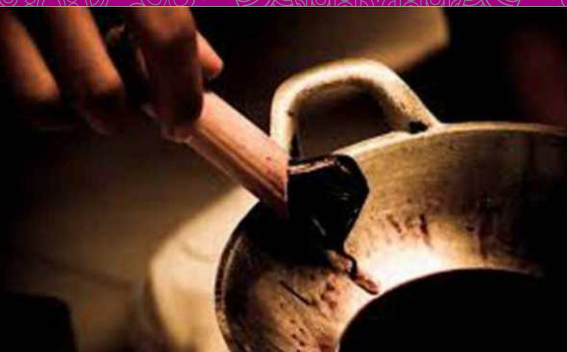


Dr. Susminingsih, M.Ag. | Prof. Dr. Fatimah Kari
Dr. Kusuma Chandra Kirana | Dr. Sri Hermuningsih

Batik Among The Clash of Industry and Culture



**BATIK AMONG THE CLASH OF
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FOREWORD

Alhamdulillah, thanks to God has made it easier and more smooth for authors to compose books. This batik-themed book among *The Clash of Industry and Culture* is an international collaborative research book that has been done before. The author believes that the publication of this book is very urgent considering that batik has important meaning for industry and culture. Batik industry has also still had many problems, such as capital. In addition to the batik that is a big theme in this book, the role of Sharia financial institutions and cooperatives in both countries is also analyzed to provide comprehensive information. In general, this book presents the subjects of discussion on the issue of batik management in cultural and industrial development both in Indonesia and in Malaysia.

The contents of this book include: 1) Problem industry batik di Indonesia dan Malaysia; 2) An Overview About Indonesia and Malaysia, The Country's History, Economic Development, The Country's History, The Federation of Malaysia, Social-Culture Condition and Economic Development of each country; 3) Profiles The SMEs and BMT: SMEs in Indonesia, The Definition of SMES, The Traits and Characteristics of SMEs, Benefits of *SMEs*, Development of SMEs in Indonesia Year 2017, Business Capital of SMEs in Indonesia and Malaysia; 4) Batik: Social, Cultural, Economic, and Ecologic Adaptation, Social Adaptation (Kinship

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and Neighborhood Function, Horizontal solidarity), Cultural Adaptation (The influence of Javanese, Arabian, and Chinese Culture, Batik spirituality, Economic Adaptation, Production Strategy, Marketing Strategy), Natural Environment Ecology Adaptation, (Weather-Water, and Natural Color).

This book can be used as a reference for creative industry researchers such as batik as well as Islamic finance researchers between countries, so as to get a variety of perspectives that have a variety of cross-cultural and cross-border analysis. This book is also compiled to fulfill the obligations of researchers as educators and researchers and make this book as a reference for researchers of sharia creative and financial industries. This book provides its own perspective between Indonesia and Malaysia relations. Cultural similarities as fellow Malay families and strong communities based on religious teachings encourage business behavior, including in the field of batik making, giving rise to their own facts.

Although between Indonesia and Malaysia, there are often issues related to geo-politics, labor, patents on some products such as batik, dance, food, but this study finds the fact that there is a side that is not widely known to the public, that is the similarity of the challenges of batik business development with all its very complex problems, ranging from capital, spirituality, availability of raw materials, environment, and government policy in dealing with the problems that drive the development of batik business. This book is very useful for cross-cultural observers. The author expresses his highest gratitude to all those who have contributed to the preparation of this book. Hopefully this book will benefit readers and future scientific development.

Pekalongan, 20th November 2017

Lead of researcher

Dr. Susminingsih, MAg

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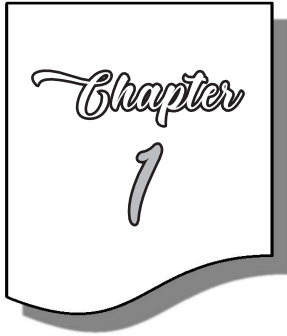
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INTRODUCTION

A. Background

The bilateral relation between Indonesia and Malaysia develops dynamically, both cooperatively and counterproductively. The existence of the same clump, the Malay family clump is very potential to grow cooperation as well as to create unfair competition. The widening of issues between these two countries is no longer in a matter of ethnic, religion, education, politic, culture and economic equality. Over time, Indonesia-Malaysia relations have undergone a significant transformation. As the impact, the concept of mutual clump and “brother and sister” began to fade. The term mutual clump will be drowned amid various issues that hit both countries starting issues of *TKI (Tenaga Kerja Indonesia)*/migrant workers, border issues, disputes of cultural products such as batik, traditional dance, and so forth. The situation is increasingly heated when flavored with various media provocations such as “Ganyang Malaysia” and “Indo” by the media of the two countries.¹

Such phenomena draw attention to mutual concerns especially for those concerned with the destiny of two nations. The relationship that has undergone more than fifty years since the independence of Malaysia in 1957 should be more

¹ Ali Maksum, *Menyingkap Tabir Hubungan Indonesia-Malaysia, Mengungkap Fakta Di Balik Berbagai Sengketa Dua Negara*, (Yogyakarta: The Phinisi Press, 2017, p. 3)

mature. The relation between the two countries are basically a relationship of a state. But directly or indirectly, human nature also influences the process of foreign policy making. So it is unsurprising if various terms such as “hate”, “love”, “fear”, and “revenge” often affect international relations, including relations between the two countries.²

In the context of Indonesia’s foreign policy during 1967-2009 period, the four international components namely international politics, influence of the allied countries, interdependence and regionalism, clearly characterized Indonesia’s foreign policy form and attitude towards Malaysia.

First, international politics.

International political factors (international structures) with high pressure tend to put pressure on Indonesia. This is clearly apparent in the 1963-1966 Confrontation due to differences in perceptions between the two countries in addressing the international political situation. Indonesia opted to cooperate with the communist block, while Malaysia tended toward the capitalist block. The height of international political pressure during the Cold War era, especially between 1957-1970, had an impact on political changes at the national level. For example the outbreak of *G30S/PKI* 1965 followed by the rise of General Suharto, the end of confrontation, and the establishment of ASEAN.

Conversely, the increasingly low pressure of international politics, especially from the 1970s to the 1980s, had an impact on the decline of political tensions and ideology between communist-capitalists. This situation is evident in the case of *ZOPFAN* in the 1970s, the issue of “rivalry” between Indonesia-Malaysia and the issue of migrant workers who began to disrupt and caused sensitivity in Indonesia-Malaysia relationship in the late 1980s.

² As cited by Ali Maksum from Shipping Tang, in *Menyingkap Tabir Hubungan Indonesia-Malaysia, Mengungkap Fakta Di Balik Berbagai Sengketa Dua Negara*, (Yogyakarta: The Phinisi Press, 2017, p. 3-4).

The end of the Cold War was also a very important international factor that influences Indonesia's attitude to Malaysia. The post-Cold War international politics that is increasingly open and tend to be uncertain, has an impact on the emergence of Indonesia's intervention issue to Malaysia's internal affairs due to the strong influence of issues of democracy and human rights. In addition, the post-Cold War situation also affected the rise of pent-up issues such as border issues (Sipadan-Ligitan and Ambalat) that have not been resolved since the Cold War era.

Nevertheless, the international political tension has increased again and has put pressure on Indonesia and Malaysia (high pressure) in the case of terrorism after the tragedy of 11 September 2001. The presence of the "war against terrorism" campaign clearly requires both countries to support the campaign.

The second international factor is the influence of the allied state (alliance resolve).

The support of allied states is clearly apparent in the case of confrontation, the influence of the allied state was very dominant. Indonesia, strongly backed by the Soviet Union with various military aid, was very optimistic about challenging the West-backed Malaysia under British and US command. The role of allied countries was also very clear in the case of post Confrontation reconciliation and the establishment of ASEAN. The fall of Sukarno followed by the pro-US (West) Suharto leadership, became an important factor in the end of the Indonesian Confrontation to Malaysia in 1966 and the establishment of ASEAN in 1967.

Meanwhile, the emergence of cases of terrorism after the tragedy of September 11th, 2001 and the unilateral United States foreign policy also shows that the alliance factor is quite dominant. Because Indonesia and Malaysia were forced to

participate in a successful “war against terrorism” campaign under the command of the United States. The involvement of both countries in the “war against terrorism” also shows that the influence of the United States is very strong. In addition, it also shows that Indonesia’s foreign policy to Malaysia is also affected by the stability of relations between the two countries with the United States

The third international factor is the economic interdependence.

The third factor includes the push for economic liberalization due to the rise of the increasingly important post-Cold War globalization issue. This is apparent in the case of Indonesian migrant workers (*TKI*) in Malaysia. The case of *TKI* is indeed a dilemma for both countries. Because of *TKI* is very needed in Malaysia. In fact, it can be said that Malaysia is very dependent on *TKI* especially in the sector known as 3 D (dirty, difficult and dangerous). At the same time, as more Indonesian migrants workers indirectly increase state revenues and reduce unemployment in Indonesia. In addition, the involvement of multinational corporations in the Ambalat case is clearly the real impact of the unstoppable post-Cold War economic liberalization. Factors of economic interdependence can also be seen in the trend of economic cooperation between the two countries.

Economic relations can be seen in two aspects: the amount of exports and imports and the amount of investment between the two countries. In terms of economics, Indonesia is somewhat dependent on Malaysia. Because of the two million Indonesian citizens in Malaysia, the majority work as *TKI*.³ Therefore, the

³Although Indonesian labor migration abroad continues to increase and is more voluntary but the most dominant types of jobs they work at is the rough jobs. The low level of education and skills of Indonesian workers is a major factor that causes most of them can not enter the higher sector, and can not compete with other foreign workers (such as India, Pakistan, Thailand and the

comparison is clearly unbalanced which has an impact on Indonesia's weak bargaining power and does not dare to press Malaysia. Malaysia, on the other hand, looks more bold, causing the reaction of Indonesian people especially related to border cases and *TKI*.

The fourth international factor is regionalism.

The regionalism factor is nothing but the relevance of ASEAN's essential role and influences Indonesia's regional political stance to Malaysia. This is none other than that ASEAN's strong priority of principle of cooperation and "non interference" often influences the foreign policy stance of both countries. Post-Confrontation, the regionalism factor is essential in the context of ASEAN. The emergence of regionalism awareness, especially Indonesia and Malaysia is nothing but the serious impact of conflict due to the confrontation of both countries.

In contrast, when the Sukarno era despite efforts to integrate the region, it always failed due to the highly unstable regional politics. But after the Cold War, the issue of regionalism is actually a dilemma because there are cases that are considered harmful to the cooperation principle of ASEAN as in the case of alleged Indonesian elites who interfere in Malaysian domestic affairs in the case of Anwar Ibrahim. In fact, the norm of "non-interference" that became the ASEAN agreement began to be questioned. Similarly, various border issues are also not separated from the failure of ASEAN in resolving disputes between the two countries.

Although external factors are the most important factor affecting Indonesia's attitude to Malaysia, the role of national political factors can not be underestimated. Because several internal factors play an important role to influence the attitude of Indonesia towards Malaysia. The first domestic factor is the

Philippines) M. Arif Nasution, *Orang Indonesia di Malaysia, Menjual Kemiskinan Membangun Identitas*, Yogyakarta: Pustaka Pelajar, 2001, p. 131) .

leadership factor (idiosyncrasy). In the case of confrontation for instance, Sukarno's highly nationalist and anti-Western leadership made Indonesia very bold to Malaysia. The second internal factor is competition among political elites. This is evident in the events and cases of Indonesia-Malaysia.

The outbreak of confrontation and a very brief reconciliation process can not be separated from the competition among political elites in Indonesia. The third domestic factor is nationalism. The strong spirit of nationalism and anti-colonialism became an important factor in the outbreak of the Indonesian Confrontation to Malaysia. The fourth domestic factor is media liberalization, which is crucial to Indonesia's attitude towards Malaysia. Thus, it can be concluded that the relationship between Indonesia-Malaysia since 1957 to 2009 experienced ups and downs.

The period from 1957 to 1966 underwent a very bad situation. Conversely, post 1966 to 1998 or during the New Order era, the relationship between the two countries was very harmonious. However, post-Suharto up to 2009, Indonesia's attitude toward Malaysia changed a lot. Of course, various factors affect both national and international aspects. International political scenarios seem to play an important role in determining Indonesia's stance over the years. The changes occurred mainly during post-Cold War and the decline of international pressure. As a result, domestic factors such as elite media, leadership and nationalism are increasingly played a role. Issues of democratization, human rights, copyright protection and economic liberalization including media freedom have become an important factor in changing Indonesian perceptions to Malaysia.⁴ Until 2017, the problems of *TKI* are still often encountered, ranging from legal protection, wages, health, and

⁴ Ali Maksum, *Menyingkap Tabir Hubungan Indonesia-Malaysia, Mengungkap Fakta Di Balik Berbagai Sengketa Dua Negara*, (Yogyakarta: The Phinisi Press, 2017, p. 33-45)

so forth. Factors that often trigger someone to migrate to other areas such as the availability of employment factors.⁵

B. Attention of both Countries' Governments in the Field of Enterprise.

The development of small and medium enterprises is the responsibility of the government and the community. Collaborative handling of the synergy of several ministries such as industry, cooperatives and ministry of religion are very useful for business actors. The values that come from religion contributes to motivation and behavior and financial planning. Limitations of small-scale enterprises such as raw materials, finance and management are often constraints for small and medium-sized enterprises. In addition they need trainings such as financial management, market knowledge and technology. Therefore, the existence of financial institutions such as cooperatives or Baitul Mal wa Tamwil (BMT) becomes an inclusive financial alternative as well as bridging capital needs when they have difficulty meeting administrative requirements when accessing financing facilities at financial institutions. The city of Pekalongan is known as the city of creative economy and trading city. In Central Java province, Pekalongan City has potential for economic activity in Indonesia. The growth of small-scaled enterprises in Pekalongan has a good opportunity for the people's income, while contributing to the development of domestic and foreign economy.

⁵ : There are two ways that Indonesian migrants often done to go to Malaysia, namely: direct and indirect ways. The direct way means, migrants enter Malaysia without passing through several places first. The inderict way menas, they enter the destination country after the first stopover. In this process migrants, usually with a variety of reasons, visit other places first: for example, not infrequently they had work, training or perform other activities before continuing the journey to the destination (M. Arif Nasution, *Orang Indonesia di Malaysia, Menjual Kemiskina Membangun Identitas*, Yogyakarta: Pustaka Pelajar, 2001, p. 65).

The limitations faced by entrepreneurs in Indonesia are also faced by entrepreneurs in Malaysia. Research on small and medium enterprises in some countries has also been done. Knowledge of small and medium enterprises is the concern of many academics in various countries.⁶ Indonesia and Malaysia have the same culture root⁷ Indonesia and Malaysia have the

⁶ Kogid, M., Mansur, K. Mulok, D. & Akmadia, W.2009. *Industri Kecil Dan Sederhana (Iks) Dan Pinjaman Kewangan Di Sabah: Satu Analisis Empirikal (Small And Medium Industry (Sme) And Financial Assistance In Sabah: An Empirical Analysis)*, pp.185-198.

⁷ Culture is basically the study about human not in their position as an individual, but as a group. Or in other words, the phenomenon in cultural studies is a collective phenomenon, not an individual phenomenon. This means that although the subjects (cultural actors) and objects of cultural studies are human, but culture is not solely linked to humans as individuals but to humans in their positions as part of society. Since culture is a collective phenomenon, cultural property rights are not in individuals per individual but in the community. The existence and sustainability of the culture thus rely heavily on sharing (understanding, recognition, inspiration and collective practice) of community members and their social conscience of the importance of preserving and maintaining culture. Attempts to preserve cultural existence are usually done through an understanding of cultural constituent elements such as beliefs, values, or customs. The more the members of society understand, recognize, animate and practice their beliefs, values, or customs and the higher their level of consciousness, the culture of society will become more exist and everlasting, and vice versa, culture is a collective phenomenon, the right of cultural ownership is not on individual per individual but is in the community. Although the subjects (cultural actors) and objects of cultural studies are human beings, but culture is not solely related to humans as individuals but with humans in their positions as part of society. Culture and society are like two sides of a coin. As long as there is culture there always be society and vice versa. The existence and preservation of such a culture depends on sharing (understanding, recognition, inspiration and collective practice) of community members and their social conscience of the importance of preserving and maintaining culture (Achmad Sobirin, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: Unit Penerbit dan Percetakan, YKPN, 2002, p. 58).

There are several definitions of culture, first, culture as something rational, or, of course, a cognitive category: culture becomes explained and understood as a general state of thought. This concept contains the idea of perfection, a goal or aspiration about individual achievement or emancipation. In one side, culture can be a reflection of a highly individualist philosophy and on the other is an example of a philosophical commitment to the particularity and diversity, even the 'privilege' or superiority of mankind. Second, culture as a more concrete and collective category: culture means a state of intellectual and/or

same root of Malay. The role of culture for both countries is very strong to shape the identity and character of the community. Culture becomes clearly illustrated by the relationships that occur between individuals, groups, individuals and groups are intertwined to create social ties that are no longer restricted to relationships or kinship, but social bonds that are general. The bonding is due to the shared values in the culture that make it easier for them to communicate well.

The existence of mutually supportive individuals develops into a sustainable social capital, through generations. This condition is characterized by the absence of more social barriers, caste, economic status, ethnicity and even religion. Such interactions are what makes social relations as a balancer media in various problems that occur in the environment that is generally symbolic.⁸ The benefits gained from social ties not

moral development in society. It is an attitude that links culture with the idea of civilization and an attitude inspired by Darwin's evolutionary theory (1809-1882) and inspires the groups of social theorists known today as the 'early evolutionists' who spearheaded anthropology, with their competitive views of 'degeneration' and 'progress', and attributing this effort to the imperialism of the nineteenth century. Nevertheless, this view adopts culture into the realm of collective life, not into individual consciousness.

Third, culture is a descriptive and concrete category; culture is seen as a large collection of works of art and intellectual work within a given society: It is the use of everyday language for the term 'culture' and includes insights about particularity, exclusivity, special training or knowledge or socialization. It includes a very well-established view of culture as a symbolic realm that is deliberately produced and then settles; although the symbolism is esoteric.

Fourth, culture is a social category; culture is understood as the whole way of life owned by a group of people; this is a pluralist and potentially democratic sense of culture that has been transformed into a point of interest in sociology and anthropology and, more recently, in a more local sense, in the realm of cultural studies (Chris Jenks, *Culture, Studi Kebudayaan*, Tr. Erika Setyawati (Yogyakarta: Pustaka Pelajar, 1993, p. 9-10).

⁸ Interaction among individuals or groups related to the existence of culture, which actually has a central role in ensuring the internal balance and homeostatis of a system as a whole. Culture must provide a symbolic environment conducive to the social actors moving toward their goals, and must maintain and preserve cooperation and unity among these actors considering the various obstacles in achieving those goals. Thus, with the term cultural, it should mean the existence

only apply to local communities, but in a more macro-size, because that the region or a state becomes strong as long as the conditions of mutually supportive social ties are maintained.⁹

Efforts to maintain collective awareness cannot be separated from collective needs, including in the economic field. There is no doubt that the role of small and medium enterprises to be the business root that is resistant to the crisis. The limitation of capital is generally also collide with the issue of credit proposal. The situation makes the entrepreneurs have no choice other than to look for other opportunities, such as applying for credit or financing to cooperatives and BMT.

The situation requires mutual cooperation or *shirkah*. Awareness to cooperate among business actors in social bonds

of shared beliefs, interests and ideologies that serve to legitimize the social order (Chris Jenks, *Culture, Studi Kebudayaan*, Tr. Erika Setyawati, Yogyakarta: Pustaka Pelajar, 1993, p. 37).

⁹ In the cultural constellation, the role of value is important. Cultural definitions are also very diverse; when culture is defined as a set of attitudes, values, beliefs, and behaviors shared by a group of people, communicated from one generation to the next reflects a sociopsychological construct, a commonality in a group of people in psychological phenomena such as values, attitudes, beliefs and behaviors. Consequently, members of a particular culture experience similar phenomena while members of cultures in different societies do not experience them. On the other hand, culture is often associated with entity, tribe or nationality, a person of a country or region often analogous to his or her ethnicity, regionalism or nationality. While this principle is not a guarantee, it is easier for the majority of people to signal a person's culture to their geographic origin. Analytically, racial cultural geographical stereotypes are not always congruent with the actions of the cultural members. In Javanese society for example, if people's actions do not reflect Javanese culture, exposed to *ora njawani* stereotype. This signifies the value in the non-sterile culture of the person's personal inner condition in interpreting the culture around him.

David Matsumoto argues that the mismatch between the substance of the population with the nation's dominant cultural stereotype of population society is a form of individual-psychological construct as well as social-macro construct. That is to some extent, culture exists in each and every one of us individually as well as existing as a social-global construct. Individual differences in culture can be observed in people from one culture to the extent to which they adopt and engage in attitudes, values, beliefs, and behaviors that, by consensus/agreement, shape their culture (David Matsumoto, *Pengantar Psikologi Lintas Budaya*, Yogyakarta: Pustaka Pelajar, 2008, 6-7).

is no longer controlled by ethnic, political, ideological and even religious equality, but in common needs.¹⁰ It is equal needs that make productive relationships, and vice versa, needs that are no longer the same, or when one party is more concerned with its own interests, then there appears a counterproductive relationship, even lead to exploitative behavior.

Cooperation involves many parties, this means that many values are felt equal to be accepted and believed by all parties, then tie all the considerations of feelings that shape social behavior, and are mutual. Therefore, cooperation is actually a sociopsychologically-constructed culture, because in the group of individuals, it has developed values, beliefs, attitudes, and behaviors that respond to the values, beliefs, attitudes and behaviors of other individuals. The response itself is not always the same, and this is what makes humans as dynamic beings. The type of response is most likely to be influenced by the perception of humanity itself in assessing the changes around it. For example, a sluggish trading condition for one individual becomes a fatal problem for business continuity, but for others it can be a motivator for innovation and renewal.¹¹

¹⁰ Humans are individual beings as well as social beings. Human cannot live alone without the help of others. Although diverse, humans also have some of the same goals in life, for example in achieving prosperity. Humans can not achieve their goals alone or even tackle each other. There is interdependence and mutual assistance. Cooperation is an effort to help each other and strengthen each other in reaching common goals. Therefore, cooperation will create synergies to better ensure the achievement of a harmonious purpose of life, Islam teaches humans to cooperate in trying or realizing prosperity (Pusat Pengkajian dan Pengembangan Ekonomi (P3EI), *Ekonomi Islam*, Jakarta: RajaGrafindo Persada, 2015, p. 68).

¹¹ Culture is a sociopsychological construct, a commonality in a group of people in psychological phenomena such as values, attitudes, beliefs and behaviors. Members of a particular culture have similarities in psychological phenomena, while other cultural members do not. Culture is not always rooted in biology. In other words, culture is not the same as race. Two people from one race can have the same values and behaviors -alias have the same culture- or can be very different in their cultural makeup. It is true that people with the same racial inheritance may, in general, experience similar socialization processes and experience enculturation in similar ways. Thus, it can be explained about the

Human instinct also plays a role in building communication and behavior. In an enterprise, instinct is the main driving force in humans as well as for its survival (such as lust, fear, and the drive to compete).¹² Business continuity is also determined by how instinct controls human behavior and responses to changes in the business environment. Growing instincts are essentially universal, possessed by multi-ethnic, multi-cultural and multi-religion humans. This component that unites various human circles, both in Indonesia and Malaysia.

Chronology of the development of human life is complex, including physical and spiritual, financial and non financial.

existence of Hispanic culture or African-American culture or Asian culture. But it is also true that race does not have to correspond to one on one with culture. Being born in a particular race does not necessarily mean adopting a culture that is stereotypically peculiar to that race.

The role of human beings as cultural builders, also related to cultural and national relations. Culture is also not nationality. As Triandis (1992) argues that when a person comes from France, for example, does not necessarily mean that he will act in accordance with what is considered a dominant French culture or in accordance with French stereotypes. Just as culture does not necessarily conform to racial feelings or stereotypes, culture also does not necessarily correspond to nationality or citizenship. In fact, there is considerable evidence, which continues to increase, indicating a small but substantial portion of the population of various countries that is not "compatible" with the dominant cultural stereotype of their country.

In this sense, culture is an individual-psychological construct as well as a social-macro construct. That is, to some extent, culture exists in each and every individual person individually as well as exist as a social-global construct. Individual differences in culture can be observed in people from one culture to the extent to which they adopt and engage in attitudes, values, beliefs and behaviors, based on consensus/agreement, shaping their culture (David Matsumoto, *Pengantar Psikologi Lintas Budaya*, (Yogyakarta: Pustaka Pelajar, 2008, p. 6-7).

¹² The urge of need or desire makes one do something. How a person's actions arise, needs to be analyzed. In the previous chapter it was explained that working is a spiritual activity. Soul activities are not only motoric activities, they are activities with movements or muscle actions, but they also include cognitive activities, ie activities to know; emotive activities are activities to feel. Any manifestation or embodiment of life can be called activity. Motives are the basic reason for acting, an energy from within the individual that causes the individual to do or act actively, because it is directed to a certain purpose in order to achieve (Ki Fudyartanta, *Psikologi Umum*, Yogyakarta: Pustaka Pelajar, 2011, p. 156-157).

Constraints that appear on the micro scale, also have an impact on the macro scale, the resilience of the business in individuals that occur in many layers of society will have a broad impact to the macro scale, namely at the state level. To that end, issues including the capital field faced by even small-level entrepreneurs will have a systemic impact on a large level.

The state as a social group occupying a certain territory or region, organized by the power of government to realize its objectives through the applied policy. Included in the development of small and medium enterprises that support the national economy. The country as a facilitator always seeks to help entrepreneurs solve their problems either from the side of raw materials supply, production, capital, labor, and marketing. The capital aspect is generally resolved either through the banking world and non-banks such as BMT and cooperatives.

The existence and role of cooperatives and BMTs in Indonesia and Malaysia is unquestioned. The development of BMTs and cooperatives is an economic support, including the development of manpower. The number of businesses employing productive age manpower in Indonesia especially in Pekalongan City can be seen in table 1.

Table. 1.1.
Number of manpower By Industrial Classification in
Pekalongan Municipality, 2014 – 2016

Industrial Classification			
	2014	2015	2016
1. Industri Logam Mesin & Kimia (ILMK)/Metal Machinery & Chemical Industry			
a. Large			
b. Medium	469	498	498
c. Small	1.900	2.230	2.319

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Industrial Classification			
	2014	2015	2016
2. Industri Aneka (IA)/Miscellaneous Industry			
a. Large	1.172	1.172	1.172
b. Medium	4.834	4.984	5.015
c. Small	21.489	22.948	24.095
3. Industri Hasil Pertanian (IHP)/Agricultural Products Industry			
a. Large	533	533	533
b. Medium	3.894	3.844	3.996
c. Small	6.857	9.504	9.550

Source: Central Bureau of Statistics, 2017

Table 1. shows that the number of manpower in Pekalongan City from 2014-2016 is the largest in the type of miscellaneous industry that is 68,532 people compared to other types of industrial classification. Batik business included in the classification miscellaneous industry, and quite evenly spread in various locations in the Municipality of Pekalongan. The activity of the batik industry encourages significant production growth and also export growth.

In the batik industry which is generally managed in family industry patterns, financial behavior also plays a significant role. The finance decision in family batik industry influenced intensively by family values and family consideration for maintaining control and ownership structure. Overlapping between the family and management in SMEs batik industry make they face the management problems in relation with the lack of professionalism in management, especially in finance decision.¹³

¹³ Susminingsih and Imam Kanafi, 2015. "Do The Family Values Still Help Their Finance Decision Making? (Lessons Learned From SMEs Of Pekalongan-Indonesia Batik Industry)", paper presented at *Asia Pasific Conference on Accounting and Finance*, Prama Sanur Beach Hotel, Bali, Indonesia, June 11-12.

Table 2.1
Export Realization by Type of Commodity in Pekalongan Municipality,
2016

Commodity	Volume			(US\$)
	Kg	Score	Bale	
1. Weaved Sarong	135.433,00	-	-	133.626,00
2. Batik Sarong	47.527,50	-	-	1.103.774,78
3. Garment	30.800,00	-	-	343.320,00
4. Canned Fish	464.237,50	-	-	1.272.315,00
5. Crushed Meat	3.682.333,00	-	-	7.885.840,00
6. Dried Crab Shell	-	-	-	-
7. Sugar Cane Molasses	177.062,60	-	-	80.292,30
8. Bird Nest	1.346,66	-	-	762.398,00
9. Batik Fabric	4.228,50	-	-	100.083,00
10. Ladies Dress	277.084,50	-	-	4.432.615,39
11. Material Fabric	112.827,00	-	-	79.071,70
12. Man's Shirt	9.765,00	-	-	9.594,00
13. Veil	55.565,00	-	-	32.293,00
14. Ladies' Blouse	8.825,00	-	-	9.040,00
15. Sajadah	1.330,00	-	-	931,00
16. Bed Cover	119,00	-	-	476,00
17. Bed Sheet	560,00	-	-	2.240,00
18. Polyester Fabric	60.544,49	-	-	7.807,00
19. Textile Fabric	3.654,00	-	-	15.342,00
Total	6.248.973,95	-	-	19.081.546,65
2015	5.748.130,69	-	-	17.384.060,75
2014	6.371.337,73	194.062,70	-	26.616.859,93
2013	7.139.388,00	155.858,00	1.21	25.336.663,84
2012	6.920.994,85	105.997,50	-	27.790.120,69

The growth in the number of businesses in Pekalongan in the last 5 years has a total of 172 businesses with a total workforce

of 10,769 workers (Central Bureau of Statistics, Central Java, up to 2013). Meanwhile, BMT development data in Central Java included in the city of Pekalongan, there are 360 BMTs (Central Cooperative Sharia Central Java, 2012). Cooperatives and BMT characteristics that are cooperative, symbiotic mutualism, are familiar to the Muslim community. The pattern of cooperation is not limited to the financial sector, but also the marketing and production sectors. This form of cooperation in the financial sector is also through a revolving fund program. Such programs aim to encourage SME growth. In addition to bridging the difficulty of accessing credit facilities in the banking system.

The biggest problem faced by SME entrepreneurs is the readiness of documents or administration. In addition, the payment system in accordance with the income level of SME entrepreneurs is often a significant problem. Therefore, a study on the development of small-scale enterprises and capital in both countries of Indonesia and Malaysia that have cultural similarity needs to be done to determine the level of problems and the resolution of any constraints that affect the sustainability of small and medium enterprises. Thus, this study provides input or recommendation for related parties, such as industries, trades, small businesses, tourisms, bankings and cooperatives in order to synergize in encouraging small business development.

Batik enterprises, sociologically and anthropologically, have contributed to robust business endurance and cultural solidarity for a nation. Dimensions of cooperation, environmental and ecological concerns become the next concern after batik business goes worldwide. In accordance with the principle of non-object culture, then creativity, business mentality and also the stage of spirituality becomes very important to be taken into account. Small business empowerment, although initially only related to capital, is not really that simple. Self-capacity, confidence in business issues becomes higher when the business is in times of a safe situation. The macro impact also makes people become

more solid and have good economic, cultural and political resilience.

The development of Small and Medium Enterprises/SMEs (Usaha Kecil dan Menengah/UKM) are not the responsibility of the Ministry of Cooperatives and Small and Medium Enterprises alone, but those SMEs businessmen which majority are moslems were also a concern for the Indonesian Ministry of Religion. The value which sourced from Islam contributes to form motivation and financial behavior and also financial planning which is instrumental in enterprises management. In brief, the sharia economic development is also represented through the level of muslim's prosperity as the SMEs businessmen.

The limitations of SMEs such as the needs for materials or raw materials, financial and management were often became the obstacle for those SMEs themselves. And also because of the size of the enterprises which are classified as small and medium, the access towards the functions such as training includes financial management, market knowledge, and technology. Therefore, the existence of BMT is also become an alternative financial inclusion when the society cannot access the financial because of the limitations and some requirements that have to be fulfilled in the banking system.

The city of Pekalongan is known as creative economic city and trade city in the scope of small and medium industries. In the level of province of Central Java, the city of Pekalongan has the the potencies as the support for the economic activities in Indonesia. The growth of SMEs in Pekalongan is a good opportunity for its society's income increase. However, the attraction of Pekalongan as the city of creative economics in Indonesia, has attracted both domestic and overseas investors to invest their capitals in this city. This is surely become a threat for the SMEs managers since their capitals are relatively small. The main problem for the SMEs managers up to now is the difficulty for getting a capital aid from banking, so that it is really difficult

for the SMEs to be more developed. Related to this issue, it needs to provide a solution to be able to help the SMEs managers from capital limitations.

The growth of SMEs in Kuala Lumpur, Malaysia is also become a Malaysian government concern through financial institutions collaboration. Small and medium industries(SMIs) is not a recently emerging industry in Malaysia. These industries has developed in the overseas such as the United States, Japan, United Kingdom, and South Korea. Since a long time ago, there has been so many studies conducted by researchers to acquire a deeper knowledge about the understanding of SMIs both inside Malaysia and outside Malaysia. Studies are kept on going to develop SMIs so that these industries could contribute towards the country's economy such as providing employment for the society and also become a stakeholder towards the bigger industries.¹⁴

Indonesia dan Malaysia have the same of culture root which is Melayu. Basically culture is the study of man not in his position as an individual, but as a group. Or in other words, the phenomenon in cultural studies is a collective phenomenon not an individual phenomenon. This means that although the subjects (cultural actors) and objects of cultural studies are human, but culture is not solely related to man as an individual but with a human being in his position as part of society. Since culture is a collective phenomenon, cultural property rights are not in individuals per individual but in society.

The existence and sustainability of the culture thus rely heavily on sharing (understanding, recognition, inspiration and collective practice) of community members and their social conscience of the importance of maintaining and maintaining

¹⁴ Mori Kogid, Kasim Mansur, Dullah Mulok & Wilson Akmadia.2009. *Industri Kecil Dan Sederhana (Iks) Dan Pinjaman Kewangan Di Sabah: Satu Analisis Empirikal(Small And Medium Industry (Sme) And Financial Assistance In Sabah: An Empirical Analysis)*, pp.186

culture. Attempts to preserve cultural existence are usually done through an understanding of cultural constituent elements such as beliefs, values, or customs.

The more members of society understand, recognize, animate and practice their beliefs, values, or customs and the higher their level of consciousness, the culture of society will become more and more sustainable, and vice versa Culture is a collective phenomenon, then the right of cultural ownership is not on individuals per individual but in the community. Although the subjects (cultural actors) and objects of cultural studies are human beings, but culture is not solely related to humans as individuals but with humans in their positions as part of society.

Culture and society are like two sides of a coin. As long as there is culture there must be society and vice versa. The existence and preservation of such a culture depends on sharing (understanding, recognition, inspiration and collective practice) of community members and their social conscience of the importance of maintaining and maintaining culture.¹⁵

There are several definitions of culture, firstly, culture as something rational, or of course a cognitive category: culture becomes explained and understood as a general state of thought. This concept contains the idea of perfection, a goal or aspiration about individual achievement or emancipation. In one culture can be a reflection of a highly individualist philosophy and on the other is an example of a philosophical commitment to the particularity and diversity, even the 'privilege' or superiority of mankind.

Second, culture as a more collective and collective category: culture means a state of intellectual and / or moral development in society. It is an attitude that links culture with the idea of civilization and an attitude inspired by Darwin's evolutionary

¹⁵ Achmad Sobirin, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi, Yogyakarta: Unit Penerbit dan Percetakan, YKPN, 2002, p. 58*).

theories (1809-1882) and inspired groups of social theorists now known as the 'early evolutionists' who spearheaded anthropology, with their competitive views of 'degeneration' and 'progress', and linked this effort to the nineteenth-century imperialism. Nevertheless, this view adopts culture into the realm of collective life, not into individual consciousness.

Third, culture is a descriptive and concrete category; culture is seen as a large collection of works of art and intellectual work within a given society: It is the use of everyday language for the term 'culture' and includes insights about particularity, exclusivity, training or special knowledge or socialization. It includes a very well-established view of culture as a symbolic realm that is deliberately produced and then settles; although the symbolism is esoteric.

Fourth, culture is a social category; culture is understood as the whole way of life owned by a group of people; this is a pluralist and potentially democratic sense of culture that has become a point of interest in sociology and anthropology and, more recently, in a more local sense, in the realm of cultural studies.¹⁶

The role of culture for both countries is very strong to shape the identity and character of the community. Culture becomes clearly illustrated by the relationships that occur between individuals and individuals, groups with groups, individuals and groups are intertwined to create social ties that are no longer restricted to relationships or kinship, but social bonds that are general. The bonding is due to the shared values in the culture that make it easier for them to communicate well.

The existence of mutually supportive individuals develops into a sustainable social capital, through generations. This condition is characterized by the absence of more social barriers, caste, economic status, ethnicity and even religion. Interaction like this is what makes social relations as a media balancer in

¹⁶ Chris Jenks, *Culture, Studi Kebudayaan*, Terj. Erika Setyawati, Yogyakarta: Pustaka Pelajar, 1993, p. 9-10.

various problems that occur in the environment that is generally symbolic.

Interaction between individuals or groups related to the existence of culture, which actually has a central role in ensuring the balance and homeostatis internal of a system as a whole. Culture must provide a symbolic environment conducive to social actors moving toward their goals, and should keep. and maintaining cooperation and unity among these actors in view of the various obstacles in achieving those goals. Thus, culturally it should mean the existence of shared beliefs, interests and ideologies that serve to legitimize the social order.¹⁷ The benefits gained from social bonds are not only applicable to local communities, but in a more macro-size, because that becomes a region or a state becomes strong as long as the conditions of mutual social ties are maintained.

In cultural conferences, the role of value is important. Cultural definitions are also very diverse; when culture is defined as a set of attitudes, values, beliefs, and behaviors shared by a group of people, communicated from one generation to the next reflects a sociopsychological construct, a commonality in a group of people in psychological phenomena such as values, attitudes, beliefs and behaviors. Consequently, members of a particular culture experience similar phenomena while members of cultures in different societies do not experience them. On the other hand, culture is often associated with entity, ethnicity or nationality, a person from a country or region is often analogous to his or her tribe, regionalism, or nationality.

While this principle is not a guarantee, it is easier for the majority of people to signal a person's culture to their geographic origin. Analytically, racial cultural geographical stereotypes are not always congruent with the actions of the cultural members. In Javanese society for example, if people's actions do not

¹⁷ Chris Jenks, *Culture, Studi Kebudayaan*, Terj. Erika Setyawati, Yogyakarta: Pustaka Pelajar, 1993, p. 37.

reflect Javanese culture, exposed to *ora Njawani* stereotype. This signifies the value in the non-sterile culture of the person's personal inner condition in interpreting the culture around him. The disagreement between the substance of the population and the dominant cultural stereotype of the state of the population population is the form of individual-psychological construct as well as social-macro construct. That is to some extent, culture exists in each and every one of us individually as well as existing as a social-global construct. Individual differences in culture can be observed in people from one culture to the extent to which they adopt and engage in attitudes, values, beliefs, and behaviors that, by consensus / agreement, shape their culture.¹⁸ Efforts to maintain collective awareness can not be separated from the collective needs as well, including in the economic field.

SMEs, although they have capital problems, but it cannot be deny that these business grow in Indonesia and in Pekalongan specifically and also in Malaysia. Some of the conducted researches show that SMEs are grassroots business that resistant to crisis. Why is that? And what makes SMEs keep survive when economic crisis happens? The answer towards capital problems of SMEs, all these times could be provided by BMT and Cooperatives. Because of the complexity of banking credit requirements, it makes SMEs managers find another alternative to get their capital needs, one of their choice is through BMT (*Baitul Maal Wat Tamwil* = Integrated Independent Business Office) which is a micro financial institution which operated with the principles of profit sharing, cultivate SMEs businesses, in order to raise the poor's level and dignity and also saving and loan cooperatives. Other than that, businessmen are also looking for capital loans through cooperatives.

The cooperative's work concept that is based on the principle of kinship and mutual cooperation, are really appropriate with

¹⁸ David Matsumoto, *Pengantar Psikologi Lintas Budaya*, Yogyakarta: Pustaka Pelajar, 2008, 6-7).

the Indonesian society's character that favors cooperations and mutual help. That is why cooperatives became closer towards the heart of Indonesian society and Pekalongan society, specifically. Meanwhile, the Micro, Small, and Medium Enterprises (MSMEs) that bloom in Pekalongan, also has a strategic contribution in the effort of poverty alleviation. Awareness to cooperate between business actors in social ties is no longer controlled by ethnic, political, ideological and even religious equality, but the similarity of needs.

Humans are individual beings as well as social beings. He can not live alone without the help of others. Although diverse, humans also have some of the same goals in life, for example in achieving prosperity. Humans can not achieve their goals alone or even drop each other. There is interdependence and help each other. Cooperation is an effort to help each other and strengthen each other in reaching common goals. Therefore, cooperation will create synergies to better ensure the achievement of life goals in harmony, Islam teaches humans to work together in trying or realizing prosperity.¹⁹

Equal needs make productive relationships, and opposite needs that are no longer the same, or when one party is more concerned with its own interests, then what appears is a counterproductive relationship, even lead to exploitative behavior. Cooperation involves many parties, this means that many values are felt equal to be accepted and believed by all parties, then tie all the considerations of feelings that shape social behavior, and are mutual. Therefore, cooperation is actually a sociopathologically-constructed culture, because in the group of individuals it has developed values, beliefs, attitudes, and behaviors that respond to the values, beliefs, attitudes and behaviors of other individuals. The response itself is not always the same, and this is what makes humans into dynamic beings.

¹⁹ Pusat Pengkajian dan Pengembangan Ekonomi Islam (P3EI), *Ekonomi Islam*, Jakarta: RajaGrafindo Persada, 2015, p. 68.

The type of response is most likely to be influenced by the perception of the person himself in assessing the changes around him. For example, a lonely trading condition for one individual becomes a fatal problem for business continuity, but for others it can be a motivator for innovation and renewal. Human instinct also plays a role in building communication and behavior. In an effort, instinct is the main driving force in humans as well as for its survival (such as lust, fear, and the drive to compete).

The urge of need or desire makes one do something. How a person's actions arise, needs to be analyzed. In the previous chapter it was explained that work is a spiritual activity. Soul activities are not just motor activities, that is activities with movements or muscular actions, but includes also cognitive activities, namely activities to know; emotive activities are activities to feel. Any manifestation or embodiment of life can be called activity. Motives are the basic reason for acting, an energy from within the individual that causes the individual to do or act actively, because it is addressed to a particular goal in order to achieve it.²⁰

Business continuity is also determined how instinct controls human behavior and responses to changes in the business environment. Growing instincts are essentially universal, multi-ethnic, multicultural and multi-religion. This component that unites various human circles, both in Indonesia and in Malaysia. Chronology of the development of human life is complex, including physical and spiritual, financial and non financial. Constraints that appear on the micro scale, also have an impact on the macro scale, the resilience of the business in individuals that occur in many layers of society will have a broad impact to a macro scale, namely at the state level. To that end, issues including the capital field faced by even small-level entrepreneurs will have a systemic impact on a large level.

²⁰ Ki Fudyartanta, *Psikologi Umum*, Yogyakarta: Pustaka Pelajar, 2011, p. 156-157.

The state as a social group occupying a certain territory or region, organized by the power of government to realize its objectives through the policy that is run. Included in the development of small and medium enterprises that support the national economy. The country as a facilitator always seeks to help entrepreneurs solve the problem either from the supply side of raw materials, production, capital, labor, marketing. The portion of capital is generally taken either through the banking world and non-banks such as BMT and cooperatives.

The existence and the role of BMT and cooperatives in Indonesian and Malaysian economics are undoubtedly. As a country with the biggest Moslem population, BMT and cooperatives has proven flexible to be the partner of MSMEs in the face of economic crisis. The development of BMT and cooperatives as the basis of microeconomics strengthens the Indonesian grassroots economy. In fact, at this time there are an increase of the number of cooperatives that have been able to produce a product in the form of goods and services to meet the domestic needs. The production process that managed by cooperatives is usually run with the labor-intensive models, and in collaboration with MSMEs therefore, cooperatives has a big contribution toward employment in Indonesia. The growth of enterprises in Pekalongan in the last 5 years has the amount of 172 enterprises with the amount of labor of 10.769 workers (the Central Java Central Agency on Statistics's data, up to 2013). Meanwhile the BMT development data in Central Java where the city of Pekalongan is included, there are 360 BMTs (Central Java Sharia Cooperatives Center, 2012).

Cooperative's and BMT's working concept are familiar with the characteristics of Indonesian society which majority are muslims, that is mutual help and cooperations. That is why cooperatives become close to the heart of Indonesian society. Meanwhile, the MSMEs, that blooms in our country, also has a strategic role in the poverty alleviation. Their growth and

development, cannot be separated from the BMT. Therefore, SMEs, BMT and cooperatives are two things that have mutualism symbiosis.

SMEs, BMT, and cooperatives, are going together and help each other all this time, the cooperation form or model that undertaken all this time, is not limited in the financial sector alone, but also covers the marketing and production sector. A form of cooperation in the financial or capital sector, that is by using revolving fund. The management of this revolving fund, is held by cooperatives to support MSMEs capital so that their operation could running well. It is a general truth, that the difficulty of capital that often suffered by micro businessmen has not yet been able to be solved by the banking system. The biggest obstacle that hinder the banking lines of communication towards micro businessmen is the matter of business documents. Besides, the installment payment systems that strict with the profit sharing are often become a pressure for the micro businessmen.

Related to micro businessmen in the city of Pekalongan that is not yet been able to access the funding or receive financial support from banking, than it is necessary for a system or patterns of cooperation that could bridge the issue. In this case, BMT and cooperatives are considered to be an answer that could help. The importance of BMT and cooperatives' role in developing SMEs in Pekalongan pushes the researcher to conduct a research that has a purpose to find an answer by finding a proper model. The model which is expected to be able to help the growth and development of SMEs in Indonesia, specifically in the city of Pekalongan and in Malaysia, specifically in Kuala Lumpur, is through the pattern of revolving fund that managed by BMT and cooperatives.

The growth and development, cannot be separated from its association with cooperatives. Therefore, SMEs on a side and BMT/cooperatives on the other side are two things that have

mutualism symbiosis. Therefore, the study on the development of small-scale enterprises and capital in the two countries that have cultural similarity needs to be done to determine the level of problems and the completion of any constraints that affect the sustainability of small and medium enterprises. Thus, this study provides input or recommendation for related parties, such as industry, trade, small business, tourism, banking and cooperatives in order to synergize in encouraging small business development.

Sociological and anthropological batik efforts have contributed to the resilience of business and strong cultural solidarity for a nation. Dimensions of cooperation, environmental and ecological concerns become the next concern after batik business worldwide. In accordance with the principle of non-object culture, then creativity, business mentality following the stage of spirituality becomes very important to be taken into account. Small business empowerment, although initially only related to capital, is not really that simple. Self-capacity, confidence in business issues becomes higher in times of business in a safe situation. The macro impact also makes people become more solid and have good economic, cultural and political resilience.

C. Research Questions

Strategic issues concerning small business potential can be grouped into several fields according to the business structure. The questions are:

- (1) Strategic issues of capital
 - a) How is the capital management model undertaken by batik craftsmen community?
 - b) How do batik artisans raise funds to overcome lack of capital?
 - c) How do Indonesian and Malaysian governments play a role in facilitating capital assistance to batik craftsmen?

- (2) Strategic issues in the field of resources
 - a) What is the level of resource availability of raw materials, such as cloth and *malam*?
 - b) How does the craftsman overcome the shortage of the raw material?
 - c) How do the governments of Indonesia and Malaysia play a role in addressing the shortage of resources?
 - d) How will the impacts arise from resources for the development of batik business?
- (3) Strategic issues in the field of production
 - a) How batik craftsman manage the production sector?
 - b) What is the role of the Indonesian and Malaysian governments to assist production?
- (4) Strategic issues of marketing.
 - a) How is the marketing strategy done batik craftsmen?
 - b) How batik craftsman overcome the problems that arise in the field of marketing?
 - c) What is the role of the Indonesian and Malaysian governments to help the market batik products?
- (5) Environmental issues.
 - a) How is the concept of batik production associated with the environment, both the social environment and the natural environment?
 - b) What is the role of the Indonesian and Malaysian governments in helping to deal with environmental problems as a result of batik production?

D. Literature Review

The study of small business has been done. more than 90% of small and medium enterprises come from outside the agricultural sector. Generally they also still face many obstacles

that greatly affect the sustainability of their business. They usually consist of strict rules, low technological and human resources and low competitive mentality or soul. In macro the problem becomes a fundamental problem for the sustainability of small business in a country.²¹

Indonesia is not the only country facing that unfavorable situation. Malaysia for example, the same problem also requires serious handling. Capital access to financial institutions is less than their internal capital sources such as family savings or loans from siblings. Thus the role of financial institutions in Malaysia to the small business world can not be felt.²²

In addition to capital, many problems that cause the development of small businesses become less significant. Cooperation, products, ability to focus on markets, supportive consumer management and leadership basically also contributes to the success of small and medium enterprises. The weakness of leadership management in making decisions to overcome the lack of capital can also be fatal to the business undertaken. The mistake in managing finance or credit will not only harm the business itself, but will have far-reaching impact on the fate of the workers and the economic development both regionally and nationally.²³

Human as a business management element is not only determined by the material, but the level of ability of spirituality and mentality becomes a major requirement. Academically,

²¹ Tambunan, T. 2007. "Development of SMEs in A Developing Country: The Indonesian Story", *Journal of Business and Entrepreneurship*, 19, 2, pp. 60-78.

²² Kogid, M., Mansur, K. Mulok, D. & Akmadia, W. 2009. *Industri Kecil Dan Sederhana (Iks) Dan Pinjaman Kewangan Di Sabah: Satu Analisis Empirikal (Small And Medium Industry (Sme) And Financial Assistance In Sabah: An Empirical Analysis)*, pp.185-198

²³ Yoshindo, N., Hesary, F.T. 2015. "Analysis of Credit Ratings for Small and Medium-Sized Enterprises: Evidence from Asia", *Asian Development Review*, Vol 32, No. 2, pp.18-37; Moha Asri Abdullah, Siti Khadijah Abd. Manan, 2011, "Small and Medium Enterprises and Their Finance Pattern: Evidence from Malaysia", *Journal of Economic Cooperation and Development*, 32, 2, pp. 1-18

spirituality is reflected in the values one believes to shape its actions and behaviors. The mentality of entrepreneur also influences one's fighting power in running his business.

In certain circumstances it is not possible to continue a job without any guarantee of the possibility of success of the work. We are very familiar with human desire to gain self-confidence and we see people actually have it. Sometimes it comes from religious faith. When circumstances reversed, his confidence would be lost and thus his life was no longer meaningful. A religious person who loses faith must think his life has lost its meaning. But fortunately that he can get from God is not only a guarantee of achieving life goals, but also the forgiveness of the sins he committed, the opportunity to go on living even if he had made a mistake.²⁴

Unyielding attitude, constantly innovating, confident or even vice versa as easily give up, despair, and so very influential for business endurance. The urge of need or desire makes one do something. How a person's actions arise, needs to be analyzed. Work is a spiritual activity. Soul activities are not just motor activities, that is activities with movements or muscular actions, but includes also cognitive activities, namely activities to know; emotive activities are activities to feel. Any manifestation or embodiment of life can be called activity. Motives are the basic reason for acting, an energy from within an individual that causes the individual to act or act actively, because it is addressed to a particular goal in order to achieve it.²⁵

The involvement of spirituality into the management of business and small and medium-sized enterprises in

²⁴ Karl Britton, *Philosophy and The Meaning of Life, Filsafat sebagai Lentera Kehidupan*, terjemah Inyik Ridwan Muzir, Yogyakarta: Ar-Ruzz, 2010, p. 215-216.

²⁵ Ki Fudyartanta, *Psikologi Umum*, Yogyakarta: Pustaka Pelajar, 2011, p. 156-157

decades has been widely practiced. The values of spirituality in developed countries based on the concept of modern management, it dominates the discussion about profit and loss, product diversification, and marketing and promotion strategies mathematically. Initially it was an estimate, but Gay Hendrick, a professor at the University of Colorado, and Kate Ludeman, a psychology doctor and consultant to Chief Executive Officers (CEOs) and executives of the world's top companies, managed to prove it, then explain it in a book called *The Corporate Mystic*. Based on these observations, both are sure to find a true mystic (spiritualis) in the conference room of major world-class companies, not in places of worship. According to both, the mystic and owner or CEO can apply the spiritual values in their respective companies. Sustainability business issues, although based on modern management concepts and strategies, they still refer to the basis of human existence, the spiritual values. Thus, the application of non-spiritual spiritual principles becomes significant in this regard.²⁶

The potency of muslims as social capital and religious capital that are significant towards SMEs' tenacity. On the other side, financial capital become a massive current issue for the continuity of SMEs. Therefore, a collaborative-integrative role from the college line or academicians who have the academic scientific potencies must extract fundamental values and issues. The next line is the government institutions both local and central government. The importance of making policies are obviously need recommendations or result of the studies from the previously conducted research so that become a policy academic based. The next tripartite line are the SMEs businessmen themselves, which are adaptive and cooperative in their business development. Beside cross cultural, the SMEs

²⁶ J. Syahban, *Energi Ketuhanan Untuk Berbisnis*, Yogyakarta: Diva Press, 2009, p. 112-113.

development also needs to be conducted through cross policy and cross institution.

