

## SHARIA FINANCIAL AND BANKING PRODUCT INNOVATION IN SMEs DEVELOPMENT

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### Abstract

The financial product innovation that exists at the KHAS Kempek Micro Waqf Bank, Cirebon Regency is one of several sharia MFIs for community empowerment programs through the establishment of Sharia MFIs around Islamic boarding schools, which in its establishment was facilitated by the Financial Services Authority (OJK) and the Small Business Business Incubation Center (PINBUK). This study aims to find out how to optimize the use of Islamic products at Micro Waqf Banks for Islamic Financial and Banking Innovation in MSME Development. Method study using a qualitative approach to design *descriptive analytical*. Source of data used is primary data sources from data obtained by observing and interviewing directly from the source, namely at the KHAS Kempek Micro Waqf Bank, Cirebon Regency as well as collecting documentation from books, articles, journals, the internet and various other sources which are then processed and analyzed with stages of analysis which include data reduction, data display and verification as well as conclusions. Results from study shows that Islamic Financial and Banking Innovation Micro Waqf Bank KHAS Kempek Cirebon Regency for the Economic Empowerment of Micro Enterprise Actors (MSMEs) around Islamic Boarding Schools is operating with sharia principles that are committed to tackling the problem of poverty and inequality by providing access to capital to productive poor people or to micro-entrepreneurs around Islamic boarding schools to improve their standard of living and help them with loans that are unsecured or collateral and most importantly with very low margins, which are equivalent to 3% per year, by maximizing cash waqf funds in providing loans capital, coaching and evaluation. It was concluded that the KHAS Kempek Micro Waqf Bank, Cirebon Regency, had succeeded in empowering the micro-business actors around Islamic boarding schools with sharia principles.

**Keywords:** *Financial Innovation, Sharia Products, Empowerment, MSMEs*

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## INTRODUCTION

Islamic financial or banking institutions have an important role in building the economy of small and medium communities, especially the collaboration of Financial Institutions with Islamic principles that are already powerful and also more resistant Apit Farid (in Jaih Mubarak, 2015) during the monetary crisis, so that in time they will be able to answer some of the those who doubt the optimal small and medium economic empowerment (Mardani, 2011: 12)

Islamic microfinance institutions are believed to be an alternative to being able to provide and empower the economy of small and medium-sized communities (Business & Small, 2015) . Because Islamic banks have not been able to directly touch the small community due to bureaucracy and existing rules, this problem can be overcome by partnering or registering as a member of an Islamic microfinance institution to be able to borrow in financing or capital for business development with installments that are not too burdensome. to customers for using sharia contract principles that are more transparent in making agreements and non-discriminatory in determining policies because they are based on sharia principles.

The presence of Micro Waqf Banks is believed to increase financial inclusion. Communities, especially micro, small and medium enterprises (MSMEs) will easily get capital. President Joko Widodo said that Micro Waqf Banks can solve problems that cannot be solved by banks, because when small businesses want to borrow from a bank, they must have collateral and lots of

administration before they can go to the bank. (Lavinda, 2018)

Financing without collateral with a maximum value of IDR 3 million and a profit sharing margin equivalent to three percent. In addition, training and mentoring are provided as well as a financing pattern per group. These institutions are not allowed to take deposits from the public because they have a focus on financing accompanied by business assistance. This institution is also bestatus as a sharia microfinance institution that is licensed and supervised by the OJK. Chairman of the OJK Board of Commissioners Wimboh Santoso said Micro Waqf Banks are spread in various regions, such as in Cirebon, Bandung, Ciamis, Serang, Lebak, Purwokerto, Cilacap, Kudus, Klaten, Yogyakarta, Surabaya, Jombang and Kediri . (Lavinda, 2018) .

Likewise, what was carried out by the Islamic Microfinance Institution (LKMS) Micro Waqf Bank (BWM) Kiyai Haji Aqiel Siradj (KHAS) Kempek Cirebon Regency, by making every effort and effort to be able to provide venture capital without collateral in empowering the economy of micro-small communities To empower the economy the community in optimizing micro, small and medium enterprises, this has been welcomed positively from various institutional and individual circles, both banking and non-bank, in seeking to provide business capital to develop micro, small and medium enterprises in a way that is not burdensome to customers and based on sharia principles. Based on the above phenomena, the author considers it necessary to examine this issue with a research focus on Islamic Financial and Banking Innovation in Empowering MSMEs

for Micro and Medium Enterprises Around Islamic Boarding Schools.

