillars of Consumer Protection

The consumer which has an explanation on every transaction that occurs on this venture capital sharia platform should be authorized by FSA. Financial services authority (FSA) as the party giving the legality of loan agreement and venture capital investment.

d. Pillars Sharia Principles

Apart from the aspect of authorization, consumer protection can be met by the existence of security guarantees to reduce the lender's risk level for the loans granted to the borrower. The guarantee is a type of loss insurance that is valued in accordance with the level of eligibility of the borrower and the contract specified by the borrower with the sharia venture capital institution. Sharia venture capital institutions on this platform will cooperate with sharia insurance companies to issue insurance for the investors involved. That is way, lenders or investors will feel more secure when investing their funds through the venture capital sharia platform. For risk of sharia principle, the risk-taking behavior of the SMEs has a long-term relationship with macroeconomic factors, so the Sharia principle is so secure from risk of inflation and interest rate (Faaza Fakhrunnas, 2018).

6.1.3 Criterion Standards / Borrower Rating

To provide information on the level of investment risk to investors, sharia venture capital institutions can conduct an analysis to determine the borrower's rating. This analysis aims to determine the risk borrower that will affect the decision of investors. The analysis is done in accordance with the standards set by FSA. Risk assessment with 3R principle

(Return, Repayment Capacity, and Risk Bearing Ability)

a. Return

Return is the yield obtained by the borrower from the channeling of funds. Return generated by the borrower reflects the potential return that will be received by investors from the channeling of funds made. Borrowers will be assessed for their ability by Sharia-compliant venture capital firms to pay off principal loans and be able to provide dividends with a profit-sharing system. This assessment can be seen from the projected income, profit and loss and cash flow from the business that each borrower pioneer

b. Repayment Capacity

Each borrower must be able to pay off the principal and dividend to the investor. Indicators that can be measured by sharia venture capital institutions are Loan to Value ratio, total profit and availability of funds.

c. Risk Bearing Ability

Can be measured from the business sensitivity and risk mitigation quality proposed by the borrower. The existence of a credit insurance option can also be a benchmark in this assessment.