In the city of Pekalongan, the development of SMEs are also affected by the working pattern on both internal and intra-SMEs, that commonly known as contractor and sub-contract pattern, besides saving the cost product, indirectly strengthen the social capital with the smaller-scope businessmen. For big businessmen, there are some benefits, that are: 1. Cheaper labor on smaller industry, 2. The tools on the small industry are simpler, so that the depreciation is smaller, 3. Efficiency on small industry because the tools are more specific, 4. The market's dynamics does not weighing the contractor to take an adjustments towards the facility or labor, 5. More efficient cost, 6. Warehouse is not needed. For small businessmen, some of the benefits are: 1. Production continuancy, 2. The acquire of technical and management guidance, 3. Down payment, 4. Raw material supply.²⁷

The access weakness is heavily influenced by both internal both technical and non-technical such as: knowledge, motivation and trust, and external both technical and non-technical such as: cheap financing, socialization, marketing, location, travel time, service, etc. The entrepreneurial process itself doesn't occur instantly, but requires a series of phases. There are 4 (four) phases for anyone who want to establish business, that are:

1. Opportunity identification and evaluation. This task is very difficult. Almost a good business opportunity is not easily visible, but it is more of a sharpness, the alertness of noticing potential opportunities. Although the entrepreneur does not have a formal mechanism in business opportunity identification, they seek for opportunities sources through: customers, business associations, members of the distribution system and Technicians.

²⁷ Saleh, Irsan Azhary. *Industri Kecil, Sebuah Tinjauan Dan Perbandingan*, Jakarta: LP3ES, 1986. P. xvii

2. Making a business plan, and usually entrepreneurs does not prepare business plan beforehand, nor does they have enough information sources to develop a good business plan. Important business plans are owned because they are used to develop opportunities, determine and plan the necessary resources, and how to manage the business.
3. Determining the needed resources. The first thing to do is to assess or estimate the currently owned resources. The important resources and the auxiliary resources are then selected. The adequacy and suitability of resources need to be assessed. At the beginning of the business, it requires more ownership by the entrepreneur, not from loans or aid.
4. Company Management. After the necessary resources are available, the next step is to allocate the implementation phase of the business plan. The structure and style of management is required in the implementation stage, as well as the variables or success factors are identified. Although these 4 phases run progressively, but it is not necessary for a phase to be completed to proceed the next phase, but is done simultaneously.²⁸

The revolving fund become a program that factually applicative to solve the problems of SMEs development with muslim businessmen. The society's economic competitiveness is projected will rise with the competitive financial support. Financial education that is reliable, transparent, on time, and sustainable; the enterprise's financial accountability will affect the SMEs development acceleration program, poverty alleviation and increase employment, in both Indonesia and Malaysia.

An enterprise unit's management quality has a strong relationship towards the financial performance.²⁹ Therefore,

²⁸ Soeharto Prawirokusumo, *Kewirausahaan dan Manajemen Usaha Kecil*, Yogyakarta: FEB UGM, 2010.

²⁹ Said, I. Omran, A., Abas, Z. 2009. "The Relationship Between Quality Management, Strategic Control Systems and Financial Performance of

financial become an important capital for an enterprise's continuity. In developing countries, the financial problems on the level of small and medium enterprises have their own characteristics, related to the internal financial sources such as the family savings capital and external financial sources such as financing from financial institutions both bank or non-bank, such as BMT and cooperatives.

The definition of SMEs in both Indonesia and Malaysia are generally based on the criteria of the number of labors and the amount of capital used (for Indonesia), the number of labor and the level of product sales per year (for Malaysia). From the SMEs criteria on both countries, it is clear that financial capital includes how the financial access become an especial concern. The financial capability will determine the rate of enterprise's development: payment pattern, output amount, promotion, product type, innovation, etc. The businessman's accessibility towards external financial source such as BMT and cooperatives become a form of each government's attention to encourage the SMEs' capability.³⁰ Businessmen characteristics such as innovative, creative, never give up, confident, business minded, etc really determine the business attitude. Frequently, consideration of risk that assessed high in SMEs activity also become an important aspect for the financial managers, both bank and non-bank. In brief, financial and financial institutions contributes significantly in the SMEs' development and innovation strategy.³¹

At the level of small and medium enterprises, the meaning of work is no longer limited to payments only related to rewards

Malaysia Local Government", *Annals of University of Bucharest, Economic and Administrative*, No.3, pp. 23-40

³⁰Hung, D. K.M., Effendi, A.A., Talib, L.S.A., Rani, N.A.B.A. 2010. " A Preliminary Study of Top SMEs in Malaysia: Key Success Factos vs Government Support Program", *Journal of Asia Entrepreneurship and Sustainability*, Vol. VI, Issue 1, July, pp. 111-121.

³¹Jarunee, W. 2015. "Challenges of SMEs Innovation and Entrepreneurial Financing", *World Journal of Entrepreneurship, Management and Sustainable Development*, Vol. 11, No. 4. Pp.295-311

or wages, because more than that, social phenomena was also instrumental in business development. The social environment is not just because of the kinship or brotherhood of the lineage involved in batik business. The kinship and neighboring networks are also linked to strengthen their efforts.

E. The Objectives

1. To identify the condition of batik small and medium enterprises in Indonesia based in Kota Pekalongan and Malaysia based in Kelantan
2. To identify the problems that are faced by the SMEs managers in the city of Pekalongan and Kelantan on the sector of financial, cultural, social, enterprise climate, etc.
3. To produce a research based on the conditions that will be encountered on the field, thus lead to idea/ideas for a solution for one of the SMEs capital issues in the city of Pekalongan and Kuala Lumpur.
4. To obtain a development strategy for means of improvements for the quality of business of SMEs by using the revolving fund from BMT and cooperations in the city of Pekalongan and Kuala Lumpur so as to achieve economic independency in their respective countries.

F. Framework of Thinking

Qualitative study on the empowerment of small and medium enterprises batik has managed to collect various phenomena that are not only economic dimension, but social, cultural, natural environment and even religion. It is recognized that batik as cultural richness, national identity and as national industrial wealth.³²

³²Susminingsih, and Imam Kanafi, 2013. "Do The Family Values Still Help Their Finance Decision Making? (Lessons Learned From SMEs Of Pekalongan-Indonesia Batik Industry)", paper presented at *Asia Pasific Conference on*

Religion and spirituality began to color the business stage. The concepts of ethics and morality are involved in business, and almost all major religions explore the rules of business play based on religious arguments. If businesspeople are aware of God's monitoring, they will undoubtedly navigate the various references so that his business is on the path he approves. Actually, God has given the standard of halal and haram in doing business. All sacred texts used as religious guidelines are not mechanism devices that hinder their adherents for economic activity or business. Any religion will not perform isolating mechanisms against its business conductors. Religion provides guidance to maintain sustainability in order to create a better value of life for itself, others, the environment, the state, and religion.³³ These dimensions play a role in the batik business development process. However, entrepreneurs also face various issues related to capital, marketing, resource availability, environmental damage, labor, business competition and so on.

Batik as an economic entity is a testament to people's ability to adapt from previous cultural entities. Previous research has found that there has been a shift in the meaning of batik that at the beginning of history is only worn by the nobility then grew into massive production. Since then also batik business has become the attention of all circles, governments, craftsmen, investors, marketers.

The conditions of small and medium enterprises require an integral empowerment effort. Educational institutions, government and society as batik craftsmen are the pillars of empowerment. Educational group with research and devotion, government through policy and society through its entrepreneurial idea. Tripartite relationships are helpful for identifying a growing business model in a region or country,

Accounting and Finance, Prama Sanur Beach Hotel, Bali, Indonesia, June 11-12.

³³ J. Syahban, *Energi Ketuhanan Untuk Berbisnis*, Yogyakarta: Diva Press, 2009, p. 70-71.

identifying problems facing batik craftsmen as well as identifying available resources.

Entrepreneurship depends not only on the internal quality of the entrepreneur, but also relates to the relational quality that the entrepreneur themselves can build. Social networks are important for every stage of entrepreneurship. Opportunity-seeking entrepreneurs can gather information from the second hand of family, friends, and acquaintances as a direct observation substitution of their own. Access to elite social networks is typically useful for the discovery phase, at this stage, high-value opportunities are equally available. An entrepreneur who wants to be the first to exploit will harvest access to journalists who will handle him for the first time in their publications.

Physical networkings are also very important. Without physical networks, goods and services are unable to reach the broad market. Without a long-distance transport network, the project remains small; Entrepreneurs are advised to make small-scale operation replications in many locations to reach markets globally rather than making a single large operation to serve the global marketplace. Remote communication networks are also important; All of these networks allow information to reach a variety of locations to be synthesized in the project discovery process, as well as facilitate long-distance trade co-ordination (i.e. via postal services and telecommunications networks).³⁴

In the aspect of empowerment, it is necessary to form the character of entrepreneurs. Character owned entrepreneurs have a very specific quality, namely:

1. Innovative

An innovation can be defined as a successful implementation process in which new creative ideas are put into practice within an organization. Innovation is a

³⁴ Mark Casson, *Entrepreneurship, Teori, Jejaring, Sejarah*, Jakarta: RajaGrafindo Persada, 2012, p. 29-31

statement of a new concept, procedure and or technology within an organization. Things that must be understood as an innovation are things such as tangible that essentially increases profits, and is recognized as a change from the previous routinity, this is what King and Anderson has discovered.³⁵

Every human being has tremendous potential to develop innovation and creativity. This potential comes from sincerity, determined intentions, clear life goals, high commitment to reach goals, and the ability to collaborate. This potential is seen through new ideas that are usually vulnerable and too easily affected by criticism. However, the creativity embodied in the form of innovation can also cease when the following things happen or occur:³⁶

- a. Strict supervision: Continuous observation and inspection. This greatly obstructs the freedom needed for creative thinking.
- b. Evaluation: Criticism that is too early or too sharp. Creative ideas should be criticized, because not all ideas has the same quality (good), or promising so it needs to be filtered through criticism, but evaluation becomes counterproductive when it suggest like a judgmental.
- c. Excessive Control: Detailed management at each stage undertaken. Like strict supervision, it makes people feel very uncomfortable, and keeps them out of bringing up their original ideas.
- d. Unnegotiable deadlines: Extremely tight schedules that create panic. While there are pressures that invite

³⁵ Sascha Kraus et.al., 2011. "Innovation in Family Firms; an Empirical Analysis Linking Organizational and Managerial Innovation to Corporate Success", *Review Management Science*, DOI 10.1007/s11846-011-0065-6, p. 4.

³⁶ Abd. Kadim Masaong and Arfan A. Tilome, *Kepemimpinan Berbasis Multiple Intelligence (Sinergi Kecerdasan Intelektual, Emosional dan Spiritual untuk Meraih Kesuksesan yang Gemilang*, Bandung: Alfabeta, 2011, p. 29-30.

motivation, and time limits and targets can focus our attention, pressures and time limits can eliminate “leisure time” that are productive for the rise fresh ideas.

2. Having the Spirit of Leadership

Entrepreneurship is sometimes also understood as a matter of leadership in a particular context, that is the context of discovering, evaluating and exploiting opportunities to create goods and services.³⁷ Besides, also on the intersection between the ability of a person’s business (making someone want to run a business) with the existence of business opportunities.³⁸ There are also others who understand entrepreneurship as a leadership in a special context, where the context is defined as a combination of discovery, evaluation and exploitation to create goods and services. Entrepreneurship becomes a special case of leadership problems (so called social leadership), as stated Schumpeter. In fact, he distinguishes it from other forms of leadership in which one is able to “form” a company rather than to manage its existence.³⁹ Leadership problems are as old as the human history, therefore leadership requires humans. There are some reasons that society or organizations can not run without a leader:

- a. Because many people need a leader figure.
- b. In some situations a leader needs to be present to represent his group.
- c. As a place of risk taking in the event of pressure towards the group.

³⁷ Claudia C. Cogliser, et.al, 2004, “The Intersection of Leadership and Entrepreneurship: Mutual Lessons to be Learned”, *The Leadership Quarterly*, 15, p. 774

³⁸ S. Shane & Venkataraman, 2000, “The Promise of Entrepreneurship as a Field of Research”, *Academy of Management Review*, 25, p. 218

³⁹ J. Schumpeter, 1934, *Capitalism, Socialism and Democracy*, Vol 14, New York: Harper and Row.

- d. As a place to put power. However, in everyday understanding there is often overlap between the use of the term leader and manager. In practice, a person who is supposed to perform a leadership function is performing more like a manager, but there is also someone who has a manager position, but demonstrating a leader's ability in practice.⁴⁰

3. Decision Making

Taking that will be actualized into group activities is the right and obligation (responsibility) of the top leadership in the form of authority, and the authority can be delegated. In the delegation of authority, it does not imply that the competent authority may make decisions or engage in the activities of his will, but shall remain within the limits of the norms and general policies prevailing within his organization. The delegation of authority must be accompanied by responsible assignment. Responsibility shall be construed as a requirement or obligation to execute the delegated authority in a good and right manner, and submit reports on the implementation or the results to the authority, in order to avoid misuse or deviation.⁴¹

4. Entrepreneurial Behaviour

Behavior starts from the observation as the first door to the outside world. Every human is locked in the natural physical capsule of their body. Through the senses, the signs of the outside world that are referred as various stimuli. How the stimulus is encountered, can be explained in the following physiological studies:

⁴⁰ Veitsal Rivai & Deddy Mulyadi, *Kepemimpinan dan Perilaku Organisasi*, Jakarta: RajaGrafindo Persada, 2013, p. 1-2.

⁴¹ Veitsal Rivai & Deddy Mulyadi, *Kepemimpinan dan Perilaku Organisasi*, Jakarta: RajaGrafindo Persada, 2013, p. 31.

The five senses are possessed by every human, which are:

- a. The sense of sight —————> eyes,
- b. The sense of hearing —————> ears,
- c. The sense of touch —————> skin,
- d. The sense of smell/taste —————> nose/mouth, and
- e. The sense of balance —————> brain.

Through the five senses, the stimulus reaches a person and is passed on to the central nervous system that composed of the brain and spinal cord. The arrangement of peripheral nerves is the link between the senses and the central brain on the one side and between the muscles, the glands with muscles, and the glands with the brain on the other side. Basically, the path which is traversed by the stimulus is the same. Stimulus is accepted by the concerned senses, through the peripheral nervous system to be forwarded to the central brain. Here, the information is processed and if necessary, the appropriate reaction is selected through the muscles and glands.

From the stimulus that gets the reactions by the human senses, the next process is the appearance of perceptions, i.e. the perception of a person in response to stimuli captured by his senses. In accordance with the nature of a person, another element that plays an important role in the process of perception is the individual needs, per person. Two people in the same room will have different observations about the room, mainly because of different experiences, in addition to each pattern of needs leads to different perceptions. Things that concern the pattern of needs will attract attention. To this point, some elements play a role in the process of perception. Not all elements have been discussed, and those which have been discussed, it wasn't deeply. In fact, observations depend on the number of elements present in each individual. The environment of each individual

can not be considered as the same one another. Basically, perception is selective.⁴² For entrepreneurs, the response to the stimulus that appears and is manifested in changing business environment conditions becomes the determinant of how entrepreneurs behave and adapt.

Actually, all behavior is a series of activities. People always do something, like walking, talking, eating, drinking, sleeping, working, etc. In many ways, humans do more than one activity at a time. At some point someone may decide to change one or a combination of activities and start doing something else. In studying behavior, discussion of attitudes is also important. There are 4 (four) discussions in the issue of attitude and behavior, namely: (1) Attitudes and behavior without causality, (2) Attitudes that cause behavior, (3) Behavior causes attitude, (4) there is a reciprocal effect between Attitudes and behaviors, such as attitudes that cause behavior and behavior that lead to attitude.⁴³

In addition, human behavior is essentially plural. Therefore the purpose of behavior is often not just one. In addition to the ultimate goal (primary goal) there is also another goal (secondary goal), for example a small child wants to eat. To get food, he cried. Because of crying, the child is picked up by his mother and given food. At the time he is given food, the main goal is achieved, which is getting food. However, at that moment, he felt the pleasure of being picked up. At other times, if he cries again, he not only wants to eat, but also wants to be picked up while eating. So it appears the secondary goal, which is getting picked up.

As well as in the process of instrumental learning, secondary goals are also achieved through a learning process. However, in

⁴² Samsunuwiyarti Mar'at and Lieke Indieningsih Kartono, *Perilaku Manusia, Pengantar Singkat tentang Psikologi*, Bandung: Refika Aditama, 2010, p. 7-11.

⁴³ Alex Sobur, *Psikologi Umum Dalam Lintas Sejarah*, Bandung: Pustaka Setia, 2009, p. 378.

contrast to the process of instrumental learning, a person seems to deliberately learn a way to gain something, in the occurrence of secondary objectives, there is no problem about intentionally or unintentionally. In secondary objectives, the goal is already present in a situation, desired or unwanted, consciously or unconsciously.⁴⁴

In the practice of human relationship to other human beings, including in entrepreneurship. Behavior becomes very important to build trust. Because with good behavior, comes satisfaction. From the satisfaction arises trust. But there is often also a discrepancy between verbal attitudes and emerging behaviors. For example, the attitude of a person who claimed to be moral may be his or her behavior does not reflect the morality guides. Humans become easily changed or create new behavior can not be separated from the meaning of attitudes that are owned before the behavior is generated.

Attitude can be meant as: (1) The tendency to act, think, perceive and feel in the face of objects, ideas, situations, or values. Attitude is not behavior, but rather a tendency to behave in a certain way toward an attitude object. Object attitudes can be people, things, places, ideas, situations, or groups. Thus, in fact, there is no stand-alone term for attitude. (2) attitude is not just a recording of the past, but also determines whether one should agree or disagree with something; determine what is liked, expected, and desired; And set aside what is undesirable and what to avoid. (3) The attitude is relatively more settled. Studies show that political attitudes of a group tend to be maintained and rarely change. (4) Attitudes have an evaluative aspect; that is to say, contains pleasant or unpleasant value. (5) Attitudes arise from experience; Not brought from birth, but is the result of learning, (6) Attitudes have aspects of motivation and facets of feelings. It is this characteristic that distinguishes

⁴⁴ Alex Sobur, *Psikologi Umum Dalam Lintas Sejarah*, Bandung: Pustaka Setia, 2009, p. 293-294.

attitudes rather than the skills or knowledge that people possess, (7) attitude is not independent, but always contains a certain relation to an object. In other words, the attitude is formed and can be learned.⁴⁵ Attitude is defined as a tendency to do or to anticipate something. How does a person's attitude when faced with pressure. How does one look at the future. How does one look at others? How does one's attitude in facing failure and so on. Thus, in the attitude is contained values that include intentions, beliefs, knowledge, and view of life.⁴⁶

In interacting with knowledge, environment, human attitudes are made up by a variety of factors: first, the accumulated experience of similar types of responses. Someone may interact with various parties who have the same attitude towards a thing. **Second**, the observation of different attitudes. A person can determine the attitude of pro or anti against certain phenomena. **Third**, experience (bad or good) that has ever experienced. **Fourth**, the result of imitation of the other's attitude (consciously or unconsciously).

Another factor that plays a role is the internal factor within the person, namely his own selectivity, his own choice, or his interest in receiving and processing various influences that come from outside of himself. Thus, in the attitude formation and alteration, there are internal and external individual factors that play a role. Human behavior is dynamic, changeable, and always moving, as the movement of human life itself. Human is different from animals, because animals can only move (be), but not able to grow/develop (becoming). Animals are unable to change themselves to a higher place or higher dignity. Unlike humans, he moves and then with his powerful mind power and spiritual power he is able to grow and develop himself to achieve

⁴⁵ Alex Sobur, *Psikologi Umum Dalam Lintas Sejarah*, Bandung: Pustaka Setia, 2009, p. 361-362.

⁴⁶ Toto Tasmara, *Spiritual Centered Leadership, Kepemimpinan Berbasis Spiritual*, Jakarta: Gema Insani, 2006, p. 1

success. Human is present in the earth not just being, but he must “become”, must change.⁴⁷ The process of being relates to the position of human as *khalifah*, as the representative of Allah SWT with the task of leading themselves and their environment.

Moreover, humans deserve to be placed higher than animals, because they have different adaptability to animals. Including adapt to all the changes and problems that arise in human life, everything beyond the ability of animals. In adapting, humans are not entirely dependent on their genes. Humans are able to adapt to new situations. Within this limit, this ability depends on the person's self. This does not mean that animals do not have the ability to adjust at all. In contrast, especially high-grade animals, they are quite flexible. However, these self-adjusting abilities fall out due to the possibilities that humans have. Animals depend on the reflexes and instincts, and the environment that surrounding them. Both reflex and instinct is a very important innate behavior (*aangeboren*) that is very important (*noodzakelijk*) to survive (*overleven*) absolutely/necessary. Human can learn to behave in a certain environment until he can survive. Adjustment of self-behavior and adjustment from the environment concluded that human in various environments knew how to act.⁴⁸

In this study also studied the development of business development is viewed from the human point of view as a resource that determines its behavior based on the role of culture, as well as the well-imbued values that come from religion. However, batik business actors have behaviors and actions that can be analyzed using a socio-economic approach. Two interconnected issues.

First, batik business has proved that as a human being, artisans can not work alone, whether employers or workers,

⁴⁷ Alex Sobur, *Psikologi Umum Dalam Lintas Sejarah*, Bandung: Pustaka Setia, 2009, p. 363.

⁴⁸ Samsunuwiyarti Mar'at and Lieke Indieningsih Kartono, *Perilaku Manusia, Pengantar Singkat tentang Psikologi*, Bandung: Refika Aditama, 2010, p. 43.

nobody can keep the business in a way to be alone, but must develop the widest possible interaction. Batik business that runs with a subcontract pattern reinforces the interaction that is no longer restricted status relatives, relatives or not. Who can meet the needs of production then he will be a relation. As a social creature, batik craftsmen also have social characteristics. The treatment of others revealed in the bond of "brotherhood" (*duluran*), has the meaning that social bonds have fostered stronger bonds like siblings. This bond has a systemic impact in the management of batik business, and followed by other psychic ties, both internal and external. Internally, these psychic bonds incarnate in thoughts and actions taken batik craftsmen, such as patient, never give up, work hard and so forth. Externally, this bond stimulates batik craftsmen to develop networks with objects outside themselves such as working together, tolerating, helping and so forth.

Secondly, the batik business has explained that humans, as economic beings, are still considering profit and loss, economic rationality in favor of the fulfillment of food, beverage, clothing and housing needs. The psychic life of internal and external batik entrepreneurs has actualized themselves in the subcontract network. The community of craftsmen rely heavily on the characteristics of work as a form of business realization. The stronger the characteristics of work, the stronger the social order of batik craftsmen community. This work characteristic appears in batik production activities.⁴⁹

Problems that arise in this empowerment study is the high number of dependence of batik craftsmen in both countries on the availability of human and natural resources in the form of raw materials and capital. This dependency significantly affects the mentality and competitive power of entrepreneurship. Geoeconomically, the economy of a region or country becomes

⁴⁹ Baca pula Save M. Dagon, *Sosio Ekonomi, Analisis Eksistensi Kapitalisme dan Sosialisme*, Jakarta: Rineka Cipta, 1992, p. 42-43

affected both in terms of income, transaction value, and purchasing power.

G. Research Method

The method in this research uses in-depth surveys and interviews towards the research object. This research applies qualitative and quantitative research method with sampling method. Samples are taken from the existing research subject population. The source of the data that used in this research is primary data which is taken directly from the field and secondary data as the complements. This research uses descriptive-evaluative approach. According to Arikunto, descriptive research is not intended to test a certain hypothesis, but only describes about a variable, symptom, or phenomenon. While evaluative approach is a process which is undertaken in order to determine a policy by using a technique that develops the thinking framework in order to make a decision.⁵⁰

By considering the research focus, it needs for a research to be conducted with both quantitative and qualitative approach, this qualitative method uses quantitative and qualitative data through desk study, in depth interview, and focus group discussion (FGD) with some key respondents that understand the problems that become the object of the study. This qualitative study used for an output of strategic policy output in the form of the SMEs' managers economic independency strategy through the utilization of revolving funds of cooperatives in the city of Pekalongan and Kelantan, based on the problems found in the field through SWOT analysis model. As for the quantitative study is to process the data for the scientific publication research output. Furthermore, a research will be conducted and the research findings will be published through

⁵⁰ Arikunto, S. 2010. *Prosedur Penelitian Suatu Pendekatan Praktek*, Jakarta, Rineka Cipta.

international scientific journal themed “The Empowerment of Small and Medium Enterprises (SMEs) Through BMT and Cooperatives Revolving Fund in The City of Pekalongan and Kuala Lumpur”. The research direction plan after the proposed activity like the research by qualitative and quantitative method to map the problems through SWOT analysis method and make SMEs empowerment development strategy in Pekalongan and implement the strategy in the form of policy proposal for The city of Pekalongan and Kuala Lumpur government.

The subject of the research in this research is the SMEs managers in the city of Pekalongan and Kelantan. Samples are taken by using the combination of stratified sample and random sample. Random sample is used to determine the poor on the area that will be studied. Based on the used technique, there will be determined an amount of “n” sample from the total SMEs managers in the city of Pekalongan and. After the “n” sample amount is determined, then the data will be determined randomly (stratified random), so that the entire poor society population in the area that made as the subject of the research has the same probability level for become the sample. To determine the amount of sample, the formula is used:

$$R_s = \frac{N_2}{N_3 - N} \cdot \sum_{I=1}^6 d_i$$

The data retrieval technique is taken through questionnaire, interview, and documentation. This dependency succeeds affects the mentality and competitive power of entrepreneurship. Geoeconomically, the economy of a region or country is affected both in terms of income, transaction value, and purchasing power.⁵¹

⁵¹Baca pula Jacob Vredenberg, *Metode dan Teknik Penelitian Masyarakat*,

H. Location

The research location are the city of Pekalongan and Kelantan, Malaysia. As for the research time period and research result implementation is 3 (three) months. The Location of Pekalongan City as one of the cities along the pantura (north coast) is very strategic to reach, either from the east from East Java to the west, West Java and from the south of Yogyakarta, Wonosobo, Banyumas, all can reach Pekalongan City. The distance of Pekalongan City from several other cities such as: Batang: 8 km, Semarang: 101 km, Yogyakarta: 219 km, Surabaya: 448 km, Pemalang: 35 km, Tegal: 65 km, Brebes: 78 km, Bandung: 226 km and Jakarta: 384 km.⁵²

As a city in the northern coastal area of Java Island, Pekalongan City is considered very strategic to be a meeting place of trade activities from various areas. So does with cultural customs. So it is not surprising that in the city of Pekalongan, a diverse cultural background of ethnic such as Arabic, Javanese, and Chinese thrives and loved by the community.

Pekalongan City as the route of vehicles from the west (Jakarta and so on) and the east (Semarang and so on) increases the business growth of both trade, culinary and tourism. This is evidenced by the availability of many industrial, trade, and tourism destinations and restaurant locations that provide various Pekalongan food.

I. Writing System

This book consists of 6 chapters. Chapter I explains the importance of research on batik small and medium enterprises in Indonesia and Malaysia to discover the strengths and weaknesses of batik business management, and the meaning of batik business for a country's economy. This chapter highlights

Jakarta: PT. Gramedia, 1978, p. 32

⁵² Kota Pekalongan dalam Angka 2010/2011, 2010: 3-4

the existence of a relational system based on kinship and neighborhood in batik business. This pattern shows the social psychic can not be separated from the economic psychic batik craftsmen.

Chapter II provides an understanding of Indonesia and Malaysia, starting from the historical side of the founding of the state, the principle, the purpose and the basis of the state, the socio-cultural conditions and economic developments and constraints faced. The description of these two countries shows that both countries grow and develop in the same social cultural setting, the Malay clump. The multiracial, multimediated, multilingual nature of the nation is a positive value that makes these nations a nation that can accept differences. The culture of a calm, comfortable society, avoiding conflict and promoting the attitude of gotong royong make the people of Indonesia and Malaysia have a set of values, norms, adab and ethics of eastern that put together togetherness. In addition, the economic development of both nations strongly relies on independence.

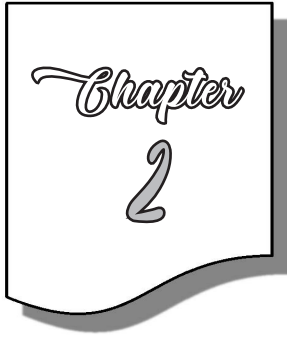
Chapter III illustrates that small and medium enterprises (SMEs) in both countries play a major role in sustaining the national economy. SMEs formed among the community grow on the basis of the principles of togetherness, a democratic economy, independence, balance of progress, sustainability, efficiency of justice, and national economic unity. The development of SMEs is also supported by the capital affairs that are sourced from the government, private sector, banking, loans of non-bank financial institutions, grants, financing from Baitul Maal wa Tamwil (BMT) and cooperatives.

Chapter IV provides an overview of the reality of batik business that has the meaning of adaptation. The existence of batik from generation to generation in both countries is essentially a symbol of social, cultural, economic and ecological adaptation. Batik business describes construction is diverse, even across ethnic and religious. Especially that in the development

Chapter 1 - Introduction

of batik business, the craftsmen also respond to the natural environment that gets the impact of pollution. The response is reflected in the effort to innovate the use of environmentally friendly colors.

Chapter V presents a conclusive conclusion about the theme of empowering small-scale batik businesses through a revolving fund program. The theme explains that the situation faced by batik craftsmen is very complex. Aspects of capital, raw materials, marketing and mentality play a very important role in maintaining the sustainability of batik business. This chapter also outlines the recommendation that small and medium enterprise development be carried out in a sustainable manner by maintaining the ecosystem, the natural, economic, and social environments that have been mastered.



AN OVERVIEW ABOUT INDONESIA AND MALAYSIA

A. Getting To Know About Indonesia

1. The Country's History

The history of Indonesia covers a very long span of time, began in prehistoric times based on the discovery of the “Javanese Man” 1.7 million years ago. The period of Indonesian history can be divided into five eras:

- 1) The pre-colonial era during the Hindu-Buddhist kingdoms as well as Islam in Java and Sumatra which mainly relied on trade.
- 2) The Colonial Era, the entry of Europeans (especially the Dutch) who wanted spices resulted in colonization by the Dutch for about 3.5 centuries started in the beginning of the 17th century until the mid-20th century.
- 3) The Era of Initial Independence, post-Proclamation of Indonesian Independence (1945) until the fall of Soekarno (1966).
- 4) The New Order Era, 32 years of Soeharto's reign (1966-1998).
- 5) The era of reform order that lasts until present day.

Indonesia was born de facto and de Jure on August 17, 1945 by the signing and announcing of proclamation text by IR. Soekarno and Dr. Mohammad Hatta. The state of Indonesia is a country that belongs to the Malay clump and has the largest area compared to allied countries such as Malaysia, Singapore, Brunei.

The Indonesian state is based on Pancasila as the basis of the State. The Basic State is understood as the basis for governing the administration of a state in the field of ideology, politics, economy, social culture, and defense and security. Besides, the basis of the state is the philosophy of the state which is domiciled as the source of all sources of law. The foundation of the state is formulated by the founders of the state which emphasizes the divinity of the Almighty as the foundation of the state life in order to achieve the ideals of the nation that are just, prosperous country for all Indonesian people as listed in the preamble of the 1945 Constitution which reads “Then than that to form a the Indonesian state government that protects the whole Indonesian nation and the whole of Indonesia’s cradleland and to promote the common prosperity, educate the life of the nation, and participate in the implementation of world order based on freedom, eternal peace and social justice,

Constitutional juridically, the position of Pancasila as the basis of the state is stated in the Preamble of the 1945 Constitution in paragraph IV which states

“Then the Indonesian national independence was composed in a Constitution of the State of Indonesia, which formed in a composition of the Republic of Indonesia sovereign people with the basis of the Belief in the one and only God, a just and civilized humanity, the Unity of Indonesia, and society led by wisdom in deliberation/representation, and by realizing a social justice for all Indonesian people “

The word Pancasila comes from Sanskrit which consists of two words: pañca means five and śīla means principle. The

composition of Pancasila is as follows: Belief in the one and only God, the Second: just and civilized humanity, the third: Unity of Indonesia, the fourth: Society led by the wisdom in deliberation/representation and fifth, social justice for all Indonesian people.

Frans magnis soeseno (2012) in Subekti mentions that the first precepts of Belief in the One and only God. The placement of the Belief in the one and only God as the first precept considers that it is neither a secular country nor a country of a particular religion but a safeguard of religious pluralism in society. (Frans magnis soeseno: 2012: 10).¹ Because of the conception, the nation is present in the regulation of religious life so as to achieve harmonious and peaceful religious life by minimizing horizontal conflict. The presence of the ministry of religions is proof that the state is present and regulates religious life in the life of Indonesian society. According to Hamka (2001)², with the Belief in the One and only God, the life of the nation can go well.

The Second Precept: a Just and Civilized Humanity. It is the embodiment of the conception of human life that requires not only vertical life (human and God) but also its social life (horizontal relationship). In the social life of its multicultural and multiracial community, it is realized that the potential for horizontal conflict as necessary, to be fair and have good ethics to others, is an excellent conflict prevention instrument for the creation of harmony, togetherness and social tolerance.

The third precept: Unity of Indonesia. it is the driving force for the pace of development and growth of this nation. As a country that has a very pluralistic culture and religion, then unity is absolutely necessary for the creation of a conducive atmosphere for the country's economic, social, political and

¹ Subekti Slamet, "Pemaknaan Humanisme Pancasila Dalam Rangka Penguatan Karakter Bangsa Menghadapi Globalisasi," *Jurnal IPI* vol 4 2002 p. 148

² Subekti Slamet, "Pemaknaan Humanisme Pancasila Dalam Rangka Penguatan Karakter Bangsa Menghadapi Globalisasi," *Jurnal IPI*. Vol 4 2002 p. 152

cultural development. Indonesia is a country that has a huge territory with thousands of tribes, languages and religions, then unity is the key to sustainability development for the creation of the country's ideals.

The fourth precept: "Society led by the wisdom in deliberation/representation" led to the understanding that the nation's political life is carried out in the framework of democracy which refers to the principle of people's representation through legislative members of the legislature. Decision-making within the House of Representatives was also carried out by mainstreaming deliberations to decide various matters of state.

The fifth precept: Social Justice for all Indonesian people. The understanding of this precept is that the development of the state always puts justice for all the people of Indonesia as the main goal. For that development should be society-oriented who has the meaning of equality, equity for all the people of Indonesia to enjoy the results of development. According to Jam Tinbergen (1978) solidarity is a fundamental requirement for the development of state and society.³

Democracy in the economic system discusses the emphasis of the importance of the people's interests and the livelihood of the people, which stems from popular sovereignty or democracy. Therefore, in the national economic system, it implements economic democracy, which does not want "economic autocracy", as well as political democracy rejects "political autocracy". The government is expected to realize the development orientation to the people in the sense of understanding the people's wishes called "public interest" or "public wants."⁴

³ Swasono Sri-Edi, 2003. "Kemandirian Ekonomi : Menghapus Sistem Ekonomi Subordinasi Membangun Ekonomi Rakyat", presented in *Kongres Kebudayaan V Bukit Tinggi*, 2-023 Oktober 2003, p.6

⁴ Swasono Sri-Edi, 2003. "Kemandirian Ekonomi : Menghapus Sistem Ekonomi Subordinasi Membangun Ekonomi Rakyat", presented in *Kongres Kebudayaan V Bukit Tinggi*, 2-023 Oktober 2003.p.15

Pancasila becomes very valuable for the nation of Indonesia because Pancasila is the nation's philosophy and also reference for all laws applied in Indonesia. In other words Pancasila becomes the source of all legal sources. History proves that Pancasila became the main foundation used to build the nation of Indonesia. Pancasila is structured through a long series of processes. Starting from *BPUPKI* assembly until finally legitimated as the basis of the State by PPKI.⁵

As an integral part of Indonesian culture, Pancasila is, by itself, an open text. As an open text, Pancasila is an open ideology. To make Pancasila a closed-ended text through the singularity of interpretation is the same as to deny the cultural laws that are dynamic and change in line with human life as the actor of cultural creator. Indonesia with its diversity is a place of various cultures (ethnic, linguistic, religious, etc.) where every society with its customs experiences dynamics all the time. Dynamics will ultimately affect their perspective on the foundations of the Pancasila. As long as that perspective is not contrary to the universal values of humanity and the principle of unity of Indonesia, a new interpretation on the basis of the Pancasila state can be justified.⁶

With the condition of geography, demography, and natural resources located in a country with thousands of islands and with a pluralistic social condition, the country is in desperate need of ideology foundation which in fact is included in the preamble of the 1945 Constitution in the form of Pancasila. As a nation-state which, for 3.5 centuries has been colonized by the Dutch and a 3.5-year occupation by Japan, has created an inferiority complex culturally, and with no significant physical, economic, and social infrastructure relics. It is different with, for

⁵ Zulkifli Hasan, *Pancasila dalam Perspektif Khalayak dan Sosial Media*, Jakarta: CV. Sagung Seto, 2016, p. 79-80.

⁶ A. Ubaedillah, *Pancasila Demokrasi dan Pencegahan Korupsi*, Jakarta: PT. Fajar Interpretama Mandiri, 2015. p. 34

example, the British colonized countries, which have received relatively good legacy of social infrastructure (education, health and government), such as Malaysia, Singapore and India. South Korea, once occupied by Japan, also inherited the legacy of its industrial infrastructure.⁷

2. Economic Development

The Indonesian nation is part of the Malay race known for its hospitality. The term Malay, as issued by UNESCO in 1972, is a Malay tribe in Peninsular Malaysia, Thailand, Indonesia, the Philippines, and Madagascar. Meanwhile, according to Institutional Malaysia, the term “Malay” only that embraces Islam. In other words, not all people who are descended from the Malay ancestors are Malays. The term “Malay” to refer to the name of a nation or language is a rather recent development in terms of history, i.e. after the Melaka Malay Sultanate. Until the 17th century the term “Malay” referring to the nation was widely used: previously, the term “Malay” refers only to the descendants of the Malay king from Sumatra.⁸

Although the term “multiculturalism” does not exist in the historical vocabulary of Indonesian nationality and culture, the substance of multiculturalism is closely related to the process of the Indonesian nation’s journey that has plurality in many ways. In the course of the history of Indonesian nationalism there are several stages that have been and are being passed by the Indonesian nation. Even this multicultural phenomenon has become one of the basic consensus values of the Indonesian state. The pluralist and multicultural values are the values that all Indonesians uphold and develop creatively with the aim of building civility and inclusive Indonesian citizens.⁹

⁷ Damanhuri Didin S, *Ekonomi Politik Indonesia dan Antar Bangsa*, Yogyakarta, Pustaka Pelajar 2004, p. 8.

⁸ Abdullah Idi, 2015. *Dinamika Sosiologis Indonesia, Agama dan Pendidikan dalam Perubahan Sosial*, Yogyakarta: LKiS, p. 16

⁹ A.Ubaedillah, 2015. *Pendidikan kewarganegaraan (Civic Education)*

The multiracial, multicultural, multilingual and multi-religious nature of the nation is a positive value that makes this nation can accept differences even with foreigners. As a pluralistic society, Indonesia's future will be sensitive to a variety of conflicts. The potential for social integration results from the competition of individuals and groups in various forms of "social sources" that use ethnicity to strengthen power. The interplay of each other will manipulate ethnicity as a way to gather power by group and solidarity, then use ethnicity in conflict to reach a certain power. On the power of local social structures, such as politics and ethnicity as potential that can damage social structure and community level.¹⁰

In Indonesia, the quality of interreligious harmony is closely related to the extent to which different individual or religious needs can be met. The quality of religious (life) needs to be understood proportionally and comprehensively. For that reason there are several factors that need to be considered in the effort to build the quality of religious people, namely: intrinsic factors (internal relations of religious people), extrinsic factors (interreligious relationships), and government factors. First, the intrinsic factor, relating to the extent to which in each religious community internationally endeavors its adherents to have knowledge and practice their religious teachings well and correctly. Each religion has its own peculiarities, especially in relation to the doctrines of its teachings. The higher the level of understanding and experience of certain religious teachings, the higher the likelihood of increasing frequency of religious quality of religious people. Internal factors of this religion are directed at empowering individual followers of religious people to better

Pancasila, Demokrasi dan Pencegahan Korupsi, Jakarta: Prenadamedia Group, p. 72

¹⁰Pasurdi Suparlan, 2003. "Etnisitas dan Potensinya Terhadap Disintegrasi Sosial di Indonesia", *Konflik Komunal di Indonesia Saat ini*. Indonesia-Netherlands Cooperation in Islamic Studies (INIS) dan The Center for Language and Cultures, Universitas Islam negeri Syarif Hidayatullah, Jakarta, p. 79

understand, know, and practice the teachings of their religion. The piety or obedience of the individual religious community will be reflected in social behavior.

Second, extrinsic factors, related to interreligious relations. If the first part emphasizes the importance of teaching and knowledge as a process towards the piety or adherence of individual religious people, then on this factor, more emphasis on the importance of social interaction and social piety, in the context of interreligious relationships. The quality of social piety among religious believers is certainly much dependent on the piety of individual religious communities respectively. The effort of fostering or building the quality of religious people has a base (grass root) on individual piety. Therefore, between the two is an indispensable relationship (mutual symbiosis) is inseparable. Therefore, the next factor is the government as a “servant”, mediator and facilitator who play a role in determining the quality of religious people. Because basically religious people need to be fostered through the service of government officials.¹¹

The culture of agrarian society that is quiet, pleasant, avoiding conflict and putting forward the attitude of mutual assistance make our society has the order of values, norms, and ethics of eastern that promotes togetherness. It is listed in the Pancasila where the life of a nation and state is based on a belief in the One and almighty God, promoting fair and civilized human values, prioritizing unity, and taking deliberations in decision making and giving justice for the entire nation to enjoy development.

Culture is one of the main sources of the system or community values' etiquettes. The value system is what shapes the mental attitude or the thinking patterns of people and society as reflected in the pattern of daily attitudes and behaviors in various aspects of social life, politics, economy

¹¹Abdullah Idi, 2015. *Dinamika Sosiologis Indonesia, Agama dan Pendidikan dalam Perubahan Sosial*, Yoyakarta: LKiS. p. 46-49

and other systems.¹² Thereby, the noble values of Indonesian culture, namely wisdom, mutual assistance, and cooperation are used to underlie the policy or system in the development of national economy. Economic and social development becomes an inseparable unity. Because economic development that is not accompanied by social development will only create conflict due to income and welfare imbalance.

A prosperous society is the goal of every development in a country. Welfare is influenced by several things, namely:¹³

1) Population age composition.

In developing countries the proportion of the underage population and young people is higher than developed countries. Thus, the income ratio of per family in both countries is not as bad as described by comparing their per capita income levels. If a family of 6 earns USD 1000 and another family who earns 500 US dollars consists of 3 family members, it is likely that the family of six will have a higher level of welfare. This is because some types of spending such as water and electricity payments, housing and other items used together do not vary much between these two families.

2) Community income distribution.

In addition to income levels, the distribution of income is another important factor that determines the state of community welfare and its change overtime, if the index used is the per capita income level. In recent years, from the observation of development outcomes in developing countries, it is increasingly widespread that although in the history of development of developed countries it has been proved that economic development will eventually be

¹² Beddy Iriawan Maksudi, 2015. *Sistem Politik Indonesia, Pemahaman Secarea Teoritik dan Empirik*, Jakarta: PT RajaGrafindo Persada,p. 67

¹³ Sadono Sukirno, *Ekonomi Pembangunan, Proses, Masalah, dan Dasar Kebijakan*, Jakarta: Prenada Mediagroup, 2015, p. 58- 60.

followed by a more equitable distribution of income, at the very beginning of the economic development, an opposite situation will apply. Developments in many developing countries show that in the process the income distribution of the situation becomes more uneven. This situation has caused dissatisfaction with development efforts in some developing countries because it is considered that business only benefits a small part of its people. Economic development is not merely aimed at creating modernization within a society, but more importantly is creating a better life for the whole society. It means that ideally it is always desirable that development efforts will be accessible to the whole society equally. This objective will not be achieved if economic development causes the distribution of people's income to become worse. In these circumstances only a small segment of society enjoys the results of development.

3) Pattern of public expenditure.

The pattern of public expenditure in various societies in different countries is sometimes very different and this difference causes two states whose per capita income are equal, does not necessarily enjoy the same prosperity. For example two people are of the same income, but one of them must pay higher transportation costs to work, must dress more cleanly, and so on; can not be said to achieve the same level of welfare.

Climate differences make a difference in the pattern of public spending in developed and developing countries. People in developed countries must spend more money to achieve a level of prosperity similar to those in developing countries. Most developed countries are colder than developing countries. Therefore, the population should make more expenditure on housing, heating, clothing, and food to enjoy the same level of living that can be tasted in the developing world. These two examples show

that differences in patterns of public expenditure lead to a comparison of welfare levels among societies that based on per capita income levels are less than perfect.

4) Composition of national income.

Similarly, two societies with the same per capita income, their welfare level will be very different if their national production composition is very different. A society will taste a welfare level lower than that reflected by its per capita income if the proportion of national income in the form of defense spending and for capital formation is higher than in other countries of equal per capita income. Such a national production composition does not give the country's population as much satisfaction as if its composition is more in the form of production of goods to be consumed by society to meet their needs.

5) Differences in spare time.

The incompleteness of per capita incomes as a comparative tool for the welfare of the community are also sourced from the different periods of spare time enjoyed by various communities. In this case, per capita income as a welfare index is criticized on the grounds that two average-income societies are equal, can not be deemed to have the same welfare if the working time for that income is different. In general, people argue that the population of developing countries has more spare time than in developed countries. If the period is seen as a form of welfare, then the difference in welfare between developed and developing countries is smaller than that described by the difference in their per capita income.

6) Unemployment.

Finally, the economic development described in terms of the rate of per capita income increase is perceived to be less than perfect because it does not provide an overview of

the changes in unemployment problems faced. In addition to raising the level of people's incomes, another important goal of economic development is to create employment opportunities. Economic development should not only be done to increase the income of the people, but also to reduce the number of unemployed in developing countries. This goal will be achieved only if employment growth grows faster than the increase of manpower. Assessing the success of a development effort based on per capita income growth data alone will not show the results achieved in development efforts by simply showing the level of per capita income growth achieved.

Economic growth at a high and sustained rate is a must to ensure the sustainability of economic development and the improvement of people's welfare. This is very important, especially in Indonesia, where the population is quite large and growing every year. The large and growing population requires money or income to live a decent life, and therefore they need job opportunities as a major source that the main source of employment growth is economic growth.¹⁴

In Indonesia, the implementation of a prosperous society becomes the goal of every citizen, leader, legislative or executive. The ideals are tried to be realized through the program and poured into the basic rules of the state, such as the 1945 Constitution. The 1945 Constitution as a guideline of national and state life has included them clearly in the article chapter. Democratic economy and Pancasila-based economy is the economy that puts social justice for all Indonesian people so that the welfare gap can be avoided. Democratic economy based on 1945 Constitution is contained in articles 33, 27,34 and 23. Damanhuri (2014) in Beddy Iriawan Maksudi mentions that the

¹⁴ Tulus Tambunan, *Pembangunan Ekonomi Inklusif, Sudah Sejauh Mana Indonesia?*, Jakarta: LP3ES, 2016, p. 45.

democratic economy is the economic system of Indonesia as a joint effort based on the principle of kinship where:¹⁵

- 1) Production branches that are important and fulfill the livelihood of the public are controlled by the state
- 2) Earth, water and its natural wealth contained therein are controlled by the state and used as much as possible for the welfare of the people
- 3) Every citizen has their right to work and to have livelihood worthy of humanity
- 4) The poor and abandoned children are kept by the state

Manifestation of populist/democratic economy by Bung Hatta poured in the form of populist-based business called 'COOPERATION'. A cooperative is a joint venture of and for the members' welfare. In the cooperative there is no vertical relation i.e. bosses and employees or Bourgeois and Proletarian as in Marx's conception, but only based on equality, equity and equal partnership access. A cooperative is a business unit based on equality of access to justice in which each member has the same rights as other members to obtain equitable information and access to prosperity. The highest decision at the Annual Members' Meeting is the implementation of equality of access without the hegemony of the capitalists.

So the direction of Indonesia's economic development should not be the economy for the "rich" but the just economy. Economics based on free competition will only lead to welfare inequality because a free-market-based economy will only benefit a handful of rich and gives misery for many parties. As Robert Heilbroner and Lester C. Thurow (1994) criticize: ¹⁶

¹⁵ Didin S Damanhuri, *Ekonomi Politik Indonesia dan Antar Bangsa*, Yogyakarta, Pustaka Pelajar, 2004 p.217

¹⁶ Sri Edi Swasono, 2003. "Kemandirian Ekonomi Menghapus Sistem Ekonomi Subordinasi Membangun Ekonomi Rakyat", makalah disampaikan pada Kongres kebudayaan V Bukit Tinggi, 20-23 Oktober, p 16.

“... the market mechanism is an ineffective instrument to meet the needs of society, even for a prosperous society ... market mechanisms are diligent servants for the rich, but does not care about the poor ... market mechanisms encourage immoral deeds , which is not only an economic failure but also a moral failure ... “.

In addition, Indonesia's economic structure that tends to show certain minority migrant ethnics are more dominant than indigenous ethnics. This unbalanced socio-economic condition is often a potential trigger for ethnic and religious conflict. If there is insufficient concern in development policy, this economic inequality of ethnic minorities (migrants) and the majority (pribumi) can negatively affect the inter-ethnic and religious relations of a State in the future and at the same time adversely affect the conditions of social integration and national integration. The generally bad economic conditions of indigenous people require “affirmative action”.¹⁷

The Government of Indonesia has internally reformed the trade policy of the 1980s, when the decline in crude oil prices as a mainstay exports on world markets contributed much to the country's foreign exchange (Erwindodo 1989, Pangestu 2003). However, trade liberalization is intensified following the ratification of agreements among countries, regions and globally, such as the establishment of AFTA, APEC, and finally the WTO (World Trade Organization). An open trade system promoted by liberalism and neo-liberal economic systems demands the minimization and even elimination of government intervention in the market by reducing protection and subsidies to domestic trade so that it is expected that market perfection between foreign business actors and domestic business actors will occur.

Nowadays, the opening of imported faucet as much as possible for imported products, finally become boomerang for domestic productivity that has not been able to compete with the

¹⁷Abdullah Idi, 2015. *Dinamika Sosiologis Indonesia, Agama dan Pendidikan dalam Perubahan Sosial*, Yogyakarta: LKiS. p. 11

relatively cheaper outer product. In effect, trade liberalization does not provide a positive stimulus for improving the quality of domestic production as expected, but on the contrary it has adverse impacts that threaten the sustainability of domestic business. As an example of increasing the flow of food products from abroad, began to threaten the welfare of farmers who already have quite difficult life. The mastery of agricultural technology is still simple, the high cost of production due to the high price of fertilizers and seeds has made Indonesian food production increasingly uncompetitive. As a result food security began to threatened with the increasing dependence of the state on the supply of global markets.

The study of the impact of financial and trade liberalization that has been done (Siddiki 2002, Lee, 1993, Rini DA, 2002) found that financial liberalization is significant in encouraging economic growth while trade liberalization will encourage domestic production growth if domestic production can improve production efficiency, but if there is an imbalance in import flow and export flow of production, then trade liberalization will only turn off production and increase unemployment that will reduce economic growth.

Negative impacts of trade and financial liberalization for Indonesia will begin to be felt more severe when not accompanied by improvements in the quality of human resources. Because the current human resource improvement is unable to explain the impact of human resource investment on economic growth in Indonesia. Educational institutions can only increase the quantity of human resources, without improvements such as quality of self-sufficiency, entrepreneurship that ultimately leads to inequality of absorption in the labor market. The impact of increasing unemployment is getting higher and driving the economic downturn.