### Literature Review/Previous Research

In writing this article, the researcher explores information from several previous studies as comparison material, both regarding deficiencies or an existing advantage. regarding the theory related to the title, as material for consideration in this study will also include some of the results of previous research by several researchers who previously raised titles, objects, subjects that intersect with research conducted by researchers in this thesis, as follows:

1. Ani Faujiah in her journal entitled *The Role of Micro Waqf Banks in Efforts to Strengthen the People's Economy*. This journal tries to explore how the role of Micro Waqf Banks has great potential in helping the development of the national economy. As well as discussing how the waqf is able to have a positive impact in efforts to increase the financial inclusion of micro small businesses (SMEs) through Micro Waqf Banks. The development of waqf in Indonesia certainly has implications for how to optimally manage waqf in providing benefits to society. Using literature review and field research. (Faujiah, n.d.)
2. Syafi'i Antonio and Hilman F. Nugraha in their research entitled "The Role of Social Intermediation of Islamic Banking for the Poor" found that the role of social intermediation can be carried out by using appropriate social funds from an Islamic perspective such as zakat, infaq, shodaqoh, waqf and grants (ZASWAH) can be applied to additional Islamic banking products or policies in serving

the poor through several strategies, namely through the establishment of special business units (UKK) for social intermediation and cooperation through special Islamic MFIs for the poor. (Antonio & Hilman, n.d.)

From the several literature reviews described above, it confirms that research conducted by researchers related to the role of Islamic microfinance institutions (LKMS) has argued that Islamic microfinance institutions are institutions that seek to strengthen the people's economy through the development and empowerment of micro, small and medium enterprises (micro, small and medium enterprises). UMKM) which in this case is the spearhead of the Indonesian economy. Islamic microfinance institutions (LKMS) are also Islamic banking social intermediary institutions for the poor by using social funds that are in accordance with an Islamic perspective.

### METHOD

#### A. Data and Research Data Sources

Data on study This using qualitative data. Data qualitative is data that is not shaped number or a certain amount but more often form sentence statement, description, or containing description \_ mark (*values*). Sources of data that will be used as the basis for this research in order to obtain concrete and relevant data. There are two data sources used in the implementation of this research, namely, primary data sources and secondary data sources.

##### 1. Primary Data Source

Primary data sources are data sources that are used as research information sources by retrieving data from the original sources ( no through intermediaries) directly through interviews, observation, and

documentation to qualified sources in this study. The primary sources referred to are managers, employees, heads of Islamic boarding schools, customers and those in charge of the KHAS Kempek Micro Waqf Bank, Cirebon Regency.

## **2. Secondary Data Sources**

Secondary data sources are carried out in order to support primary data sources in confirming findings and complement information data that has been collected from primary data, such as intermediary media in the form of books, records, existing evidence, or archives, both published and not published in general.

## **B. Technique Data Collection**

In data collection on basically is an investigative process, that is We can make understanding phenomenon social in a manner gradually And strategic with aim get data as material accurate research. Data collection can held in various way, various source And various *settings*. In study qualitative, data collection is done on *natural setting* (condition natural), primary data sources and technique more data collection Lots on observation role as well as, interviews deep, and documentation (Sugiyono, 2006:224).

### **1. Participant Observation**

Observation is technique data collection through observation. With do observation researcher can observe object study with careful and details that have characteristic ongoing naturalism \_ in natural ( original ) context of event, culprit participate in a manner reasonable in interaction, and observation from life daily (Sedarmayanti & Syarifuddin Hidayat,

2011) . In use method observation researcher observe in a manner systematic to object to be examined, intentionally \_ And planned No only as it happens in a manner spontaneity, detailed descriptions and contextual on implementation research. Study will held directly on the object of research Institution Finance Micro Sharia (LKMS) Waqf Bank Kempek's special micro Cirebon Regency plays a role as institution financial product provider micro sharia in empowerment economy perpetrator business micro around \_ boarding school