6.2 BisaIn App Integrated that applied Sharia Venture Capital (Appted SVC)

6.2.1 Figures Prototype Platform are as follows:

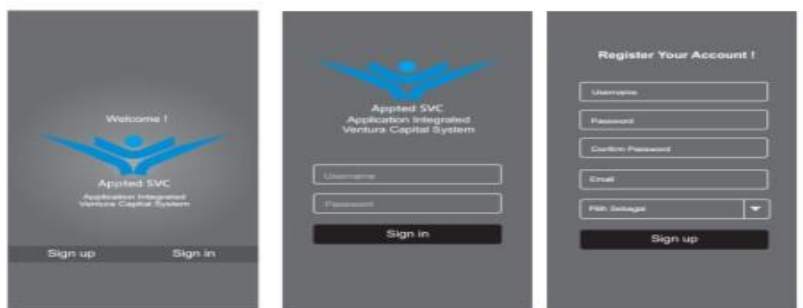


Figure 1: Prototype Main Menu



Figure 2: Prototype Menu SMEs



Figure 3: Prototype Register



Figure 4: Prototype Engineer Menu

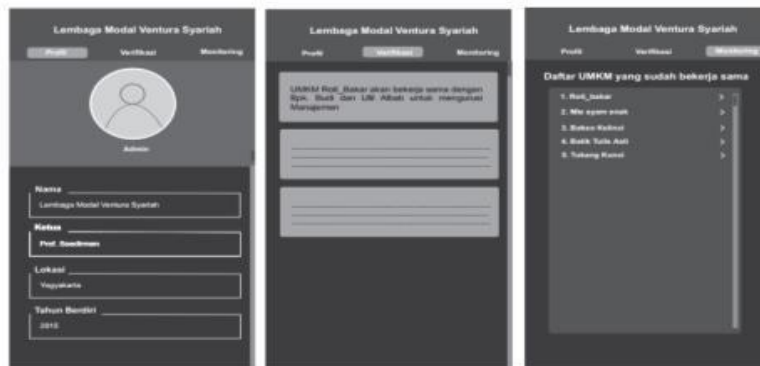


Figure 5: Prototype Sharia Capital Menu



Figure 6: Prototype Investor Menu



Figure 7: Prototype FSA Menu

6.2.2 The Elements Involved and Their Role in the BisaIn app

FinTech as a gateway to increase business opportunities, and BisaIn app is one of them. BisaIn app uses mobile applications and other technology platforms to catch this financial opportunities in this disruptive era (Harrison Stewart, 2018). In the author's concept, the BisaIn App platform in Islamic venture capital involves several elements or parties who can realize the concept. There are several parties involved, among others, economic actors consisting of SMEs, public financiers (investors), other financial institutions and sharia venture capital agencies. While on the supervisory side are the Financial Services Authority and the Sharia Supervisory Board, as well as elements of cooperation consisting of accountants, managerial experts, technicians and Islamic insurance companies. For an explanation of the roles and functions as follows:

a. SMEs

SMEs in this concept serve as investment receivers. On the BisaIn App, platform should have its own account as an investee. Every SMEs have the right to apply for joining this platform. However, it must meet the specified criteria. SMEs must be submitted with all information related to the business. The information is a type of business, product, company profile, business owner, income, income statement, business excellence, sustainable potential, fund needs, needed weaknesses of assistance, risk level, return, and other documents that may influence investor decisions. Investor decisions also need knowing the Good financial management knowledge from SMEs actor that can recognized as the core resource that aids an effective decision making (Javed Hussain, 2018). Each SMEs will get a username and password, and get a venture capital participant sharia code. The code has a number according to the order of the register.

Role of SMEs:

- 1) With investors as a business partner who will receive investment.
- 2) With accountants, managerial and technicians, SMEs as a party to be assisted by the three

labors with a sharia venture capital agency, as a business partner to seek funding.

b. Investor (individual or company)

Investor or community excess funds is the party that provides funds in the form of investment to SMES (investee) through a sharia venture capital institution. Investors must have an account on the BisaIn App platform. The account is obtained through the registration process or the sign up process in which the plot has been defined on this platform (Davis, 2017). The investors when registering on this platform should include information related to their profile, such as the name, address, profession, the amount of funds to be invested, the desired type of business and others that are still needed on the BisaIn App platform. Investors have the following rights and liabilities are as below:

a. Rights are:

- 1) Investors are entitled to choose SMEs to be their business partner.
- 2) Investors reserve the right to determine the amount of funds to be invested through a defined contract.
- 3) Investors are entitled to choose accountants, managerial experts and technicians
- 4) Investors are entitled to choose to fund or managerial assistance.
- 5) Investors are entitled to receive insurance guarantee from investee (SMEs) as security for their investment fund. The size of the insurance is determined by the specified contract. This insurance is obtained by the investor when it provides investment in the form of funds only if the managerial investor does not get his insurance rights.
- 6) Investors get dividends or returns from investment funds with the basis of profit sharing with sums on mutual agreement.

b. Liabilities are:

- 1) Provide investment funds to the investee (SMEs).
- 2) Provide managerial assistance by providing services to accountants, managerial experts and technicians
- 3) Obey the rules that apply to this sharia venture capital platform.

c. Financial Services Authorization (FSA)

FSA is a party that owns authority in terms of supervision and authorization of this sharia venture capital transaction. In accordance with FSA's duties and functions, it is to have an integrated regulatory and supervisory system for all activities in the financial services sector. While its duty is to regulate and supervise the financial services activities, one of them in the Non Bank Financial Inclusion sector. Sharia venture capital is one of the sectors of Non-Bank Financial Industry which is the domain of FSA (FSA, 2016). FSA will have its

own account on this platform, provide confirmation and authorization of all investment transactions, and get information reports through an integrated database.