Basically, the liberalism economy accommodated by neo liberalism describes the market framework that is placed in

several values, namely: First, Free market: Private positioning is freed from its attachment to the state and responsibility for social problems that occur due to the activities of their company. 2. State restrictions: where state intervention will only lead to the concentration of state power and will undermine market economic mechanisms.¹⁸

Economics in liberal theory emphasizes economic growth (high economic growth) and trade liberalization. The market equilibrium or the creation of a perfect market as a foothold of trade liberalization stands on several assumptions, the first is that all entrepreneurs are entrepreneurs who have the same conditions. Second, each entrepreneur will actively try to win the competition and act efficiently to increase profit. Third, Competition follows the law of the jungle, the strongest will win and the weak must be abandoned and not need to be helped.

Liberal and neoliberal economics are predominantly a positive progressive paradigm for the economic development of developing countries. Developed countries include the IMF and the World Bank, emphasizing the neoliberal economy's corny stance that has stood on growth to developing countries in every memorandum of cooperation it does. There are 10 development policies that must be undertaken by a developing State known as the Washington Consensus: fiscal discipline by targeting the budget surplus; second, the financial sector is left to market mechanisms, third, expanding tax objects, increasing government spending to improve income distribution, trade liberalization, protection and subsidies deletion, privatization of SOEs, protecting copyright, and removing investment barriers for foreign investors.

The Indonesian Government as part of a developing country also uses the Neoliberal economic paradigm. The government's focus on economic growth is not equity, further widening the

¹⁸ Hans Kung, *A Global Ethics for Global Politics and Economics*, tr. Yogyakarta: Qalam, 2002, p. 318-320.

gap of rich and poor income. An increase in GDP figures does not contribute significantly to the welfare of the people as a whole. This is understood because the economic power of many held by a handful of entrepreneurs who are poor of nationalism. Poverty is increasingly high and difficult to decompose, because it forms a vicious cycle of poverty.

According to Ragnar Nurske (1953) in Didin S Damanhuri states that what is meant by the vicious cycle of poverty is a series of forces that affect each other so as to create a state in which a country will remain poor.¹⁹ Factors supporting poverty are not only caused by the lack of development in the past but also the difficulties resulting from future development. Added Poverty that occurs in developing countries due to the imbalance of capital supply and capital demand.

Indonesia's poverty rate in *BPS* currently ranges from 15.42% (2008 data) of the total population of Indonesia. But in fact the poor of Indonesia exceed that number. This is influenced by the poor category used. The poor are measured from the average per capita income per day. In the first verse it is categorized poor if the population lives below Rp. 9500 or US\$ 1 per capita per day and in Indonesia there are 50 million inhabitants (22%). But if the measurement of poor people US\$ 2 per capita per day then there are 118 million people (52%) are categorized as poor. While *BPS* provides its own categories of poverty through two components namely *GKM/Garis Kemiskinan Makanan* (Food Poverty line) and *GKNM/Garis Kemiskinan Non Makanan* (Non Food Poverty Line). Food poverty line is measured from minimum food expenditure value. While the non-food poverty line is the minimum requirement of housing, clothing, education and health.

Independence and the increase in the profit-based economy promoted by liberalism lead to globalization. Where the financial

¹⁹ Didin, D. S. 2004. *Ekonomi Politik Indonesia dan Antar Bangsa*, Yogyakarta, Pustaka Pelajar, p. 17.

system of a State will be closely related to the financial condition in other countries. The technological superiority and knowledge of advanced nations has had a profound effect on people's lives in the Developing Nations (*Negara Sedang Berkembang/NSB*), consequently the people tend to be consumptive, and choose less productive investments such as houses, gold etc.

Sri-Edi Swasono (2005) said that a neo-liberal economy based on growth in which business is defined as "self interest" and populating humans as "homoeconomicus" has an adverse external effect on nature and the social environment, such as pollution, earth damage, greenhouse gases and global warming. Sharp criticism of neo-liberal free market mechanisms is posed by structuralists such as Lester Thurow who argues that the evils of free markets are called "dangerous currents" or the dangerous flow of free market mechanisms. The free market will form an unfair economy because the production direction accommodates only the tastes and economic demands of the high capital owners group and alienate of the interests of the low-capital owners (poor). Industrial capitalism places workers not as stakeholders who have rights in the company, but as part of the production factor that should be utilized to the maximum extent possible for maximum profit. In addition, industrialization encourages companies to create greater and even harmful technology.²⁰

For that reason, economic development is an understanding that not only emphasizes the end result achieved (high efficiency, productivity, stability, and growth), but also on efforts to achieve that goal. The prevailing economic development concept is now broader than just focusing on growth, but also covering the aspects of equity and justice. Here is a meeting between economic development and social development. Increased productive employment, income equity, poverty alleviation and

²⁰ Ulrich Duchrow, *Mengubah Kapitalisme Dunia, Tinjauan Sejarah Al-Kitabah Bagi Aksi Politis*, Jakarta: BPK Gunung Mulia, 1999, p. 291.

social inequality, are both economic and social development.

The review of developing countries that are failing in development on the one hand and successful on the other, suggests that development failures are in addition due to constraint factors such as political instability, authoritarian political systems, war, and tribal or religious divisions, as well by the lack of attention to the human as well as the social institutions that must carry out the development. Countries which are successful in their development have paid great attention to social development.

A pluralistic Indonesian society is described as a social concept that describes the gathering of human beings on a voluntary basis, which does not have to happen physically, but it can also be its inner attachment and connection. In the concept of society thus contained the meaning of unity in diversity and uniqueness. Although the community has one goal, to be able to achieve, a very dynamic opportunity opens. Therefore, diversity becomes the character of the demands for a dynamic community to be formed. This is different from individualism which considers absolute individual interest. The concept of society recognizes common interests, but does not sacrifice individual interests. Therefore, "what is common to all" is a fundamental question of interdependence which is related to a symbiotic situation that is mutualistic.

A symbiotic situation that is mutualistic will be easy to be created if the social elements can be put together to form a force that is energetic. The synergistic power is born from intensive social interaction process, within and among social units in society, whether it is family, neighborhood, community, group, association, or other social unit.

Thus, community pluralism is a driving factor and a driving force for development. This is where a good social engineering process needed. The term engineering is not in a political context that always has negative connotations, but is

positively interpreted as an activity of collecting, consolidating and utilizing all the potential to produce social energy that can be utilized for development purposes. Social energy includes all the social elements, the creative potential of society, and the initiative, and the ideas that develop in society, all of which can be mobilized to be the power of development. Social energy can come from individual activities, in society, family, group, set, or community (ethnic and religious) groups.

Economic development in developing countries often faces social constraints that hampers development optimization, among others:

- 1) The social and cultural order of society is very strong in its traditional and primordial ties. In some areas, there is a tendency for traditional and primordial bonds to reign in times of great change as people seek protection against the outside world in these traditional institutions.
- 2) The weakness of social solidarity among groups in society. The weakening of social solidarity among groups in society, among others, occurs because the inclusion of individual factors into new social bonds is not always harmonious due to the existence of different types of gaps so that individuals turn back to seek protection from their primordial environment.
- 3) The limited resources in developing countries, in terms of both funds and human beings, are constraints to effectively and broadly impact the planning and executing the efforts to address these social problems.
- 4) The institutions and regulations needed for development have not yet developed, whereas then existing ones often serve as a barrier, whether they are economic, social, political, or legal institutions and regulations.
- 5) The bureaucracy lacks understanding of the interrelationships between economic development processes and social

development so as to give the impression of indifference and impartiality and put less attention to social problems, especially when it concerns the small people.

In contrast to physical development, social development stems from a paradigm that places human beings as epicenters. Social development is based on a commitment that humanity and society must be both subject and beneficiaries of all development programs. Social development rests on the operation of social institutions, such as families, community associations, village/sub-district institutions, social classes, and supervision agents, who play a direct role and participate in the management of development programs. Therefore, social development must be understood in the context of human development and community empowerment as a valuable asset of development.

Human capital plays a central role in development that is reflected in the quality population, which is indispensable for increasing productivity. Human capital includes four key elements, namely: (i) capacity, reflecting the capabilities and skills of the population achieved through education and training processes based on long-term investments; (ii) development, the level of education of the labor force with the types of skills and mastery, developed in a sustainable manner so that it remains relevant to the needs of the labor market. Then, (iii) deployment, skill levels and masteries accumulated based on educational experience and training, which can be employed in workplace to stimulate the nation's productivity; and (iv) know-how, people who have proficiency and technical skills with specialized specializations in a wide and in-depth coverage (Global Human Capital Report 2017). An important contribution to social development lies in providing quality human capital as the main pillar of economic development.

Social capital requires the existence of shared values and the organization of roles expressed in personal relationships,

trusts, and common sense of shared responsibility; so that society becomes more than just a mere collection of individuals. Putnam (1993) views social capital as a set of horizontal associations among people. According to him, social capital contains networks of civic engagement and norms that affect the productivity of a society. Social capital actually has an important contribution to sustainable development. Capital in the form of natural capital, physical or produced capital, and human capital; need to be equipped with social capital.²¹ (Grootaert, 1997). Social capital at the micro level is useful for the functioning of markets, and at the macro level to promote economic growth. Social capital becomes the basis for people to work together for a common goal within groups and organizations. The main elements in social capital include norms, reciprocity, trusts, and networks.²²

Development that has always been associated with infrastructure development to accelerate economic growth has long been corrected by development economists themselves. Amartya Sen in *Development as Freedom* (1999) signifies development as freedom reflected on four main points: (1) Equal ability and opportunity for every citizen to gain access to economic resources, (2) The same opportunities to be able to manage productive assets for the benefit of individuals and community, (3) Have political freedom to participate in decision-making processes and public policy making, and (4) receive

²¹ Grootaert, C. 1997. "Social Capital: The Missing Link?" in *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development*. Environmentally Sustainable Development Studies and Monographs Series No. 7. Washington, DC in The World Bank, "The Initiative on Defining, Monitoring and Measuring Social Capital: Text of Proposal Approved for Funding". *Social Capital Initiative Working Paper No. 2*. The World Bank, Social Development Family, Environmentally and Socially Sustainable Development Network. June 1998, p. 5-7.

²² Subejo "Peranan *Social Capital* dalam Pembangunan Ekonomi: Suatu Pengantar untuk Studi *Social Capital* di Pedesaan Indonesia", *Agro Ekonomi Magazine* Vol.11 No.1 June 2004.

facilities for voicing public criticism in the context of improving the management of governance and development.

However, Sen's analysis remains consistent in humans by asserting that the essential meaning of development is human capabilities, a process that enables human beings to live life with dignity. Sen offers developmental analysis in the context of social engineering, not in the perspective of mere economic growth, reflected in per capita national income. In Sen's understanding, development issues in the socio-cultural field should be included in the development agenda and become mainstream in national development planning.

Sri Edi Swasono criticizes the direction of Indonesia's development that leads to capitalism and neoliberalism. In his view this is contrary to Pancasila and the 1945 Constitution which states that the people are the mainstream of development interests. So the development is not only the infrastructure but also the development of human quality. Therefore, it is necessary to practice the economic restructuring in the sense of macro reforestation which covers various sectors, fields and dimensions such as the following: (1) restructurization of ownership and control of economic assets: Ownership and control of assets by the people should be more evenly distributed and structurally reduce the concentrations of ownership and asset acquisition on a small group of economic actors. Any economic undertaking must be able to increase ownership rather than simply increase public incomes equally. This restructuring is aimed at establishing "Triple-Co", ie co-ownership, co-determination and co-responsibility as an implementation of economic democratization within economic enterprises (see Chart II). In this re-structurization, it should be avoid deprivations such as, ("savage acquisition", cannibal redistribution" or "wild take-over"). (2) Allocative restructurization: To allocate development funds, either national or regional funds, whether from banking or from non-

bank institutions. Banks and non-bank financial institutions must maintain their role as development agents, reform agents and restructuring agents towards achieving a better structural balance. (3) spatial restructurization: This restructuring is necessary, among others, to achieve the realization and balance of development and growth between western Indonesia and eastern Indonesia, between Java and outside Java, between urban and rural areas, and so on. (4) sectoral restructurization: This is particularly necessary to achieve a dynamic balance between industrial and agricultural sectors, between the modern sector and the informal-traditional sector, between the grassroots-based and non- grassroots-based, towards the solid economy of the people (with the container of cooperatives) as a pillar of the national economy. (5) taxation restructurization: In addition to acting as a source of state revenues, tax is a means of redistribution. Basically, tax must be progressive to narrow the gap. especially to the wealth and luxuries possession must be subject to wealth taxed progressively. In contrast to poor groups that require empowerment to be given subsidy or protection. Taxes are an incentive for productive activities and disincentives to luxuries consumption. (6) strategic restructurization: this restructuring to strengthen the independence of the economy, reduce the dependence and promote reciprocal interdependency that is equally and necessary to strengthen the economic foundations. With this strategic restructurization, the national economy is geared toward domestic roots and people-centered and resource-based. (7) mindset restructurization or cultural reorientation: the *GBHN* has encouraged this reorientation, ie, reorientation towards more open access to people's rights and develop people's economy through economic system based on economic democracy. (8) socio-political and socio-cultural restructurization: This restructurization of the economy will not be entirely beneficial if it is not supported by socio-political and socio-cultural restructuring. Social-political restructurization involves political democratization and the role of civil society.

Socio-cultural restructuring involves changing the mindset, unlearning obsolete grips, specifically restructuring and democratization of people's education.²³

As a developing country, Indonesia has several easy-to-find characteristics, including:²⁴

1) Relatively Low Level of Prosperity.

Many Factors affect the prosperity level of society. Housing conditions that are occupied, the presence or absence of electricity and facilities to obtain clean water, the state of infrastructure in general, and the level of income obtained, are some important factors that greatly affect the level of prosperity of a society. As a result of these low revenues, a substantial portion of the population in developing countries faces the following problems:

- a) Problems of malnutrition and low level of health. This can be seen from the number of calories that have not reached the minimum stage, low life expectancy, high annual death rate and infant mortality rate.
- b) Poverty is still widespread. A substantial portion of the population of developing countries earns income below the poverty line. That is, their income is not sufficient to finance the minimum daily needs.
- c) The level of education is still low. As a result of low income levels, quite a lot of families in developing countries can not afford to pay for their children's school tuitions. Therefore the education level of the young generation is still very low.

2) Very Low Worker Productivity

What is meant by productivity is the level of production

²³Sri Edi Swasono, *Pembangunan Berwawasan Sejarah: Kedaulatan Rakyat, Demokrasi Ekonomi dan Demokrasi Politik*, Jakarta: UI-Press, 1990, p. 26-43.

²⁴Sadono Sukirno, *Ekonomi Pembangunan, Proses, Masalah, dan Dasar Kebijakan*, Jakarta: Prenada Mediagroup, 2015, p. 14-18.

a worker can produce per year. Compared with the level of worker productivity in the developed countries, the productivity of a worker in a developing country is still very low. This is due to the following factors:

- a) Most of the people in developing countries are in the traditional agricultural sector which often faces the problem of underemployment. Traditional agricultural productivity is usually very low, because technology in agriculture is still very traditional. The existence of underemployment-which means the excess labor in the agricultural sector-will decrease the average production (productivity) of workers.
 - b) Most businesses in the manufacturing sector consist of a family business, which uses a machine that is still traditional and labor intensive. Such a business is also low in productivity.
 - c) The service sector, like the agricultural sector, faces the issue of underemployment and lowers productivity.
 - d) In addition, in many economic sectors the level of education and health of workers has not reached the desired stage and tends to reduce the level of productivity.
- 3) Very High Population Increase Rate.

After World War, new discoveries in the field of health and medicine greatly affect the health of the world's population, including in developing countries. One result of this development, the mortality rate (the number of deaths per 1000 inhabitants) is decreasing. At the same time the birth rate did not change. Given the nature of the change in birth rate-mortality rate as recently stated, the rate of population growth in developing countries has become ever faster. This raises some of the following effects:

- a) The number of dependents in the family is increasing. This causes the burden of each family to finance their

dependents become greater. Conversely, low incomes have limitations to bear more family members. Thus, families with big dependents tend to face poverty.

- b) The amount of dependents without adequate budgeting limit the family's ability to provide funds for the education for children. This means that most children in developing countries are not getting enough education. Many of them have relatively low levels of education.
 - c) The increase in workforce is very fast and often not accompanied by the rapid increase of employment opportunities. As a result, in countries where the rate (percentage) of population growth is very high and the population is relatively large (such as Indonesia, India and China) the problem of unemployment becomes increasingly serious.
- 4) "Dualistic" Economic Activities.

What is meant by "dualistic" economic activity is the characteristics in a particular economic activity or in a particular sector which uses two very different technologies. For example, in planting rubber in rubber producing countries (Indonesia, Malaysia, and Thailand) there are two kinds of activities: the traditional farmers and plantations. Traditional farmers use planting, clearing and maintenance, and use of ancient inputs (such as fertilizers and seeds). At the same time there are plantations that work on rubber planting with modern management and cultivation using contemporary technology and inputs. This difference leads to productivity per factor in both ways of planting to be very differently.

Economic activities that are dualistic take place in all sectors of economic activity-namely in the primary sector, manufacturing, and services. An example that applies in the primary sector has been explained, namely in rubber planting. In the industrial sector the same can be seen, for

example in the cloth making industry. The garment industry for export uses mass-producing methods, whereas tailors in the village produce clothing on order. Also in the service sector can be found economic activities that are dualistic. In the cities can be seen modern means of transportation such as buses and taxis and at the same time, pedicabs are found in the suburbs. In money lending activities can be found a modern bank and small loans by individuals who specifically lend money at high interest rates.

5) Economic Activity Remains Centralized in Agricultural Sector.

In some developing countries there has been a drastic change in economic activity. Malaysia, for example, when it achieved independence in 1957, its economic activity still relied on the agricultural sector. That is, most of the workforce is in the sector, thus the largest share of national income comes from agricultural activities and agricultural products are the main export product. At this time the situation has changed, both in terms of providing employment opportunities, realizing national income and export revenue sources, the role of agriculture has declined, while the role of industrial and service sector becomes very important.

Examples of drastic changes experienced by Malaysia as described are an exception to the general conditions prevailing in the developing world-especially countries where per capita income is still relatively low. Poor developing countries whose development process is slow, its economic activities are still reliant on the agricultural sector. That is to say, the vast majority of the population-that is, generally half of the population still depends on agricultural activities-national income derived from agriculture is still the largest part of GDP, and agricultural products are the important export.

The characteristics of developing countries are: low income levels, the productivity of economic activity is still very low, and relatively high population growth causes: increase in agricultural production is growing at a rate similar to the rate of population growth, and sometimes lower, and income per the capita of the agricultural sector has not changed much or decreased. This generally worsens the problem of poverty being faced.

6) Raw Materials Are the Most Important Export.

In colonial times, many developing countries are experiencing development as a result of the development of certain areas that have the natural wealth required by the world market. For example, car invention requires rubber and oil. This need encourages the development of several areas in developing countries that have petroleum wealth and soil contours suitable for rubber planting. Several areas of the Malay Peninsula, Sabah and Sarawak –present day Malaysia- in the colonial times was advanced mainly due to the exploitation of land and natural wealth to obtain exportable goods. The development of Indonesia in the colonial period also has the same nature. This trend led to an era of independence in Asia and Africa, whose exports consisted mainly of raw materials produced by the primary sector. In Latin America, which is an uncolonized developing country, the nature of exports is also no different, which is mainly composed of the export of raw materials or goods produced by other primary sectors.

In many developing countries, this trend remains. A common feature of the export of primary sector outcomes is: some types of raw materials make up the bulk of overall exports. For example, tin and petroleum are Bolivia's largest exports and account for about two-third of the total exports. Countries in the Middle East have most of its exports comprise of crude oil.

In an effort to develop their economy, various developing countries try to raise the level of prosperity of their people through the development of the industrial sector. Korea, Taiwan and Malaysia are examples of countries that can break away from export structures consisting of only a few raw materials. In these three countries, the export of manufactured goods is the most important export component. But such a country is an exception. In most developing countries the nature of exports is unchanged, i.e. exports consisting mainly of raw materials and the composition of the export of raw materials is very limited too-that is, it consists of only a few items.

B. Getting to know about Malaysia

1. The Country's History.

Malaysia consists of thirteen states and three federal territories and geographically divided between three regions of Peninsular Malaysia, which is part of mainland Southeast Asia, Sabah and Sarawak -which are located on the northern edge of the island of Borneo. Most of the industries, commercial centres and, especially, the capital and main political centre are located in Peninsular Malaysia. The three regions differ in many respects particularly in energy demand which correlates with the level of industrialization in each region. Malaysia is a federation of thirteen states (Figure 1.3), covering Peninsular Malaysia (West Malaysia) as well as Sarawak and Sabah in Borneo (East Malaysia). Peninsular Malaysia accounts for 40% of the country's land area and over three-quarters of its population. Lowland evergreen tropical rain forest is original land cover at low altitudes in Peninsular Malaysia (Collins et al., 1991). Almost all of Peninsular Malaysia has been cleared for palm plantations since the 1960s, and from 1990 onwards this industry has expanded to East Malaysia (Borneo, especially Sabah).

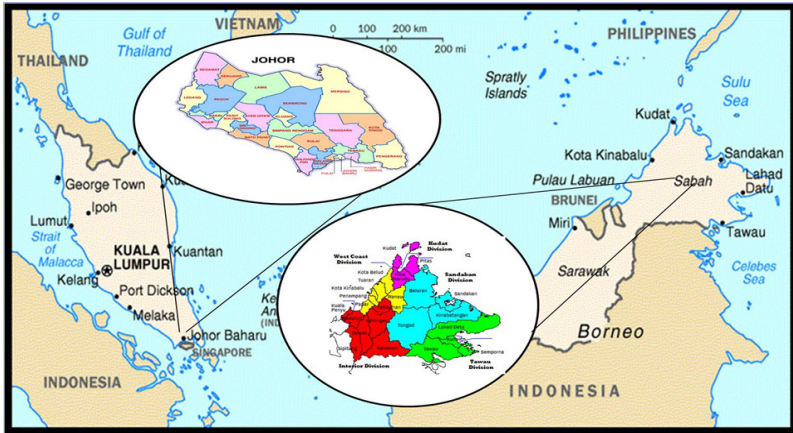


Figure 1.2 : Malaysia: Physical Location

Malaysia consists of thirteen states and three federal territories and geographically divided between three regions of Peninsular Malaysia, which is part of mainland Southeast Asia, Sabah and Sarawak -which are located on the northern edge of the island of Borneo. Most of the industries, commercial centres and, especially, the capital and main political centre are located in Peninsular Malaysia. The three regions differ in many respects particularly in energy demand which correlates with the level of industrialization in each region. Malaysia is a federation of thirteen states (Figure 1.3), covering Peninsular Malaysia (West Malaysia) as well as Sarawak and Sabah in Borneo (East Malaysia). Peninsular Malaysia accounts for 40% of the country's land area and over three-quarters of its population. Lowland evergreen tropical rain forest is original land cover at low altitudes in Peninsular Malaysia (Collins et al., 1991). Almost all of Peninsular Malaysia has been cleared for palm plantations since the 1960s, and from 1990 onwards this industry has expanded to East Malaysia (Borneo, especially Sabah).

In prehistoric times, the region was inhabited by aboriginal people. In the 2nd century BCE settlers arrived from south

China. Around the beginning of the 1st century CE, Indian traders began settling in Kedah and along the west coast of the peninsula. Hinduism and Buddhism were introduced during this early period; the Indian kingdom of Kunan was founded in the 1st century CE and Buddhist states developed to the east. The Javanese controlled the peninsula around 1330–50. The port of Malacca was founded in the 15th century; its rulers converted to Islam and traded with Muslim merchants, and Islam replaced Buddhism across present-day Malaysia.

The Sultanate of Malacca was seized by the Portuguese in 1511 but, a century later, they were driven out by the Dutch in alliance with the Sultan of Johor. The peninsula then became a Malay kingdom ruled by Johor. In 1786 the Sultan of Kedah granted the island of Penang to the British East India Company for use as a trading post; less than a decade later, the British took Malacca from the Dutch. In 1819 the British also acquired Singapore. Penang, Malacca and Singapore were ruled directly by Britain as the Straits Settlements.

By a series of treaties between 1873 and 1930, the British Colonial Administrators took control of the foreign affairs of the nine Malay sultanates on the peninsula. In 1896 the Federated Malay States (Selangor, Negeri Sembilan, Perak and Pahang) came into existence, with Kuala Lumpur as the capital. The sultanates of northern Borneo – Brunei, Sabah and Sarawak – also became British protectorates.

Immigrants from southern China and southern India came to work in tin mines and on the plantations, facilitating the peninsula's transition from a trading outpost to a commodity producer. The British introduced rubber farming towards the end of the 19th century. Reaction to colonial rule began in the early 20th century. In 1915, Indian sepoy's rebelled and came close to taking control of Singapore. In 1931, the Malayan Communist

Party (MCP) was established. It had links with developing communism in China and drew most of its support from the Chinese community. By 1937–38, anti-colonial nationalism began among the Malay community, with the formation of the Union of Young Malays.

The Japanese occupied the country from 1941 to 1945. Resistance, mainly from the Chinese, was led by MCP guerrillas. British rule was reintroduced after the war, but met active resistance from the MCP. Malay nationalists also campaigned for independence. The United Malays' National Organisation (UMNO, the principal Malay party) was formed in 1946.

The Federation of Malaya, comprising 11 peninsular states, was established in 1948. A communist-led insurrection in that year was suppressed by the UK (although guerrilla warfare continued in the north of the peninsula and Borneo and the last insurgents only surrendered in 1989). A delayed general election took place in 1955. This was won by the Alliance Party, formed out of UMNO, the Malayan Chinese Association and the Malayan Indian Congress. Sabah Formerly North Borneo, Sabah may have been inhabited since 7000 BCE. From the seventh century, the region traded in pottery with China. In the early 15th century the state was ruled mainly by the Sultan of Brunei. In 1847, Britain persuaded the Sultan of Brunei to cede Labuan Island. In 1882 the British North Borneo Chartered Company was established and began administering territory ceded by the Sultan of Brunei and the Sultan of Sulu. In 1888 the territory was made a British Protectorate, still administered by the Company, which also administered Labuan until 1905, when it was joined to the Straits Settlements. From 1942 until 1945 the territory was occupied by the Japanese army. In July 1946 it became the Crown colony of North Borneo.

Archaeological evidence suggests that Sarawak was inhabited from about 5000 BCE. From the 15th century, it was ruled by the Sultan of Brunei who, in 1839, ennobled James

Brooke, a British adventurer, as Rajah of Sarawak, a reward for his help in calming a rebellion in Brunei. Brooke waged a vigorous campaign against piracy. Sarawak was gradually enlarged with additional grants of land from the Sultan, and the River Lawas area bought from the North Borneo Chartered Company in 1905. Sarawak prospered under Rajah Sir Charles Vyner Brooke (reigned 1917–46), who attempted to set up an elected government in 1941, but the territory was occupied by the Japanese army in the following year. During the Japanese occupation, sickness and malnutrition spread throughout Sarawak. The Rajah, resuming control in 1946, decided that in the interests of Sarawak, he should make a gift of it to the UK Crown. Sarawak became a UK colony in July 1946.

2. The Federation of Malaysia

Early in 1956, the governments of the Federation of Malaya and the UK and the Heads of the Malay States agreed that the Federation should achieve independence by the end of August 1957 if possible. On 31 August 1957 the Federation of Malaya became an independent nation and joined the Commonwealth. Penang and Malacca became states of the Federation. Tengku (prince) Abdul Rahman, leader of the independence movement, became Prime Minister. The Malaysia Agreement, under which North Borneo, Sarawak and Singapore (but not Brunei) would become states in the new Federation of Malaysia, was signed in 1963 by the UK, Malaya, North Borneo, Sarawak and Singapore. The Federation of Malaysia came into being on 16 September 1963. In 1965, by mutual agreement, Singapore left the Federation and became an independent state.

In the 1969 elections, the Alliance Party lost many seats to the Pan-Malaysian Islamic Party, Gerakan Rakyat Malaysia and the Chinese-based Democratic Action Party. Amid violent ethnic clashes, the government suspended parliament and the national operations council ruled by decree for two years. On

the resignation of Tengku Abdul Rahman in 1970, Tun Abdul Razak became Prime Minister. Although Malays formed over half the population, in 1970 they accounted for about one per cent of national income. A 'new economic policy' introduced positive discrimination – in education, civil service, armed services and business – designed to increase the share of the Malay and other Bumiputera (sons of the soil) groups to 30 per cent of national income within twenty years. After the parliamentary system was restored, the National Front (Barisan Nasional) – a multiethnic alliance led by UMNO – won over two-thirds of seats at all elections of the 1970s, 1980s and 1990s (and this continued into the 2000s). In 1981 Dr. Mahathir Mohamad became Prime Minister. Malays have dominated the political system since independence, and support in the Malay-dominated rural areas is crucial for political success at the national level. However, to command a parliamentary majority and in the interests of national stability, UMNO has formed coalitions with parties representing other racial groups. Intercommunal relations, particularly between the Malays and the Chinese, have preoccupied governments since independence.

3. Social-Culture Condition and Economic Development

Malaysia's multiracial society is a legacy left by the British Colonial during their long reign in Malaya. This racial diversity in turn had become our ingrained identity and had along the years shaped our history and influences our future planning. To understand the complexity of Malaysia's economic demography, we need to look back into the years leading to our independence. Under British colonial administration, they are trying to extract as much natural resources from the land as possible. The lack of labor and skills didn't hamper them; they solve the problem by shipping human capital from the mainland China and India to work in Malaya as labours in mines and plantations. To avoid political upheaval, British government had segregated the races according to their economic activities. Hence, Malays are allocated

in the rural areas at the east and north states that are mostly underdeveloped to work on agricultural sectors, while Chinese and Indian were positioned at the more prosperous states in the west. In this new social structure, due to past experience trading with the Chinese, British government gave them right to open up shops and businesses while Malays are the only race allowed to work in British government gave them right to open up shops and businesses while Malays are the only race allowed to work in administration. This segregation continued after independence and the years after saw that agricultural sector are facing a declining growth trend especially when compared with other sectors. The close relation of agricultural sector with the Malays and rural areas means that this phenomenon is severely affecting these specific groups. The halt in agricultural growth occurred due to dualism structure in agricultural sector.

Dualism structure is a situation where 2 type of distinct enterprise exist in a sector. The first type of enterprise is the big efficient organizations that are export oriented and deal with large market, while the second type is the less efficient small scale businesses. The ratio of these dual structure is also tilted as there's only a handful of high growth export oriented owners while a huge mass of them are small scale owners who earn substantial profit. This huge disparity in productivity, efficiency, competitiveness edge and income caused high incidence of poverty among the small scale farmers. Almost 12 years after the independence, the segregation by the British proved to be fatal for Malaysian. As understanding between the racial groups are low, and the economic disparities became higher, racial tension continue to rise. Until the black day of 13 May 1969 where racial riots erupted and government had decided that something have to be done. Hence, New Economic Plan had been introduced as an effort to ease the discontent of Malays toward other races due to economic inequalities. NEP had been established with two-pronged aims that are to eradicate poverty and to cut the

association of economic activities with race.

In the last 6 decades, Malaysia has undergone significant structural transformations and changes along with a fairly robust economic growth in the region. The resource rich country has been transformed from a mere agricultural based to industrialized oriented economy in less than 3 decades. Along with this transformation, the wealth distribution issues have been very central in affecting the socio-ethnic relationship between the various ethnic groups. Thus far, Malaysia fairly robust growth could be considered as a prime factor in created a more integrated Malaysia, but yet each ethnic could continue to co-exist within each respective socio-cultural and religious domain. On the other hand, the harmonious ethnic relationship is expected to further strengthened economic growth as political stability and ethnic consensus is treated as an important input in further changes, growth and development.

However, the trickle down impact of economic growth does not implied that robust economic growth could assured of equity distribution among the ethnic class. In another word, qualitative changes in the economy could be important which must also change along with the quantitative growth (Lee, 2003). In a way, Malaysia robust growth in the 1980s and 1990s have spurred foreign direct investment and this turn out to be a good source of employment, wealth creation and generation in the economy. Previous work by Gomez (1997) and Lee (2003) argues on the line that further economic liberalization and growth in an open economy like Malaysia has also contributing toward changes and moderating ethnic relations that is quite vulnerable to changes and pressures. Apparently, the same argument has been put forward by earlier work by Snodgras (1978), Ozay Mehmet (1984), Ishak Shari and Fatimah Kari (1989) and Jomo (1991). In another word, these groups seem to proposed that a continuous and robust economic growth will continue to be a single most important factor in stabilizing inter-ethnic relation

in a multi-racial country such as Malaysia.

Nevertheless, the post New Economic Policy (1970-1990) saw the emergence of new policy in the form of National Development Policy (1991-2000). The National Development Plan (NDP) does have a new approach in addressing the economic equity among the ethnic races. For example, even though the NDP continue to focus on economic growth, the redistribution aspect took a different strategy by emphasizing on some pro-business especially in the form of market liberalization, privatization, corporation and many others. Nevertheless, the 1997 financial crisis shows how fragile and vulnerable are those systems and the 1997 downturn shows Malaysia achieving a negative growth in 1998. Some of this crisis further worsens the income strata across ethnic as Bumiputera Household shows a relative lower income level as compared to other ethnic group. In a way, the economic downturn further erodes the initial objective growth with distribution as emphasis under NDP announced in the early 1990s.

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in the early 1990s. During the 1970s in the beginning of NEP implementation, hardcore poverty rate in Malaysia is high with Malays as the most prominent group. They shared a number of common traits which are low education level, big family, under exposure of outside world, lack technological usage and literacy, high dependency on government and main economic activities are in traditional agricultural economic sectors. Under NEP, government tried to increase Bumiputera participation in the corporate sector and high income jobs. Government had also set a target of 30% Bumiputera ownership in equity by the end of 2000 which then been extended to 2010 in the Third Outline Perspective Plan. Embedded in NEP which is precedent by New Development Policy is the proposal to create a larger Bumiputera middle class through establishment of Bumiputera Commercial and Industrial Community (BCIC) specifically and National Entrepreneurs Corporation (NEC) generally (Economic Planning Unit, 2001). Even though many programs under BCIC solely focus on Bumiputera, other races are not left behind as many support services had been introduced to encourage continuous entrepreneurial growth. For example, Malaysian Technology Development Corporation (MTDC) was set up in 1992 in order to help entrepreneurs in technical aspects and offering risk capital to promising ventures. While in 1995, Malaysian government in the effort to promote entrepreneurship had introduced a ministry especially for that purpose. Ministry of Entrepreneur Development is the proof of government's commitment toward supporting entrepreneurs. MECD aims to administer entrepreneurial activities while at the same time encouraging the cooperation between Bumiputera and non Bumiputera entrepreneurs. This effort is hopefully able to collectively strengthen Malaysia's economy. With MECD as the main body coordinating entrepreneurial activities related to agencies MARA, SMIDEC, KESEDAR, Tekun, Amanah Ikhtiar Malaysia, SME Bank, Agro Bank, Bank Rakyat and State Government Islamic Department. Among the services provided by these organizations are

as one-stop center for entrepreneurs to gain information about anything related to their business such as the type of assistance and financial support that are available to them and market opportunities. These organizations also manage training and financial assistance for the entrepreneurs as well as provide infrastructure and exposure to latest technology and inventions that are related to their businesses.

Malaysia had seen a tremendous change economically in period of 1970s until the late 1990s as the economic structure slowly shift from agricultural and natural resources based to industrial based with heavy reliance toward exports. However, the rapid growth lead by industrial sector was put into halted in the 1997 when the global economic crisis hit Malaysia. In 1998, the Gross Domestic Product had showed negative growth rate while unemployment increased with 46,643 had been laid off in between July 1997 until June 1998. In order to shave off the increasing amount of unemployed, government had vigorously promoting entrepreneurship to the retrenched workers as their alternative income source. Among efforts that are proposed by the government through MTDC in 1998 are the initiative to get universities to collaborate in setting up incubators in each of 5 selected campus in order to facilitate new start-ups such as UMK which have specialize academic programs in entrepreneurship and initialize Social Enterprise for Economic Development (SEED) and Regional Networking Poverty Eradication Agropolitan Project of the East Coast Economic Region (ECER). Other than that, to tackle the emerging era of information technology, government had initiated MSC ventures capital through Multimedia Development Corporation (MDC), with objective to provide advices and ventures capital in information technologies companies. Other than direct assistance for 28 entrepreneurs, the privatization master plan that had been launched by the government had also benefit entrepreneurs indirectly as it profit opportunities for them to get grants

resulting from the privatization (Gomez and Jomo, 1999). To date, policies regarding entrepreneurship had been embedded in almost all Malaysia's development plan this include the Second Industrial Plan, the Third Outline Perspective Plan (OPP3), the Eighth Malaysia Plan, Ninth Malaysia Plan (2006-2010) up until the Tenth Malaysia Plan (2011-2015). With 190 active programs currently, policies suggested and implemented are changing along with the current economic structure and global needs.

Table 1. shows a marginal increase for average income for all households across ethnic groups. The main reason for the increase may be due to employment opportunity among the group. Despite the increase, the average income of Bumiputera household remains relatively lower than the national average while the rural-urban average household income continues to widen. Similarly, Table 2. shows the income differential between ethnic group remain significantly large based on income quintiles. For example, the average income for Bumiputera households in the top 20% income bracket remain significantly lower from the national average as well as compared to other ethnic race such as Chinese and Indian households both in 1995 and 1999. The same trend could be observed for the lowest 40% low income bracket both years.

Table 1.2.
Household average income based on ethnic group,1995, 1999 and 2004

Ethnic Group	1995 (RM)	1999 (RM)	Average Annual Growth Rate (%) 1995-1999	2016 (RM)	Average Annual Growth Rate (%) 1999-2016
Bumiputera	1,604	1,984	5.5	2,711	6.4
Chinese	2,890	3,456	4.6	4,437	5.1
Indian	2,140	2,702	6.0	3,456	5.0
Others	1,284	1,371	1.7	2,312	11.0
Malaysia	2,020	2,472	5.2	3,249	5.6

Ethnic Group	1995 (RM)	1999 (RM)	Average Annual Growth Rate (%) 1995-1999	2016 (RM)	Average Annual Growth Rate (%) 1999-2016
Urban	2,589	3,103	4.6	3,956	5.0
Rural	1,326	1,718	6.7	1,875	1.8

Table 2. 2.
Average monthly household income based on income and ethnic group

Ethnic Group	1995 (RM)			2016 (RM)		
	Upper 20%	Middle 40%	Lower 40%	Upper 20%	Middle 40%	Lower 40%
Bumiputera	3,986	1,461	572	4,855	1,810	742
Chinese	7,270	2,560	1,062	8,470	3,168	1,271
Indian	5,100	1,954	868	6,456	2,460	1,092
Others	3,106	1,131	539	3,242	1,204	616
Malaysia	5,202	1,777	694	6,268	2,204	865
Urban	6,474	2,323	942	7,580	2,844	1,155
Rural	3,153	1,235	515	4,124	1,577	670

Source: Eight Malaysia Plan (2001 - 2005) and DOS HIS (2016) Survey

Table 3. shows equity ownership across ethnic races as well as foreigners for 1995 and 1999. Interestingly, the average annual increase for the period 1996 to 1999 is quite similar across ethnic group, but record a significantly higher increase among foreigners.

In brief, it can be argued that Malaysia's rapid economic growth has to incorporate the equity and redistribution of wealth across ethnic group. Such challenging objective makes Malaysia's quite unique as compared with other developing nation. Admittedly, economic affirmative action such as NEP and NDP has played a role in the whole process. Nevertheless, wealth creation is not a guarantee of wealth distribution as endowment level in term of material and human capital differs across ethnic group.

Table 3.2.
Equity ownership (at par value) for listed corporation, 1995 and 2016

Ownership by Group	1995 (RM Mil)	%	1999 (RM Mil)	%	Average Annual Rate of Growth (%) 1995 - 2016
1) Bumiputera	36,981.2	20.6	59,394.4	19.1	12.6
Individual and Institution	33,353.2	18.6	54,046.0	17.4	12.8
Trustee Agency	3,628.0	2.0	5,348.0	1.7	10.2
2) Non-Bumiputera	78,026.9	43.4	125,013.3	40.3	12.5
Chinese	73,552.7	40.9	117,372.4	37.9	12.4
Indian	2,723.1	1.5	4,752.9	1.5	14.9
Others	1,751.1	1.0	2,888.0	0.9	13.3
3) Foreigners	49,792.7	27.7	101,279.2	32.7	19.4
4) Nominees	14,991.4	8.3	24,389.5	7.9	12.9
Total (item 1 to 4)	179,792.2	100.0	310,076.0	100.0	14.6

Source: Eight Malaysia Plan (2001 - 2005); Bank Negara Report (2016)

Growth, Equity and Ethnic Relation

Given the strong economic growth, the harmonious ethnic relationship is expected to further strengthened economic growth as political stability and ethnic consensus is treated as an important input in further changes, growth and development. However, the trickle down impact of economic growth does not imply that robust economic growth could assure of equity distribution among the ethnic class. In another word, qualitative changes in the economy could be important which must also change along with the quantitative growth (Lee, 2003). In a way, Malaysia robust growth in the 1980s and 1990s have spurred foreign direct investment and this turn out to be a good source of employment, wealth creation and generation in the economy. Previous work by Gomez (1997) and Lee (2003) argues on the

line that further economic liberalization and growth in an open economy like Malaysia has also contributing toward changes and moderating ethnic relations that is quite vulnerable to changes and pressures. Apparently, the same argument has been put forward by earlier work by Jesudason (1995), Lim (1981) and Jomo (1991). In another word, these groups seem to proposed that a continuous and robust economic growth will continue to be a single most important factor in stabilizing inter-ethnic relation in a multi racial country such as Malaysia.

Structural Transformation of the Malaysian Economy

Sustained high growth during the 1980s brought significant improvements in the standard of living and social cohesion. Economic diversification helped transform the country into a middle-income emerging market by the end of the decade. The nation's growth began to slow down in 1983 due to the prolonged world recession following the second oil shock in 1979. The collapse in the price of primary products aggravated the situation that led to serious resource constraints and drove the economy into a twin deficit position with respect to the budget and BOP. Government instituted major structural adjustments during 1984-1990. These included:

- a. Restraining public sector expenditure to reduce budgetary deficits
- b. Adopting a private sector-led growth strategy
- c. Introducing deregulation and improving investment policies
- d. Incentives to promote private sector participation
- e. Privatising public sector enterprises.

The economy recovered in 1987, registering a high growth record of 13% per annum during 1988-1990. By 1989, the contribution of the private sector to economic growth surpassed that of the public sector, heralding the transformation of the Malaysian economy to that of a private sector-driven economy.

Malaysia Rural Development: Holistic Development Approach

The Malaysian economic development after Independence needs to be evaluated in terms of the medium term development perspective of the country. Tun Razak's premiership. Under the Second Malaysia Plan (1970-1975), the main objectives of the NEP were to reduce income disparities amongst ethnic groups and eradicate poverty. Similarly, modernization in rural sector aimed to improve the level of education particularly the Malays, indigenous people and the poor of other races. Rural development introduced modern industries into the rural area and new growth centres through rural-urban migration in order to reduce economic imbalances. Similarly, regional growth strategies were implemented which focused on the need to rectify the imbalances in the growth rates among states.

Other policies to address racial economic imbalances included the program to create a Bumiputera entrepreneurial community. The private cooperation (corporation??) was used to achieve economic opportunity and equity distribution among races. Concurrently, the human resource and labour force strategy was to expand job opportunities in line with the expanding economy. The plan also put a strong focus on the need to provide more productive employment especially for those who are engaged in low-income activities. About 596,000 new jobs were to be created during the plan period. The employment strategies included increased economic growth, expansion of public policies and the adoption of new policies to expand the public sector. Rural development included the attempt to manage land development through the opening up of new areas for land settlement, increasing use of labour, education and training programs, labour mobility and placement services – restructuring labour supply imbalances.

However, the Third Malaysia Plan (1975-1980) has also emphasized growth through job creation and the reduction of

unemployment rate. The expansion of incomes and productivity was focused particularly in rural and urban occupations by increasing access to opportunities to acquire skills. Also, the plan aimed at the creation of a commercial and industrial community to own and manage at least 30% of the total commercial and industrial activities. Similarly the plan attempted to expand the supply of trained manpower through appropriate education and training policies and programmes. At the same time, strategies were formulated to reduce under-utilization of labour in rural area which was expected to reduce the unemployment rate from 7.0% (1975) to 6.1% (1980).

The early stage of rural transformation put a strong demand on human resources which was much needed in the economy. Initially, there was a constraint of skilled manpower which included the lack of technical expertise in the sciences and professions particularly among the Bumiputera. Based on the racial restructuring programme, the share of Bumiputera employment increased from 28.9 % to 33.1 % over the plan period. The employment strategies and programmes included the expansion of the economic activities, land development, expanding the supply of skills, labour market policies and programmes, and labour laws and industrial relations.

The Second Malaysia Plan (1970-1975) represented a major turnaround in the role and policies implemented by the government. It clearly attempted to address the failure of the free market that the colonial power had attempted to introduce into the system, especially in aspect related to a more equitable income distribution across race, ethnicity and regions. Thus, the SMP shows a more interventionist role of the government as the SMP started off the New Economic Policy as well as the First Outline Perspective Plan 1971-1990. Thus, the introduction of these policies saw a more direct role of the public sector in rural development that include setting of policies related to equity, ownership and employment in the growing economy.

As such, the role of the co-operative sector needs to be studied given such significant changes and the challenges in creating Bumiputera entrepreneurs. The Second Malaysia Plan represented a new strategy in which national priorities were re-ordered and efforts intensified to deal with the economic and social problems confronting the country. Economic policies and development were to be considered in their relationship to social development in general and the over-riding need for national unity in particular. The strategy takes full recognition of these problems and needs in a multi-racial society. This incorporated policies and measures to eradicate poverty through raising income levels and generating new employment opportunities, and to restructure Malaysian society to correct racial economic imbalance.

The New Economic Policy is based upon a rapidly expanding economy which offers increasing opportunities for all Malaysian as well as additional resources for development. Thus, in the implementation of this policy, the government will ensure that no particular group will experience any loss or feel any sense of deprivation. Malaysia's development to date has been substantial. Rapid advances have been made in all sectors of the economy and all regions have contributed to the growth of the national product. The growth in output and productivity has brought about a rise in the general standard of living and the provision of more jobs for the growing labour forces. The economy has been able to embark on a substantial program of rural development, an expansion of health, housing, education and other services and the extension and improvement of the transport system, public utilities and other infrastructure needed for development. The progress made in expanding production and economic diversification has enable the economy to withstand the problem of price declines in its major export commodities and to meet essential security requirements without sacrifice of important development needs.

The goal of eradicating poverty is to be achieved through a variety of measures described in greater detail in subsequent chapters. Policies and programs under the Plan, which bear more heavily on the objective of eradicating poverty, will be directed at:

- (i) Increasing the productivity and income of those in low productivity occupations through the adoption of modern techniques and better use of facilities. Measures for this purpose include programs for double-cropping, off-seasons and inter-cropping, drainage and irrigation, improved marketing and credit, and financial and technical assistance to small-scale business industries.
- (ii) Increasing opportunities for inter-sectoral movements from low productivity to higher productivity activities in new land development schemes, modern fishing and forestry projects and in commerce, industry and modern services; also, the provision of financial and technical assistance, education and training opportunities and the necessary organizational arrangements to facilitate movements in to these modern sectors.
- (iii) Providing a wide range of free or subsidized social services especially designed to raise the living standards of the low-income groups. Such services include public housing projects, subsidized rates for electricity, water and transportation, health and medical services, improved educational opportunities and increased recreational and community facilities.

The creation of a strong demand for labour is an important prerequisite for eliminating poverty, as well as restructuring the society. Wider job opportunities must be created, especially for youths of all races, to provide increasing rewards for productive human effort. In this striving for employment creation, Malaysia must overcome the problems posed by exceptionally rapid

population growth. During the period of the Second Malaysia Plan and several years beyond, the number of job seekers will be rising rapidly. The family planning program, launched under the First Malaysia Plan, will not even begin to have an impact on labour force growth until sometimes in the 1980's.

It is evident, therefore, that Malaysia must plan for a high rate of economic growth. It will also necessitate major changes in economic structure. The industrial sector and key portions of the service sector will have to expand rapidly, in order to achieve a satisfactory rate of job creation. Furthermore, the provision of employment as a means to eradicate poverty cannot be viewed merely in terms of numbers of jobs created. Adequate opportunities must be provided for those now being educated and trained for skilled work and for the even larger numbers who will be educated and trained in the future.

Rural Development and Early Years of Malaysia's Cooperative movement

Reviewing the development plan, there seems to be a strong emphasis on the creation of Bumiputera commercial and industrial community. This is particularly so under the development plan implemented under Tun Razak in which various strategies to alleviate rural poverty had been conceived. For example, under the First Development Plan, the emphasis was on "Agricultural and rural development, Rural Co-operatives, the Green Revolution and Integrated Area Development".

Co-operatives have been viewed as a useful medium for development especially for rural and /or agricultural development. Also, majority of the Bumiputra poor are in rural areas, are agriculture workers and engaged in small scale subsistence agriculture activities. The situation is a lot worse for rural women that comprise of one quarter of the total Malaysian population and one third of the agricultural labour force in the rural areas. These people have limited education, no access to

physical and financial inputs of production and no “voices”. Due to the limited resources owned by the farmers especially in terms of primary input such as land and capital, there was a need to pool and collectively managed the resources in order to create an opportunity for them to improve their material condition (Rahman, 1970). In this regard, the rural economy needs to be further institutionalized by the intrusion of a “new” and strong institution in the form of the co-operative movement. Basically, the creation of rural entrepreneurs through the co-operative movement plays an important role in term of (a) co-operative serves as a means of integrating producers/consumers against middlemen, landlords and buyers and b) the supply of saving resources by the rural community and (c) rural co-operative movement as superior organization that should be managing in a least cost manner.

The early period, 1920 - 1957

The formal co-operatives system in Malaysia was introduced by the colonial power. However, their dynamic role was very much based on western socialistic philosophy (Fredericks, 1986). Co-operatives in Malaya were initiated by the British government in the early 1900s to combat the problem of the chronic rural indebtedness and deficit spending among wage-earners in places of employment. Nevertheless, they also introduced the movement to maintain the power grip on the political scene while using the idea as a form of gaining support from the traditional elite. The British only established the formal structure of the movement by setting up the Co-operative Department later in 1922 in order to emphasize the operational structure of the movement. In this year also, the Co-operative Societies Enactment was passed by the Federal Legislative Council. This enactment was based closely on the Indian Co-operative Societies Act of 1912 and had remained unchanged up to 1948.

The co-operative movement's growth later became stable and soon spread to various states such as Kedah, Perlis, Terengganu, Johor and Kelantan, and later to Sabah and Sarawak in 1958 and 1959 respectively. The Co-operative Development was established to register and revoke the registration of co-operative societies. It is also the department's responsibility to encourage, promote and to ensure that co-operatives function in accordance to the Societies Act. Although the early growth of co-operative movement was through efforts of the government agencies, it was also envisaged that the state would mainly play a promotional, supervisory and guidance role vis-à-vis co-operatives. So for the first eleven years after the movement began, its emphasis was only on economic functions with very minimal on non-economic functions although the co-operative philosophy and principles and even in history of the co-operative movement in other countries (Britain, America, Japan, etc.) showed otherwise. There were also very little efforts put forward into training and educational programmes of committee members and members due to the limited financial resources allocated for these programs. As a result, there was not much awareness of the co-operative principles and philosophy among co-operative members. Despite this, co-operatives were established both in urban and rural areas and their numbers steadily increased. Thrift and loan societies in urban areas, agricultural co-operatives, fishery co-operatives, housing co-operatives and a nation-wide insurance co-operative society were the significant types of cooperatives.

The Expansion Phase:1990- 1997 Pre Financial Crisis

After the country registered a significant growth with slightly more than 13 percent for three consecutive years from 1988-1990, came the Gulf war on August 2, 1990. Thereafter, with another cycles of oil shocks, oil prices increased double from US\$18 per barrel from pre-Gulf level to the average of US\$36 in October 1990. Nevertheless, Malaysia's economic performance

remained strong and continued during the 1990s prior to the Asian Financial Crisis. The period was viewed by many as the golden age of Malaysian economic growth. For instance, real GDP growth averaged at 9.2 per cent per annum, current account deficit closed, unemployment was below 3 percent, and there was a low inflation rate of the effective exchange rate, the investment-led growth strategy was successful in raising output and income, Malaysia's economic performance remained strong and continued during the 1990s prior to the Asian financial crisis. Some key factors that lead Malaysia's strong economic performance during the expansion phase include (a) strong fundamental growth (b) Substantial Poverty Reduction (c) Improve quality of life and standard of living (d) political stability and harmonious society after the racial riots in 1969 (e) supportive government policies towards FDI (f) High-quality social services (g) Well developed Infrastructure (h) Educated and trainable workforce (i) Competitive Investment incentives (j) Private sector led growth (k) Investment in human resource development and (supportive fundamental policy framework, particularly in agriculture and industrial sectors.