### **2. Interview Deep**

Interview (*interview*) is Wrong One technique data collection when researcher want to do studies introduction For find problems that must be examined, in depth gather And identify problem that becomes material the study here happen interaction direct between researcher And source person or the person being studied. On basically interview can grouped into the kind that is interview structured And interview No structured, will but the interview process in study qualitative on generally done with method No structured, because researcher No know in a manner appropriate about what really \_ want addressed (Sedarmayanti & Syarifuddin Hidayat, 2011) . With thereby objective conducted interviews \_ For look for information as many leads into the information And held informally.

referring on explanation technique data collection with method interview above \_ here researcher will do semi structured interview as tool excavation the information it contains

ask answer with question in a manner general No structured And characteristic open To use bring up opinion And view from waqf bank manager Kempek's special micro Cirebon Regency, administrator and nearby customers \_ \_ boarding school

### 3. Documentation

Document written And files is frequent data sources occupy position important on study qualitative, collected documents \_ by researcher chosen And sorted For taken in accordance on need research .

Documentation is Wrong One method used \_ For collect data on study qualitative about things or variable form notes, transcripts, books, letters newspapers, magazines, inscriptions And related etc \_ with something object (Sedarmayanti & Syarifuddin Hidayat, 2011) . Method This researcher use For look for And get data from source related research \_ with the activity of utilizing sharia products for efforts empowerment perpetrator business micro around KHAS Kempek boarding school Cirebon Regency.

### C. Inspection Data Validity

In do research, is required method or method that can used collect data in framework data collection . Inspection to data validity on basically, besides used For refute back accused \_ to study qualitative say \_ No scientific, too is A elements that are not separated from body knowledge study qualitative (Moloeng, 2005) .

Data validation is carried out For prove is research conducted \_ truly study scientific at a time For test the data obtained. Test inside data validity study qualitative This covers test, credibility,

transferability, dependability, and confirmability (LP2I IAI Bunga Bangsa Cirebon, 2019) .

### D. Data analysis technique

Data analysis can be carried out before the researcher goes to the research object, as long as the researcher carries out the research on the research object, up to reporting the research results. Data analysis begins when the researcher has determined the focus of the research and arrives at the completion of the research report.

Data analysis is to systematically search for and compile data obtained from interviews, field notes, documentation and other data materials, but previously this must be followed by *data* processing. So that it is easy to understand and the findings can be informed to other people with full responsibility for all the data that is available and presented. Relevant data will be used as a reference in the discussion.

The technique used in this study is an inductive data analysis technique, namely a mindset based on the existence of specific facts that are examined and in the end raises general issues. Then after carrying out data collection and obtaining data that is relevant to the existing problems, after that the author solves general problems through the problem formulation, then seeks understanding of solving the problems of the problem formulation.

In qualitative research, data analysis techniques that have been collected are then analyzed descriptively qualitatively, meaning that the analysis is carried out by examining the data, organizing the data to find meaning that is in accordance with what is being studied systematically.

(Sedarmayanti, & Syarifuddin Hidayat, 2011: 166).

## RESULTS AND DISCUSSION

Establishment of the Islamic microfinance institution Micro Waqf Bank (BWM) from the establishment of a legal entity as a service cooperative by the Ministry of Small and Medium Enterprises (Kemenkop UKM) on 10 October 2017 as evidenced by the Decree of the Minister of Cooperatives and SMEs with number 005665/BH/M.KUKM .2/X/2017 concerning ratification of the Deed of Establishment of the Islamic Microfinance Cooperative Cooperative "KHAS Kempek". On October 16, 2017, the Cirebon Financial Services Authority (OJK) Office issued a business license for an Islamic Microfinance Institution as evidenced by the issuance of the Board of Commissioners of the Financial Services Authority Number: KEP-56/KO.0201/2017 concerning granting business licenses to Islamic Microfinance Institutions KHAS Kempek Micro Waqf Bank, Cirebon Regency.

After obtaining a permit from the Financial Services Authority, a month later the management of a Sharia LKM with a composition of three Managers assisted by 5 (five) daily activity managers, on November 18 2017 the Islamic Microfinance Institution began its business activities by holding a soft launch with financing disbursement activities to 15 (fifteen) customers who have gone through the stages of forming a Community Business Group around the Indonesian Islamic Boarding School (KUMPI) for approximately 2 (Two) working months. Until now, as of 18 June 2020, the Islamic Microfinance Institution of Micro Waqf Bank KHAS Kempek, Cirebon Regency already has 745 (Seven Hundred

Forty Five) customers consisting of 114 (One Hundred and Fourteen) KUMPI with a total financing of Rp. 881. 800. 000, - with a financing disbursement pattern of 2 – 2 – 1 joint responsibility.