d. Sharia Supervisory Board

To support the performance of sharia venture capital, it is necessary to supervise an institution to carry out guidelines issued by DSN-MUI. Therefore, the National Sharia Council (NSC) established Sharia Supervisory Board (SSB) to oversee the venture capital business activities in order to stay in line with the principles of sharia. While its main function is as adviser and adviser to the board of directors, the leader for sharia business and the head of the sharia branch on matters related to sharia aspects.

e. Expert Services

Expert services involved from the writers' concepts are accountants, managerial experts and technicians. These three experts are selected by investors to assist the managerial of SMEs (investee). Expertise has its own account and code on the BisaIn App platform. Its role as follows:

- a. Accountants, play a role in assisting SMEs in the preparation of financial reporting to comply with applicable financial accounting standards.
- b. Managerial expertise, helps SMEs to developing product, marketing and managerial company.
- c. Technicians, assisting managerial related SMEs related to technology.

f. Sharia Insurance Company

Sharia insurance companies are involved as a party that works with SMEs and sharia venture capital agencies to issue insurance as a security guarantee for investors. This insurance is issued by a sharia insurance company, with the premium and nominal amount determined by the mudharabah agreement and tabarru' contract.

6.2.3 Benefits Innovation of BisaIn App are as follows:

a. Benefits for Financial Services Authority (FSA)

The benefits for FSA are helping in enhancing financial literacy and inclusion, in particular for access to finance and development of SMEs based on three main pillars of the National Financial Literacy Strategy and the Non-Bank Financial Industry sector. In addition, it supports FSA in providing security, legality and transparency for investors who make sharia venture capital.

b. Benefits for Investors

The benefits for investors are helping allocate the excess funds by investing through sharia venture capital for SMEs. In any investment transaction, the investor obtains

transparency and security as it obtains legal guarantees from FSA and sharia insurance.

c. Benefits for SMEs

The benefits are received by SMES is as an alternative funding for SMEs in developing its market share. There is an encouragement to increase the motivation, creativity and desire of the people to continue to create products that are capable of having high sales force.

The benefits of this BisaIn application such as

1. As integrated between investors, SMEs, accountants, engineers
 2. Very powerful to developed SMEs
 3. Can be a platform connector between stakeholders
- d. Benefits on sharia venture capital development

The concept of this platform will certainly increase the growth of financial technology based on sharia venture capital. With that, sharia venture capital will be increasingly recognized by the community and become an effective investment alternative in Indonesia.

e. Benefits on Islamic finance

The Islamic venture capital platform, people will tend to invest in sharia principles. So, in Indonesia sharia finance development will continue to increase and be able to compete with conventional.

f. Benefits on Indonesia economy

The impact with the increase of SMEs will affect the GDP level of Indonesia. The SMEs contribution can reach the target set by the government which is contributing 70% of Indonesian Domestic Product Income (Kemenperin, 2018).

7. Conclusion

The concept of the sharia venture capital platform that carried on BisaIn App is based on integration system with legal, transparent and secure principles. BisaIn App platform also carries three pillars of integrated surveillance of FSA, business managerial development education by accountants, management experts and technicians, and consumer protection in the form of sharia insurance guarantees for investors. The concept of this platform involves several parties: SMEs, investors, venture capital agencies, FSA, Sharia Supervisory Board, accountants, managerial and technician experts, and sharia insurance companies. All sharia-based venture capital transactions, ranging from risks, returns, and contracts used.

Beside that, the benefits of BisaIn App platform that are perceived by some parties, among others, for the FSA is helping to enhance the SMEs sectors, for SMEs are an

alternative funding and business managerial, for the sharia venture capital industry is a form of effort to increase public interest, for investors, they got returns from investment funds and for the Indonesian economy is increasing economy of SMEs sector, so it can continue to contribute to the Indonesian Gross Domestic Product. Limitation scope of this paper is Indonesia, for further researcher that interesting about this concept, author allowed to develop this concept of sharia funding with integrated system on all countries. Because the concept of this BisaIn App will also increase funding alternatives for developing SMEs business as well as supporting the government to expedite the SMEs business community by utilizing the industry era 4.0 in the Non-Bank Financial Industry sector.

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