Post Crisis Era (1997-2015): Managing Crisis and the Middle Income Trap

Growth under the period of 1997 until 2020 was based on five Development Plan which include the 7th Malaysia Plan (1997-2000), 8th Malaysia Plan (2001-2005), 9th Malaysia Plan (2016-2010), 10th Malaysia Plan (2010-2015) and 11th Malaysia Plan. With the launching of the 7th Malaysia Plan, 1996-2000, the Malaysian economy will enter the 2nd phase of the Second Outline Perspective Plan (OPP2, 1991-2000). For Malaysia, the first half of OPP2 was in many respects a momentous period of rapid progress. The growth in Gross Domestic Product (GDP) during the Sixth Malaysia Plan period, 1991-1995, significantly exceeded the Plan target. The Seventh Plan was marked by

rapid economic growth except in 1998, when the economy was adversely affected by the economic crisis. The sharp economic contraction was short-lived as the economy staged a dramatic turnaround following the implementation of effective monetary and fiscal policies and strategies by the Government as well as favourable external sector performance. In 2000, the economy reverted to the growth rate of the pre-crisis level with relative price stability and low unemployment rate. The poverty level was significantly reduced and improvements were made in the quality of life. Overall growth of Gross Domestic Product (GDP) in the Seventh Plan was positive although the financial crisis caused the economy to contract by 7.4 per cent in 1998. The crisis had, to some extent, served as a severe stress test and highlighted the strengths and weaknesses of the economy. The impact of globalization, liberalization and rapid expansion of ICT, will require an assessment and readjustment of existing policies, strategies and programmes as well as the adoption of new approaches. Policies and strategies will be focused towards achieving sustainable growth with resilience as well as strengthening the economic and financial infrastructure.

8th Malaysia Plan (2001 – 2005)

The 8th Malaysia Plan, covering the period 2001-2005, is the first phase in the implementation of the Third Outline Perspective Plan (OPP3), 2001- 2010. The OPP3, which embodies the National Vision Policy (NVP), will chart the development of the nation in the first decade of the 21st century. The Eighth Plan incorporated the strategies, programmes and projects designed to achieve the NVP objectives of sustainable growth and strengthen economic resilience as well as create a united and equitable society. During the Eighth Plan period, the Malaysian economy face greater challenges as a result of increasing globalization and liberalization as well as the rapid development of technology, especially information and communications

technology (ICT). To enhance the competitiveness of the economy and strengthen economic resilience, concerted efforts will be undertaken to improve total factor productivity (TFP) as well as facilitate the development of a knowledge-based economy. Priority will be accorded to increasing the supply of quality manpower, enhancing research and development (R&D) efforts and accelerating the development of growth sectors. Emphasis will also be given to strengthen positive values among Malaysians and promote a united and equitable society. Macroeconomic stability is critical to maintain sustainable growth with resilience. Efforts to maintain macroeconomic stability will include pursuing sound macroeconomic management, ensuring prudent fiscal and monetary policies, attracting quality domestic and foreign investments, enhancing the development of the growth sectors and maintaining a healthy balance of payments position. Pursuing sound macroeconomic management. Malaysia will continue to aim for rapid economic growth with low inflation and sustainable budgetary and external accounts. To become a developed country by 2020, the real GDP of Malaysia will need to grow at a minimum of 7.0 per cent per annum. This growth rate will be achieved in line with the long-term potential of the economy while maintaining sound macroeconomic fundamentals, particularly in the form of price stability and a surplus in the fiscal and external accounts. During the Eighth Plan period, growth will be targeted at 7.5 per cent per annum through the implementation of measures to further increase potential output. Efforts will be made to improve efficiency in the utilization of capital, undertake productive and quality investments, enhance labour productivity and increase the contribution of TFP to economic growth.

9th Malaysia Plan: 2006- 2010

In an increasingly globalised economy, enhancing national competitiveness and resilience is a main objective of the Ninth Malaysia Plan (9thMP). Thus, one of the key priorities is to

develop competitive and resilient SMEs that are equipped with strong technical and innovation capacity, as well as managerial and business skills, The Ninth Malaysia Plan represents the first five-year blueprint of the National Mission, outlining the policies and key programmes aimed at fulfilling the Mission's thrusts and objectives for the 2006-2010 period. 1.02 Economic growth, competitiveness and dynamism will be pursued together with equal opportunity, social equity and inclusion. The quality of human capital will be upgraded as it is a key determinant in the achievement of the Plan's goals and objectives. The quality of life of all Malaysians will be enhanced further. The national implementation machinery will be streamlined and strengthened. In all, these efforts will ensure that the overriding objective of the nation, that is national unity and integration, will be strengthened. In light of the National Mission and the recognition of the importance of a joint national effort to ensure its achievement, the theme of the Ninth Plan is set as Together Towards Excellence, Glory and Distinction. All Malaysians have a stake in the nation building process – the private sector as the engine of growth, the public sector as facilitator and regulator, and civil society and others as partners in development. The quest to attain developed nation status can only be realised through the sustained commitment and contribution of each and every citizen. The Ninth Plan period is expected to be challenging and requires greater resolve to ensure its success. External shocks such as rising high oil prices, global economic imbalances, outbreak of infectious diseases and large-scale natural disasters dictate the need for vigilance and resilience. At the same time, domestic challenges including enhancing fiscal management; developing new sources of growth, wealth and income; strengthening education and training; and reducing socio-economic disparities require urgent and focused attention. The Eighth Malaysia Plan (8thMP) achieved relative success in spite of the many challenges, Given the changing domestic and global economic landscape, initiatives to enhance national

competitiveness and resilience will continue to be given high priority. At the same time, efforts to close inter- and intra-ethnic socio-economic disparities will be intensified, with measures that focus more accurately on target groups. All development initiatives during the Ninth Plan period will be guided by the universal principles of Islam Hadhari. Overall macroeconomic management during the Plan period will focus on sustaining growth and strengthening the economy's capacity to cushion against downside risks and shocks. The Government will ensure that price pressures remain manageable; that an appropriate monetary policy is in effect; that the Federal Government operating expenditure is managed in a prudent and cost-effective manner; that a gradual reduction in the Federal Government deficit is observed without retarding overall growth; and that a strong balance of payments and external reserves position is maintained at all times. The Ninth Plan is organised according to the thrusts of the National Mission. The following are the key highlights and programmes of the Ninth Plan under each of the five thrust. The first thrust is to move the economy up the value chains. The second thrust attempt to raise the capacity for knowledge and innovation and nurture "first class mentality". The third thrust is to address persistent socio-economic inequalities constructively and productively. The fourth thrust is to improve the standard and sustainability of quality of life while the final thrust continuesto strengthen the institutional and implementation capacity.

10th Malaysia Plan (2011 - 2015)

In the transformation from low to middle-income, Malaysia's economic growth was driven predominantly by factor accumulation — capital (investments), energy (cheap fuel) and labour (both domestic and foreign but largely low skilled). A factor driven growth model is no longer sustainable, given the intensified competition for FDI and talent, in addition to finite natural resources. Further, this model is inconsistent with the

economic structure required for a high-income economy based on higher value-added activities. A transformational shift to higher value-added activities requires productivity growth. The income of Malaysians can only grow in effective terms through sustained productivity improvements. Thus, under the Tenth Plan, special emphasis will be given to enablers of productivity, specifically:

- a. Focusing on skills development, especially in terms of upskilling the existing work force to facilitate industries to move up the value chain; • Promoting the development of concentrated industrial clusters and supporting ecosystem towards enabling specialisation and economies of scale;
- b. Increasingly targeting investment promotion towards investment quality (as opposed to just quantity), which support higher value add activities and diffusion of technology; and
- c. Increasing public investment into the enablers of innovation, particularly R&D and venture capital funding.

Under the Tenth Plan, the Government is committed to investing in creativity, including efforts such as stimulating entrepreneurship, revamping school curriculum, focusing on R&D and promoting availability of risk capital. The Government will provide a larger pool of funds for venture capital, especially on a Mudharabah basis (risk sharing) through co-investment with private sector funds. The Government will target to increase R&D expenditure during the Tenth Plan period through a combination of greater public R&D funding combined with facilitation support for private sector R&D. A review of bankruptcy law will be undertaken on the premise that innovation requires an environment that accepts failure, promotes a diversity of views and gives entrepreneurs a second chance. To promote innovation through knowledge-based small enterprises, regulatory flexibility will be accorded for companies with five or less employees.

A key shift in the approach taken for the Tenth Plan is the shift from physical hardware to soft infrastructure, whereby the proportion of development funding for soft infrastructure will be increased to about 40% compared to only about 22% in the Ninth Plan. This shift is consistent with the emphasis on outcomes, for example, moving away from merely building schools, to improving teachers to lift student outcomes. The focus on soft infrastructure is also in line with driving private sector led growth through increasing the allocation for facilitation support, financing businesses, R&D, entrepreneur development and incentives.

11th Malaysia Plan (2015- 2020): Moving Towards the Developed Nation status

During the Eleventh Plan, real GDP is targeted to expand between 5%-6% per annum. The Gross National Income (GNI) per capita is expected to reach US\$15,690 (RM54,100) and therefore exceed the US\$15,000 minimum threshold of a high-income economy. The Plan is expected to create 1.5 million jobs by 2020, with targeted improvements in labour productivity through the continuous shift from labour-intensive to knowledge- and innovation-based economic activities. Growth will be driven by the private sector with private investment expanding at 9.4% per annum. All economic sectors will witness strong growth with the manufacturing and services sectors contributing more than 75% of GDP. The external sector is also expected to contribute positively with recovery in exports and the current account of the balance of payments is projected to remain in surplus at 2.6% of GNI. The Federal Government fiscal position is expected to consolidate further and achieve a balanced budget by 2020. Inflation is expected to remain benign, below 3%, and the economy is anticipated to maintain full employment. Malaysia's economic fundamentals will be strengthened to achieve sustainable growth by ensuring stable prices and exchange rates, and an adequate level of savings

as a source of investible resources. The Government will also promote private consumption, as well as private investment in agriculture, manufacturing, and services to spearhead economic growth, and increase exports by improving product competitiveness, promoting services exports, and diversifying markets. More prudent fiscal management will be introduced to enhance fiscal flexibility, and measures will be undertaken to unlock the potential of productivity to ensure sustainable and inclusive growth. In brief, the The Eleventh Malaysia Plan used Blue Ocean Strategy (BOS) tools and frameworks, as part of the National Blue Ocean Strategy (NBOS), to formulate national strategies that are high impact, low cost and able to be rapidly implemented. BOS is about creating uncontested market space by simultaneously pursuing differentiation and low cost. For businesses, this means delivering high value to customers while lowering costs to the business. For governments this means rapidly delivering high value to the people at low cost to the government. One key BOS tool used in the formulation of the Eleventh Plan was the strategy canvas – a diagnostic and action framework for visualising strategies. The canvas depicts the current situation and compares it to the new strategic direction the Government will take in the Eleventh Plan. The Sixth Thrust under the 11th Malaysia Plan is explain in Table 4 as below.

Table 4.2.
Six Strategic Thrusts

No.	Keyword	Strategy	Explanation/Discussion
1	Enhancing inclusiveness towards an equitable society	Inclusivity has always been a key principle in Malaysia’s national socio-economic development agenda, and a fundamental goal of the New Economic Model. This commitment to enable all	Towards this end, the Government is committed to ensuring equitable opportunities for all segments of society, in particular the B40 households. All Malaysians, and in particular vulnerable groups will benefit from better access to

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No.	Keyword	Strategy	Explanation/Discussion
		<p>citizens – regardless of gender, ethnicity, socio-economic level, and geographic location – to participate in and benefit from the country’s prosperity, is anchored on a belief that inclusive growth is not only key to individual and societal wellbeing, but also critical for sustaining longer periods of solid economic growth.</p>	<p>quality education and training, efficient infrastructure and social amenities, better employment and entrepreneurial opportunities, as well as wealth ownership. Rural areas will be transformed with improved connectivity, mobility, and a conducive business environment. All households will witness an increase in income, and the B40 households will be elevated towards a middle-class society. The status of the Bumiputera economic community will be further enhanced.</p>
2	Improving wellbeing for all	<p>The Government has always adopted a balanced development approach that gives equal emphasis to both economic growth and the wellbeing of the rakyat. Wellbeing refers to a standard of living and quality of life that addresses an individual’s socio-economic, physical, and psychological needs. Wellbeing is essential to enhancing productivity and mobility, while simultaneously strengthening social cohesion and national unity.</p>	<p>The Government will improve the wellbeing of all Malaysians – regardless of socioeconomic background or geographic location. Every Malaysian will have equal access to quality healthcare and affordable housing. Neighbourhoods and public spaces will be safer, allowing the rakyat to have peace of mind and for communities to thrive. Sports and physical activity will become an integral part of life, with most, if not all Malaysians embracing a healthy lifestyle. Most importantly, there will be greater social integration leading to a more united and cohesive Malaysian community.</p>

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No.	Keyword	Strategy	Explanation/Discussion
3	Accelerating human capital development for an advanced nation	Human capital development is a critical enabler for driving and sustaining Malaysia's economic growth and supporting the transition of all economic sectors towards knowledge-intensive activities. An efficient and effective labour market is also necessary to attract investments into Malaysia and enable everyone to participate in and enjoy the benefits of economic growth.	The Government will improve labour productivity and create more job opportunities that require highly-skilled workers. Technical and Vocational Education and Training (TVET) will shift towards industry-led programmes to produce the skilled talent to meet industry needs. The existing workforce will have many opportunities to continuously enrich and develop themselves, so as to stay relevant in the changing economy. Above all, the quality of education will be raised to develop talent with both the knowledge and skills, and ethics and morality, to thrive in a globally competitive and dynamic environment.
4	Pursuing green growth for sustainability and resilience	Green growth refers to growth that is resource-efficient, clean, and resilient. It is a commitment to pursue development in a more sustainable manner from the start, rather than a more conventional and costly model of 'grow first, clean up later'. A reinforced commitment to green growth will ensure that Malaysia's precious environment and natural	Malaysia's green growth strategy will lead to better quality of growth, strengthened food, water and energy security, lower environmental risks and ecological scarcities, and ultimately better wellbeing and quality of life. It will mean significant reduction in greenhouse gas emissions and improved conservation of terrestrial and inland water, as well as coastal and marine areas including its ecosystems. Sustainable consumption and production practices will increase the

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No.	Keyword	Strategy	Explanation/Discussion
		endowment are conserved and protected for present and future generations.	adoption of energy-efficient and low carbon buildings, transport, products, and services. Climate change adaptation measures and disaster risk management, as well as the protection and conservation of natural resources, including biodiversity, will be intensified to protect the nation and its development gains.
5	Strengthening infrastructure to support economic expansion	Infrastructure development ensures that the rakyat have access to essential amenities and services such as transport, communications, electricity and clean water. Better integration of different transport modes will create seamless movement for people and goods. Moreover, an efficient infrastructure lowers the cost of doing business, which in turn improves national competitiveness and productivity. Good infrastructure is therefore the foundation of social inclusion, economic expansion, and growth.	New investments in road, rail, and air services will be balanced with efforts to improve the productivity, efficiency, and service levels of such infrastructure. Digital access will be increased through both broadband infrastructure expansion and initiatives to ensure their affordability. Efficiency of the logistics sector and trade facilitation will be enhanced, making Malaysia the preferred logistics gateway to Asia. Expansion and investment in new water and sewerage networks and treatment capacity will continue. Emphasis will also be placed on improving the security and reliability of the energy sector by addressing both supply-side and demand-side measures.

No.	Keyword	Strategy	Explanation/Discussion
6	Re-engineering economic growth for greater prosperity	Robust economic growth is crucial to ensure that the aspiration of becoming an advanced economy is attained. A strong and broad-based economy, producing high-value goods and services, will generate the high-paying jobs associated with an advanced nation. The economy must be placed on a solid foundation to withstand external shocks and generate undisrupted prosperity for the people.	All economic sectors will migrate into more knowledge-intensive and high value-added activities. In the services sector, there will be a shift towards modern services, which include Islamic finance, ecotourism, ICT, the creative industry, the halal industry, and oil and gas. The manufacturing sector will shift towards more diverse and complex products in three catalytic subsectors, namely chemicals, electrical and electronics, and machinery and equipment. Agriculture will be modernised by promoting sustainable practices and adopting modern farming technology to generate high-income. Growth across all economic sectors will be supported by productivity improvements, innovation, better talent, and greater internationalisation.

Source: (Malaysia) 11th Malaysia Plan, 2015 -2020.

Malaysia beyond 2020: Reflection from 11th Malaysia Plan

The Eleventh Plan (11th MP) not only marks the culmination of a 30-year journey towards Vision 2020; it also sets the stage for the next horizon of growth. Post-2020, the challenge will be to raise the bar even higher on the country's growth prospects along three dimensions, namely economy, people, and environment. The vision is for all Malaysians to have an unshakeable national identity and clear moral compass. The

country will be governed by trusted and independent executive, legislative, and judicial institutions that protect all Malaysians equally. Malaysians will have a government that delivers and is led by leaders with integrity and conviction who embrace the concept of *Amanap*. Malaysia will punch above its weight in the international arena, both as a strong independent nation and through prominent Malaysian thought leaders in various fields. The economy will be progressive, inclusive, and adaptable for the future, with highly productive world-class cities and thriving rural areas. All Malaysians will be able to participate in and benefit from the country's growth, and enjoy an elevated state of wellbeing. Malaysians will be passionate stewards of the environment and no longer see environmental protection as a trade-off to a strong economy, making Malaysia a truly beautiful place to live for all. The aspirations described above are neither exhaustive nor conclusive, but are intended to set in motion the prospect for further engagement and serious deliberation. Essentially, Malaysians envision a strong sovereign nation that is progressive and inclusive and for the people to treasure unity and celebrate diversity.

The 11thMP also takes a shot at addressing the relative low level of skilled labour in the country, wherein 64.7 percent of workers are semi-skilled, 9.4 percent are low-skilled and only the remaining 27.7% are medium- and high-skilled workers. But the goal – of achieving a labour force consisting of 60% high-skilled positions – appears merely to be turning the problem upside down and on its head. As with the ETP, whatever transformative initiatives are being planned under the 11thMP to turn Malaysians into high-income earners by 2020 so as to render their impact on national human capital development, do not appear in the actual plan of the 11thMP. The 11thMP declares six strategic thrusts to drive the national economy while tackling the rapidly changing global landscape: (i) enhancing inclusiveness towards an equitable society; (ii) improving well-

being for all; (iii) accelerating human capital development for an advanced nation; (iv) pursuing green growth sustainability and resilience; (v) strengthening infrastructure to support economic expansion; and (vii) re-engineering growth for greater prosperity. We focus here on the first three of these plus the last.

The Government claims the 11MP will ensure that all segments of society benefit from the country's economic prosperity to create an advanced economy and inclusive nation by 2020. More specifically, and in relation to SDG-related goals on inequality and poverty, the 11thMP outlines measures to ensure equitable opportunities especially for the bottom 40 households through outcome-based support and productivity-linked assistance, including entrepreneurship and skills training, technology adoption, asset ownership, and investment in improving connectivity and basic amenities. By 2020, the 11MP aims to double the average income for bottom-40 households from RM2,537 in 2014 to RM5,270, elevating them into the middle class, and to raise women's workforce participation rate from 53 percent.

Malaysia has undergone significant structural transformations and changes along with a fairly robust economic growth in the region. The resource rich country has been transformed from a mere agricultural based to an industrialized oriented economy in less than 3 decades. Along with this transformation, the wealth distribution issues have been very central in affecting the socio-ethnic relationship between the various ethnic groups. Thus far, Malaysia's fairly robust growth could be considered as a prime factor in creating a more integrated Malaysia, but yet each ethnic community could continue to co-exist within each respective socio-cultural and religious domain. The Eleventh Plan is significant as it will be the last five-year plan before Vision 2020 is achieved. It provides a crucial platform to ensure that Malaysia transitions to an advanced economy and inclusive nation. Towards this end, the

Eleventh Plan has been formulated with the rakyat as the focal point of all development efforts – to enrich their lives, raise their dignity, and enable them to partake in the country’s economic prosperity. The six strategic thrusts have been defined to break the country out of “business as usual” practices and set Malaysia on an accelerated growth trajectory. Malaysia continue to build on a future based on sound macroeconomic policy, inclusiveness so that no Malaysian is left behind, improved wellbeing for all, human capital development that is future-proof, green and sustainable growth, infrastructure that supports economic expansion, and a citizen-centric public service with high productivity. Collectively, these improvements will ensure that everyone, regardless of gender, ethnicity, socio-economic status and geographic location, can live in a truly harmonious and progressive society that bears the mark of an advanced economy and inclusive nation.



PROFILES THE SMEs AND BMT

A. SMEs in Indonesia

1. The Definition of SMEs

SMEs stands for micro, small, and medium enterprises. According to the 1945 constitution strengthened through TAP MPR No. XVI/MPR-RI/1998 on the political economy of economic democracy, in the framework of micro, small, and medium enterprises need to be empowered as an integral part of the people's economy which has the position, role, and strategic potential to realize more balanced, evolving, and equitable structures of the national economy. Furthermore, there was the understanding of SMEs through Act No. 9 year 1999 and due to the development of an increasingly dynamic state of affairs, law No. 20 article 1 Year 2008 on micro, small and medium enterprises defines SMEs as follows:

- a. Micro business is productive business owned by individual and/or individual business entity fulfilling the criteria of Micro Business as regulated in this Law.
- b. Small-scale business is a stand-alone productive economic enterprise, carried out by an individual or business entity that is not a subsidiary or not a branch of a company owned, controlled, or becomes part of either directly or indirectly from a Medium-sized Enterprises or a Large Business that meets the Business criteria Small as defined in this Law.

- c. Medium Enterprise is a stand-alone productive economic enterprise, conducted by an individual or business entity which is not a subsidiary or a branch of a company owned, controlled, or becomes part directly or indirectly with a Small or Large Business with a net worth or annual sales proceeds as provided in this Law.
- d. Large Business is a productive economic enterprise undertaken by a business entity with a net worth or a greater annual sale out of the Medium Enterprise, which includes state-owned or private national enterprises, joint ventures, and foreign businesses conducting economic activity in Indonesia.
- e. The Business World is a Micro, Small and Medium Enterprise, and a Big Business that conducts economic activities in Indonesia and is domiciled in Indonesia.

2. The Traits And Characteristics of SMEs

Characteristics of the SMEs is a stand-alone management, capital is provided on its own, local area marketing, the assets of the company is small, and the number of employees is limited. Basic implementation of the SMEs is togetherness, a democratic economy, independence, balance, sustainable progress, efficient use of Justice, as well as the unity of national economy.

Table 1.3.
Characteristics of Small Medium Enterprises

No.	Business Size	Characteristics
1.	Micro business	Type of goods/commodities do not always remain; can be changed at any time.
		The place of the business is not always settled; at any time it can relocate
		There is a simple financial administration though.
		There is no separation of the family Finances from business finance.

No.	Business Size	Characteristics
		<p>Human resources (entrepreneurs) do not have adequate entrepreneurial soul yet.</p> <p>The average level of education is relatively very low</p> <p>Generally it has not access to banking, but some have already access to non-bank financial institutions.</p> <p>Generally it does not have a business license or other legal requirements including NPWP.</p> <p>Example: the trading businesses are street vendors as well as traders in the market.</p>
2.	Small business	<p>Type of goods/commodities that remain unanswered are generally already fixed are not easily changed.</p> <p>The location/place of business is generally settled</p> <p>In general there is already financial administration though it is still a simple one.</p> <p>The company financial starts to be separated from the family one</p> <p>It has had the balance.</p> <p>It has had the business license and other legal requirements including NPWP.</p> <p>The human resources (entrepreneurs) have experience in entrepreneurship.</p>
3.	Medium Enterprises	<p>In General it has had a better management and organization, more regular even more modern, with a clear division of tasks including the financial, marketing, and production sections</p> <p>It has been doing financial management by implementing the accounting system, making it easier for auditing and assessment or examination including by banking</p> <p>It has done the rules or management and labour organisations, and there has been Jamsostek, health care.</p>

No.	Business Size	Characteristics
		It has already had all the requirements for legality including neighbouring permits, business license, place permit, TAX ID, environmental management efforts
		It already has access to the sources of funding of the banking
		It generally already has trained and educated human resources.

Table 2.3.
The Criteria of SMEs Based on the Assets and Turnovers

Business Size	Criteria	
	Asset	Turnover
Micro business	Maximum Rp 50 million	Maximum Rp 300 million
Small business	> Rp 50 million - Rp 500 million	> Rp 300 million - Rp 2.5 billion
Medium Enterprises	> Rp500 million - Rp10 billion	> Rp2, 5 billion - Rp 50 billion

3. Benefits of SMEs

a. Financial Freedom

Sometimes financial gain is not a primary motivation of doing business activities, but it cannot be denied but it cannot be denied that financial benefits become the important factor for business survival and growth as well as a special attraction someone plunge into the business world

b. Ability to do self-control

The journey during the process of establishing business activities to succeed requires a long enough work with sufficient risk. With the passage of time as well as good or bad experiences, long - term success and failure will shape a person's ability to exercise control over what will be done and what has been done and the ability in self-employment.

- c. Making changes in life as well as digging the potential.
- d. A fairly high chance, life changes very quickly prompted a lot of entrepreneurial business trying to do to simply measure the ability yourself and explore your untapped potential, the demands of life as well as the opportunity to make changes in their lives to achieve a better life.
- e. Self-service and gain recognition of efforts
It is to gain self-actualization or indirectly get recognition of the ability. Entrepreneurship is an integral part of the surrounding environment even in a wider range. In the present and future the obligations of entrepreneurs cannot be separated from ethical behaviour and social responsibility as a part of business life.
- f. Resilient
Entrepreneurs have the ability to survive. Based on the evident in the past crisis, small businesses still survived and were able to help motoring the national economy. The resilience of this small business is in line with the entrepreneur character attached to the business owner.
- g. More focus on the Customers.
Small businesses are usually more focused in serving consumers. They know who A is, who B as their customers. Because of knowing customers better, it makes a small business able to serve them more optimally.
- h. Easy for adaptation.
Conditions with no long-term hierarchy as in big business, small businesses have adaptive capabilities in changing markets, be quickly sniffed and harmonized with their business. New innovations usually appear in these conditions even though only small ones.
- i. Participating in motoring the economy of society.
Employment and motoring the economy, small businesses

play an important role. This type of business becomes the motor of economic growth in its environment.

j. Innovation.

Innovation is performed in the product development, marketing, or internal aspects. Innovation is also easier to do than in big businesses that usually have complex organizational structures and work processes.

k. Flexible.

Being able to adjust to the current condition. The flexibility of this small business that makes it able to survive in business competition.

l. Freedom

Freely organize how its business strategy, free to take the best decision for its business, and accompanied by responsibility to bear all the risks.

4. Development of SMEs in Indonesia Year 2017

Minister of Cooperatives and Small and Medium Enterprises, Anak Agung Gede Ngurah Puspayoga says that the National Entrepreneurship Movement (GKN) is a movement that grows from below, so it has a strong foundation for growing. This made the entrepreneurship ratio in Indonesia increase in the Year 2013/2014 with 1.67 percent and in 2017 based on data Central Bureau of Statistics increased to 3.1 percent. SMEs are also said to be quite productive economic enterprises despite of the turbulence or crisis. They are not affected by such a sad impact. This is due to the principle of independence owning meaning that they have their own capital and not too dependent on other institutions making them sturdy until now and becomes the country's economic valve. Exception that is very exciting for our SMEs is not obtained only in a single wink. Many challenges they have to go through and many problems they have to solve both in capital, labour, production activities, and other things.

The Micro Finance Institution Listed in the Financial Services Authority (OJK) is presented in Table 3 below.

Table 3.3.
Microfinance Institutions Listed by the Financial Services Authority (OJK)

No	Name	Business License Number	Business License Date	Address	Area
1	Koperasi LKM Bulu Makmur	KEP-01/NB.123/2015	23 September 2015	Wonogiri regency	Sub District
2	Koperasi LKM Sido Mulyo	KEP-02/NB.123/2015	23 September 2015	Wonogiri regency	Sub District
3	Koperasi LKM Pondok Subur	KEP-03/NB.123/2015	23 September 2015	Wonogiri regency	Sub District
4	Koperasi LKM Ngudi Lestari	KEP-04/NB.123/2015	23 September 2015	Wonogiri regency	Sub District
5	Koperasi LKM Agribisnis Ngudi Luhur	KEP-05/NB.123/2015	23 September 2015	Magelang regency	Sub District
6	Koperasi LKM Agribisnis Tani Makmur	KEP-06/NB.123/2015	23 September 2015	Magelang regency	Sub District
7	Koperasi LKM Agribisnis Randu Makmur	KEP-07/NB.123/2015	23 September 2015	Magelang regency	Sub District
8	Koperasi LKM Gapoktan Ragil Jaya	KEP-08/NB.123/2015	23 September 2015	Pemalang regency	Village
9	Koperasi LKMS Baitul Maal Wat Tamwil Sumber Harapan Maju	KEP-09/NB.123/2015	08 October 2015	Regency Semarang	Regency/City
10	Koperasi LKM Lembaga Keuangan Desa Rejo Makmur	KEP-10/NB.123/2015	08 October 2015	Pringapus Regency	Regency/City

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No	Name	Business License Number	Business License Date	Address	Area
11	Koperasi LKM Soko Rahayu	KEP-11/NB.123/2015	18 November 2015	Sragen Regency	Sub District
12	Koperasi LKM Agribisnis Pengembangan Usaha Agribisnis Perdesaan Mugi Rahayu	KEP-12/NB.123/2015	18 November 2015	Purbalingga regency	Sub District
13	Koperasi LKM Agribisnis Pengembangan Usaha Agribisnis Perdesaan Manunggal Lestari	KEP-13/NB.123/2015	18 November 2015	Purbalingga regency	Sub District
14	Koperasi LKM Agribisnis Pengembangan Usaha Agribisnis Perdesaan Subur	KEP-14/NB.123/2015	18 November 2015	Purbalingga regency	Sub District
15	Koperasi LKM Syariah Baitut Tamwil Muhamaddiyah Artha Surya	KEP-15/NB.123/2015	25 November 2015	Tegal Regency	Regency/City
16	Koperasi LKM Syariah Anggrek	KEP-16/NB.123/2015	18 December 2015	Mojokerto Regency	Sub District
17	Koperasi LKM Syariah Al Ummahat	KEP-17/NB.123/2015	18 December 2015	Mojokerto Regency	Sub District
18	Koperasi LKM Berkah Margo Mulyo	KEP-18/NB.123/2015	30 December 2015	Batang Regency	Sub District
19	Koperasi LKM Syariah BTM Pemalang	KEP-19/NB.123/2015	30 December 2015	Pemalang regency	Regency/City

No	Name	Business License Number	Business License Date	Address	Area
20	Koperasi LKM Artha Nugraha	KEP-20/NB.123/2015	31 December 2015	Semarang Regency	Sub District
21	Koperasi LKM Syariah Gunungjati	KEP-1/NB.123/2016	19 January 2016	Cirebon Regency	Regency
22	PT Lembaga Keuangan Mikro Akhlakul Karimah*)	KEP-2/NB.123/2016	19 January 2016	Cianjur Regency	Regency
23	PT Lembaga Keuangan Mikro Pancatengah Tasikmalaya*)	KEP-3/NB.123/2016	19 January 2016	Tasikmalaya Regency	Regency
24	PT Lembaga Keuangan Mikro Garut*)	KEP-4/NB.123/2016	19 January 2016	Garut Regency	Regency
25	PT Lembaga Keuangan Mikro Mekar Asih Purwakarta*)	KEP-5/NB.123/2016	21 January 2016	Purwakarta Regency	Regency
26	PT Lembaga Keuangan Mikro Sumedang*)	KEP-6/NB.123/2016	22 January 2016	Sumedang Regency	Regency
27	PT Lembaga Keuangan Mikro Karawang*)	KEP-7/NB.123/2016	22 January 2016	Karawang Regency	Regency
28	PT Lembaga Keuangan Mikro Ciamis*)	KEP-8/NB.123/2016	25 January 2016	Ciamis regency	Regency
29	PT Lembaga Keuangan Mikro Sukabumi*)	KEP-9/NB.123/2016	25 January 2016	Sukabumi Regency	Regency

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No	Name	Business License Number	Business License Date	Address	Area
30	Koperasi LKM Syariah BTM Kota Tegal*)	KEP-10/NB.123/2016	28 January 2016	Tegal City	City
31	PT Lembaga Keuangan Mikro Kuningan*)	KEP-11/NB.123/2016	29 January 2016	Kuningan Regency	Regency
32	PT LKM Artha Kertaraharja*)	KEP-12/NB.123/2016	29 January 2016	Tangerang Regency	Regency
33	Koperasi LKM Gapoktan Tani Mandiri	KEP-13/NB.123/2016	3 February 2016	Pemalang regency	Village
34	PT LKM Bogor*)	KEP-14/NB.123/2016	3 February 2016	Bogor Regency	Regency
35	Koperasi LKM Syariah BMT Talaga*)	KEP-15/NB.123/2016	4 February 2016	Majalengka Regency	Regency
36	Koperasi LKM Kemala Aman*)	KEP-16/NB.123/2016	11 March 2016	Bengkulu City	City
37	Koperasi LKM Syariah BTM Purbalingga*)	KEP-17/NB.123/2016	11 March 2016	Purbalingga regency	Regency
38	Koperasi LKM Sumber Lestari*)	KEP-19/NB.123/2016	11 March 2016	Lampung Timur Regency	Village
39	PT Lembaga Keuangan Mikro Lenek Daya*)	KEP-21/NB.123/2016	11 March 2016	Lombok Timur Regency	Sub District
40	Koperasi LKM Syariah BTM Surya Amanah	KEP-22/NB.123/2016	23 March 2016	Temanggung Regency	Regency

No	Name	Business License Number	Business License Date	Address	Area
41	Koperasi LKM Leyangan Sejahtera	KEP-23/NB.123/2016	5 April 2016	Semarang Regency	Village
42	Koperasi LKM Gapoktan Tani Karya	KEP-24/NB.123/2016	7 April 2016	Pemalang regency	Village
43	Koperasi LKM UPK DAPM Mandiri Sejahtera	KEP-25/NB.123/2016	7 April 2016	Regency Lampung Selatan	Sub District
44	PT Lembaga Keuangan Mikro Kalijaga	KEP-26/NB.123/2016	12 April 2016	Regency Lombok Timur	Village
45	Koperasi LKM Agribisnis Blorok Makmur Sejahtera	KEP-27/NB.123/2016	13 April 2016	Kendal regency	Sub District
46	Koperasi LKM Agribisnis Sido Rukun	KEP-28/NB.123/2016	13 April 2016	Kendal regency	Sub District
47	Koperasi LKM Agribisnis Sido Makmur	KEP-29/NB.123/2016	18 April 2016	Kendal regency	Sub District
48	Koperasi LKM Agribisnis Karang Sari Sejahtera	KEP-30/NB.123/2016	18 April 2016	Kendal regency	Sub District
49	Koperasi LKM Agribisnis Sendang Mulyo	KEP-31/NB.123/2016	18 April 2016	Kendal regency	Sub District
50	Koperasi LKM PED Agung Samudra	KEP-32/NB.123/2016	18 April 2016	Rembang Regency	Village

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No	Name	Business License Number	Business License Date	Address	Area
51	Koperasi LKM Agribisnis Gapoktan Ngudi Rejeki	KEP-33/NB.123/2016	20 April 2016	Kendal regency	Sub District
52	Koperasi LKM Agribisnis Mekar Arum	KEP-34/NB.123/2016	20 April 2016	Kendal regency	Sub District
53	Koperasi LKM Agribisnis Gapoktan Gondang	KEP-35/NB.123/2016	20 April 2016	Kendal regency	Sub District
54	Koperasi LKM Agribisnis Anugerah Tani Makmur	KEP-36/NB.123/2016	21 April 2016	Kendal regency	Sub District
55	Koperasi LKM Agribisnis Gapoktan Bangun Karyo	KEP-37/NB.123/2016	25 April 2016	Kendal regency	Sub District
56	PT Lembaga Keuangan Mikro Pandeglang Berkah*)	KEP-38/NB.123/2016	4 May 2016	Pandeglang Regency	Regency
57	PT Lembaga Keuangan Mikro Badan Kredit Produksi Desa Mitra Sejahtera*)	KEP-39/NB.123/2016	4 May 2016	Semarang Regency	Regency
58	PT Lembaga Keuangan Mikro Ciamis	KEP-40/NB.123/2016	12 May 2016	Ciamis regency	Regency
59	Koperasi LKM Gapoktan Sarwo Akur Tani*)	KEP-41/NB.123/2016	19 May 2016	Pemalang regency	Sub District

No	Name	Business License Number	Business License Date	Address	Area
60	Koperasi LKM Agribisnis Sari Mulyo Tamansari	KEP-42/NB.123/2016	31 May 2016	Pati Regency	Village
61	Koperasi LKM Syariah Wesal Keuangan Syariah	KEP-43/NB.123/2016	8 June 2016	Depok City	City
62	Koperasi LKM Agribisnis Sumber Rejeki makmur *)	KEP-44/NB.123/2016	14 June 2016	Kendal regency	Sub District
63	Koperasi LKM Agribisnis Mustika Karya Makmur*)	KEP-45/NB.123/2016	15 June 2016	Kendal regency	Sub District
64	Koperasi LKM Agribisnis Mojo Agung Sejahtera*)	KEP-46/NB.123/2016	15 June 2016	Kendal regency	Sub District
65	Koperasi LKM Agribisnis Tani Merapi Sejahtera*)	KEP-47/NB.123/2016	16 June 2016	Magelang regency	Sub District
66	Koperasi LKM Amanah Sumber Baru Ermoko*)	KEP-48/NB.123/2016	16 June 2016	Wonogiri regency	Sub District
67	Koperasi LKM Agribisnis Gapoktan Tani Tanjung Jaya	KEP-49/NB.123/2016	16 June 2016	Pekalongan regency	Sub District
68	Koperasi LKM Desa Bendo	KEP-50/NB.123/2016	16 June 2016	Sragen regency	Sub District
69	Koperasi LKM Sejahtera Karya Mandiri	KEP-51/NB.123/2016	22 June 2016	Regency Semarang	Regency

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No	Name	Business License Number	Business License Date	Address	Area
70	Koperasi LKM Agribisnis Tani Makmur Merapi*)	KEP-52/NB.123/2016	22 June 2016	Magelang regency	Sub District
71	PT Lembaga Keuangan Mikro Rangkasbitung*)	KEP-53/NB.123/2016	22 June 2016	Regency Lebak	Regency
72	Koperasi LKM Agribisnis Gapoktan Sumber Tani*)	KEP-54/NB.123/2016	23 June 2016	Magelang regency	Sub District
73	Koperasi LKM Agribisnis Wisma Tani Makmur*)	KEP-55/NB.123/2016	23 June 2016	Kendal regency	Sub District
74	Koperasi LKM Agribisnis Arta Makmur Sejahtera*)	KEP-56/NB.123/2016	27 June 2016	Magelang regency	Sub District
75	Koperasi LKM Murih Raharjo	KEP-57/NB.123/2016	27 June 2016	Sragen regency	Sub District
76	Koperasi LKM Agribisnis Gapoktan Sukses Makmur*)	KEP-58/NB.123/2016	27 June 2016	Magelang regency	Sub District
77	Koperasi LKM Agribisnis Gapoktan Tani Makmur Desa Randumuktiwaren Kecamatan Bojong*)	KEP-59/NB.123/2016	28 June 2016	Pekalongan regency	Sub District
78	Koperasi LKM Syariah BTM Banyumas di Patikraja	KEP-60/NB.123/2016	30 June 2016	Banyumas regency	Regency

No	Name	Business License Number	Business License Date	Address	Area
79	Koperasi LKM Mandiri Sejahtra	KEP-61/NB.123/2016	30 June 2016	Lampung Selatan Regency	Sub District
80	Koperasi LKM UPK DAPM Mitra Barokah	KEP-62/NB.123/2016	20 Juli 2016	Lampung Selatan Regency	Sub District
81	PT Lembaga Keuangan Mikro BKPD Kabupaten Demak*)	KEP-63/NB.123/2016	22 Juli 2016	Demak Regency	Regency
82	Koperasi LKM Syariah Usaha Mulia	KEP-64/NB.123/2016	22 Juli 2016	Probolinggo City	City
83	Koperasi LKM Agribisnis Gapoktan Wono Raharjo*)	KEP-65/NB.123/2016	18 Agustus 2016	Pekalongan regency	Sub District
84	Koperasi LKM Agribisnis Gapoktan Sedayu Barokah*)	KEP-66/NB.123/2016	26 Agustus 2016	Semarang City	Sub District
85	Koperasi LKM Agribisnis Gapoktan Novelty Sejahtera*)	KEP-67/NB.123/2016	26 Agustus 2016	Semarang City	Sub District
86	Koperasi LKM Agribisnis Gapoktan Maju Makmur*)	KEP-68/NB.123/2016	26 Agustus 2016	Pekalongan regency	Village
87	Koperasi LKM Agribisnis Gapoktan Setya Mandiri*)	KEP-69/NB.123/2016	26 Agustus 2016	Semarang City	Sub District

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No	Name	Business License Number	Business License Date	Address	Area
88	Koperasi LKM Laras Rejo (Makmur*)	KEP-70/NB.123/2016	2 September 2016	Semarang City	Regency
89	Koperasi LKM Hatantiring Manggatang Utus*)	KEP-71/NB.123/2016	5 September 2016	Kotawaringin Timur Regency	Village
90	Koperasi LKM Agribisnis Sidodadi (Makmur*)	KEP-73/NB.123/2016	7 October 2016	Pekalongan regency	Village
91	Koperasi LKM Agribisnis Gapoktan Sari (Makmur*)	KEP-74/NB.123/2016	26 October 2016	Metro City	Regency
92	Koperasi LKM Pundi Mataram Pati	KEP-75/NB.123/2016	31 October 2016	Pati Regency	Regency
93	Koperasi LKM Agribisnis Gapoktan Tani Maju Desa Wonosido*)	KEP-76/NB.123/2016	7 November 2016	Pekalongan regency	Sub District
94	Koperasi LKM Agribisnis Gapoktan Tani Mugj Rahayu*)	KEP-77/NB.123/2016	7 November 2016	Pekalongan regency	Sub District
95	Koperasi LKM Agribisnis Gapoktan Sumber Makmur Sri Rejeki*)	KEP-78/NB.123/2016	8 November 2016	Pekalongan regency	Village
96	Koperasi LKM Agribisnis Gapoktan Lestari Raharjo*)	KEP-79/NB.123/2016	10 November 2016	Pekalongan regency	Sub District

No	Name	Business License Number	Business License Date	Address	Area
97	Koperasi LKM Agribisnis Gapoktan Sri Rejeki	KEP-80/NB.123/2016	11 November 2016	Pekalongan regency	Sub District
98	Koperasi LKM Agribisnis Subur Lestari*)	KEP-82/NB.123/2016	11 November 2016	Grobogan regency	Village
99	Koperasi LKM Agribisnis Tarub Raharjo*)	KEP-83/NB.123/2016	14 November 2016	Grobogan regency	Village
100	Koperasi LKM Agribisnis Tri Asri*)	KEP-84/NB.123/2016	15 November 2016	Grobogan regency	Sub District
101	Koperasi LKM Agribisnis Gapoktan Agung Rejeki	KEP-85/NB.123/2016	15 November 2016	Pekalongan regency	Village
102	Koperasi LKMA Gapoktan Manunggal, Desa Notogiwang Kecamatan Panninggaran*)	KEP-86/NB.123/2016	18 November 2016	Pekalongan regency	Sub District
103	Koperasi LKM Gapoktan Demang Tani*)	KEP-87/NB.123/2016	18 November 2016	Kebumen Regency	Sub District
104	Koperasi LKMA Sumber Urjip*)	KEP-88/NB.123/2016	18 November 2016	Grobogan regency	Village
105	Koperasi LKMA Sumber Rejeki*)	KEP-89/NB.123/2016	18 November 2016	Grobogan regency	Village
106	Koperasi LKMA Sari Tani*)	KEP-90/NB.123/2016	22 November 2016	Grobogan regency	Village
107	Koperasi LKMA Sentana Jaya*)	KEP-91/NB.123/2016	23 November 2016	Regency Jepara	Village

No	Name	Business License Number	Business License Date	Address	Area
108	Koperasi LKMA Gapoktan Lumbung Pangan*)	KEP-92/NB.123/2016	24 November 2016	Pekalongan regency	Village
109	Koperasi LKM Sumber Makmur*)	KEP-93/NB.123/2016	25 November 2016	Sragen regency	Sub District
110	Koperasi LKM Gapoktan Sekar Harum Karanggayam*)	KEP-94/NB.123/2016	8 December 2016	Kebumen Regency	Sub District
111	Koperasi LKM Agribisnis Karya Makmur*)	KEP-95/NB.123/2016	8 December 2016	Kebumen Regency	Village
112	Koperasi LKM Adi Jaya Makmur*)	KEP-96/NB.123/2016	13 Desember 2016	Pekalongan regency	Village
113	Koperasi LKM Agribisnis Cakra Tani*)	KEP-97/NB.123/2016	13 December 2016	Grobogan regency	Village
114	Koperasi LKM Agribisnis Kola Jaya*)	KEP-98/NB.123/2016	20 December 2016	Padang City	Village
115	Koperasi LKM Agribisnis Gapoktan Manunggal Tani Kamulyan*)	KEP-99/NB.123/2016	20 December 2016	Kebumen Regency	Village
116	Koperasi LKM Agribisnis Salingka Permai Indah*)	KEP-100/NB.123/2016	20 December 2016	Padang City	Village
117	Koperasi LKM Kurnia Tani Cendana*)	KEP-101/NB.123/2016	23 December 2016	Banjarnegara Regency	Sub District
118	Koperasi LKM Agribisnis Gapoktan Sukamaju*)	KEP-102/NB.123/2016	23 December 2016	Banjarnegara Regency	Sub District

No	Name	Business License Number	Business License Date	Address	Area
119	Koperasi LKM Agribisnis Biofera Sumedang*)	KEP-103/NB.123/2016	28 December 2016	Pesisir Selatan Regency	Sub District
120	Koperasi LKM Agribisnis Silaang Atas*)	KEP-104/NB.123/2016	29 December 2016	Padang Panjang City	Village
121	Koperasi LKM Agribisnis Melati*)	KEP-105/NB.123/2016	29 December 2016	Padang Panjang City	Village
122	Koperasi LKM Agribisnis Usaha Bersama*)	KEP-106/NB.123/2016	29 December 2016	Bukittinggi City	Village
123	Koperasi LKM Agribisnis Gapoktan Rukun Makmur*)	KEP-107/NB.123/2016	30 December 2016	Pekalongan regency	Sub District
124	Koperasi LKM Agribisnis Alam Sungai Liku*)	KEP-108/NB.123/2016	30 December 2016	Regency Pesisir Selatan	Village
125	Koperasi LKM Agribisnis Tunas Mekar Sejahtera*)	KEP-109/NB.123/2016	30 December 2016	Tulang Bawang Regency	Sub District
126	Koperasi LKM Agribisnis Saiyo Sakato*)	KEP-110/NB.123/2016	30 December 2016	Padang City	Village
127	Koperasi LKM Agribisnis Gapoktan Samo Saiyo*)	KEP-111/NB.123/2016	30 December 2016	Pesisir Selatan Regency	Village
128	Koperasi LKM Agribisnis Amanah Manggis Ganting*)	KEP-23/NB.12/2017	9 January 2017	Bukittinggi City	Village

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No	Name	Business License Number	Business License Date	Address	Area
129	Koperasi LKM Agribisnis Gapok-tan Melati Makmur*)	KEP-25/NB.12/2017	11 January 2017	Pekalongan regency	Sub District
130	Koperasi LKM Agribisnis Lokuang Kuranji*)	KEP-32/NB.12/2017	13 January 2017	Limapuluh Kota Regency	Village
131	Koperasi LKM Agribisnis Taluk Tigo Sakato*)	KEP-34/NB.12/2017	16 January 2017	Pesisir Selatan Regency	Sub District
132	Koperasi LKM Gapoktan Panca Karya*)	KEP-36/NB.12/2017	18 January 2017	Lampung Selatan Regency	Village
133	Koperasi LKM Agribisnis Anduring*)	KEP-37/NB.12/2017	18 January 2017	Padang City	Village
134	Koperasi LKM Usaha Murih Kasembadan*)	KEP-40/NB.12/2017	20 January 2017	Banjarnegara Regency	Sub District
135	Koperasi LKM Agribisnis Lansano Saiyo*)	KEP-41/NB.12/2017	20 January 2017	Pesisir Selatan Regency	Village
136	Koperasi LKM Agribisnis Tani Utama Kertayasa*)	KEP-42/NB.12/2017	20 January 2017	Banjarnegara Regency	Sub District
137	Koperasi LKM Panuntun Tani*)	KEP-47/NB.12/2017	2 February 2017	Jepara Regency	Village
138	Koperasi LKM Agribisnis Situbanda*)	KEP-49/NB.12/2017	6 February 2017	Lima Puluh City Regency	Village

No	Name	Business License Number	Business License Date	Address	Area
139	Koperasi LKM Syariah MM Sejahtera Province Bengkulu*)	KEP-50/NB.12/2017	6 February 2017	Bengkulu City	City
140	Koperasi LKM Agribisnis Gemar Sepakat*)	KEP-51/NB.12/2017	8 February 2017	Padang Panjang City	Village
141	Koperasi LKM Syariah Ukhuwah Bintang Ihsani	KEP-56/NB.12/2017	22 February 2017	Bengkulu City	City
142	Koperasi LKM Agribisnis Baringin Sakti*)	KEP-58/NB.12/2017	28 February 2017	Padang City	Village
143	Koperasi LKM Agribisnis Tani Makmur Blater*)	KEP-60/NB.12/2017	28 February 2017	Kebumen Regency	Village
144	Koperasi LKM Gapoktan Bunga Padi*)	KEP-62/NB.12/2017	28 February 2017	Polewali Mandar Regency	Village
145	Koperasi LKM Gapoktan Tanah Bahagia*)	KEP-63/NB.12/2017	28 February 2017	Polewali Mandar Regency	Village
146	Koperasi LKM Agribisnis Mekar Jaya*)	KEP-64/NB.12/2017	28 February 2017	Lampung Tengah Regency	Sub District
147	Koperasi LKM Sumber Makmur*)	KEP-65/NB.12/2017	28 February 2017	Polewali Mandar Regency	Village
148	Koperasi LKM Gapoktan Reski Tunas Semi*)	KEP-70/NB.12/2017	2 March 2017	Polewali Mandar Regency	Village

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No	Name	Business License Number	Business License Date	Address	Area
149	Koperasi LKM Gapoktan Karya Tani*)	KEP-72/NB.12/2017	7 March 2017	Polewali Mandar Regency	Village
150	Koperasi LKM Agribisnis Gapoktan Gerak Makmur	KEP-74/NB.12/2017	14 March 2017	Pekalongan regency	Sub District
151	Koperasi LKM Agribisnis Sido Jaya Abadi*)	KEP-78/NB.12/2017	17 March 2017	Tulang Bawang Regency	Sub District
152	Koperasi LKM Syariah Madani Emas Nusantara	KEP-86/NB.12/2017	23 March 2017	Medan City	City
153	Koperasi LKM Agribisnis Damar Rumpit Jaya*)	KEP-87/NB.12/2017	23 March 2017	Pesisir Selatan Regency	Sub District
154	Koperasi LKM Agribisnis PUAP Tri Mulya Tani*)	KEP-88/NB.12/2017	29 March 2017	Purbalingga regency	Sub District
155	Koperasi LKM Agribisnis Gapoktan Suka Tani Desa Sastrudirjan Kecamatan Wonopringgo	KEP-92/NB.12/2017	31 March 2017	Pekalongan regency	Sub District
156	Koperasi LKM Gapoktan Assama Lebuang*)	KEP-93/NB.12/2017	31 March 2017	Regency Polewali Mandar	Village
157	Koperasi LKM Agribisnis Tigo Sajaringan*)	KEP-1/NB.123/2017	7 April 2017	Limapuluh Kota Regency	Village
158	Koperasi LKM Agribisnis Gapoktan Tani Asri*)	KEP-2/NB.123/2017	10 April 2017	Regency Banjarnegara	Sub District

No	Name	Business License Number	Business License Date	Address	Area
159	Koperasi LKM Agribisnis Gapoktan Tani Maju Wonoyoso Village, Buaran Sub District	KEP-3/NB.123/2017	27 April 2017	Pekalongan regency	Village
160	Koperasi LKM Syariah Berkah Amanah Ummat	KEP-4/NB.123/2017	27 April 2017	Tasikmalaya City	City
161	Koperasi LKM Agribisnis Tani Sukses Mandiri	KEP-6/NB.123/2017	16 May 2017	Magelang regency	Sub District
162	PT Lembaga Keuangan Mikro Badan Kredit Desa Sleman*)	KEP-5/NB.123/2017	5 May 2017	Sleman Regency	Regency
163	Koperasi LKM Syariah Agribisnis Gapoktan Panampuang Prima	KEP-7/NB.123/2017	22 May 2017	Agam Regency	Sub District
164	Koperasi LKM Lembah Sarang Olang*)	KEP-8/NB.123/2017	26 May 2017	Limapuluh Kota Regency	Sub District
165	Koperasi LKM Batu Tabu Sepakat*)	KEP-9/NB.123/2017	31 May 2017	Agam Regency	Sub District
166	Koperasi LKM Agribisnis Lubuak Simato*)	KEP-10/NB.123/2017	16 June 2017	Limapuluh Kota Regency	Village

*) Conditional Business License

Source: The Financial Services Authority

B. SMEs in Malaysia

1. Development of SMEs in Malaysia

The development of Malaysian SMEs is done through the SMEs Development Council, chaired by the Prime Minister and 15 ministers and heads of 4 economic institutions directly involved with SMEs. Bank Negara Malaysia is the secretary and place of the secretariat of the Council. Meanwhile, Bank SMEs in Malaysia has a special program that is a scheme for rural economic development to encourage entrepreneurship through cooperation with the Ministry of Rural Development. In Malaysia the vision of SMEs development is to improve the competitiveness and ability to face foreign SMEs products.