### a. Institutional Vision and Mission

#### 1) Vision

Become a member-oriented KHAS Kempek Sharia Microfinance Institution as a strong independent business entity as well as a vehicle for business development and entrepreneurship.

#### 2) Mission

Become a business entity based on the active participation of members as a strategy for developing cooperatives, typical Kempek sharia microfinance institutions that are dynamic, cooperative and prosperous for members to create reliable cadres both as entrepreneurs and entrepreneurs so that they can build community life in general and special members his.

### b. Source of funds

The source of funds for the KHAS Kempek Micro Waqf Bank was obtained from one of the National Amil Zakat Institutions Build Prosperous Mitra Umat (LAZNAS BSM) in the form of cash waqf (*cash waqf*).

The BWM Pesantren Program Funds are:

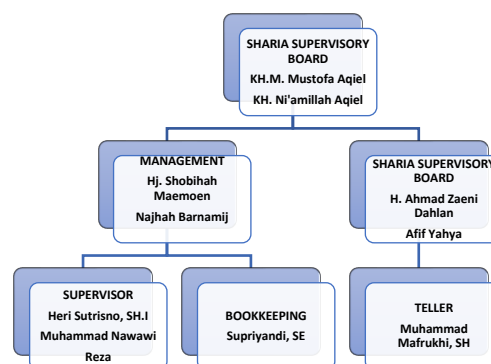
- 1) Programs originating from LAZNAS BSM UMAT are grants specifically for institutional and operational preparation of Islamic LKM in capital management for the poor through Community Business Groups around Indonesian Islamic

- Boarding Schools (KUMPI) (Heri Sutrisno, 2020) .
- 2) Grant funds totaling 250 million are intended for the establishment, licensing, mentoring and training of Islamic Boarding School Islamic Microfinance Institution human resources.
  - 3) Grant funds in the amount of 4 billion which are intended for capital in carrying out the work operations of Islamic Microfinance Institutions, with the following details:
    - a. 3 billion endowment funds in the form of Sharia Deposits
    - b. 1 billion is distributed for later in financing to customers which is carried out in stages.
  - 4) If there is any irregularity or violation in the use of funds received by KUMPI, then this is the responsibility of the group (joint responsibility).
  - 5) If a disaster occurs to a KUMPI member, it is the responsibility of the Islamic Microfinance Institution.

- 6) And if deviations or violations of funds are carried out or occur at the LKM Syariah Islamic Boarding School, they will be subject to legal sanctions in accordance with the applicable laws and regulations.

### c. Organizational structure

KHAS Kempek micro waqf bank has a management structure in managing the operation of Islamic Microfinance Institutions. In the organizational structure of the LKMS BWM KHAS Kempek stipulates a management structure which is mostly the leaders of the Islamic boarding school and some of the students who aim to be relatively leaner and to be able to move well, namely consisting of 2 supervisors, 2 people on the sharia supervisory board, 3 people administrators and 5 managers, which is illustrated in the chart as follows:.



**Figure 1**  
**Structure of Management and Management of BWM KHAS KHAS**

## 1. Financial Innovation for Utilizing Sharia Products in MSME Empowerment

In the midst of difficult access to capital for micro, small and medium entrepreneurs, the Micro Waqf Bank (BWM) was born. The existence of one of these sharia microfinance institutions is starting to

feel its presence which has a positive effect on small entrepreneurs. The reason is that with a minimum loan of IDR 1 million per customer, the presence of BWM can extend the business breath of micro, small and medium entrepreneurs (Faujiah, 2012) . This can be believed to increase financial inclusion. Especially in the community or micro, small and medium enterprises.

The KHAS Kempek Islamic Boarding School, Cirebon Regency, has a desire to be more active in empowering the economy of the community around the pesantren environment so that they can contribute to alleviating the problem of poverty and inequality in Indonesia, especially in the Cirebon Regency area. With the potential of students in the pesantren environment reaching around 4.2 thousand students, thus the KHAS Kempek Islamic boarding school in Cirebon Regency itself has quite promising market and human resource potential, so that it is more optimal in achieving this goal (Gunawan, 2020) . The KHAS Kempek Islamic Boarding School obtained permission from the OJK to establish a Micro Waqf Bank Islamic Microfinance Institution in an effort to distribute funds to micro, small and medium business actors with the aim of aspects of utilizing sharia products at the KHAS Kempek Micro Waqf Bank, Cirebon Regency in optimizing empowerment for micro, small and medium business actors in the environment around the pesantren (Lavinda, 2018) .