Malaysian SMEs are dominated by economic activities in industry and manufacturing. From here the general policy of SMEs development is how to include SMEs as part of the industrial supply chain. In this manufacturing sector, the contribution of Malaysia's SMEs is 27% of total manufacturing output, 26% from value added production, and 39% of employment.

Meanwhile Malaysia's SMEs criteria are classified as SMEs in the manufacturing industry (including agroindustry), SMEs in agriculture, and SMEs in services (including IT). When observed from statistical data, the performance of SMEs in Malaysia has contributed to the export sector, employment, and economic growth. However, from some studies there are weaknesses of Malaysian SMEs in the global environment, such as lack of financing, low productivity, lack of ability, as well as access to management and technology. SMEs in Malaysia face new challenges both domestically and globally. These challenges include increasingly intensive global competition, competition from other manufacturers such as China and India, limited ability to meet the challenges of market liberalization and globalization, limited capacity for technological know-how management, low productivity and output quality, lack of skills for new business environments, and limited access to finance and capital and what is important is the initial funding of business development.

2. Characteristics of SMEs in Malaysia

Malaysia defines SMEs as a business that has a full time worker of less than 75 persons or whose shareholder capital is less than M \$ 2.5 million.

Table 4.3.
Characteristics of SMEs in Malaysia

Size	Manufacturing (including Agro-based) & Manufacturing-related services	Primary Agriculture	Services Sector (including ICT)
Micro	Less than RM 250,000	Less than RM 200,000	Less than RM 200,000
Small	Between RM10 million and less than RM 10 million	Between RM 200,000 and less than RM1 million	Between RM 200,000 and less than RM 1 million
Medium	Between RM10 million and RM 25 million	Between RM 1 million and RM 5 million	Between RM 1 million and RM5 million

The development of SMEs in Malaysia is carried out by various departments and government agencies based on 3 major strategic plans aimed at 1. enabling and strengthening the business infrastructure. This policy makes it easy by reviewing amendments, guidelines, standards, licensing requirements and fiscal incentives governing the operations and activities of SMEs and employers to develop and improve physical infrastructure, management information, regulations and operations. 2. developing capacity and capability of domestic SMEs. Policies or programs are to enhance the knowledge, skills, and abilities of SMEs and their employees to improve their performance, growth, and competitiveness through the development of new entrepreneurs, human capital development, advisory services, enhancement of the technologies, and product development,

marketing, and promotion. 3. improving access to finance. Policies and programs are to ensure adequate access to finance the growth and development of SMEs in all sectors by providing initial capital expansion, business expansion with financing and repair or rehabilitation of enterprises.

C. Business Capital of SMEs

There are several sources of MSME venture capital:

1. The Government Business Capital consists of:
 - a. Group Grant Business Capital
The capital of this business is usually an aid given to a group that has a business running within certain time.
 - b. Business Capital in Help for Women Prone Social
Capital of this business to help women widows or housewives who are below the poverty line. But there is a requirement to get the business capital i.e. forming a business group as many as 10 people.
Nominal given Rp. 10,000,000 per group.
 - c. Business Capital for Young Entrepreneurs
This capital is intended for entrepreneurs who want to build a micro business. Total funding is given approximately Rp 25.000.000 per business unit
2. Business Capital from Angel Investor
This capital is usually derived from wealthy individuals and wants to provide capital for business.
3. Business Capital from Banking
Here is an example of business capital that can be obtained from banking
 - a. Business Loans
It is a capital given by the bank in the form of business credit. Usually this credit is given in accordance with the type of business respectively. This credit is divided into

two types namely investment credit and working capital credit and may also be combined both.

b. Unsecured Loans (KTA)

It is an individual credit that does not use collateral or collateral to obtain capital. This credit is given up to 5 million to 150 million rupiah. But the interest rate is too high.

4. Loans from Non-Bank Financial Institutions

These non-bank financial institutions are as diverse as pawnshops, building leasing companies, savings and credit cooperatives, insurance, capital markets or stock exchanges and pension fund institutes.

5. Investment Capital For Startup

It is a startup investment for business running for two or three years.

6. Grant

It is the capital for young entrepreneurship amounting to Rp 25 million. However, businesses get grants is usually difficult to develop because it can easily earn income without accompanied the hard work of the company.

7. Capital from Earnings Reserves

It is a business development that uses its profits.

8. Capital From Supplier

It is a capital that takes the goods to become suppliers if the goods are sold. This way is a lot to do because it is profitable.

9. Financing from BMT and Cooperatives

a. **BMT (Bayt al-Māl wa al-Tamwīl)**

Definition of BMT

Bayt al-Māl wa al-Tamwīl (BMT) is Micro Finance Institutions (LKM) in Indonesia operating on the basis

of Sharia principles. The BMT implying in the name consists of two main functions: 1) Bayt al-Māl (Bayt = house, Māl = treasure, BM) means the Amil Zakat Institute (LAZ) as later affirmed on Law no. 38/1999, namely receiving Zakat, Infaq and Shadaqah fund deposit and optimizing its distribution in accordance with the rules and its mandate; 2) Bayt al-Tamwīl (Bayt = house, Tamwīl = development treasure, BT) conducts productive business activities and investing in improving the economic quality of micro and small entrepreneurs by encouraging savings activities and supports the financing of their economic activities.¹

In another sense, BMT is a community economic institution that aims to support micro and small economic activities of, which is run under the Islamic Shari'a. BMT consists of two business activities that include baitul mal and baitul tanwil. BMT as baitul mal is a financial institution whose main activities receive and distribute the funds of Muslim people derived from zakat, infaq and Shadaqah (charity). Distribution is allocated to those who are entitled zakat (mustahiq), in accordance with religious rules and in accordance with modern financial management. In managing ZIS and waqaf funds, BMT does not get financial benefits, because the results of zakat should not be profiting by the BMT. While BMT as baitul tanwil is a financial institution of Muslims whose main business is collecting funds from the public in the form of savings and distributing through financing the business of a

¹ Hertanto Widodo, dkk., *PAS (Pedoman Akuntansi Syariah): Panduan Praktis Operasional Baitul Mal wat Tamwil (BMT)*, h. 36, 81-82 (selanjutnya disebut Hertanto-Panduan). See: Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah-Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, pp. III-1-III-2, called Pinbukindo-Modul.

productive and profitable society in accordance with the sharia economic system. Thus, in addition to collecting funds from the community through investment / savings, activities of Baitul Tanwil are to develop productive and investment efforts in improving the economic quality of people, especially small entrepreneurs. In addition to savings and credit units, BMT can also directly move in the business sector of riel, such as department stores, livestock, fishery, telecommunication services, import export, suppliers, contractors and so on.

BMT aims to improve the quality of economic enterprises for the welfare of members in particular and society in general. Islamic MFI is a self-sustaining business venture, developed with self-help and professionally managed, and welfare-oriented members and community environment.²

The vision of BMT is to become an independent, healthy and strong financial institution, whose members' quality of worship is increased, so that it can play a role as a deputy servant of Allah SWT in prosperous life of its members, and mankind, in general. While the BMT mission is to realize the liberation movement of members and society from the shackles of moneylenders, poverty trap, and rural economy; empowerment movements increase capacity in real economic activities and their institutions towards a prosperous and advanced economic order; as well as the fair movement of building an accord civil society structure - prospering prosperous, prosperous - advancing equality based on shari'a and good pleasure

²Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah-Program Pengembangan LKMS BMT/BQ Dayah III-di NAD -*, Pinbukindo-Jakarta, 2006, p. -3.

of Allah SWT.³

In the case of Managers, BMT managers have special requirements. In BMT Manual published by PINBUK it is stated that the qualification of Shariah cooperative management of BMT is, first, having a strong foundation of faith and attitude of sincerity, second, trustworthy, honest, and noble morals. Two these conditions become the main requirement as a manager of BMT. When the faith is thin and disrespectful attitude, never become a manager of BMT. Third is the ability to cooperate in a job, especially in growing and promoting BMT. Fourth is working professionally. Fifth is educated as D3 at minimum (but preferably S1). Sixth is coming from the area around the BMT and indeed live around the BMT.⁴

b. The History of BMT

Beginning in the 1980s, Masjid Salman ITB initiated the establishment of a Teknosa LMM in the shape of Bayt al-Tamwil (BT). Teknosa had reached assets of 1.3 billion rupiah. After Teknosa, in 1988 in Jakarta there was established Cooperative Ridha Gusti which was also in the shape of BT. Unfortunately these two BT LKM are not developed. In 1990, having previously demanded by Sharia Economic Sciences in Jeddah and Kuala Lumpur, Ahmad Adib Zain and Hasbi M. Hasyim established the BPRS Dana Mardhatillah in Bandung and BPRS Berkah Amal Sejahtera in Padalarang. Both are the first Islamic Bank in Indonesia, indeed the first Islamic Rural Banks in the world.⁵

³Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah-Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, pp. III-4.

⁴Yadi Nurhayadi, *Praktek Keuangan Mikro Islam: sebuah Upaya membentuk Peradaban Islami* (PAPER), Jakarta, 2008, p.17

⁵Hertanto-Panduan: pp. 33-34.

Prior to the publication of Government Regulation No. 72 on banks with a profit-sharing system in October 1992, in May 1992 Bank Muamalat Indonesia (BMI) opened and started operations. BMI became the first Shariah Commercial Bank in Indonesia. Following in June 1992 in Jakarta there appeared BMT Bina Insan Kamil initiated by three young men Zainal Mutaqien, Aries Mufti, and Istar Abadi. BMT Bina Insan Kamil pioneered the training of BMT formation. Among the non-governmental organizations (NGOs) who received training from Bina Insan Kamil were Dompot Dhuafa (DD) Republika and the Business and Small Business Incubation Center (Pinbuk).⁶

DD Republika which was established in 1993 and Pinbuk which was established in 1995, then became the institution that many gave birth to new BMTs throughout Indonesia. Now thousands of BMT institutions all over Indonesia are listed as Islamic LKM built by Pinbuk, and Pinbuk is now recognized as the dominant institution becoming consultant to the establishment of BMT in Indonesia.⁷

c. Key Features and Characteristics of BMT⁸

BMTs in Indonesia, especially those under Pinbuk auxiliary have the main characteristics. The main characteristics of BMT are as follows. First, it is business-oriented, seeking joint profit, increasing the most economic utilization for members and the environment. Secondly, it is not a social institution but it is used to

⁶ Hertanto-Panduan: pp. 36-38.

⁷ Ersya Tri Wahyuni, *The Accountability of Islamic Microfinance Institution: Evidence From Indonesia, Proceeding First International Islamic Conference on Inclusive Islamic Financial Sector Development*. 17-19 April 2007, p. 534.

⁸ Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah-Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, pp. Modul: III-6-III-7.

streamline the use of zakat, infaq, sadaqah, and wakaf (charities) for the welfare of the people. Third, it is grown from below based on the participation of the community and surrounding areas. Fourth, it belongs to the small community under the micro and small BMT environment, it does not belong to a person or persons from outside the community.

BMT has the following characteristics. (1) BMT staffs and employees are active, pro-active, dynamic but picking up prospective depositors/borrowers, whether members are advised to place deposits or to finance business. The popular term is 'pick up the ball', not only waiting. (2) The office is opened within a certain time and is attended by a limited number of staffs, as most staffs are in the field to obtain deposits, obtain members conducting business financing and monitor and supervise the business of both prospective depositors and borrowing members (business financing). However, talking about business and BMT transactions can be done outside the office. (3) BMT conducts regular recitation periodically which time and place (usually in madrasah, masjid, or mushalla) is determined in accordance with the activities of customers or BMT members. After religious recitation usually continued with 'balam' (experience sharing) business talks from members of small business managers. (4) BMT management is professional and Islamic.

Professional and Islamic BMT management has a working system as follows. a) Financial administration, accounting, and procedures, organized and implemented with Indonesian Accounting Standards that are adapted to the principles of Sharia. For settled BMT (having assets of ± Rp 30 million) it is advisable to use a computerized BMT accounting system called

BMT On Line. The *BMT On Line* accounting system will make it easier to create daily, monthly, and annual reports, both Balance Sheet and Profit/Loss, record per member, print member deposits, monitor the remaining instalment of member working capital loans, calculate profit sharing with depositors and borrower members, correspond archives, calculate BMT health, and other administrative processes. b) Actively, picking up the ball, playing, running, proactively, discovering, analysing, and solving problems sharply and wisely that win all parties. c) Think and behave *ahsanu amala*: excellent service.

From the above explanation it can be concluded in outline BMT has its own characteristics that is:

- 1). business-oriented and profit-making joints
- 2). not a social institution but can be utilized to streamline the use of zakat, infaq and shadaqah (charity).
- 3). grown from the bottom and based on community participation
- 4). owned by the community, not owned by individuals.
- e). in doing its activities BMT managers, acting actively, dynamically, and proactively.
- 5). making efforts to increase knowledge and practice of Islamic values to all personnel and customers BMT. Usually done in study or discussions with topics that are planned
- 6). professional and Islamic BMT management.

d. Establishment, Legality, Legal Entity, and BMT Structure

BMT Legality is issued upon approval from the Ministry of Cooperatives and SMEs. Since 2004, based on Ministry of Cooperatives and SMEs decree number 91 /

Kep / M.KUKM / IX / 2004, BMT is categorized as Sharia Financial Services Cooperative (KJKS).⁹

The establishment of a new BMT is under Pinbuk auxiliary. The community having the initiative as the founder (the owner of capital) can apply for assistance. Usually the founding candidates, supervisors, administrators, and managers of BMT will be given training by Pinbuk first. Further they should prepare all software and hardware for the BMT, including Human Resources, location of the office, infrastructure and facilities of the BMT, licensing files, and software and hardware for the installation of BMT *On Line*.

The opening of BMT was accompanied by the Meeting of Founding Members, accompanied by Pinbuk representatives by inviting the authorities from the Ministry of Cooperatives and SMEs. The meeting will confirm the Supervisory Board, Sharia Supervisory Board, Management Board, and BMT Managers. The initial BMT operation is still accompanied by representatives from Pinbuk for all BMT resources, assets (usually having reached a minimum value of Rp 100 million), and the licensing process. If all is ready, BMT will be registered to the Ministry Cooperatives and SMEs to be legalized with legal entities as a Sharia Financial Services Cooperative (KJKS).

The BMT structure includes the Member Meeting, which issues decisions regarding the Statutes/Bylaws and the operations of the BMT; The Supervisory Board, whose basic function is to oversee the operations of the BMT in accordance with the decision of the Member Meeting; Sharia Supervisory Board, which oversees the operation of BMTs to remain in the Sharia corridor; The Governing

⁹ Wahyuni- *Accountability*: p. 542.

Body, whose basic function determines the direction of BMT activities, supervises the performance of the Manager, receives / dismisses members upon approval of the Member Meeting, determines the overall organizational guidance mechanism; Managers, consisting of Managers, Finance / Administration Staff, Marketing Staff, and Cashier, with the basic function of managing all operational of the BMT.¹⁰

Minimum Member Meetings are held once a year. For special cases it can propose Extraordinary Members Meeting. BMT Structure Chart can be seen in Figure 1 below.

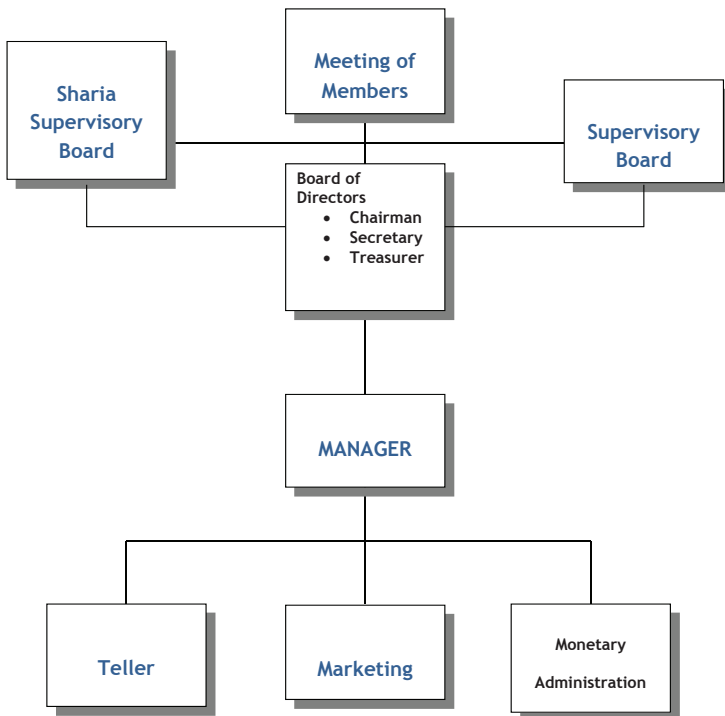


Figure 1.3. Structure of BMT.¹¹

¹⁰ Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah-Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, pp. III-1-III--Modul: III-11-III-22.

¹¹ Pinbukindo-Modul: pp. III-10.

While job descriptions of each structure are described as follows:

a) General Meeting of Members (RUA)

General meetings of members have the highest authority in the BMT. RUA has the following tasks.

- 1) Responsible for determining articles of association of BMT including when there is a change.
- 2) Determining general policy in the field of organization, management, and business of BMT
- 3) Appointing the Board and Sharia Council of BMT every period. It may also terminate the board in violation of BMT provisions.
- 4) Establishing the Work Plan, BMT's revenue and expenditure budget and financial statement approval.
- 5) Conducting the remaining Results of Principles
- 6) Merging and dismissing BMT.

b) Sharia Supervisory Board

Syariah Supervisory Board has the authority to supervise the application of sharia concepts in BMT operations and to provide advice in the field of sharia. The tasks of this council are:

- 1) making sharia guidance from every product mobilization fund or BMT financing product.
- 2) overseeing the implementation of sharia concepts in all operational activities BMT.
- 3) conducting coaching/consultation in the field of shari'ah for administrators, managers and or members of BMT.
- 4) together with the Shari'ah supervisory board

of the SRB and other scholars / intellectuals, holding an assessment of the possibility development of BMT products

c) Administrative Board

The Board has the following authorities.

- 1) Conducting all legal acts for and on behalf of the BMT.
- 2) Representing BMTs in front of and outside the Court
- 3) Deciding to accept and managing new members and dismissing members in accordance with the provisions of the statutes.
- 4) Conducting actions and efforts for the interests and usefulness of the appropriate BMT with their responsibilities and the members' deliberation decisions.

The task of the board are:

- 1) leading BMT organizations and businesses
- 2) creating a work plan and budget plan for revenue and expenditure of BMT
- 3) organising board meetings
- 4) submitting financial statements and responsibilities for execution of duties at the general meeting of members
- 5) conducting financial accounting and inventory and member administration

d) The Manager of BMT

The manager of BMT leads the run of BMT in accordance with the planning, objectives of the institution and in accordance with general policies that have been outlined by the Shariah supervisory board. The tasks are:

- 1) creating a marketing plan, finance, operational and financial periodically
 - 2) making a special policy in accordance with the general policy outlined by the sharia council.
 - 3) leading and directing the activities of staffs
 - 4) creating new finance reports, developments in financing, funds, periodic profit and loss to the syariah supervisory board.
- e) Marketing/Funding
- The financing section has the authority to carry out marketing activities and services both to prospective savers and to prospective borrowers and to conduct guidance in order to avoid congestion return returns. The tasks are:
- 1) seeking funds from members and owners of stock certificates as much as possible
 - 2) developing financial plans
 - 3) receiving financial request
 - 4) doing financial analysis
 - 5) approving financial approval to the chair of *baitul tamwil*
 - 6) conducting financial administration
 - 7) conducting member coaching
 - 8) reporting financial progress.
- f) Cashier/Member service
- Cashiers have the authority to perform services to members, especially savers and act as recipients of money and paymasters. The duties are:
- 1) receiving money and paying as ordered by the chairman / Director
 - 2) serving and paying for savings.

- 3) creating a daily cash book
 - 4) every last hour, counting the money and getting a check from the manager.
 - 5) giving explanations to prospective members and members
 - 6) handling the bookkeeping of a savings card
 - 7) changing all documents and work to be communicated with members.
- g) Accounting

The accounting section has the authority of the financial administration and calculating the results and preparing financial reports. The job descriptions are:

- 1) working on journals and ledgers
- 2) drawing up balance sheets of experiment
- 3) doing the calculations for results
- 4) compiling financial reports periodically

e. The Practice Of Microfinance in BMT

The fund turnaround of a BMT seen from Figure 2 below, i.e., the initial BMT fund is expected to come from the founders, the special-shaped principal deposits (Simpoksus). As a regular member, the founders also paid Deposits, Deposits mandatory, and Voluntary Deposits if able to provide. The capital of the founders is made to finance the training of managers, prepare the infrastructure of the Office and its administrative resources. Apart from its founder, capital can also come from societal institutions such as foundations, mosque cash, BAZ (Amil Zakat Agency), LAZ, support Government Programs, banks, etc. However, the biggest capital is expected to come from the initiator and founder of the BMT. Thus, if a later date happen

something less good about BMT, the founder will take the first initiative to fix the problem. They are expected to have more sense of owning the BMT.

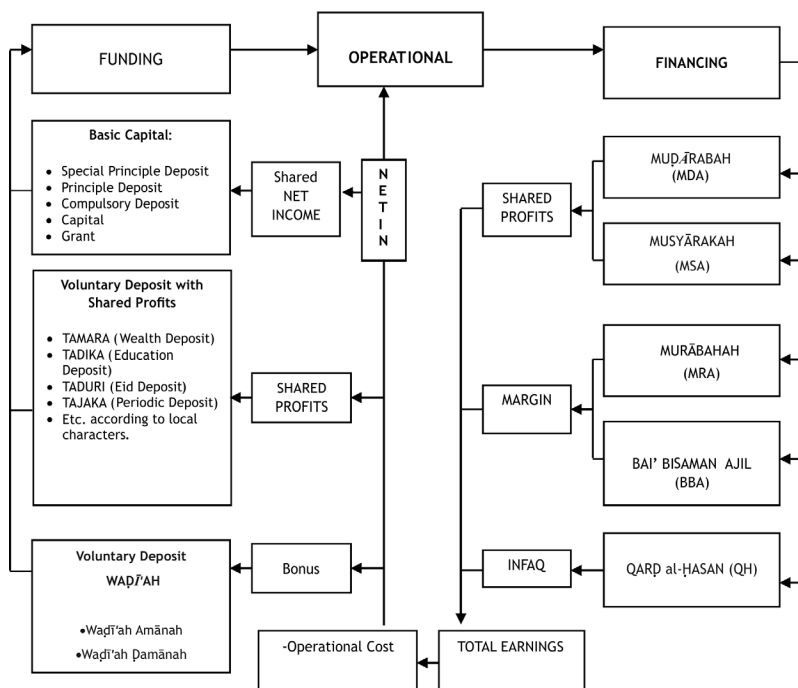


Figure 2.3. Practices and Islamic Turnover in Microfinance Funding in BMT.¹²

Regular member having the Principal, Compulsory, and Voluntary Deposits, will earn for the results of the BMT profits. In order for the results can be given, the BMT must have revenue benefits from the results of the venture financing in the form of working capital provided to members, Business Group Joint (POKUSMA) such as Pokusma Agriculture, Pokusma Ranch, Pokusma Fisheries, or Pokusma other similar business as Pokusma

¹² Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah-Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, pp. III-1-III-Modul: pp. III-23.

domestic industry, fishmongers, fruit, hawkers, etc. Therefore, the provider of the BMT has to “pick up the ball”.

The efforts of “pick up the ball” is that the manager should build the BMT members primarily through the mechanism of the group in the POKUSMA so that they will get profits. From the profits, BMT can bear operational costs in the form of salary managers, cost of electricity, telephone, water, computer equipment, other operating costs, and more importantly paying adequate and satisfactory Shared Profits for members having Voluntary Deposits. In addition, managers should be able to explain to BMT members or prospective members to store a large amount of voluntary Deposits. Among its efforts, namely by showing the possibilities of financing or loans to small entrepreneurs whose business activities profitable, secure, viable and beneficial to the Community (especially the poor), and more than that profitable world of the afterlife as it is free of non halal results of usury. And BMT must be able to prove it.

The funds have been successfully collected, and then transmitted to the BMT Micro enterprises through facilitating financing. Before the financing is granted, BMT does financial analysis and the feasibility of prospective members of financing, so that the amount of financing, installment, and the results are not burdensome for the micro entrepreneurs. The financing being offered are as follows.¹³

1) Mudrabah, i.e. financing given to fund the whole business run by micro-entrepreneurs. On this

¹³Tim Pinbuk Konsulindo, Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah–Program Pengembangan LKMS BMT/BQ Dayah di NAD, Pinbukindo-Jakarta, 2006, pp. III-1–III--Modul: pp. III-25 – III-26.

financing, micro-entrepreneurs are obliged to repay the received financing and provide for the results of his business profits and the amount should be in accordance with the agreement between the BMT and micro-entrepreneurs.

- 2) **Musyārakah**, i.e. the financing provided to finance capital needs of micro businesses lack. As for the total financing of shared profits, micro-entrepreneurs are also obligated depositing an instalment financing and shared profits to BMT of which the magnitude is in accordance with the agreement between the BMT and micro-entrepreneurs.
- 3) **Murābahah**, i.e. financing to meet the needs of a community business in which the capital is paid in full at the time of the due date of the financing. On this financing, micro-entrepreneurs are obliged to pay the financing received and the profit margin of BMT on time and magnitude of the margin mutually agreed between the BMT and micro-entrepreneurs.
- 4) **Bai' Biśaman Ajil / BBA**, i.e. financing to meet the needs of a community business with payment via instalments. On this financing, micro-entrepreneurs do instalment financing and give a profit margin to the BMT with magnitudes and terms of the financing according to mutual agreement.
- 5) **Qard al-Hasan**, namely, the financing of which is given without asking for a reward at all, but the recipients of financing are recommended to provide infaq magnitude according their funding ability. The period of financing and the magnitude of the instalments are in accordance with the agreement between the micro-entrepreneurs with the BMT.

In the meantime, in order to gather funds from members/prospective members from a third party,

the BMT held the voluntary deposit program. According to Government Regulation No. 9/1995 on the implementation of the activities of the Cooperative Loan by cooperatives, savings are the funds entrusted by members, prospective members, other cooperatives and/or their members to the cooperative in the form savings and cooperative future savings. The definition is also used by BMT using the term deposits, not savings. Voluntary deposit products offered by the BMT to members/prospective members in general are of two types as follows.¹⁴

- 1) Deposits with the contract of Association (Syirkah), consists of al-Mud rabah (shared profits) and al-Musyārah (the Union). For this type of contract, BMT is usually only offer deposits with the contract of al-Mud rabah. In this case, the deposits from members of the Foundation of the capital will be managed by the BMT. In this contract the owner of funds (the depository) is called S ahib al-Ml (capital providers) and the BMT is called Mud , rib (receiver). The capital is managed by the BMT and the benefits are shared between S ahib al-Ml and Mud , rib according to the agreement. Deposit products with such a contract may result in various forms, such as education savings, savings deposits, Eid savings, etc.
- 2) Deposits with the contract of deposit (Wad +'ah), consisting of: 1) Wad +'ah yad al-Amnah i.e. a deposit which the BMT must not make use of them, in case of natural damage, BMT is not charged for replacement and the responsibility is only returning the deposit as it is, and BMT receive fees from the depositing

¹⁴ Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah–Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, pp. III-1-III--Modul: IV-2 – IV-6.

parties; 2) *Wad +’ah yad al- D amnah*, i.e. the deposit which the BMT can take advantage of it, BMT also responsible if the deposit is corrupted or missing, the benefits of the utilization of deposit is enjoyed by BMT, and BMT may give bonus to the depositing parties.

10. Islamic Financial Services Cooperatives (KJKS)

In the terminology, the cooperative principles is identical to *syirkah*. *Syirkah* etymologically is derived from the word *Al-Khaltu* which means a mixture that is blended with more terminology so that it is difficult to distinguish. Whereas in terminology *syirkah* has varied meanings as expressed by some of the *fuqaha* ‘:¹⁵

- a. Malikiyyah, *syirkah* is translated as “an imprimatur to act legally for two parties which cooperate their property”
- b. Syafiiyyah dan Hanabillah, *syirkah* means “Rights of Legal Act for two or more people proportionally.”
- c. Hanafiyyah, *syirkah* means, “the contract carried out by people who cooperate in the capital and profits.”

Shirkah’s legal basis is the word of Allah in An-Nisa verse 12 “..... *then they associate in one third of their property ...*”. Besides the Hadith Qudsi Rasulullah said:

“I (Allah) is the third person in the union between two people, as long as one of them does not betray the other. If someone does betrayal of another I come out of the agreement between the two men ... “ (H.R. Abu Daud, *Al-Hakim* from Abu Hurairah).¹⁶

The legal basis of the above, the cooperative is allowed in Islam and have benefits and purposes. According to

¹⁵ Wahbah Zuhaily, *Al-Fiqh al Islamy wa Adillatuh* , Beirut : Dar Al-Fikr Al Mu’asir, 1997 p. 3875.

¹⁶ Sulaiman bin Al-Asy-Asy, *Sunan Abi Daud*, Beirut: Dar al-Fikr. p. 256.

Mahmud Syaltut, a Professor of Islamic law in Egypt, cooperatives have the purpose and benefits of at least includes the following things:¹⁷

- a. Providing benefits to members as shareholders
- b. Providing employment
- c. Giving financial aid of some cooperative business where the profits are to establish places of worship, schools and so on.

Islamic financial services cooperative is a form of cooperative. According to the cooperative Act No. 12 year 1967 “ Indonesian cooperative is a social economic organization of people, consists of people or legal entity cooperative which is tat economic structure as a joint effort on the principle of kinship.”¹⁸ While in law No. 25 year 1992 the cooperative is defined as “a business entity which consists of persons or legal entities with the cooperative activity bases of the principles of the cooperative movement as well as the people’s economy based on the principle of family.”¹⁹

From the terminology of the cooperative above, it can be seen that cooperative is in accordance with Islamic values. Based on the reason along with the development of Islamic financial institutions in Indonesia, the Ministry of Cooperatives governs Sharia Financial Service Cooperative. KJKS is a cooperative loan based on sharia principles, i.e. using the principle of shared profits rather than the calculation of interest in its operational mechanism. As in general cooperatives, the organizational structure follows the provisions of the general loan cooperative. There is only

¹⁷ M.Zaidi Abdad, *Lembaga Perekonomina Umat Di Indonesia*, Bandung: Angkasa, 2003. p. 100

¹⁸ Panji Anoraga dan Djoko Sudantoko, *Koperasi, Kewirausahaan dan Usaha Kecil*, Jakarta : Rineka Cipta, 2002. p.1

¹⁹ Ibid. . p.2

an addition of the Sharia Supervisory Board. The structure of the Sharia Supervisory Board is one of the conditions of establishment of Islamic financial service cooperatives. The cooperative using sharia principles needs to have the Sharia Supervisory Board. The presence of the board is to keep the cooperative compliance of Islamic principles, in addition to translating the fatwa of National Islamic Council before it can be applied.

The birth of Islamic Cooperative in Indonesia is based by Ministry Decree (Kepmen) number 91/Kep/m. KUKM/IX/2004 dated 10 September 2004 on the directions of the implementation of the business activities of Islamic financial service Cooperatives. This decree facilitates the establishment of the financial service cooperatives using Islamic Sharia (KJKS) or Islamic finance service units (UJKS). Accompany to the decree, there was made guidelines for cooperative that wanted to open a unit of Islamic financial services, requiring to make a minimum initial capital of Rp 15 million for the primary and Rp 50 million for secondary cooperatives. The establishment of primary or secondary KJKS should be in accordance with the provisions of the Government Regulation No. 4 of the year 1994 about the requirements and procedures for the authentication of the certificate of establishment and the change of the articles of the cooperative as well as the decree of the State Minister of cooperatives and SMEs of the Republic of Indonesia number 104.1/Kep/m. KUKM/X/2002 on the establishment guidelines, confirmation of establishment certificate and the change of the articles of the cooperative.²⁰

Like banks, Islamic financial service cooperatives and Islamic financial service units are allowed to gather funds from the members in the form of savings and deposits

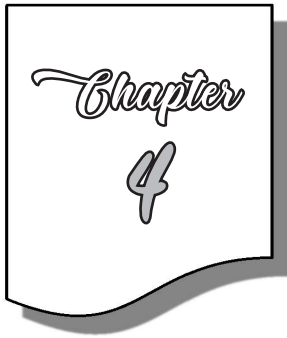
²⁰ The decree of the State Minister of cooperatives and SMEs of the Republic of Indonesia number 104.1/Kep/m. KUKM/X/2002. Verse 3 Chapter II . p. 5

with the future contracts of *wadiah* and *mudharabah*, and distribute it in the financing of *mudharabah*, *musyarakah*, *murabahah*, *salam*, *istisna*, *ijarah*, and *alqardh*. In addition to these activities, financial service cooperatives are also allowed to carry out activities of collection and distribution of zakat, donation, and alms including endowments with a separate manager. Meanwhile, external audits are required to perform on a cooperative with the financing volume of at least 1 billion Rupiahs. The guidelines also contain details about the product and the contract that could be done in a cooperative transaction. Besides the definition, these instructions also include the pillars, terms, objects, as well as consent and granted every contract either in *mudharabah*, *musyarakah*, *murabaha*, or other forms. In more detailed, these guidelines also provides the financing scheme so that it is easy to understand.

This manual also lists the model of shared profits to members who deposit funds in terms of distribution of the calculated shared profits. Meanwhile, for the rest of the business results are submitted to the general meeting of members. Islamic cooperative financial service instructions also include models of the appropriate financial reports following the Sharia for example the balance sheet, profit and loss calculations, as well as reports of cash flow adjusted with the Islamic bank reports i.e. the accounting adapts the PSAK No. 59 on the Sharia banking. The growth of KJKS is rapid along with the growth of Islamic banking in Indonesia. But the growth in quantity needs to be accompanied with the growth of quality.

As Islamic Finance Institutions both bank and non-bank, KJKS is also demanded to implement the corporate governance in the organization so that it brings certainty of the implementation of syariah principles and gets maximum results. The Minister also mentions in the regulation when

the KJKS violates Shariah principles in conducting its business, the competent authority can disperse KJKS. To carry out the supervision of Islamic sharia is the duty of Islamic sharia supervisory board.



BATIK: SOCIAL, CULTURAL, ECONOMIC, AND ECOLOGIC ADAPTATION

Entrepreneurs have different economic morals than other professions such as farmers. Farmers' economic morals are influenced by subsistence living patterns; produce harvests that are used for their and their families' needs. In other words, farmers are producers as well as consumers. While the entrepreneurs' living pattern are exploitative and competitive, collecting profits for the addition of capital and business as much as possible, resulting in a capitalistic economic morality which is, based on capital and cost efficiency.¹ Exploitative economic morale encourages entrepreneurs' selves to utilize all the resources that exist in self, family, and surrounding environment.

¹ Capitalistic economy, is a gigantic cosmos in which human is born and confronts himself to human, at least as an individual, as an order of all unchanging things in which he must live within. It compels each individual, as long as he is involved in the system of market relations, to conform to the rules of capitalistic action. Factory businessman who, in the long run, act contrary to these norms will disappear from the world of economics, as a worker who can not or will not adapt to those norms will surely be thrown into the street without any work. The present capitalism, which has dominated the economic life, educates and selects the economic people it needs through a process of "survival of the fittest" in the economic field (Max Weber, *The Protestant Ethic Spirit of Capitalism*, Tr. TW Utomo dan Yusup Priya Sudiarja, Yogyakarta: Pustaka Pelajar, 2006, p. 29).

The art of batik crafts up to present time is still growing, it shows that batik is a one of the culture that should be reckoned in the national and international community, although being continuously in the wake of the globalization flow that brings economic liberalism and free competition. The main capital that allows this achievement is the survivability of the batik craft itself, which is also supported by the increase of its supporting human resources to keep pace and to adapt to the changing dynamics of the times, which essentially means the working ethic improvement. While the survivability itself proves that the art of batik is still needed.²

In a deterministic framework, only those organisms that are able to adapt with their environment who are able to survive and thrive. Conversely, organisms that can not adapt to environmental conditions will be reduced and even extinct. The development of organisms from time to time is done through a process of struggle for life for the appropriate. In many ways, the theory of environmental determination is supported by Charles Darwin's theory of Evolution. In Darwin's theory of Evolution, species -including plants, animals and humans- are evolving overtime, in line with their natural changes. In the course of life, there is a life struggle, natural selection, and survival for those who are able to adapt to nature. In the process of life, the natural factor is very decisive. This process occurs in all living things, including the human life with all of its culture.³

A. Social Adaptation

1. Kinship and Neighborhood Function

Kinship and neighborhood is very meaningful for the batik industry which is generally managed with family business

² Imam Kanafi, *Spiritualitas Batik Jlamprang Pekalongan*, 2011, research, P3M Stain Pekalongan, p. 17

³ Oekan S. Abdoellah, *Ekologi Manusia dan Pembangunan Berkelanjutan*, Jakarta: PT Gramedia Pustaka Utama, 2017, p. 57-58.

pattern, especially from the point of labor management. The lineage in a family business becomes the backbone of business continuity. The eldest child, as well as his/her siblings is self-taught to manage the business that was established by their parents. Starting from finding for orders or *sanggan*, finding for raw materials, distributing orders to smaller craftsmen (subcontract), to sending the order to consumers, are all done hereditarily. The kinship system as it happens in Java is based more on the side of the function in society, recognition and memory of a person. The Javanese kinship system does not depend on a normative system or any particular concept. In general, the Javanese only relate to their nuclear family, which are the parents, the siblings, and the parents' siblings. The Javanese kinship will also be widespread when there is a marriage between two persons who have a legal marriage according to the religion and custom norms. This kinship system is closely related to the inheritance division. Javanese kinship system is more patrilineal. The kinship system has its functions in the matters relating to household-related activities. The kinship system gives warmth as a big family. The warmth and closeness of the family provide familial assurance in the old days.⁴

Not only the line of kinship, but the neighborhood basic is also involved in the process of batik production activities. So it is not surprising that in general, small and medium enterprises (SMEs) grow up together with its surrounding communities. The symbiosis of mutualism begins to intertwine.

Entrepreneurs motives in sharing their batik production orders to relatives and surrounding neighbors become very complex, but at least there are 2 (two) main classification, namely:

a. Social Motive.

Like most eastern people, social ties that are sourced from local wisdom become the main inspiration in moving

⁴ Suwardi Endraswara, *Etnologi Jawa*, Jakarta: PT. Buku Seru, 2015, p. 176-177.

the businessman motives to decide to share the batik production orders to relatives and surrounding neighbors. Compassion, pity, *pekewuh* (discomfort), and tolerance, are enough to affect the activities of this batik industry. There is no main requirement such as certain minimum education level for example, because what is needed in this batik business is batik crafting skills. Therefore, entrepreneurs are not usually select workers (relatives or neighbors) based on educational qualification, but solely based on batik crafting knowledge owned by the prospective workers.

From the some of subcontracted workers' point of view, the trust given by batik entrepreneurs is balanced with the accepting attitude for the given wage rate. In other words, the nominal size is not always a major consideration for the workers. This is not surprising, since the same cultural values are the key to the emergence of workers' loyalty. The same culture that is owned by both the employers and workers facilitates the exchange mode that occurs in the working relationship of batik industry.

The trust between entrepreneurs and batik workers itself is not a cheap thing and not easy to obtain. Various tests related to trusts such as the break of promises in batik production and waging, and so on are often occurred. However, kinship and neighborly relationships become the restorers/healers of this dissatisfactions, disappointment and so forth. The dominance of trust that affects the social bonds becomes the most effective cure for the sustainability of working relationships. The strong belief that appears almost obscures the position of money/financial material as a wage from the production process itself.

Brayan or sharing, it became the philosophy of social relations among the batik community. Recruitment was barely based on formal selection. Coupled with the wage system given per week on every Thursday, makes the worker's

joining and quitting process become very flexible. Individual workers' freedom to work for certain entrepreneurs is considerable, however, they do not automatically treat their employers as they wish by joining to other employers. Workers also have the same social ties. Although there are workers who switch employers, their number is not much. The motive of the switching is generally due to higher wages, or the distance from the worker's house. This is often the case for entrepreneurs who provide production places. These are different with the workers who complete the order at their own home. They can do the work from more than 1 (one) entrepreneur. So the relationship with multiple entrepreneurs can be better fostered.

b. Economic Motives

Although the working relationship is strongly influenced by the trust motives, but the economic motive is also very strong. Consideration of efficiency and risk minimalization, both in terms of marketing, production, environmental pollution, time and energy efficiency, are also widely practiced. The presence of relatives and neighbors in the production process obviously makes the production efficiency easier. The skills hereditarily owned by the workers (read: relatives or neighbors) in the process of batik production makes the workers as skilled human resources as the capital that are acquired by entrepreneurs without difficulty or high cost, because this are not requiring training costs.

Similarly, with the subcontract model involving relatives and neighbors, there many risks that can be minimized, including the risk of space, marketing risk, and the risk of waste generated. By distributing batik orders, the entrepreneurs do not have to or need to provide pro-

duction space, because the batik order production can be done in the homes of relatives or neighbors who become subcontract workers. Since the production activity of the order is not done in the place of the entrepreneur/ employer/ contractor, then all the consequences that arise, the space provision, hygiene, noise, the provision of consumption including the safety factor does not become responsibility for the entrepreneurs. This condition, on one side, appears to be a kind of exploitation, egoist, or selfish. In detail, each of these can be explained as follows:

1) Space efficiency

It is often that the space provision becomes a problem, because the space provision requires its own cost and location. This shows that not only the financial capital but also the space/place availability must be met. As for the price of land as in general is also become increasingly expensive, of course this becomes a cost burden that actually reduces the availability of funds for other capital procurement. This also happens with the location position that is not always easy to obtain and in accordance with the entrepreneur's wishes. Batik business will be hampered if the entrepreneurs are busy looking for the location and it will obviously hinder the production process.

The space availability contains consequences on the orderliness and hygiene aspects as well. If the entrepreneur provides a place for the worker, automatically, any impact results from the production activity of the order become a responsibility for the entrepreneur, such as pollution, noise caused by many people and so on. With putting out systems model, entrepreneurs do not have to bother having to hire

janitors and so on. In addition, employers need additional personnel to monitor all workers, a sort of foreman who oversees employees for the smoothness and the orderliness of the business.

2) Time efficiency

This first efficiency is sometimes a blessing for subcontracted workers, because workers can work on their own homes (putting out system), even women love this system because they can do other tasks at home while doing other household tasks such as taking care of the children, cooking and so on. For male workers, they can do many activities besides producing orders. In other words, subcontractors can work on or even postpone work according to their own activities, but in accordance with the initial agreement. From work constellation and place domains, the working relations model in the form of putting out systems and subcontracts becomes mutually beneficial for both entrepreneurs and subcontracted workers, in terms of time.

3) Consumption cost efficiency.

In addition to hygiene and orderliness issues, the inability of employers to provide a place, also due to the inability of entrepreneurs in providing means of consumption, such as food, beverages, water, electricity and so on, because these needs means an increase of the cost of production and require its own management. Overall, these needs become an additional burden for entrepreneurs, and will reduce the level of corporate profit. In contrast, if the order is done at the workers' homes, then all expenditures of consumption are borne by the workers. Win win solution, that's what happens in overcoming the company's expenses. Of the overall

efficiency applied by the enterprise, not all of these are the value of exploitation solely, because in fact, the workers also obtain the convenience and benefits for themselves and their families.

2. Horizontal solidarity

The existence of the origin of Pekalongan batik cannot be separated from the history course of the Mataram Kingdom in the period of the 18th century with its King Panembahan Senopati. As the dynamics of a government, conflict-rebellion caused by power led to warfare of that time to continue to rage. This war is both against the colonialist and the divisions between the king's families. Inevitably, the war disintegration conflicts resulted in many families of kings began to spread to various regions. Those who disagree took refuge in the southern regions of the mountains and coastal areas. It is in this new area that those who live adapted to develop their culture. But at that time, batik is still made limited to its own needs. So the pattern and color still refers to the pattern of Yogyakarta and Surakarta palace from where they came from. Since the struggle of the war against the colonialist(Dutch), the followers who did not want to compromise with the invaders and remain loyal to the struggle of Prince Diponegoro chose to defend their principle and surviving by made living in the regions as a place of struggle, just as in the coast of Pekalongan.

To survive, they did not solely rely on agricultural products alone, but the expertise to make batik was also done. Batik was made no longer just for personal needs but ultimately the batik crafting is shifted to meet the need to sustain the economy. In 1830, batik slowly began to change into new aspect as a livelihood. This is the point when batik began to develop as a commodity.

The Pekalongan indigeneous batik entrepreneurs cooperated in producing batik with Chinese entrepreneur, by

dividing the batik work to the community, so the batik spread to villages such as Kedungwuni, Wiradesa and Wonopringgo. This condition, in addition to creating new patterns of wages and relations between different ethnic entrepreneurs, is also created economic resilience of Pekalongan people, so that when there were economic crisis due to Dutch Stelsel politics, Pekalongan society was relatively unaffected. Solidarity that developed was not separated from economic interests. In precise, it is the mutual need of resources that are not owned by other party.

B. Cultural Adaptation

Human adaptation to the environment is not only influenced by biogeophysical factors, but also socio-cultural factors. Differences in perceptions, traditions, social organizations, and others will result in different adaptation strategies and applications and adaptation strategies. Environment and culture are integral, they are involved in dialectical influences. Culture plays an important role in the adaptation process by providing a behavioral model to adapt itself to the dynamic environmental conditions.⁵ The influence of environmental dynamics to human

⁵ There are several definitions of culture, first, culture as something rational, or of course a cognitive category: culture becomes explained and understood as a general state of thought. This concept contains the idea of perfection, a goal or aspiration about individual achievement or emancipation. On one side, culture can be a reflection of a highly individualist philosophy and on the other is an example of a philosophical commitment to the particularity and diversity, even the 'privilege' or superiority of mankind. Second, culture as a more concrete and collective category: culture means a state of intellectual and/or moral development in society. It is an attitude that links culture with the idea of civilization and an attitude inspired by Darwin's evolution theory (1809-1882) and inspires the groups of social theorists known today as the 'early evolutionists' who spearheaded anthropology, with their competitive views of 'degeneration' and 'progress', and attributing this effort to the imperialism of the nineteenth century. Nevertheless, this view adopts culture into the realm of collective life, not into individual consciousness.

Third, culture is a descriptive and concrete category; culture is seen as a large collection of works of art and intellectual work within a given society: It is the use of everyday language for the term 'culture' and includes insights

culture and adaptation process cannot be denied.⁶ Culture is not a causality source, but a context which makes something valuable and comprehensible (intelligibility).⁷

1. The influence of Javanese, Arabian, and Chinese Culture

For Javanese people, batik is a symbol of wealth that reflects traditional values, which play an important role as one of the perfection aspect of culture. In its development, there are three social groups representing the development of Pekalongan batik. The first is the Chinese society, with an ancestral cultural that lies behind everything. They took colorful Chinese porcelain motives and shaped animal shapes from ancient Chinese stories such as hong bird, lion, dragon, kiln and medallion. The application of this Chinese decoration made Pekalongan batik's image status rose, as well as marked the influence of China under the kingdom of Cirebon and Demak by that time.

Secondly, the Arabian Muslim society and ulama' traders in this case moved more freely in organizing social dynamics. They had a strong relationship with rural communities. So that can be accepted not only because of economic factors, because of their character and knowledge and supernatural power. They are perceived as a role model as well as a marketing group that has the characteristics as a trader while carrying a religious mission. They formed an egalitarian society that functioned as a mediator

about particularity, exclusivity, training or special knowledge or socialization. It includes a very well-established view of culture as a symbolic realm that is deliberately produced and then settles; although the symbolism is esoteric. Fourth, culture is a social category; culture is understood as the whole way of life owned by a group of people; this is a pluralist and potentially democratic sense of culture that has become a point of interest in sociology and anthropology and, more recently, in a more local sense, in the realm of cultural studies, Chris Jenks, *Culture, Studi Kebudayaan*, Tr. Erika Setyawati, Yogyakarta: Pustaka Pelajar, 1993, p. 9-10.

⁶ Oekan S. Abdoellah, *Ekologi Manusia dan Pembangunan Berkelanjutan*, Jakarta: PT Gramedia Pustaka Utama, 2017, p. 39.

⁷ Chris Jenks, *Culture, Studi Kebudayaan*, Tr. Erika Setyawati, Yogyakarta: Pustaka Pelajar, 1993, p. 88.

of two subcultures between the farmers' and the sailors' culture or the urban and rural farmer's culture.

These batiks made and marketed by Arabian Muslim traders realized the pattern of decorative ornamental mix between batik growing in the region influenced by Middle Eastern culture such as elements of varieties of grapes and fig leaves. Likewise, the colors selected are dark and ripe colors. They rarely use decorative animals because it was forbidden in some teachings.

Third, the batik community living in the rural areas, such as Gringsing, Tersono, Batang, Limpung, Comal and so on. Although not so good, but since the New Mataram, these interior rural batik grew and acceptable by the citizens and gentries. The motives made were seem classical and sacral, so the development is less rapid.

Finally, the three batik groups met in a variety of decoration of Pekalongan batik which was various and has complex coloring. This is the birth of the pattern of ornamental mixture that marks the new decoration of batik Pekalongan. However, Chinese motives were still dominating and placed in a central position caused by the strength of capital and marketing. Even when the Dutch came, they were also gave privilege for Chinese traders, so the fate of indigenous batik was less developed. Finally a competition was inevitable, where China at the same time broked the Muslim and inland batik trade, by bought it at a very low price and sold it back at a very high price. This unhealthy competition lasted until 1912. In the face of this competition, Samanhudi from Solo established *Serikat Dagang Islam/SDI* (Islamic Trade Union) which later turned into a political institution to fight for Indonesian independence. But this institution was less responded by the pekalongan Muslim Entrepreneurs.

The Pekalongan indigenous batik entrepreneurs actually cooperated in the production of batik with the Chinese

entrepreneurs, by dividing the batik work to the community, so the batik spread to villages such as Kedungwuni, Wirodessa and Wonopringga. This condition in addition to created a pattern of wages and new relations between different entrepreneurs' ethnics, were also created economic resilience of Pekalongan community, so that when there was an economic crisis due to Dutch stelsel politics, Pekalongan society was relatively not influenced.

From the side of the motive, the arrival of the Dutch also brought a new color of motifs tailored to the order of the Dutch society. When Japan came, Pekalongan society can resurrected the batik company with institutional support established by the Japanese Government. The reason the Japanese liked batik so that they actively developed it was: the existence of conformity between the clothing of Japanese society with batik Pekalongan, as well as the motifs that can be developed according to their society environment.⁸

The motifs development show that sociologically, batik turned into a medium filled with symbols of satisfaction, happiness, conformity not only to local people but to foreign countries. The person who first introduced the word batik to the international world was not clearly known. Wahono (2004) states that based on historical records, a Dutchman named Chastelain has used the term '*batex*' (batik) in his report in 1705 to the Dutch Governor Rijcklof Van Goens. While the British General Governor Thomas Standford Rafless circa 1811-1816 mentioned the first word of batik in his report when looking at the pattern of decoration on the fabric that resembles the pattern of decorative fabric of India.⁹

⁸ Kusnin Asa, batik Pekalongan Dalam Lintasan Sejarah, (Yogyakarta: Paguyuban Pencinta batik Pekalongan, tth), p. 135-141

⁹ Imam Kanafi, 2011. *Spiritualitas Batik Jlamprang Pekalongan*, Pekalongan, research, p. 13.

According to history, batik art can be classified into two groups, which is based primarily on the nature of decoration and color patterns viewed from the point of large groups of batik art making areas. The grouping that has been made since the Dutch colonial era and seems to remain valid until present time determines two major groups that distinguish the art of batik craft from one another, they are *vorstenlanden* batik or batik keraton and coastal batik. Batik *vorstenlanden* is a batik art that is found in the handicraft area where in the Dutch colonial era was called *vorstenlanden*, and shows in two centers of palaces of Solo and Yogyakarta. The decorative variety of Solo and Yogyakarta batik is symbolic of Hindu-Buddhist-Javanese Cultural background, with dominant colors of *sogan* (a variety of brown), indigo, black and white.

While coastal batik is all of the batik craft art coming from outside Solo and Yogyakarta or outside of the *vorstenlanden* area. The decorative of this coastal batik is more naturalistic and show strong influences of foreign culture, with various colors.¹⁰ Included in coastal batik is Batavia batik, Indramayu batik, Cirebon batik, Tegalana batik, Pekalongan batik, Batang batik, Lasem batik, Tuban batik, Madura batik. Also included in coastal batik is Ponorogo batik, Banyumasan batik, Tulungagung batik and so on. Although they are geographically closer to the palace.¹¹

2. Batik spirituality

The word “spiritual” is derived from the word “spirit”, a noun derived from Latin word “Spiritus” which means breath and the verb “Spirare” which means breathing. Viewed from the origin of the word, the meaning of spirit is something to live is

¹⁰ Sondari, K. , Yusmawati 2000, *Batik Pesisir*, Direktorat Jenderal Kebudayaan, Departemen Pendidikan Nasional, p. 2

¹¹ Hanafi, I., 2011, *Spiritualitas Batik Jlamprang Pekalongan*, Pekalongan, research.

by breathing, and have a breath means to have a spirit. Being a spiritualist means having more bonds to things that are spiritual or psychic than things that are physical or material. Spiritual is the awakening or enlightenment in achieving the meaning of life and purpose of life. Spiritual is an essential part of the overall health and well-being of a person.¹²

The word spirit that can be interpreted as soul or breath, means the breath of life, a living phenomenon that is understood as a subtle vapor or air that animates an organism. In human there is something that is understood as an intermediary between body and soul. Spirit also means an agent, or immaterial in man that causes consciousness and will and other life functions. As in the philosophical dictionary, the spiritual refers to the higher faculties (mental, intellectual, esthetic and religious) and the values of the mind. It can also refer to nonmaterial human values such as beauty, kindness, love, truth, honesty and patience.¹³

¹² Aliah B. Purwakanta Hasan, *Psikologi Perkembangan Islami*, (Jakarta:PT Raja Grafindo Persada, nd.), p. 228.

¹³ Tim Rosda Karya, 1995. *Kamus Filsafat*, Bandung: Rosda Karya, p. 320-321. The term 'spiritual' is often equated with the word 'mystic', which is the human consciousness of a power that manages all the worldly things. William James asserts that mystical conditions are characterized by four things: (1) it is a condition of understanding (neutic). As for its apprentices, it is a state of knowledge and in that condition is revealed the essence of reality for which one is inspired, and not a demonstration. (2) it is an impossible condition that can be described or described. Because it is a state of feeling that is difficult to explain to others in the details of words. (3) it is a state of rapid transiency, in other words it does not last long but it leaves a very strong impression in memory and deeds. (4) it is a passive condition in which one can not grow the condition with the will of one's own will. For in mystical experience it seems as though it is submissive under an overwhelming supernatural force. William James, *The Varieties of Religious Experiences*, (New York: The Modern Library, 1932), p. 371-372

The spiritualistic paradigm of understanding human life is not only about the presence of the body on earth, but human beings are spiritual cratures or spiritual beings. There will be a life other than on earth right now. Allah SWT reminds man not only a body but also a spirit. The spiritualistic paradigm makes the followers see that everything that happens is a decree of Allah SWT, therefore this life should be grateful. Trials, shortcomings and suffering are responded patiently and with patience and return everything back to Allah

In Indonesia, batik cloth is always associated with tradition, festival activities and religious ceremonies. Even today, batik has expanded in everyday use, household, school, government and private office. The encouragement of Indonesian people in using batik cloth is so strong, it is not separated from the spirituality of batik cloth itself. The relationship closeness between the community with batik cloth is on the mystical quality aspect in a particular design. In a piece of batik cloth, consumers can learn the story or philosophy contained in the picture or motive. Batik is not just a cloth, batik is a legend, through color and motif, even its way of making. Since the beginning of culture in Indonesia, the use of cloth even shows the degree of its wearer. Some patterns or motifs have the meaning of sadness but there is also another pattern or motive that means luck or motive that means a hope of glory or prosperity. There are also motives dedicated to God or other forces that are believed to most determine human's life.¹⁴

The strong spiritual tendency in the history of batik business indicates that indeed there has been a spiritual adaptation, both through the motives, colors and philosophy of the batik entrepreneur's business. The spirituality derived from the Islamic religion that is owned by the majority of batik entrepreneurs deserves its existence to be taken into account. Islam, coastal communities, industrial activities of SMEs and

SWT, because everything is His, including Himself. Adherents of this paradigm saw that their life in the world affecting their life in the afterlife (holistic). Everything that is done in the world is seen and judged by Allah SWT, who will be called to account in the Hereafter. So, with this paradigm humans will not be affected by stress, life becomes serene which of course is very influential on their quality and they always bring a policy that comes from sanctity (virtus ex sanctus). With a spiritualistic paradigm, a person has a connectedness with Allah SWT who bring a view of life so that he becomes calm and always bring the policy that comes from sanctity (Wahfiudin Sakam & Abdul Latif, *Bersama Tuhan Menggenggam Dunia, Panduan Konsepsi dan Aplikasi Spiritualitas Kerja*, Jakarta: Radiks Spiritual Capital Specialist, 2014, p. 13-15).

¹⁴ Fraser-Lu, S., (1989), *Indonesian Batik, Processes, Patterns and Places*, New York: Oxford University Press, p. 28.

batik turned into a very strong combination. That power has been proven in the event of a monetary crisis and industrial crisis, which caused large companies to collapse but they kept on existing.

Islam has entered the island of Java since the 13th century. From the list of names of countries or places visited by Zheng He, which has become an islamic-styled empire or sultanate at that time, are namely: the Samudera Pasai and Malacca that have grew and developed since the 13th-15th century. In Ma Huan's story, there were also reported the existence of Muslim communities on the north coast of East Java. In his report, it was mentioned Muslims who reside in Gresik were including Muslims from the west (Arab, Persian, and Gujarati or Indian) or the Chinese (some of whom are Muslims). This is concrete evidence that in the center of Majapahit or coasts which are Hindu-Buddhist patterned, especially in port cities, Muslim society from various races have begun to form.

From the end of the 11th century or the beginning of the 13th century, the evidence of the relics, both the prelatore and the foreign journals about the arrival of Islam in Java is still very few, the Islamization of Java has not been definitively said. It was not until the late 13th or early 14th centuries, especially when Majapahit had reached the height of its greatness until near the time of its collapse, the evidence of Islamization could be found out more. In addition to journal by Ma Huan, the discovery of several tombstones in Troloyo, Trowulan and Gresik have became the concrete proof of Islamization.

The growth of Islamic communities around Majapahit and especially in some of its port cities was closely related to the development of shipping and trading by Muslims who have had economic and political power in the Samudera Pasai (Aceh) and Malacca. Through these trading routes, Islam was

disseminated.¹⁵ Pekalongan is one of the batik producing regions which is very large. It can even be said that 70% of the batik supply in this archipelago, is produced in Pekalongan and surrounding areas. This city located on the North Coast of Central Java has a long history in terms of batik making. The existence of batik in Pekalongan city is almost as old as the development of Pekalongan city that continues to grow from time to time. In general, batik-producing cities located in the North Coast area of Central Java and Madura, have similarities, both in terms of style, color, and batik commerce. These cities include Cirebon, Indramayu, Pekalongan, Demak, Tuban, and Madura. Batik produced from these areas are known as batik pesisiran. Since the Hindu-Buddhist and Islam era until the independence era, Pekalongan occupies a position far from the center of power. Autonomously, Pekalongan grows as a commercial city and since its beginning, the city has become a trading area. Until the colonial era, the area has a seaport that participated to enliven the inter-island trade traffic in the archipelago. The existence of this seaport affected the development of social economic as well as population. Urbanization of urban people, both from outside and within the region, were participated in determining the development of Pekalongan City.¹⁶

The spread of Islam both in coastal and inland areas was indeed very dynamic. Islam was easily accepted by the Javanese because of its mystical teaching (*tasawwuf*). In other words, because the teachings are sociable and easily assimilated and accept the various colors of local traditions, this teaching attracted the attention of the Javanese. It is also in the form of

¹⁵ Aristo Farela, *A Short History of Java, Sejarah Singkat Tentang Pulau Jawa, Kultur, Manusia dan Budayanya* (Surabaya: Ecosystem Publishing, 2017), p. 46-47

¹⁶ Kusnin Asa, *batik Pekalongan Dalam Lintasan Sejarah*, (Yogyakarta: Paguyuban Pencinta batik Pekalongan, tth), p. 17

Sufism that the Islamic religion adapted to the social structure and philosophy of the local community so that Islam was easily accepted without any contradictions. Such voluntary acceptance is due to the suitability between the teachings of Sufism and community's belief. The point of conformity is the understanding that human can unite with God (*wihdatul wujud*).¹⁷ The condition of the Javanese people who have accepted Hindu and Buddhist traditions that have traditional beliefs of animism and dynamism before Islam came, was made Islamic mystical teachings easy to accept. The unity of Islamic teachings with the beliefs of Javanese society is not only formed in Javanese-Islamic beliefs, but also in cultural views and daily behavior, including in the aspect of work or livelihood.

For coastal communities, both with livelihoods as fishermen, farmers, traders and entrepreneurs, spirituality becomes a fortress that reinforces their spirit in working. It is caused by no other than their principle that everything is governed by the Almighty. Transcendence is the main key to everything they do and they receive. At this point, the shortcomings, disadvantages, discomforts were not become kinds of torture or circumstances that deserve to be accused to others. It is a proof of resignation and the strength that accompanies the minds of Javanese society, that in all situations, they do not feel alone, there is the Almighty in their hearts and batiks.

The psychological condition of local community, affects their imagination and knowledge on every chosen behavior, including in batik business. Motives, designs, colors, become symbols of belief that they pour in a piece of cloth, turned into a grip that distinguishes one region with another. Between coastal batik and inland batik, has a different symbol and philosophy.

¹⁷ Aristo Farela, *A Short History of Java, Sejarah Singkat Tentang Pulau Jawa, Kultur, Manusia dan Budayanya* (Surabaya: Ecosystem Publishing, 2017), p. 53

The motives containing philosophy values are:

1. Parang

Initially, this batik motif is only worn by the royal family, therefore this motif has been known since Mataram Kartasura. This motif has high philosophy value in the form of advice to never give up as the ocean waves that never stop moving. This motif describes a never-ending braid, either in the sense of an attempt to self-improve, the struggle for welfare, or the form of family ties.



Figure 1.4. Parang batik motive

2. Sidomukti

The *Sidomukti* batik motive is generally worn by the bride at the wedding. *Sido* means being, continuous or sustainable and the word *mukti* means prosperous, happy or well off. From the meaning of the word, the word *sidomukti* represents a hope for everyone who wears it in order to have a life full of prosperity, happiness in a sustainable basis.



Figure 2. 4. *Sidomukti* batik motive variety

3. *Jlamprang* batik motive

Jlamprang motive is a kind of *nitik* motive which is made geometrically. What stands out from this motive is the craftsman's belief not to draw figures of living things, because it is not allowed. Arabic batik makers who are well known as Muslim do not want to use ornaments resembles living things, such as animals or birds.

Historically, the motive *jamprang* when viewed from the use of its decoration patterns is a motive that has been used by the ancient society. This is evidenced by the similarity between geometric shapes and directioned symmetrical lines found in various reliefs of ancient temples in this archipelago. It even has similarities with the ancient cultural heritage of the world. Although Javanese locally, the *jamprang* motive has been used long before the birth of Pekalongan City in various religious ceremonies, but the *jamprang* motive that developed up to now in Pekalongan is the result of adaptation and creations of patterns derived from Middle East which were brought, with the customization of Indian culture, by the *da'i* and traders from Gujarat India. *Jlamprang* Pekalongan is unique

because it is the result of adaptation of Middle Eastern culture, India, Javanese culture (Hindu-Buddha) and the dynamic character of Pekalongan society.

Jlamprang motive has many meanings; among them are, the main is the cosmic awareness of self and God, courage, holiness, honesty, prosperity, togetherness, and justice. In particular, its spiritual meaning is contained very clearly in the self-consciousness as a microcosmic in the undivided relationship with God as the source and direction of life. It is also the awareness of the most powerful divine energy, therefore that might, once acquired, must be embodied in life with hard work, resilience and unyielding and cooperation to embody peace and harmony and universal prosperity. In its application in Pekalongan society, the *jlamprang* spirit phenomenon can be found in some communities that can peacefully develop common prosperity together. Indigenous Javanese, Arabic and Chinese ethnic can do the assimilation to give each other benefit for the achievement of social goals of Pekalongan.¹⁸



Figure 3. 4. *Jlamprang* Batik Motive

¹⁸ Imam Kanafi, *Spiritualitas Batik Jlamprang Pekalongan*, 2011, research, P3M Stain Pekalongan, p. 74-75

4. *Kawung* Motive

Kawung motive has the value of philosophy of sanctity. It is characterized by a circle pattern similar to the *Kawung* fruit (a kind of coconut fruit or often also referred to as sugar palm fruit) which are neatly arranged geometrically. This *kawung* batik motif is represented as a picture of lotus flower which consists of four blooming leaves. In addition to the value of sanctity, this motif also describes humans who have life phase that continues to grow in all aspects.

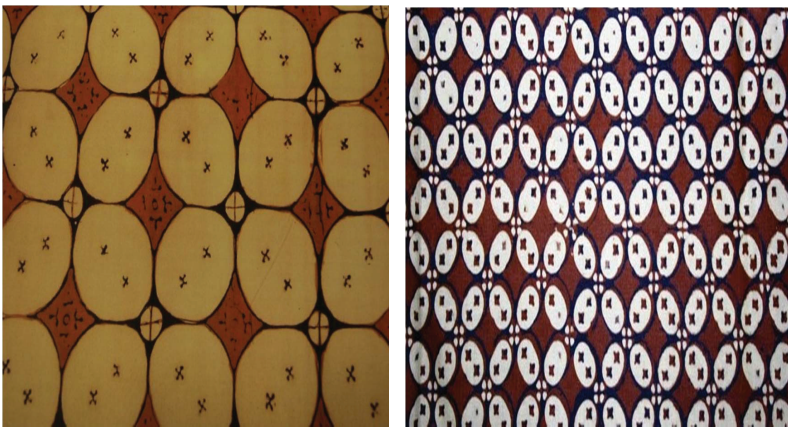


Figure 4. 4. *Kawung* Batik Motive

5. *Mega mendung* batik motive

In *mega mendung* motive, *mega* means sky or cloud, and *mendung* means cloudy or dimming skies that are usually comes when it will rain. The gradation in the motive is in accordance with the seven layers in the sky. The term cloudy is defined in human life as a patient nature, not offended. So the philosophy of *mega mendung* batik itself is to practice patience. Humans are expected to remain patient and resilient in living a life full of challenges and changes.

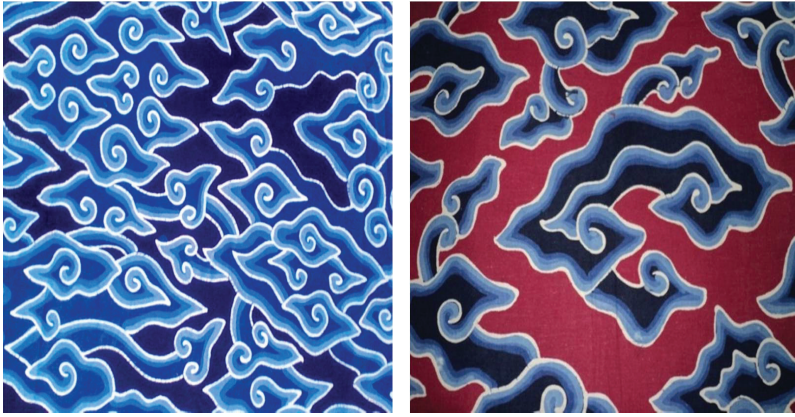


Figure 5. 4. *Mega Mendung* Batik Motive

6. *Truntum* Motive

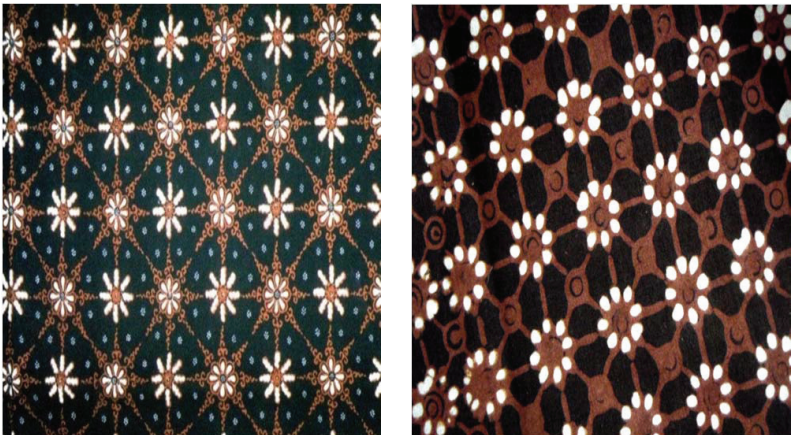


Figure 6. 4. *Truntum* Batik Motive

Truntum motive is usually used by parents of the bride. *Truntum* itself means to guide, So it is intended that in a marriage the parents always guide their children in the new life so that later become a *sakinah* family.

7. *Semen Rante* Batik Motive

In the proposing process, if the guardian of the groom wears batik solo motif *Satrio Manah* motive Solo batik then for

guardian of the bride wears *Semen Rante* motive Solo batik. The meaning of the word *rante* itself implies a strong bond or linkage, the hope for the wearer is that if the proposal of the groom is accepted, the soon to be bride expects a solid and strong linkage to all temptations until the death separates.



Figure 7. 4. *Semen Rante* batik motive

Over the centuries, coastal areas, stretching along the northern coastline, play an important role as the front line of Java in establishing contact with the outside world. Hinduism, Islam, the European trade partnership, and colonialism. Barret Jones (1984) mentions that all these waves had entered the interior of Java. It was this important role that became the main reason for the move of political center of Mataram Hindu from the Progo River valley in Central Java to the estuary of the Brantas River in East Java; to increase access to inter-country trade.

Java began to enter a period of decline with the move of Demak capital city from the coast to Karta in inland. Even during the dark days of the Mataram sultanate, coastal cities remained active as seaports serving the trade flows between Central Java and East Java with Jakarta-where the VOC established its main base-and between Java and other islands. With the submission

of coastal areas by Pakubuwono I to the VOC, as a reward for the assistance of troops in the struggle for the throne of Mataram, the coastal trade effort shifted in term of rulers, from previously indigenous traders and dukes into the hands of the VOC. Although the trade rulers have changed, the intensity of trade continues to grow. In the 19th and 20th centuries, coastal cities of Java served as gateways for the delivery of Java plantation products to Europe and the acceptance of imported products to Java. From this illustration we can understand why in the major discourse, coastal areas are often presented as symbol of openness and egalitarian life, because life in this region deals more with liberal trade than with feudal agriculture.¹⁹

The history of batik developed quite rapidly among coastal communities. Pekalongan is one of them, where the batik from the aspect of the motive, method and the period of its use is very dynamic. Various spiritual traditions can not be separated from the use of batik cloth.²⁰ As in *nyadran* tradition that has been done by ancient Pekalongan society. What was meant by *Nyadran* is give the payment of a batik cloth producing to a baby shaman so that the child recovers from illness. At a big *nyadran* ceremony which is held once a year when *selamatan seren tahun*, villagers both in the mountains and on the beaches include batik cloth with a certain pattern to be included to get floated on the sea. The offerings serves as offerings and expressions of

¹⁹ Nur Syam, *Islam Pesisir*, Yogyakarta: LkiS, 2005.

²⁰ In terms of rituals as a medium of human's relationship with God, it is reminiscent of Radcliffe-Brown's "ritualistic value" that can be expressed as negative in a ritual avoidance ritual carried on positively through ordination or sacralization. The value of ritual is a very abstract concept that includes the concept of taboo, and our attention is directed to the problem of interpreting phenomena. According to him, there are two alternatives, studying the ritual from the point of view of its symbolic meaning, as shown in the cosmological system or in terms of its social function. Ritual serves as a form of appeasement of the individual heart, and helps people to deal with situations that cannot be controlled by technical means (Brian Morris, *Antropologi Agama, Kritik Teori-Teori Agama Kontemporer*, Tr: Imam Khoiri (Yogyakarta: AK Group, 2007, 159-160).

gratitude, both to the ruler of nature, God, and the ruler of the seas. Such ceremonies became a tradition and lasted from the Hindu period. The *nyadran* tradition is the remains of the Hindu period of Central Java in the 9th and 10th century. Thus, batik in the past with belief-containing decorative varieties, were more likely to be used as a means of ritual than a body cover. Therefore the position of batik cloth is very sacred because it is considered to have magical characteristics.²¹

C. Economic Adaptation

1. Production Strategy

Batik is not just a body-covering cloth, but batik is basically a dialectical process, not just how a person pours a message on the symbols found on the batik motif. In addition the dialectical process is also implicit in sociological analysis in the dynamics of small industries, which generally become the main driver of batik business. The dialectics of entrepreneurs, workers, environment, beliefs, rituals and traditions are closely related to how they deal with the ups and downs of the batik industry. The influence of modernization, capitalization, and even globalization change the development of batik, which originally batik present around the life of the palace with a non commercial orientation, and then become a segment of activities that provide a source of income in the form of commercial business activities (commercial mindedness).

The coastal batik production itself grew rapidly by around 1870, supported by the progress of transportation with the trains and steamers. Battik traders and batik producers tried to meet the diverse consumer tastes, which always demanded new innovations. As a result batik is made along the coast, especially in the Pekalongan area, the pattern is very dynamic.²²

²¹ Kusnin Asa, p. 36

²² Ishwara, H., Yahya, L.R.S., Moeis, X. *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia, 2011), p. 24-27

It is not exactly known when batik began to be made in Java. But it was clearly that, it is in Java Island the batik method developed the most and produces batik fabrics with the richest decorative variety, the most developed coloring technique and the most refined and richest workmanship quality, although the method of color barrier is found also in several other islands in the archipelago with different color and tool barriers. Batik Tulis made with *canting* and wax, according to Robyn Maxwell in *Textiles of Southeast Asia: Tradition, Trade and Transformation*, may have been developed in the early 17th century.²³

Batik's discussion on Java Island can be traced through several locations, wether along the southern coastal routes such as Yogyakarta, as well as along the northern coast such as Lasem, Semarang, Pekalongan, Cirebon and so on. Pekalongan city became icon of Indonesian batik especially since it was proclaimed as the world city of batik by UNESCO. The existence of the origin of Pekalongan batik can not be separated from the history of the Mataram Kingdom in the period of the 18th century with King Panembahan Senopati. As the dynamics of a government, conflict-rebellion which the main factor is power, led to wars of that time continued to rage. Both the war against the invaders and the divisions between the king's family. Inevitably the conflict of war disintegration resulted in many families of kings beginning to spread to various regions. Those who disagree take refuge in the southern regions of the mountains and coastal areas. It is in this new area that those who live adapt to develop their culture. But at that time batik is still made limited to their own needs. So the pattern and color still refers to the pattern of Yogyakarta and Surakarta palace from where they came from. Since the struggle of the war against the invaders (Dutch), the followers who did not want to compromise with the invaders and remain loyal to the struggle of Prince Diponegoro chose to

²³ Ishwara, H., Yahya, L.R.S., Moeis, X. 2011. *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia), p. 24

defend the principle and make a living in the region as a place of struggle, just as in the coastal Pekalongan.

To survive, they did not just relied on agricultural products alone, but the expertise in batik making was also done. Batik is made no longer just for personal needs but ultimately the manufacture of batik was shifted, used to meet the need to sustain the economy. In 1830 batik slowly began to change into a new field as a livelihood. This is the point when batik began to develop as a commodity.

The batik entrepreneurs in Pekalongan City have been long enough to have the reputation of innovating and continue to aggressively develop batik in Java. Various levels of business groups from the small-scale group level to large-scale business are also commonly found here.²⁴ The position of Pekalongan city as batik producer region is divided over the area of Pekalongan City and Regency area. The development of Pekalongan region extends to the south with the boundary of Rogojembangan area. The development towards the north increasingly narrowed because it borders the Java Sea. The left and right are limited by two regencies of Batang and Pemasang. Most areas of Pekalongan City are in the lowlands, and most of these areas produce batik. While the southern Pekalongan region, which is located in the upper plains, is mostly an agricultural and plantation producing region.

The economic behavior of coastal communities such as Pekalongan is also a reflection of their adaptation pattern with the environment.²⁵ The transformational culture of the various

²⁴ Fraser-Lu, S., 1989, *Indonesian Batik, Processes, Patterns and Places*, New York: Oxford University Press, p. 65.

²⁵ There are several elements that determine a person's behavior, namely physical environment, observations towards it, thoughts formed about it, motivation, learning outcomes, capacity and so on. It all leads to a particular characteristic behavior. (Frits Kluytmans, *Perilaku Manusia (Pengantar Singkat Tentang Psikologi*, Tr. Samsunuwiyati Mar'at dan Lieke Indieningsih Kartono, Bandung: Refika Aditama, 2006, p. 55.

migrants arriving in the coastal areas through trade route, is systematically encouraging the public to play a part in the context of the trade. From the batik knowledge and skills which is hereditarily owned and massively developed makes batik production can not be separated by the behavior of everyday society. Culture is a collective phenomenon, so that the right of cultural ownership is not in individuals but rather in society. Although the subjects (cultural actor) and the objects of the cultural studies are human beings, but culture is not solely related to humans as individuals, but humans in their positions as part of society. Culture and society are like two sides of a coin. As long as there is culture there must be society and vice versa. The existence and preservation of such a culture depends on sharing (understanding, acknowledgment, inspiration and collective practice) by the community members and their social conscience of the importance of preserve and maintaining culture.²⁶ Simultaneously, the need to maintain culture for coastal communities goes along with their need to keep their jobs and livelihoods as fishermen, traders, batik entrepreneurs, farmers and so on

The collective potential of batik crafting society, for example, is very beneficial for the production sector, because thus human and material resources are automatically becoming easier, cheaper, and more widely available. This is what causes the price of production in a city including Pekalongan become very competitive and demanded by many batik traders or buyers from outside the city, outside the region and even abroad. Economic impacts arise from the social cultural situation of batik crafting community.

From the batik making knowledge mastery pattern which is hereditary, almost everything is run with family business

²⁶ Achmad Sobirin, *Budaya Organisasi, Pengertian, Makna dan Aplikasinya dalam Kehidupan Organisasi*, Yogyakarta: Unit Penerbit dan Percetakan, YKPN, 2002, p. 58.

model. In addition, the collectivity of the batik community makes their social ties strengthen the business relationship, and the condition is realized by the inclusion of the neighbors, the relatives into the production sector with the subcontracting system and putting out system. Such models and production strategies make the value of togetherness among people become stronger and make people believe that their livelihood from batik production will never be lost. Even more unique, although in a business context, competition is hardly a factor that breaks the value of togetherness and harmony among craftsmen. The strong business tolerance is sociologically related to the value that the society has. Craftsmen who are mostly Javanese ethnic have a behavior that is inspired by Javanese cultural values.

In cultural constellation, the role of value is important. Cultural definitions are also very diverse; when culture is defined as a set of attitudes, values, beliefs, and behaviors shared by a group of people, communicated from one generation to the next which reflects a sociopsychological construct, a commonality in a group of people in psychological phenomena such as values, attitudes, beliefs and behaviors. Consequently, members of a particular culture experience similar phenomena while members of cultures in different societies do not experience them. On the other hand, culture is often associated with entity, tribe or nationality, a person of a country or region often analogized to his or her ethnicity, regionalism or nationality. While this principle is not a guaranteeing, it is easier for the majority of people to signal a person's culture to their geographic origin. Analytically, racial cultural geographical stereotypes are not always congruent with the actions of the cultural members. In Javanese society for example, if one's actions do not reflect Javanese culture, Then he/she will be exposed to *Ora Njawani* (doe not resemble a Javanese) stereotype. This signifies the value in the non-sterile culture of the person's personal inner

condition in interpreting the surrounding culture.²⁷

The concept of *Njawani* (resembles a Javanese) The values of *njawani* practiced by the Javanese people in socializing such as *brayan* (cooperation), *rukun agawe santoso* (peace makes halcyon), *tepo seliro* (tolerance) inspire the working relationship of batik craftsmen, employers and workers, entrepreneurs with entrepreneurs, entrepreneurs with raw material suppliers, entrepreneurs with traders. Working ties with culture become very dominant. The strength of belief of the craftsmen makes batik production never stops.

2. Marketing Strategy

It was found out that since the end of the eighteenth century, Chinese and Arab merchants have already traded home-made batiks they collect from kampungs. Sometimes they got the batik by paying in advance or *mengijon*. They also sold a variety of batik needs. Then some Chinese descendant women hired batik craftsmen to made batik which they specify the variety of decorations. The craftsmen made the batik orders at buyer's homes. The buyers were wiling to pay more but the demands were also high, then the result is high quality batiks. Since they were merchant societies, by the 1870s, there came an idea to establish batik crafting place that employed a number of craftsmen.²⁸

Based on history, batik art can be classified into two groups, which is based primarily on the nature of decoration and color patterns viewed from the point of a large group of batik art making areas. The grouping that has been made since the Dutch colonial era and seems to remain valid until today determined two major groups that distinguish the art of batik craft one another, namely *vorstenlanden* batik or kearton batik and

²⁷ David Matsumoto, *Pengantar Psikologi Lintas Budaya*, Yogyakarta: Pustaka Pelajar, 2008, p. 6-7.

²⁸ Ishwara, H., Yahya, L.R.S., Moeis, X. 2011. *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia), p. 64-65

coastal batik. *Vorstenlanden* batik is a batik craft art that is found in the handicraft area where in the Dutch colonial era was called *vorstenlanden*, and shows in two *keraton* (palace) centric area of Solo and Yogyakarta. The variety of decorative in batik Solo and Yogya is symbolic of Hindu-Buddhist-Javanese background, with the dominant color, namely *sogan* (a kind of brown), indigo (blue), black and white.

While coastal batik is all of batik craft art coming from outside of Solo and Yogyakarta or outside the *vorstenlanden* area. This decorative batik coastal nature is more naturalist and shows many strong influences of foreign culture, with a diverse color.²⁹ Included in coastal batik is Batavia batik, Indramayu batik, Cirebon batik, Tegalana batik, Pekalongan batik, Batang batik, Lasem batik, Tuban batik, Madura batik. Also included in coastal batik is Ponorogo batik, Banyumasan batik, Tulungagung batik and so on. Although geographically, closer to the palace..³⁰ Pekalongan is not the oldest producer of coastal batik, but Pekalongan produces the most delicate batik and the main producer of batik. And due to exposure to various cultures, Pekalongan batik is very different compared to interior Javanese batiks. The color is diverse and the motives tend to be naturalist, showing more richness of flora and fauna.³¹ Coloring and motif making in Pekalongan batik can be said to be bravely out of the original pattern and dynamic. Such batik nature can not be separated from the character of egalitarian Pekalongan society, freely interacting with people of any ethnicity, even any religion. This social condition has been going on for hundreds of years in Pekalongan, as a coastal area that became one of the trade entrances in Java, through the arrival of the Chinese, Gujarati,

²⁹ Sondari, K. , Yusmawati. 2000. *Batik Pesisir*, Direktorat Jenderal Kebudayaan, Departemen Pendidikan Nasional, p. 2.

³⁰ Imam Kanafi, 2011. *Spiritualitas Batik Jlamprang Pekalongan*, Pekalongan. (unpublished), p. 17-18

³¹ Ishwara, H., Yahya, L.R.S., Moeis, X. (2011). *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia), p. 61.

also those from the islands outside of Java.

In addition to the original motive Pekalongan batik that comes with *klamprang* design, Dutch batik at almost the same time was also developed in the north coast of Java. In Pekalongan, it was introduced *buketan* motif, the flowers bouquet as the main motive.³² Then it began to blend coastal batik motifs with Chinese motifs. The Chinese descendants batik making owners were soon imitated it. Women in Chinese society adopt their mother's clothes, in the form of batik cloth and kebaya. The clothes are tailored to their taste. Starting from baju kurung, long kebaya, short white lacy kebaya, white embroidered transparent kebaya. Initially batik cloth they wore was made by local people.

Known since the end of the 18th century, Chinese and Arab merchants have already traded home-made batik they have collected from kampungs. Sometimes batik they get by paying in advance or *mengijon*. They also sold a variety of batik needs. Then some Chinese descendant women hired batik craftsmen to made batik which they specify the variety of decorations. The craftsmen made the batik orders at buyer's homes. The buyers were willing to pay more but the demands were also high, then the result is high quality batiks. Since they were merchant societies, by the 1870s, there came an idea to establish batik crafting place that employed a number of craftsmen.³³

In general, batik-producing cities located in the North Coast area of Central Java and Madura have similarities, both in terms of style, color and the commerce of batik. These cities include Cirebon, Indramayu, Pekalongan, Demak, Tuban and Madura. The produced batik from these areas are known as coastal batik. Particularly in the Pekalongan region, there are three social groups representing the development and marketing of

³² Wolody, S., Chian, N.W. (2004), *The Book of Batik*, Singapore: Tien Wah Press Pre Ltd, p. 34.

³³ Ishwara, H., Yahya, L.R.S., Moeis, X. (2011). *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia), p. 64-65

batik. First, it is a Chinese population, with an ancestral cultural culture that lies behind it. They took colorful Chinese porcelain decorative motifs and forms animal shapes from ancient stories such as hong birds, lions, dragons, kilns and medallions. Chinese people's contribution to batik design is seen in the use of floral and bird motifs, as well as pink, yellow and blue dyeing. This application of Chinese decoration made batik Pekalongan had its status increased, as well as marked the influence of China under the Kingdom of Cirebon and Demak during that time.

Second, the Arabian Muslim society and ulama' traders in this case moved more freely in organizing social dynamics. They had a strong relationship with rural communities. So that can be accepted not only because of economic factors, because of their character and knowledge and supernatural power. They are perceived as a role model as well as a marketing group that has the characteristics as a trader while carrying a religious mission. They formed an egalitarian society that functioned as a mediator of two subcultures between the farmers' and the sailors' culture or the urban and rural farmer's culture.

This batik which was made and marketed by Arabian Muslim traders resembles the pattern of decorative ornaments that were a mix of batik that grows in an area that was combined with Middle Eastern culture such as elements of various trees and fig leaves. Likewise, the selected colors were dark and ripe colors. They rarely used the decoration of animals because some opinions forbid it. This ethnic's contribution to the original motives of Pekalongan is seen in the use of green, which is considered a sacred color for Muslims.³⁴

Third, the batik community living in the rural areas, such as Gringsing, Tersono, Batang, Limpung, Comal and so on. Although not so good, but since the New Mataram, these interior rural batik grew and acceptable by the citizens and gentries.

³⁴ Fraser-Lu, S., 1989, *Indonesian Batik, Processes, Patterns and Places*, New York: Oxford University Press, p. 64

The motives made were seemed classical and sacral, so the development is less rapid.

Finally, the three batik groups met in a variety of decoration of Pekalongan batik which was various and has complex coloring. This is the birth of the pattern of ornamental mixture that marks the new decoration of batik Pekalongan. However, Chinese motives were still dominating and placed in a central position caused by the strength of capital and marketing. Even when the Dutch came, they were also gave privilege for Chinese traders, so the fate of indigenous batik was less developed. Finally a competition was inevitable, where China at the same time broked the Muslim and inland batik trade, by bought it at a very low price and sold it back at a very high price. This unhealthy competition lasted until 1912. In the face of this competition, Samanhudi from Solo established *Serikat Dagang Islam/SDI* (Islamic Trade Union) which later turned into a political institution to fight for Indonesian independence. But this institution was less responded by the pekalongan Muslim Entrepreneurs.

D. Natural Environment Ecology Adaptation

Environment is the physical realm that determines the compelte social life of human culture. Process flow begins from the aspect of environment to the aspect of human life. The natural environment is regarded as the only forming element of life. For the batik community, they often live and develop from the batik environment, so the knowledge about batik production could they get easily and cheap from everyday life. Business management that is exemplified and run in the family and society makes the next generation understand the procedure of batik workmanship and management.

1. Weather and Water

The carrying capacity of the human ecosystem environment, all aspects of environmental conditions are very dynamic. The condition of the natural environment is very instrumental in the process of batik workmanship. First, the weather. Especially if an area has hot weather, it is very beneficial to batik craftsmen. From a series of batik work process, the process of drying is a fairly important process. Hot weather is very helpful for the drying process of batik cloth. Color quality is also determined by high air temperature, if the temperature is high enough, sunlight is hot enough, then the resulting color is better than the low temperature, less sunlight or heat, then this condition makes the resulted color has not good quality. The impact of weather conditions will automatically affect the level of batik production. So unsurprising that in hot weather, production is very good, and conversely, if the weather is cold with high rainfall, then the production of batik is low. Both of these conditions are certainly very influential on the amount of turnover and customer satisfaction, and income for employers and workers.

Second, water. The availability of water is needed in the process of *nglorod* or shedding of the wax or parafin used to obstruct color. The water used must also be in a hot state, because the hot temperature will facilitate the process fading/release of wax on batik cloth. The quantity of water used is not much, because most craftsmen place it in a certain place and used repeatedly. Water that has been used turns into batik waste. In general, waste water that is not used will be discharged into the river. Local governments generally also have provided WWTP (Waste Water Treatment Plant). In general, these facilities help to neutralize the level of water pollution, However, the number of craftsmen more with their presence which are scattered in the population area as a consequence of the subcontract pattern/putting out system, made the handling level of pollution becomes less optimal. When the craftsmen only prioritize the

production sector and neglect the environmental impacts, then there has actually been exploitation of natural resources. In the context of a market economy that prioritizes profit and sees environmental degradation as an externality, humans are no longer concerned with relationships that are in harmony with their environment.³⁵ This is clearly contrary to the consciousness of people who expect the basic life goal of balance.

In a macro way, the habit of disposing of batik waste that never finished will endanger the existing environment and ecosystem. Rice fields, agricultural land, settlements, diseases that keep emerging will affect the quality of life of the community. This certainly is inversely proportional even counter productive with the hope and efforts to improve prosperity through the industry sector. As Oekan S. Abdoellah explains that one of the environmental problems faced is the way we treat the environment, or rather how we put the environment within the framework of sustainable development. The environment is often only seen and treated as space and resources exploited for short and short-term interests. In fact, the Indonesian environment is a habitat for billions of animal and plant species, some of which are endemic and live only in Indonesia.³⁶

2. Natural Color

Every living thing wants their place of life to provide security and happiness. An ecosystem has a certain stability. The greater the diversity of an ecosystems, the greater the stability. Although a forest is said to have high stability, but provides very small carrying capacity for the sustainability of the way of life. Pollutant can be classified into two groups, quantitative and qualitative pollutant. Substances that are scientifically

³⁵ Oekan S. Abdoellah, *Ekologi Manusia dan Pembangunan Berkelanjutan*, Jakarta: PT Gramedia Pustaka Utama, 2017, p. 10

³⁶ Oekan S. Abdoellah, *Ekologi Manusia dan Pembangunan Berkelanjutan*, Jakarta: PT Gramedia Pustaka Utama, 2017, p. 194-195

present in the natural environment but the number is increasing because of human activities are called quantitative pollutants.³⁷ The synthesis produced by human living activities is called as a qualitative pollutant. Environmental conditions being concerned by many parties were also include the environment among the batik craftsmen with all the the pollutants it produces.

Talking about a particular business sector is essentially also related to a wider economic scale, because the inputs and outputs of a particular sector are always related to the other components. In other words, developments in certain sectors always have an impact, positive and negative on other sectors. Economic development does not only made prosperity continue to climb, at least in aggregate count, but also increase environmental damage. We know there are environmental problems, but it seems that they are still regarded as external or transcendent to our existence so that they can be handled by new technologies that are expected to be invented.³⁸

Similarly in the batik industry. Continuous production also brings problems to the environment, slowly degrading the health quality of the surrounding community. The development of the business also raises the attention of the innovators. The trend of consumers and society in general on business innovation, encourage the craftsmen to try to make a breakthrough on green coloring (green product). The latest development of the production sector simultaneously evolved with the trend of consumers who have had a new trend of the batik cloth industry, namely the natural colors. The existence of a worrying environment about the disposal of batik waste became a serious concern by various circles: local government, innovators, education sector, NGOs and so on.

³⁷ Suwardi Endraswara, *Etnologi Jawa, Penelitian, Perbandingan dan Pemaknaan Budaya*, Jakarta: PT Buku Seru, 2015, p. 17

³⁸ Oekan S. Abdoellah, *Ekologi Manusia dan Pembangunan Berkelanjutan*, Jakarta: PT Gramedia Pustaka Utama, 2017, p. 196

Environmental imbalance with sustainability of human life encourages the parties to make natural resource efficiency. Efforts to develop innovations of natural colors that are environmentally friendly will directly make the efficiency of capital side in the form of financial, health, consumer satisfaction, competitiveness improvement and so on. Attention to the balance of human life with the environment sustainability through environmentally friendly technologies with low levels of pollutants shows that there has been a change in business orientation. The eco-efficiency movement in the industry began to be intensified for sustainable industry development.³⁹

Efforts to develop eco-friendly natural dyes, are by using:

- a. Turmeric (*Curcuma Domestica Val*), the part used are its rhizomes and root tubers which can produce yellow dye.
- b. Secang plant (*Caesalpinia Sapapan Lin*), the part used is its tree bark to produce red dye.
- c. Tingi (*Ceriops Condolleana*), jambal (*Pelthopherum pterocarpum*) and tegeran (*Cudrania Javanensis*), the part used are its tree bark and wood to produce *soga* dye on batik.
- d. Shallot (*Allium Ascalonicium L*), the part used is its outer skin to produce brownish orange dye
- e. Mimosa (*Mimosa Pudica*), the part used are its flowers and leaves to produce greenish yellow dye.
- f. Coconut (*Cocos Nucifera*), the part used is its coconut husk to produce brownish beige dye.
- g. Andong (*Cardyline Futicosa Backer*), the part used are its leaves to produce green dye.
- h. Noni (*Morinda Citrifolia*), the part used is its rood to produce red dye.

³⁹ David Millard, 2011. "Management Learning and the Greening of SMEs: Moving Beyond Problem-Solving", *Jerman Journal of Research in Human Resource Management*, 25. 2. pp. 178-195

- i. Mango (*Mangifera Indica Lina*), the part used is its tree bark to produce green dye.
- j. Indigo (*Indigofera Tinctoria*), the part used are its leaves and tree branches to produce blue dye.
- k. Teak (*Tectona Grandis L*), the part used are its young leaves to produce brownish red dye.
- l. Tea (*Camelia Sinensis*), the part used are its old leaves to produce brown dye.
- m. Avocado (*Persea*), the part used are its leaves to produce brownish green dye.

With an integrated WWTP system as well as individual scale WWTP, the government through related agencies such as the Department of the Environment and the Department of Trade and Cooperatives continue to promote environment-saving programs. The subcontract system imposes a production burden on the subcontractor itself, since the contract owner does not actually live in the same location as the subcontracted craftsman. Therefore, the success of environment-friendly production depends on the willingness and capability of each sub-contracting entrepreneur. In the batik industry the transfer of synthetic color to natural color is considered to be the solution. In addition, education to craftsmen about 5 (five) basic principles in the concept of eco-friendly color continues to be disseminated. The five principles are:

1. Rethink, where entrepreneurs rethink when will keep using materials that are not environmentally friendly. Includes savings of resources such as fabrics, waxes and other materials such as fuels used to melt waxes. This savings is not only to reduce the wasted pollutants, but also to reduce production costs. Craftsmen need to have an insight into the pollution caused by the use of materials that are not environmentally friendly. Fuel used to melt wax or night (wax) for example, the most widely used is

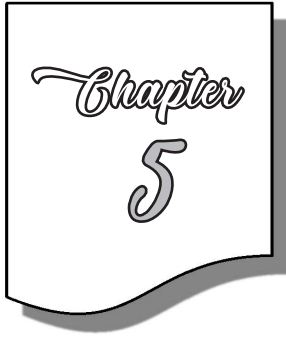
firewood. The use of firewood that causes smoke is not good for respiration, in contrast to the use of kerosene with its low level of pollutant. However, the issue of price and availability of substitute materials such as oil and gas is sometimes a matter of debate. While the needs of wax heating is absolute in the batik industry

2. Reduce, i.e. decreasing the level of water pollution after the natural color is used. In addition to reducing pollution, the amount of synthetic dye consumption can be reduced when batik entrepreneurs use leaves/roots/fruit skins that are often just thrown away. This is why, the government and environmentalists continue to motivate craftsmen through business forums and studies to discuss alternative materials, reduce chemical dyes with safer and environment-friendly natural dyes.
3. Recovery, is the restoration of environment that has been already contaminated. Currently, attention to the existence of Wastewater Treatment Plant (WWTP) is not only the responsibility of Pekalongan City government but also home industry, or known as individual WWTP. From waste treatment prior to discharge to the river, it is first processed to eliminate pollutant levels. Individual awareness of the restoration of the environment continues to be pursued, as this individual WWTP procurement step tends to be regarded as an additional cost.
4. Reuse (reusing goods/waste materials/waste), by innovating on the alternative/residual material. Batik entrepreneurs practice this activity, such as making batik on cement paper, wood, coconut shell, jeans cloth, motorcycle or car panels. Consumer aims to batik products need to be created by developing insight that batik is not just cloth, but any item can be a media to make batik. Through

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exhibition activities at both regional, provincial, national and international levels, these efforts are socialized.

5. Recycle, by recycling the remaining wax (wax) for reuse. This is important to do considering the candle (wax or plasticin) requires the availability of pine resin. By itself, the continuous use of night can cause the amount of resin consumption to be high. This kind of condition can have impact on the increase of raw material of the wax manufacture, as well as the price of the raw material itself. If not immediately addressed then the cost of production by the craftsmen will also be high, and simultaneously result in price and product quality to be affected. Obviously this will affect the market price, consumer and overall stability of the batik industry.



FINANCIAL INFLUENCE FOR BATIK INDUSTRY DEVELOPMENT

A. Batik Indonesia Influence

It is widely known among batik enthusiasts that Indonesian batik has a vast repertoire of well-documented geometric, figurative and background designs—some researchers estimate over 3,000—derived from natural and mythical sources, local folklore and the waves of foreign culture that enveloped the archipelago; the latter include motifs inspired by Indian *patola* cloths, Chinese textiles, ceramics and carvings, and European floral patterns. Among the most distinctive geometric or *ceplokan* designs are forms of flora, fauna and bird life standardized into repetitive, symmetrical shapes diagonally slanted designs, groups of ovals arranged in fours, and patchwork and spear designs. Figurative or non-geometric designs, generically termed *semen*, include some of the most imaginative and ornamented batik designs inspired by Hindu, Buddhist and indigenous Javanese designs as well as European, Chinese and Indian sources. Placed against a background of swirling foliage, *semen* motifs are most apparent on hand-drawn Indonesian batik and frequently feature the mythical winged Hindu-Javanese Garuda, Chinese-inspired butterflies, phoenixes and peacocks, lions, mythical dragons and

naga serpents and natural phenomena such as rocks, clouds, mountains and landscapes. *Isen* or background designs are simple, repetitive motifs, such as the Chinese-derived swastika or the Javanese fishscale motif, which usually cover the whole surface of the cloth.

Because of the availability of imported Indonesian sarongs, it is understandable that Javanese styles, especially those from Lasem and Pekalongan on the north coast of Java, which were decorated with both a *kepala* and floral motifs, influenced the patterns and motifs on the first Malaysian sarongs, right up to the early 1950s. Indeed, Muslim traders on Java's north coast encouraged the production of particular styles for Muslim consumers. Many Malay women favoured the Lasem style of sarong with its plain, cream-coloured background covered with a *kepala* featuring the *pucuk rebung* (bamboo shoot) motif, called *tumpal* in Indonesia, in which two rows of equilateral triangles containing blossoms and stems run down each side the *kepala* with the points of the triangles facing each other. Applied on innumerable Malay art and craft objects, the *pucuk rebung* has been variously interpreted as a symbol of fertility because of its rapid growth or a modified form of the mythical tree of life. The *pucuk rebung* was also the most common decorative pattern on the *kepala* of the prestigious locally handwoven gold thread *kain songket*, and so it was an eminently familiar motif. The *badan* on either side of the *kepala pucuk rebung* was decorated with meandering vines and stylized plant forms.

Other women preferred imitations of the more brightly hued Indo-European or Pekalongan-style sarong, with a large, showy, multicoloured floral bouquet on the *kepala* and intricate Javanese-style geometric motifs on the *badan*. Unlike in Pekalongan where the bouquet was *invariably* hand drawn with wax, on the Malay Peninsula it was created with a series of carefully positioned metal stamps of flowers, leaves and buds connected to stems, while the various colours were applied by

hand. Much of the intricate background detail and patterning found on the original Pekalongan sarongs was eliminated. However, the demand by Straits Chinese Nyonyas and wealthy Malay women for high-quality hand-drawn sarongs featuring the Pekalongan bouquet continued to be met by imports from the north coast Javanese ateliers, especially from those in Pekalongan.

Apart from the Lasem and Pekalongan styles, imported batik from Cirebon, a place of major Chinese settlement on the north coast of Java, was also influential in Malaysian batik design. Here men, rather than women, are the main *batik tulis* makers and perhaps for the reason bold motifs set against a clear background are favoured over floral designs and intricate backgrounds. The best known of the Cirebon motifs is the *megamendung* or 'cloud' motif. Another is the *pesikngaliman*, a mythical beast composed of element from phoenix-like bird, a serpent and an elephant. Birds and animal motifs based on Chinese imagery have given rise to what is called the *lokcan* style, literally 'blue silk'.

By the late 1950s, the batik industry along the east coast of the Malay Peninsula had evolved into a full-scale economic activity. Although Javanese schematic styles continued to be copied, including those on which classical geometric, non-geometric and background patterns appeared, local batik manufacturers experimented freely with variations in the known Javanese motifs. Peninsular batik makers also developed their own colour schemes outside the traditional Javanese colours of indigo blue, brown and cream, including the use of overlapping layers of colour. At the same time, they purposely promoted the typical batik effect of coloured hairlines by treating the finished sarongs with a last, cracked layer of wax and a brown dye bath. Javanese batik makers always strove to avoid the cracked effect, regarding it as an imperfection -as they did overlapping colours - but in the Peninsula it came to characterize a unique type of

batik from Kelantan and Terengganu, appropriately termed 'thousand-crack batik'.¹

After Independence in 1957, the flagging batik industry received some encouragement from the new federal government in the deliberate promotion of batik as symbol of nationalism and pride and also as a way of bringing together a racially diverse nation. Most Malaysian recognize batik as a significant product of the nation. Many wear it to express their cultural and national identity, and thus it was that uniforms manufactured from stamped yardage became exceedingly popular with government offices, sports associations, youth clubs and companies, sometimes with their emblem or logo incorporated in the batik design. Each new student, male and female, at the country's universities is issued during the orientation week with a batik shirt stamped with the university's crest. The background colour and changes each year but the crest remains.