KHAS Kempek Micro Waqf Bank, Cirebon Regency, with one of its characteristics as a support for the real sector, with BWM contracts directly related to the real sector, is maximized so that it can help the pace of development of micro, small and medium enterprises with a qard

financing scheme (Sutrisno, 2020a) . Micro Waqf Banks view that the real sector is a priority sector in economic activity because this sector is a sector that is directly related to people's welfare, as the goal of the presence of Islamic banks. The partiality of BWM KHAS Kempek Cirebon Regency to small communities or especially micro, small and medium business actors, is manifested in several programs for providing, financing, and group-based business assistance with low interest rates (equivalent to 3% per year) and without collateral (LAZNAS).

In conducting financing transactions for customers by applying 3% per year and the most important thing is not applying interest and there is no collateral in the requirements for each available sharia product transaction. The implemented financing program can be provided to customers using a group scheme pattern with existing provisions starting with the requirements for group members consisting of 15 to 25 people in a large group called HALMI (weekly halaqoh) (Heri Sutrisno, 2020) .

## **2. Access to Financing for Micro Waqf Bank KHAS Kempek Sharia Products for Micro and Medium Enterprises**

Microfinance institutions in their establishment specifically to provide development services to micro-entrepreneurs through loans or financing on the scale of developing micro, small and medium enterprises (MSMEs), by providing several accesses to capital.

The provision of financial services to the public or micro-entrepreneurs often requires more strategies to make it easier for potential customers to understand various types of sharia products in conducting their financial intermediation. Therefore financing



for them really requires the capacity of small communities or micro business actors (for example with knowledge, talent and information technology) before the investment process. The rules governing Microfinance Institutions (LKM) are listed in

Law Number 1 of 2013 concerning Microfinance Institutions (Financial Services Authority, 2015) . The following is an illustration of the general chart in Microfinance Institutions:

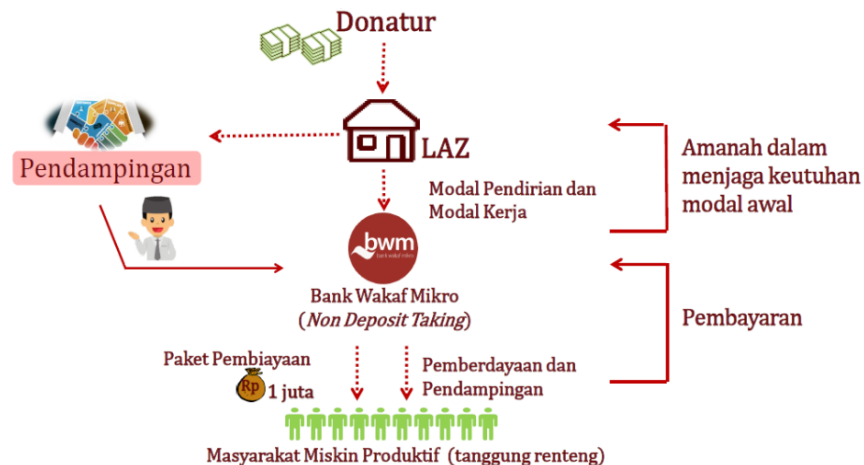


**Figure 2 MFI Activity Chart**

Source: (Sutrisno, 2022)

As for the activities carried out by micro waqf banks themselves, they are not much different from microfinance institutions in general, it's just that in their operations, BWM operates with sharia principles that are committed to tackling the problems of poverty and inequality by providing access to capital to productive poor people or to actors micro businesses around Islamic

boarding schools to improve their standard of living and help them with loans that are unsecured or collateral and most importantly with very low margins, which are equivalent to 3% per year, by maximizing cash waqf funds in providing capital loans, coaching and evaluation (Sutrisno, 2020b) . The activities are illustrated in the BWM business model as follows:



**Figure 3**

**Kempek's KHAS Micro Waqf Bank Scheme in Alleviating Poverty**

As for the process in Providing Financing to Customers. The process of providing

financing to customers goes through several stages including:

a. Identification Stage

Identification of customers is carried out in collaboration with the village government by asking for data on productive poor people in the village. That is, the poor must at least have a business even though the business is still small or medium scale. And customer identification can also be through to RT/RW, PKK mothers and payroll mothers around Islamic boarding schools.