As batik flourished in the 1970s, it was increasingly recognized as a part of local heritage. The national carrier, MAS (then Malaysian Airline System), commissioned Kutang Kraft to produce batik murals featuring the traditional kite, the *wau bulan*, for its offices around the world. Members of the airline's female cabin crew have always worn uniforms with batik motifs, albeit silk-screen printed and mass produced in view of the huge requirements. At the annual National Day celebrations, some of the parading groups comprising government and non-government participants sport batik uniforms. Many associations have their own specially designed batik uniform, usually in symbolic colours, to reflect their identity and purpose and to set them apart from other groups. For men, batik has provided a cool, comfortable alternative to the Western suit and white shirt and tie or bush jacket.²

¹ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, p.42-45

² Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A*

The potential of batik as a medium of fine art –the combining of traditional batik techniques with contemporary subjects to create easel-type paintings- began to be explored within two decades of batik cap being introduced to the Malay Peninsula by Javanese batik makers. Initiated by Chuah Thean Teng in Penang in the 1950s, it marked the shift from batik as garment to batik as painting as he and a handful of contemporaries sought to develop an artistic discipline that was uniquely Malaysian, one that projected a sense of regional identity as well as cultural continuity. Their aim was to separate the batik technique from tradition, to use stylus and wax like paint and brush to draw designs on fabric stretched on frames. At the same time, they wanted to develop and reinterpret the English landscape and portrait traditions that had been introduced to the country during the nineteenth century by British traveler-artists and, later, British colonial civil servants.³ In recent years, several artists have aimed to challenge the established artistic elite of batik painting in terms of both content and form. They have attempted to break free from the constraints of conventional *canting* and *cap* techniques, materials, subject matter and style to explore all possibilities for the batik medium as a language of unique expression. Among them is batik painting artist Ahmad Fauzi Arshad, who fuses batik on to canvas combining the hand drawn wax-resist decorated fabric with acrylic, paint and oil pastels to produce abstract and nature themes.⁴

The phase 2010-2013, the ‘Malaysia batik-Drafted for the World’ movement established by the Yayasan Budi Penyayang Malaysia in 2003. One of the movement’s stated objectives is ‘To ensure the long-term relevance, growth and progress of the Malaysian batik industry’. At the time that batik emerged in

Tradition, Singapore, p. 78-81

³Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, p. 122

⁴ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, p. 128-133

Malaysia as a decorative fabric craft, there were no mechanized printing processes. Every step was carried out by hand in a cottage industry setting. Today, textile printers in factories, both large and small, from as far as China and Korea and as close as the traditional batik strongholds of Kelantan and Terengganu on the east coast of Peninsular Malaysia, can produce batik effect without the use of wax or other resist materials.⁵

The future of Malaysian batik probably lies somewhere between the two views. *Batik tulis* and *batik cap* will undoubtedly continue to have a place in the market, albeit at the middle and upper ends. The people who know batik will always cherish it for its craft—a craft in which the hand is the essential tool in the process—because they appreciate the techniques, skills and materials involved in producing the effects that make batik beautiful. But it is inevitable that handcrafted batik will suffer in competition with modern technology. The mechanized production of batik-style textiles, although anathema to purists, will increasingly fulfill a need for bulk orders such as uniforms for government agencies, corporate clients and special events, but more especially for daily clothing for those who cannot afford handmade batik but who still value the concept of batik and want a slice of Malaysian heritage and culture. On the positive side, modern technology will contribute to the presentation and appreciation of batik. Even though a machine can never duplicate the fluidity of the handmade batik process, it is nevertheless a human – a Malaysian – contribution. There is thus no question of dismissing technology or, for purists, of baulking at the idea of innovating the age-old craft. The challenge for them is, ‘How can batik be innovated without losing its handmade resist essence, at the same time keeping the craft relevant and sustainable in the years to come?’⁶

⁵ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, p. 148

⁶ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, p. 149

B. Cooperative in Indonesia and Malaysia

1. The Development and Role of Cooperatives in Indonesia.⁷

- a. NU BC-based BMT Center: Jalan Urip Sumoharjo 230 Pekalongan Tel. 0285 7909819 and has a Branch Office as follows:
- Sutan Syahrir Street, 88 A Pasirsari Pekalongan
 - Raya Rembun Street, Siwalan, Kabupaten Pekalongan
 - Purwodadi Street, Sragi, Kabupaten Pekalongan
 - Jend. Sudirman Timur 48 street, Wanarejan, Taman, Pemalang
 - Diponegoro Street, Kajen Kabupaten Pekalongan.

Vision

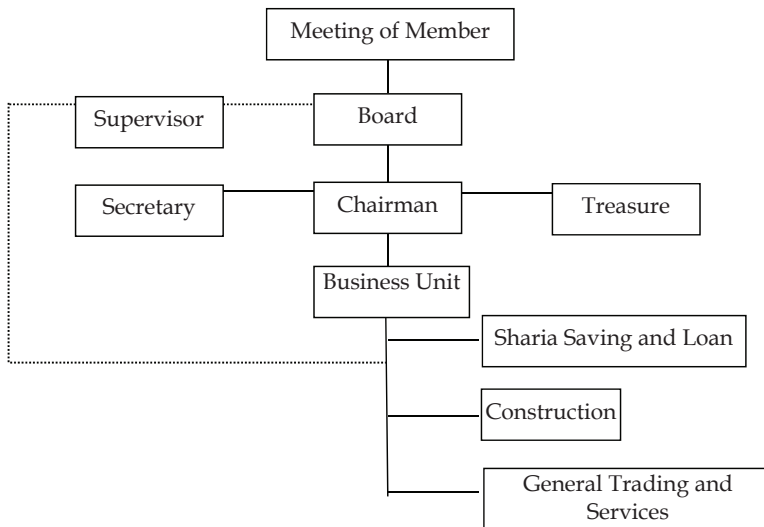
- 1) Making BMT SM NU as a professional company to make profits by dismissing usury reward and divide profit.
- 2) Organizing various savings and financing programs and other supportive activities with maximum satisfaction for customers and business partners

Mission:

- 1) Improve the welfare of society, customers, business partners, employees and shareholders
- 2) Applying sharia principles in economic activities empowering small entrepreneurs and fostering *agniya* care for the *dhuafa* in an integrated and sustainable manner.

⁷ See Rinda Asytuti, 2008. *Penerapan GCG di Lembaga Keuangan Mikro Syariah Kota Pekalongan*, STAIN Pekalongan: LP2M. Unpublish

Figure 1.5.
Organisation Structure Ksu Nahdlatut Tujjar Pekalongan City



Board:

1. Chairman : H. Abdullah Sjatory, SE, MM

Duties and authorities:

- a. Responsible in general to the business units within the KSU Nahdlatut Tujjar
- b. Together with other boards to plan and supervise and develop the business units within the KSU Nahdlatut Tujjar
- c. Together with the other board members periodically report members' accountability
- d. Responsible to Members

2. Vice of Chairman : H. Achmad Rofiq, BA

Duties and authorities:

- a. Assisting the chairman's duties in planning, supervising and developing the units at KSU Nahdlatut Tujjar
- b. Responsible to the chairman

3. Secretary : Drs. Much. Ngisom Cholil
4. Vice of Secretary : H. Shodiqien Basyari
Duties and authorities:
 - a. Assisting the chairman's duties in administration, personnel and promotion
 - b. Responsible to the chairman
5. Treasurer : H. Boenarso
6. Vice of Treasurer : H. Imron Asfuri
Duties and authorities :
 - a. Assisting the chairman's job in the field of financial administration
 - b. Perform regular monitoring of financial circulation in KSU units Nahdlatut Tujjar
7. Supervisor : H. Sulaiman, SE
Member :
 - a. H. Abdul Mufachir
 - b. KHM. DananirDuties and authorities :
 - a. Perform regular monitoring on the performance of KSU Nahdlatut Tujjar board
 - b. Conducting supervision and periodic examination of business units within the KSU Nahdlatut Tujjar.
 - c. Responsible to member

b. BMT BAHTERA

Pekalongan Bahtera Grup Baitul Maal wat Tamwil (BMT) is a Sharia Micro Financial Institution (*Lembaga Keuangan Mikro Syariah/LKMS*) of the Sharia saving and loan unit of the Business Cooperative (*koperasi serba usaha/KSU*) "BINA SEJAHTERA" which its legal entity is cooperative, engaged in activities of business (profit oriented) and social. KSU BINA SEJAHTERA

Pekalongan was founded on October 1st, 1995. Its establishment was initiated by scholars, businessmen, ulama and community leaders of Pekalongan, as an answer to the reality that small entrepreneurs and lower class people could not expand their business “can be said as stagnant” because the lack of institutions that facilitate them (the unreachable of bankings) both in the field of capital and in the field of improving the quality of Human Resources.

The further developments from the 1995 until present time, the assets managed have always experience rapid development. This is in line with the growth of trust by Pekalongan people and surrounding communities to BMT Bahtera Group which prioritizes the trust and professionalism of the banking class. This development is also supported by the spread of branch offices (units) in Pekalongan city and regency, Batang district and Pemalang district that can be reached by the community to use the offered products and services.

Keberadaan BMT Bahtera Group Pekalongan telah mendapatkan legalitas usaha yang sah secara hukum sehingga masyarakat tidak perlu khawatir dengan operasional dan manajemen pengelolaanya, untuk lebih jelas sebagai berikut:

The existence of Pekalongan BMT Bahtera Group has obtained its business legal entity so that people do not have to worry about its operational and management, to be more clearly as follows:

1. Cooperative Name : Koperasi Serba Usaha (KSU)
Bina Sejahtera
2. Legal
No. : 12940 / BH / KWK.II/XII/ 1996
Date of Legal Entity : 31 Desember 1996
No. of Business permit: 118/11.03/SIUP/X/1998
3. Address : Jl. Dr. Wachidin 80 Pekalongan.
Jl. Dr Soetomo Blok A.10 Mega
Grosir “MM”

Pekalongan (present).

4. Cooperative Chairman: H. Ani Murtopo.
5. Business Activity : Sharia saving and loan.

At the beginning of its founding, its capital was only Rp. 26 Million with one office and 3 managers, which is located in Dr. Wachidin Pekalongan, but in line with the growth, because of public trust, in the twelfth year it has experienced a significant development with 5 branches, 45 employees and assets of approximately Rp. 14 Billion.

Vision and Mission of BMT Bahtera Group Pekalongan

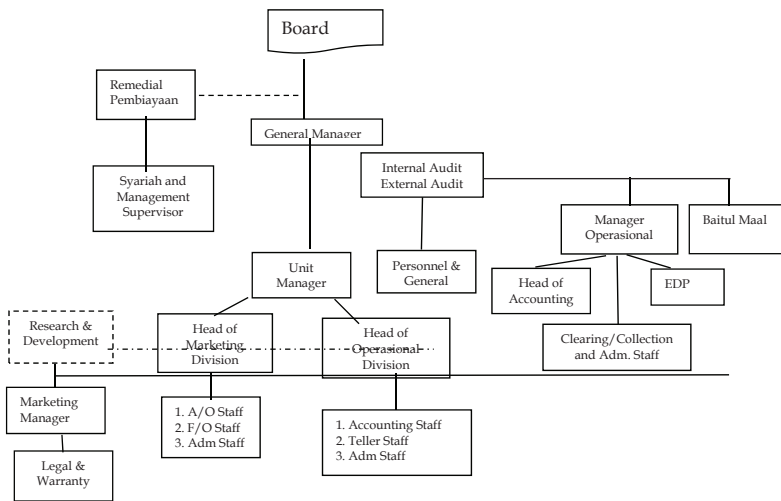
In carrying out all activities of shariah financial institutions then it needs principle and guidance as a first step to carry out these activities, the Pekalongan BMT Bahtera Group Pekalongan has the Vision and Mission which as follows:

1. Empowering communities /small and medium entrepreneurs.
2. Answering the public demand for the need of sharia financial institutions for the wider community that is cannot accept the concept of interest.
3. Funding opportunities for business bearers based on the partnership principles.
4. Creating the need for sharia financial products and services.

Organizational Structure of BMT Bahtera Grup Pekalongan.

In running an institution or organization to achieve the expected target and in accordance with tasks and responsibilities it is clear that one must have a structure that regulates all the lines or parts of the organization. The organizational structure used by the BMT Bahtera Group is the organizational structure of the lines in which the top authorities' flows directly to the lower leaders. Here is an overview of the organizational structure of BMT Bahtera Group Pekalongan.

Figure 2.5.
ORGANIZATIONAL STRUCTURE CHART



Operational function and responsibility of BMT Bahtera Grup Pekalongan:

a. Board

It is the manager of KSU Bina Sejahtera who is in charge of formulating general policies to be approved by Member Meetings, supervising and evaluating the activities of KSU Bina Sejahtera

b. Sharia and management supervisor

One feature that distinguishes with other conventional institutions is the presence of syari'ah supervisors, a different thing to format and examine all policies to conform with syariah rules or principles and does not violate the provisions of the rules.

c. Director

1. Lead the BMT Bahtera Group
2. Realize the vision and mission of BMT Bahtera Group.
3. Represent BMT Bahtera Group to outside parties in meeting, negotiation, cooperation signing, or invitations.

- d. Marketing Marketing
Responsible for marketing, financing and funding in BMT Bahtera grup.
- e. Personnel and General Manager
 1. Responsible for operations, finance and general BMT Bahtera Group as a whole..
 2. Performing the staffing implementation and services since the process of employee needs planning, recruitment and selection process, placement, and employee welfare, quality improvement with educators and training, problems, termination of employee relations and legal consequences.
 3. Executor and provider of facilities and infrastructure for supporting the company's operations.
- f. Remedial.
Responsible for the implementation of financing settlement activities with restructuring efforts against non-performing financing, internal and third party financing bottlenecks billing.
- g. Legal & Warranty
Handling and managing finance administration from filtering, securing and retaining documents of financing process from legal aspect, guarantee assessment and financing report given.
- h. Unit Manager.
Manage and handle the unit it leads regarding the overall funding and financing of customers who are being supported by the marketing and staff heads.
- i. Head of Marketing Division.
Handling and managing funding and financing process, since client solicitation process, , guidance, supervision and settlement

- j. Teller Staff
Controlling records of financial transactions (cash or non-cash) and company bookkeeping.
- k. Accounting Staff
Controlling the management performance of accounting information and financial control to be reliable, free from material error, in accordance with the needs (relevant) and financial statements can be presented on time.
- l. Account Officer (A/O) Staff
Handling and managing the financing process since customer solicitation, analysis, binding, liquefaction with coaching, supervision and settlement.
- m. Funding Officer (F/O) Staff
Handles and manages the funding process (savings and deposits) with the customer scouting system.

BMT Bahtera Group Pekalongan is a Shariah Micro Finance Institution that has function and role in society's economics as financial intermediary that is as:

1. Funding.

Fungsi utama dalam lembaga keuangan ini adalah menghimpun dana masyarakat atau biasa disebut dengan dana pihak ketiga (DPK) yang berasal dari nasabah dan calon nasabah yang menanamkan dananya. Dana pihak ketiga dapat dikategorikan sebagai berikut:

The main function in this financial institution is to raise community funds or commonly referred to as third party funds (*Dana Pihak Ketiga/DPK*) collected from customers and prospective customers who invest funds. Third party funds may be categorized as follows

a. *Mudharabah* Deposit (*Tabungan Mudharabah/Tabah*).

It is a type of third party deposit (individual/legal entity) in which the deposit and withdrawal may be made at any time, by obtaining the agreed deposit share

b. Holiday Deposit (*Simpanan Hari raya/SAHARA*)

Is the type of individual and collective savings that the amount of Deposit and the withdrawal time has been determined (maturity of deposits) to prepare the needs of the holiday with a bonus on the maturity of deposits.

c. Qurban dan Aqiqoh Deposit (*Simpanan Qurban & Aqiqoh/Saqura*)

It is a deposit that the amount of the deposit and the time period can be set by the depositors themselves to help realize the needs of qurban and aqiqoh by getting a bonus on the maturity of the deposit, before the maturity of deposits cannot be withdrew.

d. Hajj Deposit Tip (*Simpanan Kiat Naik Haji/SAKINAH*)

It is a deposit used to prepare for the departure of the Hajj, with the amount of deposit and its maturity.

e. *Miladia Bahtera Arisan* / Deposit

Is a kind of *arisan* savings that the term of deposit is every once a month and drawn in the form of cash and prizes once every month.

f. *Tarbiyah* Deposit

Is a type of saving to plan the cost of education of children whose time period and the deposit amount is adjusted to the needs, this savings except at the maturity of deposit.

g. Mudharabah Deposit

h. *Wadi'ah* Saving

2. Financing in the form of *murabahah*, *musayarakah*, *Mudharabah*, *Al Ijarah*, *Al Qord Hasan*.
3. Other services such as *Al-Wakalah* (Billing/remittance service), Bahtera ATM which is a *Bank Muamalat Indonesia* ATM which its deposit is through *IZI* fund provided by BMT Bahtera Group Pekalongan.
4. *Baitul Maal* Bahtera.

2. The Development and Role of Cooperatives in Malaysia

In Malaysia, Co-operative idea was first introduced by Sir Arthur Young within the Federated Malay States on 1907. On 14 April 1921, Mr. A. Cavendish was sent to Burma to conduct a study on the cooperative movement in that country. Then on 28 June 1922, the first cooperative law, known as the Co-operative Societies Enactment 1922 was approved as a result of the study and some recommendations made by Mr. A. Cavendish

The Cooperative Development chaired by Mr. A. Cavendish (First Registrar) on 1 July 1922. The *Syarikat Bekerjasama-sama Jimat Cermat dan Pinjam Wang Pekerja-pekerja, Jabatan Pos* and *Telekom Berhad* were registered on 21 July 1922. *Syarikat Kampung Tebuk Haji Musa Bekerjasama-sama Dengan Tanggungan Berhad*, Parit Buntar, Krian, Perak was registered 23 December 1923.

Capt. Noor M. Hashim was appointed as the Assistant Registrar on 1924 and The 1922 *Enactment* revised and published as FMS Cap. 97 on 1935. On 1938, a total of 76 credit type cooperatives were established with a membership of 30,626 and a fee amounting to RM 6,393.100.

The cooperative movement was inactive due to the outbreak of the Second World War, 1941 – 1945. The Co-operative Societies Enactment 1922 was repealed and replaced with the Co-operative Societies Ordinance on 1948. Sarawak Co-operative Ordinance 1949 was approved. Malaya Cooperative Wholesalers (MCWS) was established. Malaysian Co-operative Insurance Society (MCIS) was registered 2 August 1954. The establishment of *Bank Persatuan Kerjasama*. Later it merged with the *Bank Agung Kampung Bekerjasama Persekutuan Tanah Melayu*. This bank co-operative was later known as Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) on 1954. The establishment of the Co-operative College of Malaysia (MKM) and Datuk Abdul Majid b. Haji Mohamed was appointed as the first principal on 1956.

A total of 2,243 co-operative companies, with a total working capital of RM74,051,354 and total membership of 267,685 people on 1957. Sabah Co-operative Ordinance 1958 was approved on 1958. *Koperasi Sekolah-sekolah Tamil Kedah Berhad* was registered 1965. The school cooperative was first introduced 1966. The first Malaysian Co-operative Congress was held with the objective to establish a national cooperative union, intended to unite all co-operatives within one comprehensive movement in 1971. The establishment of Angkatan Kerjasama Kebangsaan Malaysia (ANGKASA) as an outcome from the second Malaysian Co-operatives Congress on 1972.

The establishment of the Farmers Organisation Authority (FOA). Simultaneously, a total of 1,550 agro cooperatives were placed under the supervision of the FOA 1975. The establishment of the Fisheries Development Authority of Malaysia (LKIM) and a total of 76 fishing co-operatives were placed under the supervision of LKIM on 1976. Amendment to the Co-operative Ordinance 1948 by including the cooperative principles and the use of new definitions for certain terms on 28 Jan 1982. Launching of the New Era of Co-operatives with introduction to the four (4) new types of cooperatives which are KPD, KIK, KPP and KPN on 1983. Revisions of the Ordinance of Cooperative 1948 and known as the Cooperatives Act 1948 (Revised 1983) 1986. A total of 2,913 registered cooperatives in Malaysia, which are 2,138 in the Peninsular, 322 in Sabah and 443 in Sarawak. The total membership is over 2.8 million people 1987.

The Co-operative Central Bank (CCB) was investigated by Bank Negara Malaysia due to mismanagement and insolvency issues on 1988. As a result of the investigation, CCB was placed under the audit firm as receiver on October 1990. The Co-operative Development Department was placed under the Ministry of Land and Cooperative Development on 1990. Enforcement of the Co-operatives Act 1993 on September 1995. The Co-operatives Act 1993 was amended by adding

a new section 71A which is the guideline in liquidating and restructuring of a co-operative into a company.

With the existence of section 71A, history was recorded when the Koperasi Usaha Bersatu Malaysia Berhad (KUBB) was deregistered in order for it to be the first corporatised co-operative on 14 December 1996. The number of registered cooperatives in Malaysia stands at 4,246, with a total membership of 4.76 million, share capital of RM 4.30 billion and assets worth RM18.90 billion on 31 December 2001. The first National Cooperative Day at national level was held at PWTC on 21 July 2002. The Co-operative Development Department (JPK) was transformed to the Malaysia Co-operative Societies Commission (MCSC/SKM) on 1 January 2008. The total of registered society in Malaysia stands at 3,028, with a total membership of 3.33 million, share capital of RM1.64 billion and RM6.15 billion worth of assets on 22 January 1993. The Co-operatives Act 1993 received Royal approval when presented during the Parliament sitting on 4 Feb 1993.

Cooperatives have the role as the drivers of development. In the beginning, Cooperatives was in forms of credit cooperatives aimed at helping farmers. For about 20 years, cooperatives have transformed the poverty to prosperity. In an effort to develop the existence of cooperatives, the education paths such as schools are also involved. The Kingdom makes the cooperative in the third sector in economic development in Malaysia: a. Kingdom, b. Private (such as business units), c. Cooperative (Interview with Dr. Azmah Utsman and Muhamad Hilmi Abd Rahman, October 23th, 2017, Bilik Seminar Fakulti Ekonomi dan Pentadzbiran Universitas Malaya).

Table 1. 5.
Overview of the Co-operative Movement 2015

Based on Turnover 2015	
Share Capital	RM 13.81 million
Total Asset	RM 123.27 million
Turnover	RM 33.35 million

Figure 3.5.
Pattern of the Co-operative Movement 2011-2016

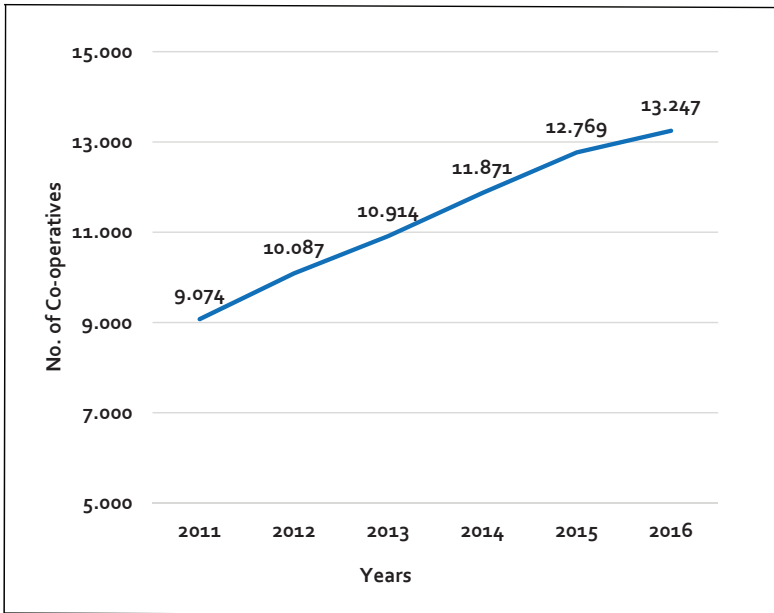


Figure 4.5.
Number of Membership

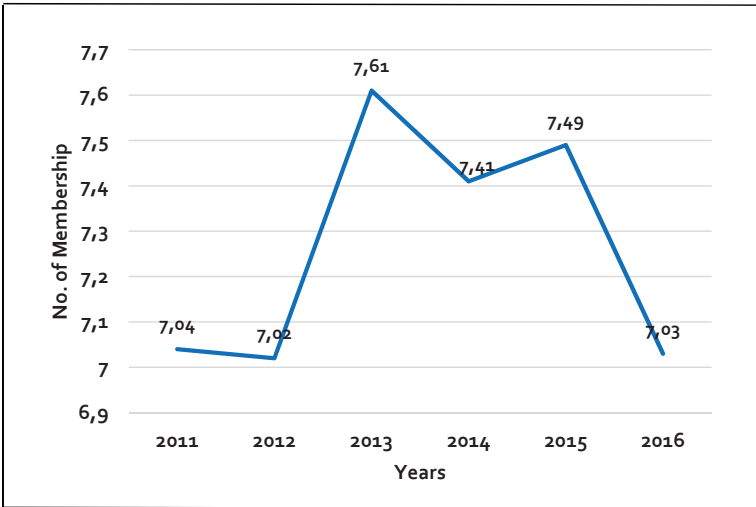
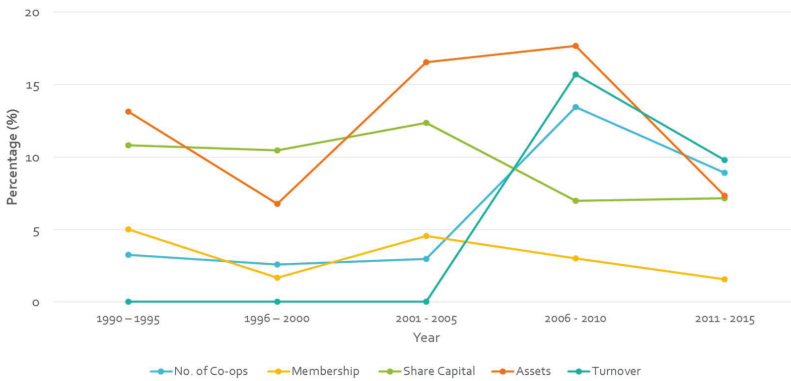


Figure 5.5.
Growth Trend Of The Cooperative Movement 1990-2015



Cooperative is defined as an organization which consist of individual persons aiming to achieve social and economic goals in accordance with co-operative principle “ (Co-operative Act, 1993). Co-operatives in Malaysia also practiced and implemented the principle and values of co-operatives as declared by the ICA on the Statement of Co-operative Identity 1995.

Three key concepts of co-operative are:

1. Control and ownership, a co-operative is established, control and owned by members.
2. Structure, its structure is democratic as the Board of Directors (BOD) are elected by members in their general meeting, members have the power to determine major policies through voting rights and each member has equal votes regardless of the amount of shares they owned. The democratic structure constitutes an important attribute as members are not only the owners, but are also patrons of the co-operative business (Mc Bride, 1986).
3. Objective. the primary objective of members' welfare and other objectives are secondary. Helm (1968) believes that an individual's reason for establishing or joining a co-operative would be to gain economic and social benefits.

Co-operative by Clusters in Malaysia

MCSC classifies 4 clusters namely, large, medium, small, and micro. The data shows that 92.8 % of co-operatives (6,695 co-ops) are in the small (with annual sales between RM 200,000 – less than RM 1 million) and micro clusters (with annual sales less than RM 200,000) and contributed only 4.5 % and 3.4 % respectively to the movement's turnover in 2009 (MCSC, 2009).

In contrast, the big cluster co-operatives (only 2.2% with annual sales above than RM 5 million) were responsible for 83.1 % of total co-operative movement's turnover. These comprise the banking and credit co-operatives. The medium size cluster co-operatives (with annual sales of above RM 1 million but less than RM 5 million) contributed 9 % of the movement's turnover. Therefore, the success, strength and performance of co-operatives are skewed towards the biggest cluster which is dominated by the banking and credit co-operatives.

The types of assistance provided by the Government are as follows:

Batik among The Clash of Industry and Culture

- a. Basic Support (maximum RM30, 000.00) which includes:
 - i. Physical Sub-Assistance – This assistance involves the provision of basic infrastructure to the shop/business premises of co-operatives; and
 - ii. New Co-operative Sub-Assistance – This assistance is provided to start business activities.
- b. Strengthening / Stabilization Assistance (maximum RM300, 000.00):

Co-operatives were given this assistance in the form of matching grant for the purpose of providing basic infrastructure, facilities and/or capital contributions in order to enhance or expand the existing activities.

This assistance includes business premise renovations, purchase of business equipment, machinery and other facilities in line with the activities conducted according to respective sectors.

- a. Marketing Assistance (maximum RM300, 000.00). Co-operatives are given assistance
- b. To promote or advertise co-operative products or goods, collection and marketing of products in a systematic manner through branding, packaging, halal certification and also image building to enable co-operatives to penetrate a wider market.

Assistance provided by MCSC

- a. Research and Development Aid (maximum RM300, 000.00):

Co-operatives were given this assistance to conduct research and development (R&D) activities on their products and services as recommended by Malaysian Agricultural Research and Development Institute (MARDI) and Universities act as consultants.

- b. Strengthening the knowledge and skills of human capital among co-operative members. Co-operative's members and leaders undergo training and courses to learn co-operative principles, concepts and management.
- c. Promotion of co-operatives' activities and business through expos, exhibitions and carnivals.
- d. All grants or soft loans are charged at a low interest of 1% - 6% per annum depending on the activities and size of the loan.

National Cooperative Policy

The NCP (2002-2010), focused on co-operatives playing a bigger role in the economy especially towards poverty eradication, employment creation and business expansion. The development of co-operatives was further strengthened when the Department of Co-operative Development was upgraded into a commission, the Malaysia Co-operative Societies Commission (MCSC) in 2008. The second NCP (2011-2020) was launched and it focused on increasing co-operatives' participation in the wealth creation by strengthening co-operatives' capacity and capabilities especially the managerial capabilities. The second NCP is in line with the new direction in Malaysia's development as envisaged in the New Economic Model (NEM), introduced in 2010 which outlined specific strategic reform initiatives for Malaysia to progress to the next level of development as a high income nation from its current middle income status.

Co-operative Membership Target Groups

Evidently, co-operatives by membership target groups show that the adoption co-operatives are present in various occupations among Malaysians. Co-operatives data in 2011 were further categorized by MCSC into 70 various sub-target membership groups. The groups are based on members' occupation, land development scheme, special needs criteria,

educational institutions and activities performed. The special needs criteria group is related to single mothers, the disabled, the poor, pensioners and indigenous people. Co-operative memberships are also from various types of occupations such as government agencies, private sector, sports, banking, youth, land development schemes, doctors, teachers, small industries, insurance, lawyers, imam, factory and estate workers. To encourage a multi-ethnic co-operation the government has launched 1 Malaysia. In line with the concept, the MCSC launched the 1 Community 1 Co-operative in 2010 (MCSC, 2010).

The National Land Finance Co-operative Society Ltd

The National Land Finance Co-operative Society Ltd (NLFCS) is a co-operative established in 1960 to solve the problems among retrenched and homeless estates workers arising from sale and resale of European-owned rubber estates. This co-operative was established by Tun Dr. V.T. Sambanthan, a prominent Malaysian Indian Congress (MIC) leader, with the objective of creating opportunities for estate workers to own land (NLFC, 2012). The co-operative also looks after the welfare of members' children and their education, promotes house ownerships, creates small scale entrepreneurship opportunities and provides financial aid to members.

Co-operative among Fishermen

Co-operatives among the poor fishermen have also been encouraged. However, the progress of fishermen co-operatives is relatively slower compared to others in the agriculture sector. Fishermen co-operatives were formerly under the surveillance of LKIM in accordance to the 1971 Fisheries Development Authority Act. However, with the new mandate of the MCSC in 2008, the fisheries co-operatives are currently managed by themselves to function within the fishing community to support the fishing industry. However, only 53 % of these co-operatives

are active whilst 26% have been identified as potential to be effective (MCSC, 2008). Another 26 % which is deemed to have some possibilities would be revived.

Their activities include marketing, transportation of fish, production and supply ice, leasing of licenses of boats and sale of diesel. MCSC is also entrusted with the responsibility to empower fishermen (upgrading the traditional coastal/ inshore fishermen to become deep-sea fisherman) by providing technical training to the fishermen to enhance their skills and transforming the fishing industry into a commercialized business.

Cooperative in Malaysia is an institution that grows close in the community to the remote areas. This condition becomes the potential and strength of the cooperative. There is academic anxiety in seeing the growth of cooperatives in both countries, there should be an Islamic Perspective on the cooperative and no longer dependent on the western economy. One of them is the concept of Sustainability, a meeting point between the concept of cooperatives and values in Islam. There are aspects of community ownership, community caring and so on⁸. For the stock (mandatory savings), the kingdom does not give any restrictions, it is left to the community of co-operatives. In Malaysia, most cooperatives have been run in accordance with Islamic Shari'a, although not given Islamic names. There are some cooperatives that are not managed according to the Islamic Shari'a, and are generally managed by Indians and Buddhists.

There are several approaches (core problems) in looking at the condition of cooperatives in Malaysia⁹, namely:

a. Members' perceptions of cooperatives

In general, cooperatives, at their beginning of the establishment were very interesting for Malaysian society,

⁸ Fatimah Kari, October 23th, 2017, Bilik Seminar Fakulti Ekonomi dan Pentadzbiran Universitas Malaya.

⁹ Azmah, October 23th, 2017, Bilik Seminar Fakulti Ekonomi dan Pentadzbiran Universitas Malaya

because the general level of society's economic was still in an urgent need of cooperatives. The movement of cooperatives itself is generally managed with a system of saving and loan. But as the size of the cooperative grows, it usually becomes less attractive to the public, because:

1. There are no more intense communication between cooperative managers and society
 2. The economic level of society is increasing, making people consider the cooperative only from the side of profit, if it is considered profitable then people will remain a member of the cooperative. otherwise, people will leave the cooperative (there is a lack of communication).
 3. Leadership of cooperatives. In the rules of cooperative establishment in Malaysia, since someone is appointed to be a leader in a cooperative, then within 6 months the concerned person must follow the training course of cooperative principles conducted by the royal government of Malaysia. In addition, there is also an interest shift between cooperative managers and members on the profit issues. Or there is a conflict between the managers and the members.
- b. Governance or kingdom
1. To get aid from the kingdom, the procedure is also quite selective, because for the founder of the cooperative, it required that they must already have a vision and mission. While most of the cooperative managers are generally elderly. Which is no longer visionary, if compared with other younger members. Their old age also affects the readiness of managers in running cooperatives, such as not ready to account for if there are funds that should able to be developed, so that the development of cooperatives become slow.

2. For co-operatives in Malaysia, revolving funds also exist although in different terms, that is *Tabung Modal Pusingan*, and to obtain it, there must be a license issued by *Suruhan Jaya* (a kind of cooperative ministry).

Description of Cooperatives in Malaysia

1. KOPERASI SERBAGUNA IMAN (KOIMAN) MALAYSIA BERHAD

Jl. SG ¾, No. 17. Pusat Bandar Sri Gombak 68100 Batu Caves, Selangor.

This cooperative was built by Mandailing people (Mandailing Association / *Ikatan Mandailing = IMAN*) which has more than 30 years old. In the history of its journey, it has become the best cooperative. (See slide) in 5th rank in 2015. The management of this cooperative is Shari'ah compliant. The cooperative management mechanism in Malaysia is always monitored by *Suruhan Jaya Koperasi Malaysia (SJKM)*.¹⁰

KOIMAN was established in 1981, initially it was a union or association. (In Malaysia, a union should not run a direct trade, but must through a cooperative form). For the role of KOIMAN for community economic empowerment, is done through the product of *Ar Rahnu* (pawn). Currently KOIMAN is managed by the 2nd generation. It was once received a warning letter from *SJKM* for not making financial reports etc.

It was initially only for the Mandailing tribe, but in its development, because KOIMAN went through directions by *SJKM* to maintain reputation with the sharia system, making people outside the Mandailing tribe, even non-Muslims such as Hindu (India), Buddhist and Christian (China) was

¹⁰ Interview with Mohd Sharifudin bin Yusop, Koperasi Serbaguna Iman (KOIMAN) Malaysia Berhad, Wednesday, October 25th 2017.

also interested in KOIMAN products because it is considered cheaper and more friendly. Currently KOIMAN has more than 13,000 members. With its employees (accomplices) is about 60 people. Currently there is also a perspective or mentality of the community who consider the existence of cooperatives as a marginalized institution.

The background of KOIMAN managements: bankers, auditors, businessman, engineers, on the reason that the development of cooperatives can be analyzed from various aspects, including from the needs of members.

For share capital of members:

- a. KOIMAN allows its members to withdraw/deposit shares if needed, there is no limit to the amount, depending on the KOIMAN analysis toward the member's condition. But generally not more than 70% the number of shares.
- b. KOIMAN allows members to add shares/deposits.

KOIMAN also save its benefits to help the education of cooperative member's childrens from elementary to college levels. By 2016, profits are decreasing because there are a lot of declining enterprises. Every year, employees are required to follow 5 types of courses, selected according to their tasks in the cooperative, including: training for communication, price estimation, technology/ICT-system, Islamic finance, bookkeeping/accounting, etc.

Maktab Kerjasama Malaysia (MKM) and *ANGKASA* (a kind of *OJK* in Indonesia), help a lot in organizing training. And the training is standardized. For its achievements, KOIMAN is also often awarded by ICA (International Cooperative Alliance). ICT is a system that continues to be built to serve the members consisting of more than 13,000 members.

For loans in arrears (in *Ar-Rahnu* system) then they are sorted: whether due to bankruptcy, or no good intentions,

or economic factors, beyond the ability, the loan will be re-scheduled, usually up to 3 times, and to the *ahli* (member/customer) only apply rental wage (which become part of profit) to cooperative. If it reached the expiry date, then the guaranteed will be auctioned, and the cooperative only take the principal of the remaining debt, then the remaining value of the auction will be given back to the owner of the goods.

KOIMAN indirectly helps *ahli*/members to develop their business/commerce through *Ar-Rahnu's* products, which are made in a franchise system with *Bank Rakyat* (labeled as *Ar-Rahn Exchange*). KOIMAN also supports lending/borrowing activities for members who conduct night market trading, farming markets conducted on roadsides that generally provide crop/agricultural supplies, often referred as wholesaler.

In deciding which outlets in the market to be supported (the night market, farm market), KOIMAN also conduct observations (lower-middle financial targets), as well as domestic conditions that are also surveyed. 60-70% of the trade is supported by *Ar-Rahnu's* products. In opening its outlets, *Ar-Rahnu* chose strategic places, close to hypermarkets, 7 eleven, with the reason: to reduce security risks and reduce marketing costs.

In addition, KOIMAN also encourages livestock business, especially broiler cow/cattle (feed-lot) imported from Thailand. A small cow is purchased, kept for 2 months, then resold. The main purpose is to meet the needs of Eid al-Adha. For that made a field that has an area of 1,6 Ha to be occupied by 600 cows. The food supply is intentionally provided by KOIMAN itself. At the times other than Eid al-Adha, the land is still occupied by 100-150 cows for aqiqah purposes. This cattle rearing activity is also often used as a place to study by students from the universities.

The cattle rearing cooperation program which involving farmers was stopped because there were many cases of farmers who have dishonest mentality. The cows were sold, but the loans to KOIMAN were not returned. In the year 2016 was as many as 308, while in 2017 was as many as 450. The rank was 15 then decreased to 20 because: the criteria from ANGKASA (Malaysia National Cooperative Movement/*Angkasa Koperasi Kebangsaan Malaysia*) (OJK if in Indonesia)

The non-muslims are interested to become members, because:

1. Cheaper cost
2. Government's support towards the cooperative
3. Different Auction from the conventional/traditional ones
4. Social media socialization strategy: newspapers, etc., through articles about KOIMAN etc.

Compared to traditional money lenders patterns

1. Ar-Rahnu has an easier loan procedures compared to banks because the customers are generally come from small to medium level
2. Ar-Rahnu creates concerns for small customers by giving visits (create awareness)
3. Ar-Rahnu emphasizes customers who are close to the office to reduce security risks

In Malaysia, revolving funds = *tabung modal pusingan*. It's just that the mechanism and management are different. *TMP (modal capital tube)* is proposed to the kingdom. Not all of the *TMP* submissions are approved due to the very strict requirements. The approved *TMP* is not a money to lend, but for the purchase of building assets. When asked to the kingdom, the loan in the form of money, answered by the kingdom, to be taken from shares of the cooperative

ahli/members. For building construction/purchase *TMP*, 1 cooperative maximum 10 million ringgit or equivalent to 32,000,000,000 (32 billion) from the kingdom through *Suruhan Jaya* (in Indonesia = Ministry of Cooperatives)

There are some differences in the cooperatives management in inter generation:

1. Believing in destiny, *qodho qodar*
2. Always moving forward, positive thinking

The Koperasi Serbaguna Iman Malaysia Berhad (Koperasi Iman) was registered at July 27th, 1981 with Koop Registartion No. 51 with capital share of RM 27,244-00 and a membership of 272 people. The name IMAN is actually an abbreviation of *Ikatan Kebajikan Mandailing Malaysia*. The origin of its establishment was from the unity or association of IMAN itself. Faith Cooperative is established to enrich or strengthen the economic, artistic and cultural aspects and to improve the educational level of its member's children. Until 2017, IMAN Cooperative is 36 years old.¹¹

In running its business, IMAN Cooperative has vision and mission that is:

VISION : The Leader of socio-economic excellence of members.

MISSION : Conduct competitive and professional business activities for members and community

These vision and mission were created to support the realization of several established goals, i.e.:

1. Achieve the the 25 best cooperatives in Malaysia's 100 Best Cooperative Index.

¹¹ Interview with Siti Rohani Binti Abuyan (General manager = *Pengurus Besar*, Koperasi Serbaguna Iman (KOIMAN) Malaysia Berhad, Wednesday, October 25th, 2017.

2. Use of effective communication and information systems.
3. Strengthen relationships with members and customers.
4. Continuous human capital development.
5. Enhance management.
6. Strengthen and expand networks with government agencies, corporate bodies, private and public.
7. Produce quality and innovative products.

These objectives are implemented in a variety of excellent products, including:

1. Personal Financing
2. Ar-Rahnu X'change (*Pajak Gadai Islam*)
3. Cattle Farm (*I-Man Farm*)
4. *Gt Radial & Prince Lubricant*
5. Takaful – *General & Life*

A. Membership

Figure 6.5.
Achievement of *Koperasi Iman*



B. Fee capital

Figure 7.5.
Fee capital

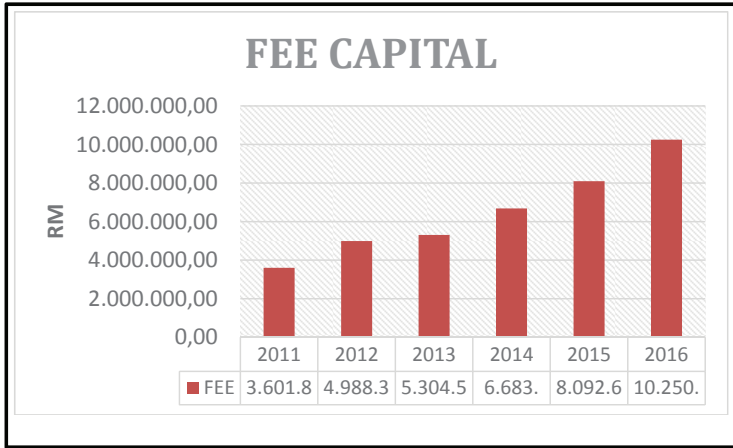


Figure 8.5.
Dividend Amount

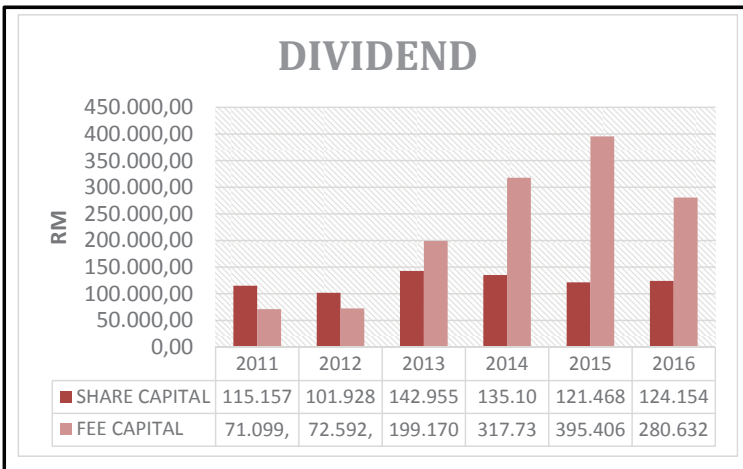
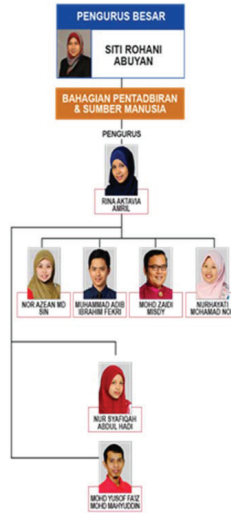


Figure 9.5.
Administration & Human Resources Division

1. Menguruskan Personel
 - Mengurus hal ehwal perjawatan dan perkhidmatan Kakitangan;
 - Penilaian prestasi;
 - Kenaikan gred;
 - Manfaat / faedah.
1. Menguruskan Latihan dan Pembangunan Kakitangan.
2. Kawalan Disiplin Kakitangan.
3. Mengeluarkan Pekeliling / Arahan dari masa ke semasa.
4. Menguruskan pentadbiran am koperasi.

CARTA ORGANISASI BAHAGIAN PENTADBIRAN & SUMBER MANUSIA KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD



UNIT SYARIAH

- Memastikan produk / perkhidmatan berlandaskan syariah;
- Melaksanakan semakan pematuhan syariah terhadap operasi perniagaan secara berkala;
- Melakukan penyelidikan hal ehwal syariah untuk dibentangkan pada Jawatankuasa Kerja Syariah;
- Mengenalpasti, menilai, memantau dan melapor risiko tidak patuh syariah.

UNIT PENTADBIRAN

PENGURUSAN RISIKO & AUDIT DALAM

- Mengenalpasti dan mengkaji peluang perniagaan baru dan dari aspek risiko dan potensi perniagaan;
- Urus tadbir aset milik Koperasi Iman, mengenalpasti, mengkaji dan menguruskan pemilikan aset baru Koperasi Iman;

- Menjalankan kerja-kerja pengauditan dalaman bagi memastikan pelaksanaan mengikut prosedur.

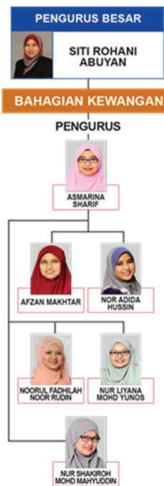
Gt Radial & 'Prince Lubricant Marketing Unit

1. Develop and implement marketing strategies for GT Radial tires and lubricant oil 'Prince '.
2. Establish and maintain a network of business partnerships among potential cooperatives.

Figure 10.5.

Struktur Organisasi Bagian Keuangan Koperasi Serbaguna Iman Malaysia Berhad

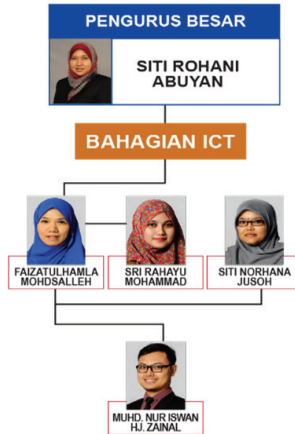
CARTA ORGANISASI BAHAGIAN KEWANGAN
KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD



- Menyediakan Penyata Kewangan
- Urusan transaksi kewangan yang melibatkan urusan pembayaran dan pemindahan wang

Figure 11.5
Organizational Structure of ICT Section-KOIMAN

**CARTA ORGANISASI BAHAGIAN ICT
KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD**



The tasks of ICT division:

1. Design and coordinate ICT development projects;
2. System Development;
3. Sistem sokongan merangkumi penyelenggaraan sistem Operasi Pusat Data; pembangunan dan mengemaskini laman sesawang;
4. ICT maintenance, networking and security.

Figure 12. 5
Credit Section



The credit section of KIOMAN Cooperative consists of:

1. Marketing Unit

- a. Membership & marketing campaign;
- b. Ensure product sales to reach monthly target.

2. Processing & membership unit

- a. Check out the form
- b. Confirmation of employer & beneficiary;
- c. Financing eligibility process through ILMS
- d. ANGKASA List of Payroll Systems (SPGA).

3. Operation Unit

- a. Withdrawal of Financing upon approval in the Financing Management Committee;

- b. Issuing the statement of the loan balance;
- c. Provide financing documents, Submission Letters, Sales Agreements, and Purchase Agreements;
- d. Issuing letters of disposal of financing, repatriation of yuran, shares and overage;
- e. Processing a membership stop.

Credit Follow-Up Unit

- a. Update and make outstanding member accounts through (ILMS);
- b. Issue a reminder and deal with a collecting company and a lawyer for legal action.

Pelaksanaan Produk Pembiayaan Peribadi pada Koperasi KOIMAN

Koperasi Iman is using Model 1 & Model 2

All transactions and control of credit activities are fully managed by the Koperasi Iman;

1. Marketing
2. Processing
3. Approvals
4. Disbursement
5. Refund collection
6. Credit Follow-up

Systematic Credit Activities & Financial Institution Standards

1. Effective & structured marketing strategy
2. Fast and efficient processing
3. Transparent approval process
4. Arranged salary cut process
5. Planned follow-up credit

Figure 14.5.
KOIMAN Workflow



Figure 13.
IMAN Cooperative Achievement

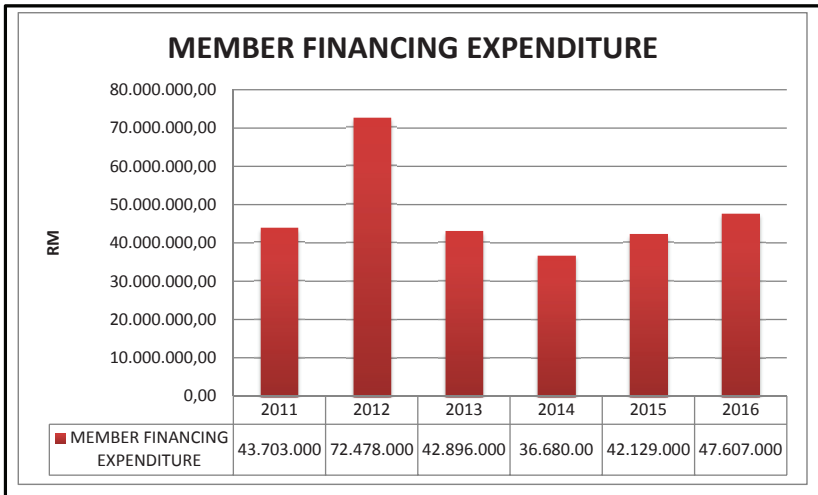
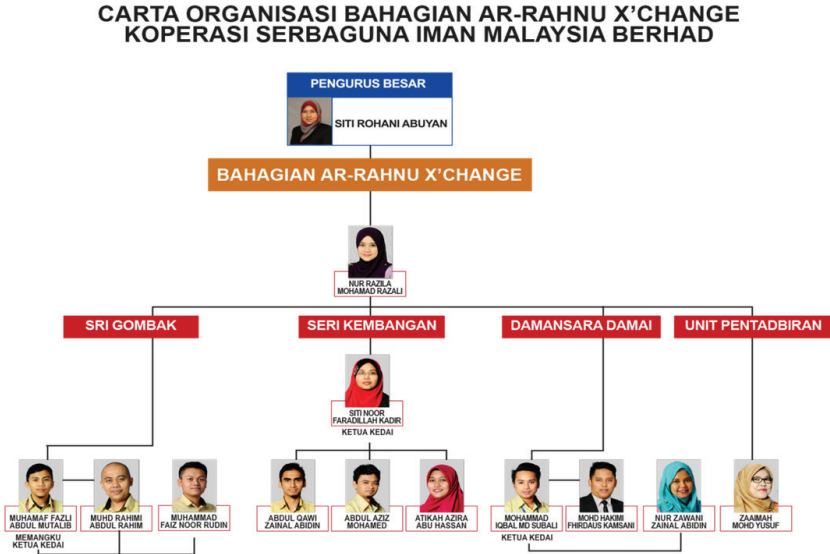


Figure 14. 5.
Struktur Organisasi Bagian Ar-Rahnu Koperasi Serbaguna IMAN
Malaysia Berhad



The authorities of Ar-Rahnu X’change Division in KOIMAN:

1. Giving loans for individuals through jewellery pawn;
2. Carry out the pawn process by evaluating gold through the prescribed test;
3. Carry out mortgage transaction, payment and redemption of customer’s gold;
4. Carry out auction on unclaimed mortgage gold.