b. Socialization Stage

After obtaining the data from the village government, RT/RW and related parties mentioned above, the Micro Waqf Bank then conducts outreach to prospective customers regarding the mechanisms and activities in operating capital loans or the use of Micro Waqf Bank waqf funds. Then socialization of management also ensures that people who are interested then conduct a survey of prospective customers.

c. Survey Stage

This stage is the third stage after the socialization which is then conducted a survey to ascertain and determine whether the prospective customer is included in the survey category. BWM operators conduct surveys to the homes of prospective customers one by one by asking a number of things related to the business they have been running so far. As for the eligibility specifications in the assessment there are 4 criteria that are eligible to join as a member of BWM, namely:

1) Home Index (IR)

IR is carried out to find out the criteria for the prospective customer's house reflecting the socio-economic status of the poor. Judging from the area of the house which is small, not tiled and the facilities are inadequate.

2) Income Index (IP)

Based on the categories included in the category of poor families are families who earn less than Rp. 2,500,000, - (according to local conditions that apply) is the class of the poor.

3) Asset Index (IA)

The index of assets assessed does not include land owned, but includes household assets, agricultural equipment, livestock, and also liquid assets, such as savings and cash.

4) Land Owner Index

Business capital programs that do not own land or have a piece of land but are not large enough so that the results are not sufficient to meet their needs throughout the year.

d. Compulsory Group Training

Phase (Pre PWK)

After the survey stages have been carried out, the mandatory group training stage (Pre-PWK) is carried out, in which prospective customers are gathered with each assistant, then the Micro Waqf Bank conveys or introduces the institutions and programs in the Micro Waqf Bank.

e. Compulsory Group Training

Stage (PWK)

After the pre-PWK has been carried out and declared eligible to proceed to the next stage, the prospective customer takes part in the mandatory group training stage which lasts for five consecutive days. The material presented to prospective customers is related to institutions, the rights and obligations of members. And provide an understanding of the benefits of saving, even though the Micro Waqf Bank itself only accepts and focuses on *lending* or channeling funds to the public without *funding*.

f. Group training test stage  
(UPK)

Accompanied by managers and supervisors, this stage is carried out by prospective customers to work on questions that have been provided by the previous manager, given 30 minutes. And after that the manager then immediately corrected the problem quickly giving a value. In the assessment carried out during the UPK it was not only seen from the results of the answers to the questions but also from the discipline and trustworthiness categories.

g. Thawing Stage

The next step is defrosting. This stage is carried out after the UPK stage and several other stages that have been passed. In this disbursement stage, an internal meeting will then be held directly between managers and administrators to decide whether or not ACC is appropriate for disbursing potential customers.

The system used in this disbursement is in 3 stages because it uses a 2-2-1 system. The system is implemented with the intention that those who really need it the most among the members of the group itself are disbursed first, followed by those in front of them and finally the group leader or KUMPI chairman who has previously been decided within the group itself.

For example, if the group consists of 15 members, in the order of disbursement, 6 people will be at the back, followed by 6 people after, and the last 3 people will sit at the front and usually the chairman of the KUMPI itself.

The initial disbursement of the Micro Waqf Bank provides loans or financing to these customers in the amount of Rp. 1,000,000, - per person and for installments

of Rp. 25.000,- per week with a period of 40 weeks or 10 months.

h. Weekly Halaqoh Stage  
(HALMI)

The HALMI meeting or weekly halaqoh is held once a week accompanied by the managers of the Micro Waqf Bank. Each meeting lasts a maximum of 1 hour, filled with activities which in this case are not only focused on withdrawing installments but also filled with several studies, starting from reciting the Koran asmaul husna, sholawat and others as well as managers providing spiritual educational studies related to good and correct business or buying and selling. So that customers feel helped not only in terms of *finances* but also increase their confidence in their spiritual soul. According to one of the halmi chairmen, her name is Mrs. Hj. Kultsum once told us about the benefits felt by the program from the Micro Waqf Bank. He said " *We feel happy and happy, because with the program from the Micro Waqf Bank, our business can be assisted in the aspect of its development, and not only that, we can also stay in touch and add insight into knowledge about religious knowledge in particular.*" (Kultsum, 2020) .

**3. Utilization of Micro Waqf Bank Sharia Products for Empowering Business Actors Around Islamic Boarding Schools**

Islamic microfinance institutions Micro Waqf Banks, which in this case are financial institutions that only carry out mandates to channel funds to the community or micro business actors by practicing the principles of sharia financing ( Masrukhi, 2020) . In conventional financing it is more synonymous with practices based on rewards in the form of interest, whereas in sharia financing here it is based on sharia

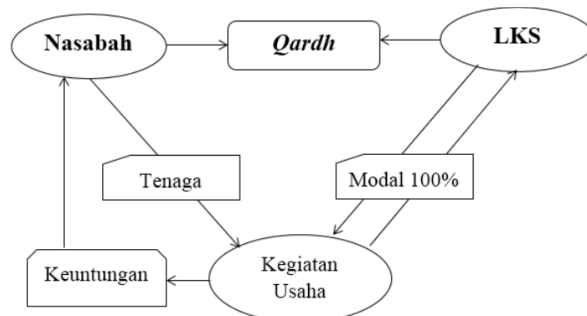
values which prohibit the elements of usury , *gharar* and *Maisyir* .

In Law Number 21 of 2008 concerning Islamic Banking, a financing based on sharia values, sharia financing is divided into transactions as follows:

1. Profit sharing transactions in the form of *mudharabah* and *musyarakah*.
2. Lease transactions in the form of *ijarah* or lease purchase in the form of *ijarah Muntamlik* .
3. Borrowing and borrowing in the form of *qardh receivables* .

Financing or *financing* carried out by Micro Waqf Banks is by using *qardh financing* (Masrukhi, 2020) . *Qardh* financing is a pure loan without interest and without collateral (collateral) to the borrower (customer) and in this case the owner of the funds (LKM Syariah BWM) is obliged for the customer to return only the principal of the debt to the institution at a certain time.

#### **Qardh BWM Financing Scheme for Micro Business Actors**



**Figure 4**

Illustration of the KHAS Kempek Micro Waqf Bank *Qardh* Financing Scheme for Micro Business Actors *qardh* financing scheme, after the customer agrees to use the *qardh* contract, the Micro Waqf Bank initially provides loan capital funds to the customer which then the customer will carry out a business activity, in which the customer is responsible to the Micro Waqf Bank they use

their energy to carry out business activities and from these activities will produce a profit, then for the customer the initial capital that has been given from the Micro Waqf Bank, is then returned back from the customer to the sharia microfinance institution of the Micro Waqf Bank ( Syari & National, 2001) .

KHAS Kempek Micro Waqf Bank in providing financing to customers there is also segmentation of financing customers, where customer financing is divided into two categories, namely customers who are already empowered and customers who are not yet empowered. The scheme applied to empowered customers will use normal financing, for example *murabbahah* and *wakalah contracts* with a profit sharing margin equivalent to 3% per year with a ceiling value starting from Rp. 1,000,000, - up to Rp. 3,000,000,-. However, because at this time it is still in its early stages, it is focused on financing customers who are still powerless in advance in the form of a *qardh contract* which is repaid at HALMI (once a week) which lasts for 40 installments with a nominal value of Rp. 25.000,- per installment. And if each installment experiences significant development with their business and is active at the time of repayment or HALMI, then they will be given the opportunity to apply for refinancing with a nominal value of Rp. 1,000,000, - up to a maximum of Rp. 3,000,000,- (Masrukhi, 2020) . This was also confirmed by Mrs. Kultsum, one of the KUMPI leaders who has a written batik business.

Efforts to encourage the achievement of the goals of Micro Waqf

Banks to empower the poor in Islamic boarding schools, from initially powerless customers to productive customers, of course this cannot be separated from the role of KHAS Kempek Micro Waqf Bank in the form of human resources and financial resources. But if it refers only to the fixed funding resources obtained from LAZNAS BSM Ummat, then human resources are the most important thing and play a very important role in the sustainability of the program.

The efforts of the KHAS Kempek Micro Waqf Bank to continuously provide financing are accompanied by training and customer business assistance, so that the conditions of the community around the Islamic boarding school or Micro Waqf Bank environment have the potential to further develop. The efforts of the KHAS Kempek Micro Waqf Bank to create community economic conditions so that they are more developed with efforts to empower the community's economy, so that cooperation is established between customers and the KHAS Kempek Micro Waqf Bank. Among these collaborations is cooperation in terms of marketing and supply of raw materials. This was reinforced by the submission by Mafrukhi, one of the managers of the KHAS Kempek Micro Waqf Bank, he said,

"Of the hundreds of cumulative customers who are still active, *thank God*, there are some that we motivate and we invite to cooperate with our fellow customers, and they are suitable and *thank God* they succeed. For example, a customer who sells yellow rice cooperates with a basic food shop" (Masrukhi, 2020) .

And a customer of the KHAS Kempek Micro Waqf Bank, Kultsum gave a presentation indicating the availability of easy and uncomplicated access to financing and being able to stay in touch to increase knowledge about religion, saying,

"With the loan for business capital (funding) from the KHAS Kempek Micro Waqf Bank for business development, the benefits are very much felt, because it is easier to apply, mas, there is no collateral, no interest and you can stay in touch with fellow SMEs and gain knowledge about religion" ( Kulsum, 2020) .

The existence of the KHAS Kempek Micro Waqf Bank is in an effort to create conditions that are able to protect the economic interests of the community by empowering the community's economy. Empowerment of KHAS Kempek Micro Waqf Bank conditions are summarized in the following table:

Table.1  
Community Economic Empowerment by Micro Waqf Bank KHAS Kempek Cirebon  
Regency.

Variable	Indication	Information
Increased potential community economy	Start more and more business a growing real sector, either trade, livestock, production, as well as services carried out by BWM customers KEMPEK SPECIAL.	Already realized and necessary improved
Availability of facilities and easy infrastructure accessible to the community productive poor in boarding school environment	A. There is a special BWM Kempek doing the financing and assistance to the community. B. The opening of a network of cooperation between customers	Already realized and necessary improved
protected economic interest public	A. Less moneylenders B. Changing trends on bank credit	Already realized and necessary improved
Source: <i>Researcher Modification</i> , 2022.		

### Analysis of the Utilization of Financing Run by Micro Waqf Banks for MSME Empowerment.

Based on interviews obtained from customers of the KHAS Kempek Micro Waqf Bank, that the financing carried out by the KHAS Kempek Micro Waqf Bank is currently partly on target. Siti, a customer of KHAS Kempek Micro Waqf Bank said, "In my opinion the financing carried out by KHAS Kempek Micro Waqf Bank is right on target because those who get financing are those who really have a business and

those who really have a great will to entrepreneurship" (Siti, 2020) .

This is a point of view that becomes a review for Micro Waqf Banks in optimizing the use of financing available at the KHAS Kempek Micro Waqf Bank which cannot be ignored and there must be progress and development in empowering small communities by utilizing sharia products that exist in Micro Waqf Banks. This Kempek is SPECIAL. Thus, in accordance with the conditions of the community, the KHAS Kempek Micro

Waqf Bank uses a *qardh contract* for its financing model, and this has been successfully implemented.

The financing carried out by the KHAS Kempek Micro Waqf Bank is aimed at financing new micro business activities and also financing the development of existing micro businesses with a *qardh contract* that is set for 10 months or 40 installments. The stipulation is intended to maintain cooperation security and measure the level of success in financing. Najjah Barnamij, manager of KHAS kempek Micro Waqf Bank said that the financing that has been done must be controlled every time so that it can be analyzed to what extent the results of the financing have been carried out.

## CONCLUSION

Sharia Financial and Banking Innovation implemented by BWM KHAS Kempek Cirebon Regency on understanding that their customers understand the use of sharia products has supported efforts to empower the community's economy, namely creating conditions that are able to protect the economic interests of the community. The condition created by BWM KHAS Kempek Cirebon Regency in an effort to empower the community's economy is the establishment of cooperation between customers and BWM KHAS Kempek Cirebon Regency in the form of financing and assistance or cooperation between customers and fellow customers.

In terms of the benefits of financing, some customers are of the opinion that the financing financial innovations carried out by BWM KHAS Kempek Cirebon Regency so far have been beneficial. Statements from customers who consider that the financing

carried out by BWM KHAS Kempek Cirebon Regency has brought average benefits because they assess that their business has developed more after financing. In addition, they consider that access to capital is easier and less complicated and is not subject to a profit sharing ratio.

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