Ar-Rahnu X’change Iman Pada KOIMAN branches:

1. First Outlet
Ar Rahnu X’change Sri Gombak (Commencement date 16 May 16th, 2008)
2. Second Outlet
Ar Rahnu X’change Seri Kembangan (Commencement date

September 12th, 2012)

3. Third Outlet

Ar Rahnu X'change Damansara Damai (Commencement date August 1st, 2016)

The specialities of Ar-Rahnu X'change in KOIMAN:

1. Pawn-broking service Ar-Rahnu/Az Zahab

Terms

- a. Citizens and permanent residents
- b. Non-citizens with legal documents
- c. 18 years old or above
- d. Pawn Margin
- e. 65 % of marhun value (new customer)
- f. 70 % of marhun value
- g. Mortgage Limit
- h. For Ar-Rahnu, the minimum accumulation is RM100.00, maximum RM50,000.00 (RM10,000.00 per day)
- i. For Az-Zahab, the minimum accumulation is RM10,001.00 per day or maximum RM100,000.00
- j. For Az-Zahab premium, the minimum accumulation is RM100,001.00 per day or maximum RM500,000.00

2. Perkhidmatan Pajak Gadai Ar-Rahnu / Az Zahab

Pawn period

- a. For Ar-Rahnu, The maximum period is 6 months with extended period
- b. Kadar Upah Simpan
- c. *Loan Margin: 65%*
- d. Loan < RM1,000 : RM 0.65
- e. Loan > RM1,000 : RM 0.75
- f. *Loan Margin: 70% - : RM 0.85*

3. Types of accepted jewellerys

1. Jewellery / gold with the following quality:
 - a. 999 = 24 carat
 - b. 950 = 23.8 carat
 - c. 916 = 22 carat
 - d. 875 = 21 carat
 - e. 835 = 20 carat
 - f. 750 = 18 carat
1. All kinds of jewelry such as bracelet / necklace / ring and so on
2. Gold items such as gold coins and gold bars are purchased through the registered panels.

Ar-Rahnu X'change Annual Loan Expenditure

Figure 15. 5.
Loan Expenditure – Arx Sri Gombak

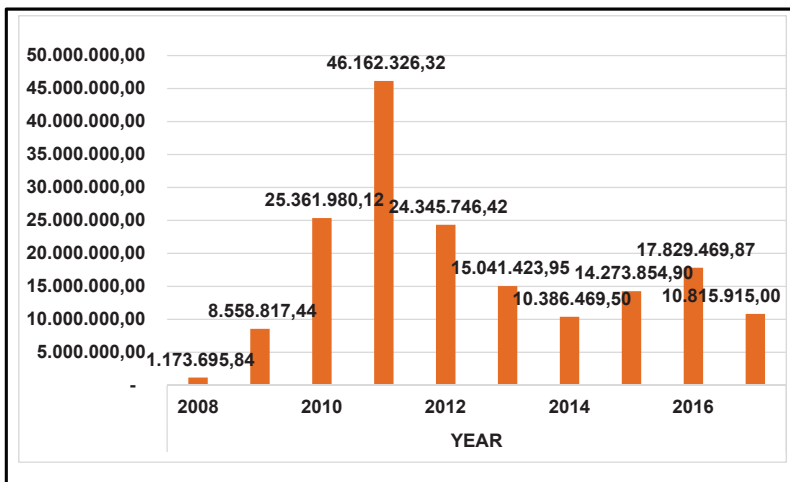


Figure 16. 5.
Loan Expenditure – Arx Seri Kembangan

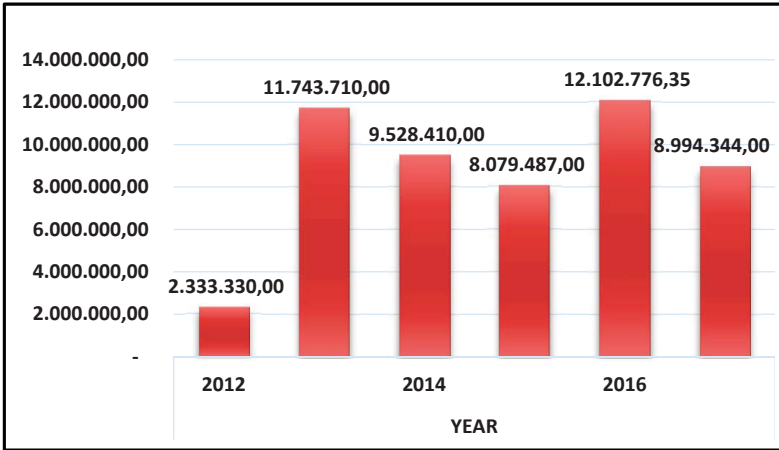
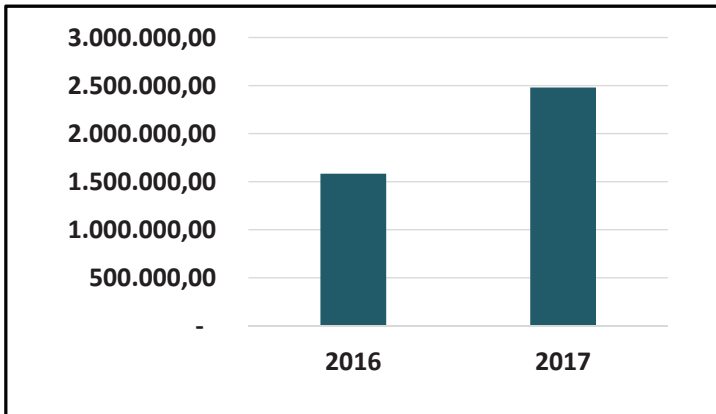


Figure 17. 5.
Loan Expenditure – Arx Damansara Damai



I-Man Farm Division

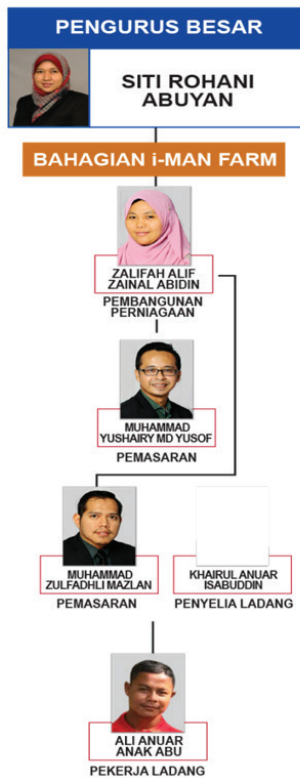
1. Conduct sales of feedlot cattle;
2. Rearing cows for fattening and so on for live sales;
3. Develop and implement marketing strategies for i-Man Farm cattle products;

4. Creating and maintaining a network of business associations between cooperatives, government agencies and the private sector.

Figure 18. 5.

Struktur Organisasi Bagian i-MAN Farm Koperasi Serbaguna Iman Malaysia Berhad

CARTA ORGANISASI BAHAGIAN i-MAN FARM KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD



Involvement in Farming Sector

1. The I-Man Farm business started in Ulu Chepor, Perak - 2008, moving to Hulu Langat in 2010
2. Start a goat & cattle business.
3. Fokus on cattle farm started on 2011

Business Experience

1. Providing local and imported cattles to small breeders in Selangor, Negeri Sembilan, Melaka and Johor
2. Providing tender cattle to the Selangor State Islamic Religion Department
3. Providing tender cattle for zakah payments to Asnaf families in Selangor, Perak, Negeri Sembilan and Johor

I-Man Farm products

1. Cattle breeding
 - a. Brahman Cross
 - b. KK cross
2. Live / Qurban Sales
3. Carcass Sales

Cattle Sales Achievement

The achievement of cattle sales increases from year to year

1. Year 2010 : 87
2. Year 2011 : 1,800
3. Year 2012 : 1,100
4. Year 2013 : 397
5. Year 2014 : 354
6. Year 2015 : 362

Koperasi Iman Achievements

1. Anugerah Pelanggan Biro Perkhidmatan ANGKASA terbaik peringkat Negeri Selangor ; By Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA), 2005
2. Anugerah Pelanggan Biro Perkhidmatan ANGKASA terbaik peringkat negeri Selangor oleh Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA), 2011

3. 42nd place of Malaysia's 100 Best Cooperative Index by *Suruhanjaya Koperasi Malaysia*, 2011
 4. 38th place of Malaysia's 100 Best Cooperative Index by *Suruhanjaya Koperasi Malaysia*, 2012
 5. 24th place of Malaysia's 100 Best Cooperative Index by *Suruhanjaya Koperasi Malaysia*, 2013
 6. 27th place of Malaysia's 100 Best Cooperative Index by *Suruhanjaya Koperasi Malaysia*, 2014
 7. 15th place of Malaysia's 100 Best Cooperative Index by *Suruhanjaya Koperasi Malaysia*, 2016
 8. 20th place of Malaysia's 100 Best Cooperative Index by *Suruhanjaya Koperasi Malaysia*, 2017
 9. Best Cooperative Profile of 2016, Federal Territory Level, by *Suruhanjaya Koperasi Malaysia*
 10. 2nd Place of Cooperative Best Website 2015, by ANGKASA
 11. Bronze Award for Koperasi Iman in the Special Award category for Cooperative Sector Intellectual Property for the Trademark logo for i-Man Farm product
 12. Best Cooperative Award for Agriculture and Agro-based Industry Sector By *Suruhanjaya Koperasi Malaysia*, 2017
1. **A VISIT TO KOPERASI SERBAGUNA ANAK-ANAK SELANGOR BERHAD (KOSAS)**

Address: Lot A-03, Plaza Kelana Jaya, Jalan SS7/13B, 47301 Petaling Jaya, Selangor

Koperasi Serbaguna Anak-Anak Selangor Berhad (KOSAS)/Selangor children's multipurpose cooperative has the vision of "Become a dynamic, advanced & competitive cooperative by offering quality products & services to members & customers in accordance with the principles of cooperation" its mission is "Utilize all resources strategically to produce quality products & services by utilizing the latest

technologies in sectors which KOSAS involved to enable members, customers, business associates and employees to benefit from it”

The objectives of KOSAS are as follows:

1. Commercial : Nurturing corporate excellence & applying entrepreneurial values in business.
2. Operation : Strengthen operating system & machinery to enhance its quality, make it more innovative, effective & efficient
3. Financial : Achieve sustainable growth so that KOSAS is more resilient, competitive and efficient
4. Human Capital : Increase the commitment, achievement & potential of KOSAS employees
5. Member : Appreciate the support and loyalty of the members by taking into account their needs and realize dreams and expectations

Figure 19. 5.

TIMELINE of KOSAS development in Malaysia

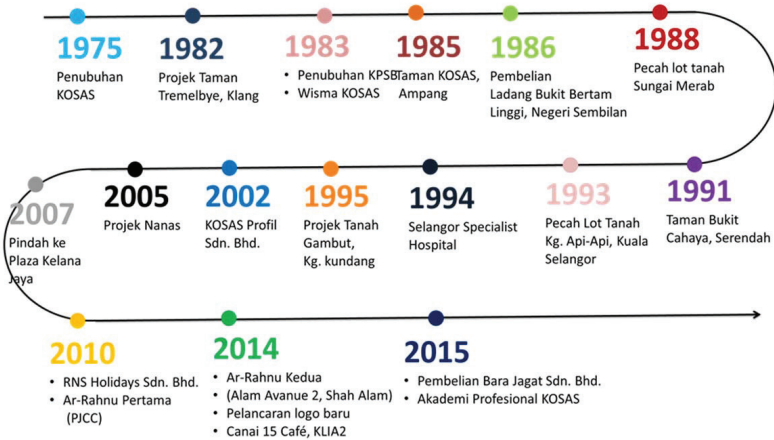


Figure 20. 5.
KOSAS Chairmans or Managers

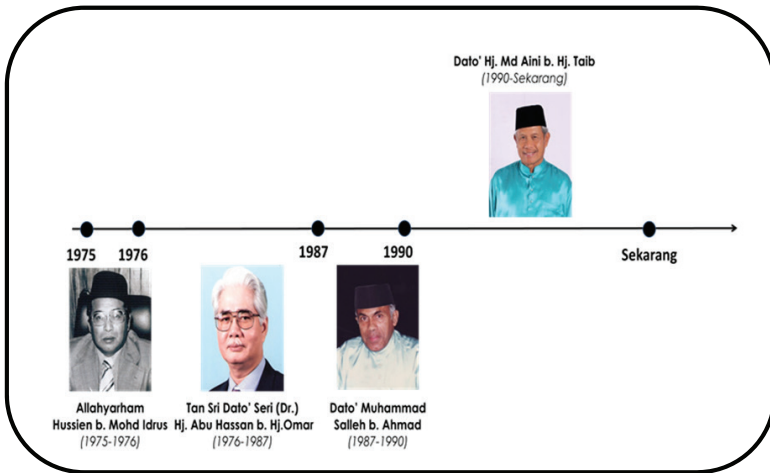


Figure 21.5.
KOSAS Cooperative Managers



Figure 22.5.
Cooperative Management

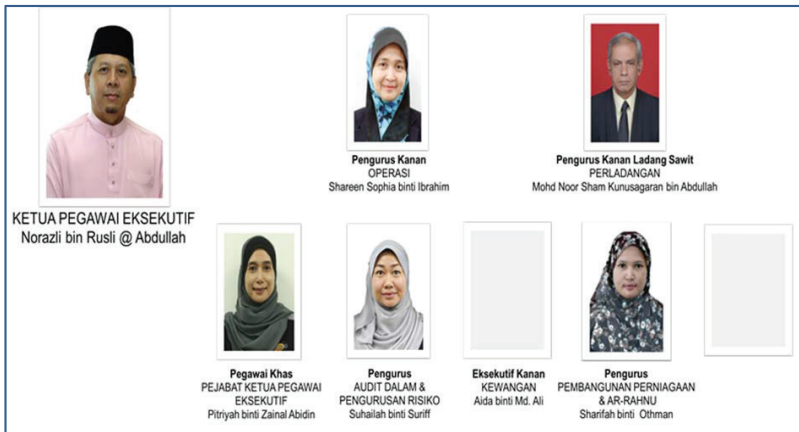
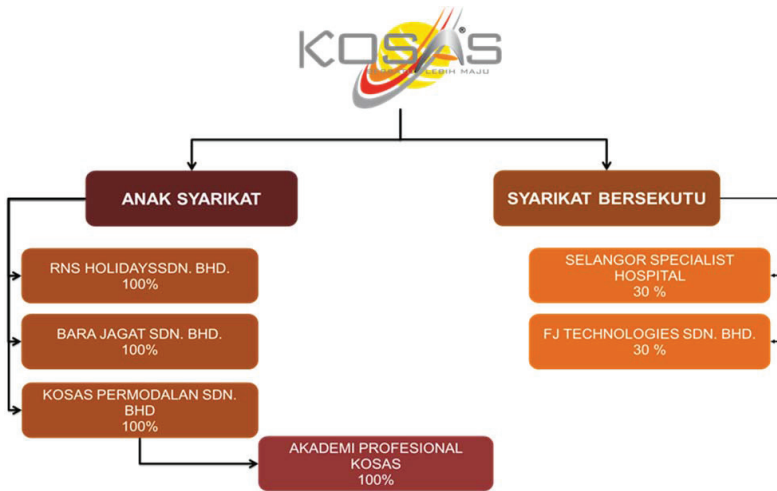


Figure 23.5.
Organization Chart



Figure 24. 5.
Group Organization Chart



KOSAS has a role in educational development, by establishing KOSAS Professional Academy located at Alam Avenue 2, Seksyen 16, Shah Alam, with coirses offered:

1. Department of Skills Development
 - a. Retail Operations
 - b. Delivery Operations (Level 2 & 3)
 - c. Office Management (Level 2 & 3)
 - d. Computer Networking Services (Level 2 & 3)
2. CIDB
 - i. Business management
 - ii. Road works
 - iii. Housing Building Works
 - iv. Hospital Building Works
 - v. Building Maintenance & Complex Environment Works
 - vi. Flood Control
3. HRDF
4. DOSH

2. KOPERASI SAHABAT - AMANAH IKHTIAR MALAYSIA

Address: Lot 1-5, 2-3, 2-3A & 2-5, Jalan Cempaka SD 12/1A, Bandar Sri Damansara, PJU 9, 52200, Kuala Lumpur

Koperasi Sahabat was established in August 30th, 2012 and officially started its operation in May 2nd, 2013. **Koperasi Sahabat's Mission:** Menjadi sebuah koperasi BERTARAF DUNIA yang cemerlang, komited dan berdaya saing bagi memenuhi keperluan anggota Be an excellent committed and competitive WORLD-CLASS cooperative, to meet the needs of the members. **Koperasi Sahabat's Mission :** Provide the essentials and services that SYARIAH-COMPLIANCE to the members and the community with excellence and listed in MALAYSIA 20 BEST COOPERATIVES INDEX in 2020. **Koperasi Sahabat's Motto:** From Friends, To Friends, For Friends

Figure 25.5.

Composition of Board Members A total of 15 people



Figure 26. 5.

The Management of the Koperasi Sahabat Amanah Ikhtiar Malaysia



Membership of Cooperatives

Membership of Cooperatives is open for:

1. Ahli Lembaga Amanah ikhtiar Malaysia Malaysian Trustee Board Members
2. AIM Staff
3. AIM Partner
4. Partner Coop's Friends

How to become a member

1. Entrance fee RM 30.00
2. Minimum share RM 100.00

Payment method

1. 'Bank In' Cash On *Koperasi Maybank Bank Islam* Account
2. Permanent Deposit Transfer (Sahabat AIM Shi Friends)

Benefits of Becoming a Cooperative Member:

1. DIVIDENDS - on members' shares
2. WELFARE FUNDS – Namely Death Charity, Education Incentive, Welfare (Disaster & Critical Illness) and Socio-

Culture.

3. DISCOUNT - for the use of business services Koop Sahabat such as Hotel Carlton, Ar-Rahnu etc.
4. COOPERATIVE COURSES - Courses at MKM, ANGKASA, SKM and Coop Friends.

Table 2.5. DIVIDENDS – on member’s shares

YEAR	2013	2014	2015	2016
DIVIDEND RATE	4%	5%	5%	4.5%

YEAR	2015	2016
DIVIDEND PAYMENT	FEB – APRIL 2017	DES 2017–FEB 2018 (Expected = Subject to Committee’s Approval)#

MEMBER’S WELFARE FUND

1. DEATH CHARITY FUND –

Charity contribution for passed away members
Contribution RM 250.00

2. WELFARE FUND

a. DISASTER

Disasters on residential or business buildings due to landslides, fires, storms, earthquakes and other catastrophic disasters

(EXECPT FOR FLOOD)

DAMAGE	CONTRIBUTION (RM)# Subject to FORMULA SYUKUR
More than 50%	300.00
Partly damaged	200.00
Roof loss (Storm)	100.0

b. CRITICAL ILLNESS

Critical illness faced by members or dependents; CRITICAL ILLNESS –illness without the hope of recovering, unable to work and carry out regular daily activities and require high medical expenses and have been certified by physicians.

Subject to 36 types of critical illness

The patient is under 60 years old with maximum contribution of- RM 500.00 (# - Subject to FORMULA SYUKUR)

EDUCATIONAL INCENTIVE

Contribution for academically outstanding members' children and members

ACADEMIC LEVEL	ELIGIBILITY REQUIREMENTS	CONTRIBUTION (RM) Subject to FORMULA SYUKUR
SPM / SPVM / SMA	Aggregate 8A	100.00
Matrikulasi / STPM/ STAM	CGPA 3.5 or 3 Principal A	150.00
Diploma	GPA 3.5	200.00
Degree	GPA 3.5	250.00

c. SOCIO-CULTURE FUND

Contribution to registered cultural club / establishment (Further information will be notified later)

FORMULA SYUKUR

For charity fund (disaster & critical illness) and educational incentive only

Share >= RM 500.00	Share <= RM 500.00
The contribution given is 100%	The contribution given is based on % TOTAL SHARE Share ----- x Total contribution RM 500

DISCOUNT FOR MEMBERS

- a. CARLTON HOLIDAY HOTEL & SUITES
Up to 30% discount (for ACCOMODATION)
- b. AR-RAHNU PAWN BUREAU – Up to pawnshop
10% discount (for SAVE MONEY)
- c. AR-RAHNU PAWN BUREAU – Up to 60% gold purchase
discount (for wage workers)
- d. SEMENYIH ECO VENTURE RESORT
Up to 20% discount (for ACCOMODATION)
- e. SAHABAT IKHTIAR RETORT
Special discount for OEM/distributor

3. Koperasi Serbaguna Pembatek Kelantan Berhad (KSPKB)

- a. History
The establishment of the Timorese Malayan Batik Maker Association or Persatuan *Pembatek Melayu Pantai Timor*, abbreviated “PPMT” is to unite all members who are in the state of Kelantan under one shade. Prior to that establishment, many batik makers were hoping for *MARA (RIDA)* to get raw materials to make batik, rather than expect the party, it is to set up their own society to safeguard

the welfare of batik experts.

b. Purpose

Persatuan Pembatek melayu Pantai Timor was established in July 29th, 1966 With the registration number is 10. (Kelantan) new registration 0440329071966 by some batik makers, which were:

- 1) Tuan Haji Ismail bin Haji Ibrahim PMK (Allahyarham)
- 2) Tuan Haji Abdullah bin Abdul Rahman
- 3) Tuan Haji Ibrahim bin Haji Abdullah (Allahyarham)
- 4) Tuan Haji Mohd. Fadzil bin Haji Abdullah (Allahyarham)
- 5) Tuan Haji Ashaari@Aminudin bin Haji Yusoff
- 6) Tuan Haji Abdullah bin Haji Wan Harun (Allahyarham)
- 7) Encik Mohammad bin Daud
- 8) Tuan Haji Harun bin Awang (Allahyarham)
- 9) Encik Mohammad bin Abdul Rahman (Allahyarham)
- 10) Tuan Haji Othman bin haji Mohammed

c. Purpose of establishment (Subject to body law)

- 1) Improve and develop batek companies throughout the east coast, Malay land
- 2) Establish a relationship with state and national governments and associations
- 3) Collect and compile business statistical and welfare work
- 4) Giving help to the batik makers in their time of trouble or experiencing any incidents that cause them to experience the hardships in their business
- 5) Lending money to members from government or financial institutions.
- 6) Conducting business classes and any lessons related to batik work
- 7) Controlling the type and quality of batik cloth

- 8) Trying to get raw items and tools for expertise for batek companies.

Persatuan pembatek melayu timor (PPMT) is a voluntary body set up to defend the fate of native batik entrepreneurs in Kelantan state. Specifically, it has been 52 years ago and having 420 registered members until 2017. The aim of the establishment is to help batik makers who have problems in the supply of raw materials (white cloth) , marketing and new manufacturing techniques. Today, batik company until 2017 has established in Kelantan for 16 years. The tidal in the oldest Malay batik industry in Kelantan has moved forward despite the challenges ahead of the market that are competing with printed batik in both local and international markets. After several years of operation, the Unity gets a warning by the kingdom that says the unity should not conduct tradings. In order to safeguard the welfare of its members, the batik maker partnership unity of Kelantan Berhad was established on August 2nd, 1973. No. registration 4872 with limited liability.

The sponsors / patroning of *syarikat kerjasama serbaguna pembatek Kelantan berhad*.

- 1). Tuan haji Ismai Ismail bin Haji Ibrahim PMK (Allahyarham)
- 2). Tuan Haji Abdullah bin Abdul Rahman
- 3). Tuan Haji Ibrahim bin Haji Abdullah (Allahyarham)
- 4). Tuan Haji Nik Hassan bin Haji wan daud
- 5). Tuan Haji Jaffar bin Said Rawas
- 6). Tuan Haji Mohn Fadzil Jaffar bin haji Abdullah (Allahyarham)
- 7). Tuan Haji Ashaari @ Aminudin bin Haji Yusoff
- 8). Tuan Haji Abdullah bin Haji wan Harun (Allahyarham)
- 9). Encik Mohammed bin Daud

- 10). Tuan Haji harun bin Awang (Allahyarham)
- 11). Encik Mohammed bin Abdul Rahman (Allahyarham)
- 12). Tuan haji Othman bin haji Mohammed
In 1993, the co-operative development department ordered the *syarikat kerjasama serbaguna pembatek Kelantan berhad* to be converted to *koperasi serbaguna pembatek Kelantan berhad*. The requirement to be a member is 18 years old or above and must have a batik business place.

Objective

- 1) Assissts the government in stimulating the Malaysian economy improvement
- 2) Provides added value to the eastern region of Malaysia
- 3) Enhances community awareness of the quality of Malaysian “handicraft” items
- 4) Provides opportunities or help entrepreneurs or sellers to promote product outcomes
- 5) Sources of public information on the diversity of existing local batik varieties
- 6) Provides opportunities to sellers and entrepreneurs to create networks with each other

Operation Area

According to *UU kecil, bahagian II, 6 dan seksyen 11* The cooperative’s operations are all over Kelantan

d. Membership

According to *UU kecil 11 dan seksyen 26 akta*, This cooperative’s membership is open for:

- 1) Residents living throughout Kelantan
- 2) Anyone who wants to be a member of this cooperative must be:

- 3) Malaysian
 - 4) 18 years old
 - 5) Own property or work within the operation area of this cooperative
 - 6) Not a person who is still in effect a conviction for a list of offenses, or bankruptcy that has not been released or has been removed from the membership of any cooperative society within one year
- e. Membership fees
- According to *UU kecil 13 dan 15, Seksyen 50 (a) dan (b)*, The membership mandatory fee:
- 1) Enrollment fee : RM 2.00
 - 2) Share capital : RM 500.00
- f. Member share capital
- The amount of shares paid by members of the cooperative is RM. 543, 185.63 by December 31th , 2016. The total number of members is 365 members.
- g. Investment
- In addition to actively pursuing business activities, the cooperative has also made investments by buying shares and fixed deposits
- 1) Bank kerjasama Rakyat Malaysia Berhad RM. 79,327.00
 - 2) Saham EMICO Holding Berhad RM. 760.00
 - 3) Malayan United Industries Berhad RM. 10,800.00
 - 4) Kobay Technology berhad RM. 4,375.00
 - 5) Koperasi Konsortium, Kelantan Berhad RM. 1,020.00
 - 6) Bank Persatuan Berhad RM. 36,491.05
 - 7) Kopsya-Koperasi Pembiayaan Syariah Angkasa Berhad
RM. 5,000.00 + RM. 137,773.05

h. Bank

Cooperatives have savings in three banks in Kota Bharu, namely:

- 1) CIMB Bank Berhad.
Cawangan Kota Bharu,
Wisma Square Point,
Lot. 1, Jalan Pengkalan Chepa
Kota Bharu, Kelantan
- 2) Malayan Banking Berhad
Cawangan Wakaf Siku,
Jalan Sultan Yahya Petra,
Kota Bharu
- 3) CIMB Bank Berhad
Jalan Maju, Kota Bharu

Cooperative Function

According to *UU Kecil 8*, the cooperative function is user

Activities

UU Kecil 10 (1) to achieve the goals and functions of the cooperative functions may be subject to the provisions of the deed and the regulation of the following activities

- 1) Provide raw materials for batik and textile companies, sell finished goods and handicrafts. Among the white fabrics sold are crepe dechine, jacquard silk, fuji rayon, spun rayon, fine poplin, chinese polin, lucky poplin, Indonesian lawn, siam lawn and cotton mull.
- 2) Conduct philanthropic activities / members welfare, such as education and business
- 3) Buying, selling, transferring ownership, building, renting, securing, leasing, mortgaging and selecting movable and immovable property

- 4) Investing in excess money in matters permitted pursuant to section 54 of the Act.
- 5) Establish a subsidiary according to section 19 of the Act with the approval of the *Suruhanjaya*
- 6) Participate in joint ventures and become members of other cooperatives
- 7) Provide other activities that are beneficial with the approval of *mesyuarat agung*

Historical sequences

- 1) The *Koperasi Serbaguna Pembatek Kelantan Berhad* or *KSPKB* has been registered under the Cooperative Ordinance 1948 on August 2nd, 1973. Registration number 4872 with *tanggung Berhad*. On the August 2nd, 2016, KSPKB celebrated its 43rd anniversary.
- 2) The number of members consists of 365 people or almost all of the batik makers in Kelantan who are hoping to safeguard the interests of this eastern cultural heritage to be preserved. KSPKB strives to provide raw materials to batik makers by cash and credit to its members.
- 3) This business venture is important for cooperatives to provide quality white fabrics and to have competitive prices on the market. This white cloth is a cloth imported from China which is the largest white cloth provider. In addition, the cooperative also has many facilities available to members of the white linen credit facilities, entrepreneurs participation organized by the Malaysian co-operative Institution, the participation of craft sales programs throughout Malaysia and so on.

Mission and Purposes

- 1) Assissts the government in stimulating the Malaysian economy improvement

Batik among The Clash of Industry and Culture

- 2) Provides added value to the eastern region of Malaysia
- 3) Enhances community awareness of the quality of Malaysian handicraft items
- 4) Provides opportunities or help entrepreneurs or sellers to promote product outcomes
- 5) Sources of public information on the diversity of existing local batik varieties
- 6) Provides opportunities to sellers and entrepreneurs to create networks with each other

Motto

The cooperative has the motto : "*BATIK MAJU BERSAMA KOPERASI*"

Principle

- 1) Voluntary and Open Memberships
- 2) Member Economic Involvement
- 3) Autonomy and Freedom of Membership
- 4) Education, training and Information
- 5) Cooperation between cooperatives
- 6) Concerned about the Community

Figure 27. 5.
ORGANIZATION STRUCTURE
KSPKB 2017/ 2018

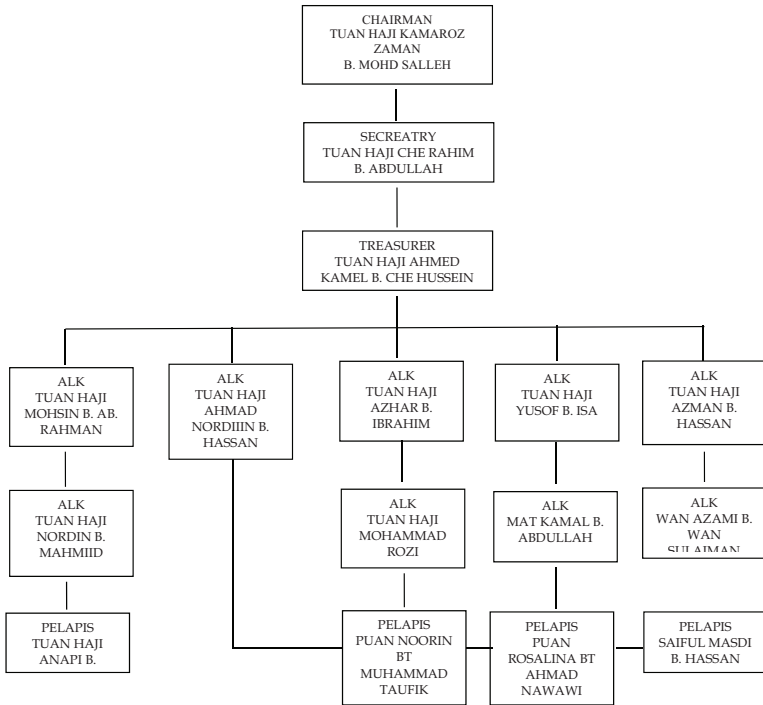


Table. 3.5. Coopearative assets

No.	Address	Lot type	Tenant
1.	Lot 346, Seksyen 18, Bandar Kota Bharu. 3512-B tingkat 2 Jl. Sultanah Zainab 15000 Kota Bharu Kelantan	Business Building	Farhan Nasri dan Nurliza2.
2.	Lot 347, Seksyen 18, Bandar Kota Bharu 3512-A Jalan Sultanah Zainab 15000 Kota Bharu	Business Building	Koperasi Serbaguna Pembatek Kelantan Berhad

Batik among The Clash of Industry and Culture

No.	Address	Lot type	Tenant
3.	Lot 180, Seksyen 22, Bandar Kota Bharu No. 2173 Depan JKR Jalan Kuala Krai 15050 Kota Bharu	Business Building	Adni Food & Drinks
4.	Lot 52, Kawasan MIEL, Lundang Kota Bharu. 4703 J Jalan Taman Maju 15200	Business Building	Chua Kian Wee
5.	Lot 55, Kawasan MIEL, Lundang Kota Bharu 4703 J Jalan Taman Maju 15200 Kota Bharu	Business Building	Chua Kian Wee
6.	Lot 359, Seksyen 18, bandar Kota Bharu, Lot 359 Jalan Sultanah Zainab	Business Building	Tan Saing Twan
7.	Lot tanah 3858, Gua Musang.	land (2.421 Ha)	
8.	1-16 Lot Bangunan	Shophouse Building(2256 m2)	
9.	17-37 Lot Bangunan	House (10345 m2)	
10.	Lot 902, Kg Berangan Tumpat	Land (3685 m2)	
11.	Lot 2582, Semerak Pasir Puteh	Land (0,5342 Ha)	

KSPKB Sub-committee

KSPKB has 7 active sub-committees namely:

a. Administration, supply and finance committees

This position is intended for decision making on the raw materials of the batik industry as well as on the development of cooperatives.

Committee members consist of:

- | | |
|----------------------------------|-----------|
| 1. Kamaroz Zaman bin Mohd Salleh | Chairman |
| 2. Che Rahim bin Abdullah | Secretary |

- | | |
|-----------------------------|-----------|
| 3. Ahmed bin Abdul Rahman | Treasurer |
| 4. Mohsin bin Abdul Rahman | ALK |
| 5. Azhar bin Ibrahim | ALK |
| 6. Mohammad Rozi bin Yusoff | ALK |
| 7. Nordin bin Mahmood | ALK |
| 8. Ahmad Norddin bin Hassan | ALK |

- b. Promotion, batik marketing, information and training committee

This position is a coalition of co-operatives and associations of East Coast Malay batik maker associations where everything is used for mutual benefit. This position also strives to enhance the promotion and batik market both locally and abroad.

Also look for opportunities to participate on exhibitions conducted by government or private

Committee members consist of:

- | | |
|--------------------------------|----------------|
| 1. Azhar bin Ibrahim | Chairman |
| 2. Ahmed Kamel bin Che Hussein | Vice chairman |
| 3. Awang bin Essa | Secretary |
| 4. Saiful Masdi bin Hassan | Vice Secretary |
| 5. Mohd Taha bin Hussin | AJK |
| 6. Ibrahim bin Hassan | AJK |
| 7. Azman bin Hassan | AJK |
| 8. Mohammad Rozi bin Yusoff | AJK |
| 9. Noorin bt Muhammad Taufik | AJK |

- c. Small property and batik village committee

This position is responsible for managing the cooperative's assets. The most common problems are the behavior of asset tenants such as leakage, asset damage and so on. This post is

a coalition between *Koperasi Serbaguna pembatek Kelantan berhad* and the *Persatuan Pembatek Melayu Pantai Timur*.

Committee members consist of:

- | | |
|--------------------------------|-----------------|
| 1. Mohsin bin Ab Rahman | Chairman |
| 2. Che Rahim bin Abdullah | Deputy Chairman |
| 3. Ahmed Kamel bin Che Hussien | Treasurer |
| 4. Ahmad Norddin bin Hassan | AJK |
| 5. Nordin bin Mahmood | AJK |
| 6. Mohammad Rozi bin Yusoff | AJK |
| 7. Mohd Anafi bin Alias | AJK |
| 8. Wan Azami bin Wan Sulaiman | AJK |

d. Debts collecting working committee

This position is aimed at paying attention to white cloth debts as well as monitoring the white linen credit journey by the buyer. This position reviews the settlement of debtor problems that can no longer afford. For that reason, the position will go to the debtors' houses to explain to the debtor and heirs, if there are any of the debtors who are dead.

The committee members are:

- | | |
|--------------------------------|---------------|
| 1. Che Rahim bin Abdullah | Chairman |
| 2. Ahmed Kamel bin Che Hussien | Vice Chairman |
| 3. Habibah bt Zulkifli | Secretary |
| 4. Mohsin bin Ab. Rahman | AJK |
| 5. Yusof bin Isa | AJK |
| 6. Mohammad Rozi bin Yusoff | AJK |
| 7. Mohd Taha bin Hussin | AJK |

e. Sports and recreation committee

Pendirian biro ini adalah untuk menarik minat dan memberi galakkan kepada golongan muda untuk berkoperasi dan sebagai barisan pelapis. Dengan adanya jawatankuasa ini diselenggarakan kegiatan futsal, sepak bola dan senam aerobik 2 kali dalam sebulan. The establishment of this bureau is to attract and encourage young people to operate and as a line up. With this committee, it held futsal, football, and aerobic exercise twice a month.

The committee members are:

- | | |
|-------------------------------|----------|
| 1. Azman bin Hassan | Chairman |
| 2. Ahmad Norddin bin Hassan | AJK |
| 3. Wan Azami bin Wan Sulaiman | AJK |

f. *Satu Daerah Satu Industri (SDSI)* batik collection committee

The establishment of this bureau is to make *SDSI* as the center for collection of batik products from batik makers. Batik are sold at a low price, and can be purchased either by wholesale and retail.

The committee members are:

- | | |
|-------------------------------|---------------|
| 1. Che Rahim bin Abdullah | Chairman |
| 2. Mat Kamal bin Abdullah | Vice Chairman |
| 3. Anies Sureha bt Mohd Noor | Secretary |
| 4. Ahmad Norddin bin Hassan | AJK |
| 5. Azman bin Hassan | AJK |
| 6. Noorin bt Muhammad Taufik | AJK |
| 7. Rashidah bt Abdullah | AJK |
| 8. Wan Azami bin Wan Sulaiman | AJK |

g. Welfare, Social and Member Review Committee

The Committee plays a part in safeguarding the welfare of members of all matters in order to ensure the protection

of batik entrepreneurs. This committee provides various forms of donation to members such as death donations, educational performance donations to the children of cooperative's members and visit the homes of ill members. It is an intimate relationship among members and cooperatives.

The committee members are:

- | | |
|-----------------------------|-----------------|
| 1. Yusof bin Isa | Chairman |
| 2. Azman bin Hassan | Chairman Deputy |
| 3. Mohammad Rozi bin Yusof | AJK |
| 4. Che Rahim bin Abdullah | AJK |
| 5. Ahmad Norddin bin Hassan | AJK |

The arrangement of subcommittees is to provide exposure to members to better approach this cooperative from time to time and become more efficient and effective.

1. Auditing

a. Internal Audit of the session 2016/2017

The Annual General Meeting convened on May 20th, 2017 of the 44th had elected and appointed 3 persons as internal auditors, consisting of:

1. Puan Rashidah binti Abdullah
2. Encik Kaswazaimi bi Abdul Kadir
3. Encik Mohd Taha bin Hussin

b. External Audit of the session 2017/2018

The general meeting of the council unanimously mandated members of the cooperative board to appoint a firm as an external auditor, That is Adib Azhar and CO.

2. Trustee

2 Persons from the members of the cooperative board as the Alternate Trustee are appointed as Trustees for the maintenance of the cooperative property.

Here are the names of the cooperative trustees:

1. Mohammad Rozi bin Yusoff
2. Wan Azami bin Wan Sulaiman
3. *PPMPT (Persatuan Pembatek Melayu Pantai Timur)* (koperasipembatek@yahoo.com) profile

a. History

PPMPT (Persatuan Pembatek Melayu Pantai Timur/ East coast Malayan batik makers association) was established on July 29th, 1966, with a view to uniting the expectations of batik entrepreneurs as experts who are guaranteed under the auspices and interests of members to advance.

b. Year established

On July 29th, 1966, Registraration no. 10 (Kelantan)

c. Address

3512-A Jalan Sultanah Zainab, 15000 Kota Bharu, Kelantan

d. Membership

Membership of this association is open to:

- 1) Residents living throughout the state of Kelantan
- 2) Malaysian
- 3) Aged 18
- 4) Not one against whom is still in effect a conviction for a list of offenses or unscheduled bankruptcy

e. Fees

- | | |
|------------------------------|----------|
| 1) Registration fee | RM 20.00 |
| 2) Contribution from members | RM 30.00 |

f. Activities

Giving help to the members of the association. The Association also participated in various meetings or

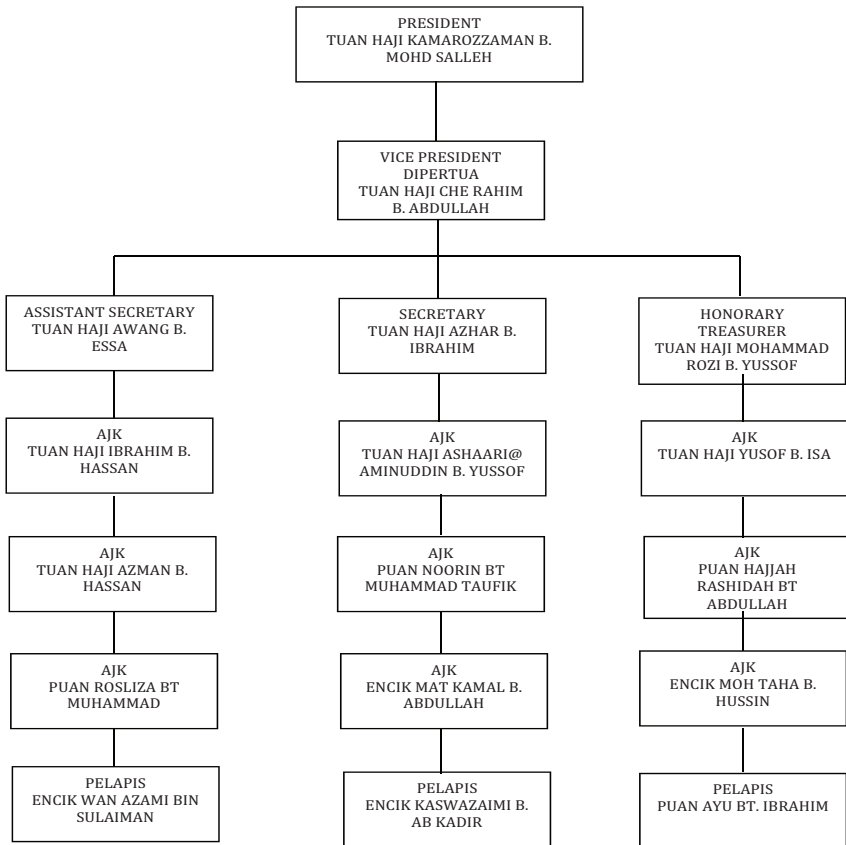
exhibitions organized by the government and private organizations such as batik exhibition which is held throughout Malaysia, including in Brunei.

- g. List of committee members session 2017/2018
- 1) President : Tuan Haji Kamarozzaman bin haji Mohd Saleh
 - 2) Vice President : Tuan Haji Che Rahim bin Haji Abdullah
 - 3) Honorary secretary : Tuan Haji Azhar bin Haji Ibrahim
 - 4) Assistant secreatry : Tuan Haji Awang bin Essa
 - 5) Honorary treasurer : Tuan Haji Mohammad Rozi bin Haji Yusof
 - 6) Member of the authority :
 - a) Haji Azman bin Hassan
 - b) Haji Yusof bin Isa
 - c) Haji Ashaari Aminudin bin Yusof
 - d) Haji Ibrahim bin Hassan
 - e) Encik Mat Kamal bin Abdullah
 - f) Puan Rosliza binti Muhammad
 - g) Puan Noorin Bt Muhammad Taufik
 - h) Hajjah Rashidah bt Abdullah

Pelapis:

- a) Encik Wan Azami bin Wan Sulaiman
- b) Encik Kaswazaimi bin Abdul
- c) Puan Ayu bt Ibrahim

Figure 28. 5.
Organizational chart of PPMPPT 2017/2018



i. Auditing

a. Internal auditor session 2017/2018

2 The appointed PPMPPT instructors are:

A) Tuan haji Said @ Syed Ali bin Abdillah

B) Puan Rosalina Bt Ahmad Nawawi

b. External auditor session 2017/2018

The general meeting of the committee unanimously mandates the committee members to appoint an external audit firm. Committee members appoint Adib azhar & CO firm as an external auditor for 2017.

j. Trustee

3 trustees for the property of the Association consists of:

a. Tuan Haji Azman bin Hassan

b. Tuan Haji Mohammad Rozi bin Haji Yusoff

c. Encik Wan Azami bin Wan Sulaiman

Table. 4.5. Association's asset

No.	Address	No. Grant	Lot	Lot type	Tenant
1.	No. 3535-E Jalan Kuala Krai, Kota Bharu, Kelantan	12108	Lot 422	Business building	Nik Mat bin Nik Wil@Nik Mohammed (FNM Food), western food restaurant
2.	4367-F Jalan Kebun Sultan Kota Bharu	16304	Lot 900	Business building	Chai Boon Chuan (<i>Kratif</i> Library)

k. Bank

The Association has a strong financial position in two banks, as follows:

a. Malayan Banking Berhad

Cawangan Wakaf Siku

Jalan Sultan Yahya Petra Kota Bharu

b. RHB Bank Berhard
Jalan Kebun Sultan
Kota Bharu

l. Management and Administration of the Association
9 Personnel responsible for carrying out office
management work in 2017/2018

Manager : Che Rahim bin Abdullah
Assistant Manager : Wan Nor Zakiah Bt Wan
Yusoff
Marketing/promotion: Anies Sureha
Clerk Account : Wan Nor Asmaa' bt Abd.
Rahmat
AM Assistant : Mohd Natharuddin bin
Sheikh Salleh
Clerk : Nabilah Bt. Mohammad Rozi
Security guard : Ahmad Azman bin Salleh
Account/audit division : Kamarruddin bin Mohammed

m. Property and Batik Village Committee

The Committee members consist of:

a. Mohsin bin Ab Rahman : Chairman
b. Che Rahmin bin Abdullah : Vice chairman
c. Nordin bin Mahmood : AJK
d. Ahmad Norddin bin Hassan : AJK
e. Mohammad Rozi bin Yusoff : AJK
f. Wan Azami bin Wan Sulaiman : AJK

n. Management, Administration and External Promotion
Committee Committee members are:

a. Azhar bin Ibrahim : Chairman
b. Ahmed Kamel bin Che Hussien : Vice chairman
c. Awang bin Essa : Secretary

Batik among The Clash of Industry and Culture

- d. Saiful Masdi bin Hassan : Assistant secretary
 - e. Mohd Taha bin Hussin : AJK
 - f. Asri bin Sulaiman : AJK
 - g. Ibrahim bin Hassan : AJK
 - h. Mohammad Rozi bin Yusoff : AJK
 - i. Noorin bt Muhammad Taufik : AJK
 - j. Azman bin Hassan : AJK
- o. Domestic promotion and marketing committee
Committee members consist of:
- a. Mat Kamal bin Abdullah : Chairman
 - b. Ibrahim bin Hassan : Vice chairman
 - c. Saiful Masdi bin Hassan : AJK
 - d. Ahmad Norddin bin Hassan : AJK
- p. Welfare, social, committee reviews member review committee
The members of the subcommittee consist of:
- a. Yusof bin Isa : Chairman
 - b. Azman bin Hassan : Vice chairman
 - c. Che Rahim bin Abdullah : AJK
 - d. Mohammad Rozi bin Yusoff : AJK
 - e. Wan Azami bin Wan Sulaiman : AJK
 - f. Kaswazaimi bin Ab Kadir : AJK
 - g. Mohd Taha bin Hussin : AJK
 - h. Ibrahim bin Hassan : AJK
 - i. Noorin bt Muhammad Taufik : AJK
 - j. Mohd Anafi bin Alias : AJK
- q. R & D and fashion committee

Committee members consist of:

- a. Rosliza bt Muhammad : Chairman
- b. Rashidah bt Abdullah : Vice chairman
- c. Aminudin@Ashaari bin Yusoff : AJK

C. Revolving Fund Influence on Smes Prosperity Through Sharia Cooperative in Trengganu and in Pekalongan

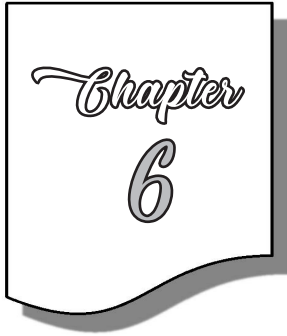
Based on the analysis result, the significance value of Revolving Fund affecting Sharia Cooperative in Trengganu is 0,009. This value is still below 0.050, so it is stated that Revolving Fund affect the Shariah Cooperative in Trengganu. Based on the analysis result, the significance value of Sharia Cooperative has an effect on the Welfare of Smes in Trengganu is 0,019. This value is still below 0.050, so it is stated that Sharia Cooperative Influence on Welfare Smes in Trengganu.

Based on the analysis result, the significance value of Revolving Fund effect on BMT is 0,026. This value is still below 0.050, so it is stated that Revolving Fund affect SMES prosperity in Pekalongan. Based on the analysis results obtained significant significance BMT value against Smes Welfare is 0.006. This value is still below 0.050, so it is stated that BMT influence on Welfare Smes in Pekalongan.

Smes owners feel the Improvement of Welfare and get positive benefits by utilizing Revolving Fund in Pekalongan. However, the BMT managers need to pay attention to the complaints of the managers of Smes who become customers, because it can result in lack of trust in BMT, which is the availability of funds as needed so that customers do not have to look elsewhere.

Based on the analysis result, the significance value of Revolving Fund affecting Smes Welfare in Pekalongan is 0,035. This value is still below 0.050, so it is stated that Revolving Fund effect on Welfare Smes in Pekalongan. Based on the analysis

result, the significance value of Revolving Fund affecting the Welfare Smes in Trengganu is 0,015. This value is still below 0.050, so it is stated that Revolving Fund effect on Welfare Smes in Trengganu.



CONCLUSION

A. Conclusion

The lack of self-sufficiency in the supply of raw materials to make batik entrepreneurs depend on importers. Unhealthy trade competitions also make batik become marginal. The weather is not supportive, the policy is not comprehensive make the development of batik business to be less than the maximum. The complex problems in both countries, Indonesia and Malaysia make batik industry hope still exist to encounter quite heavy obstacles.

By the data collecting, this research find that in Indonesia and Malaysia, the sharia economic development is also reperedented through the level of muslim's prosperity as the SMEs businessmen. The limitations of SMEs such as the needs for materials or raw materials, financial and management were often became the obstacle for those SMEs themselves. And also because of the size of the enterprises which are classified as small and medium, the access towards the functions such as training includes financial management, market knowledge, and technology. Therefore, as the objective of this research to observe the existence of BMT as an alternative financial inclusion when the society cannot access the financial because of the limitations and some requirements that have to be fulfilled in the banking system.

The growth of SMEs in Pekalongan as one city of batik

industry in Indonesia is a good opportunity for its society's income increase. However, the attraction of Pekalongan as the city of creative economics, has attracted both domestic and overseas investors to invest their capitals in this city. This is surely become a threat for the SMEs managers since their capitals are relatively small. The main problem for the SMEs managers up to now is the difficulty for getting a capital aid from banking, so that it is really difficult for the SMEs to be more developed.

In Malaysia, this research find the same, small medium industry or SMIs so that these industries could contribute towards the Malaysian economy such as providing employment for their society. The complexity of banking credit requirements, it makes SMEs managers find another alternative to get their capital needs, one of their choice is through BMT (*Baitul Maal Wat Tamwil* = Integrated Independent Business Office) which is a micro financial institution which operated with the principles of profit sharing, cultivate SMEs businesses, in order to raise the poor's level and dignity and also saving and loan cooperatives. Other than that, businessmen are also looking for capital loans through cooperatives.

Cooperative's and BMT's working concept are familiar with the characteristics of Indonesian society which majority are muslims, that is mutual help and cooperations. That is why cooperatives become close to the heart of Indonesian society. Meanwhile, the MSMEs, that blooms in our country, also has a strategic role in the poverty alleviation. Their growth and development, cannot be separated from the BMT. Therefore, SMEs, BMT and cooperatives are two things that have mutualism symbiosis. The suitability of the character of the community with the character of cooperative management based on mutualism makes people close and feel helpful. The majority of customers feel satisfaction over the services of financial institutions such as cooperatives and BMT. The close office distances also provide

transportation convenience and cost for customers.

Fast calculation of loan application process helps customers to quickly spend according to the needs of their batik industry. Sales of batik materials such as cloth are still dominated by ethnic Chinese. The long-standing cooperation relationship between ethnic Javanese, Chinese and Arabs cultivated trust among them. Nevertheless, economic considerations remain a priority for batik business actors.

For each business actor has his own way to anticipate business fluctuations. Business competition is carried out by continuously making innovations and creations, both on the motif and model / design of batik products. In addition, innovation is also done through the development of manufacturing and coloring techniques. Post-waste batik environmental conditions became a major concern in the city of Pekalongan.

This study found that the attention of governments in the two countries towards batik development is basically quite integrated. Various exhibition activities, performances, batik fashion show both national and international levels continue to be pursued. However there is little difference in both countries make the development of batik is also different.

In Pekalongan, the government through elementary level education includes batik lessons for their students. The policies through formal education of schools such as the Pekalongan city government is very useful if done also by the government of the kingdom of Malaysia. The policy is quite reasonable, namely to prepare the next generation of batik. This effort continues to be done massively, until at each event, the elementary school students are often involved to display the creation of batik.

For high school to upper school was given an opportunity to develop batik innovation. Majority they develop on the motive and design aspects of batik clothing. The series of efforts to bring

young people to batik that had been considered ancient and only used by old people only. The objects that become batik media also vary. Not only clothes, but other items now also become batik media, such as wooden ornaments, helmets, bags, shoes, motorcycle, accessories and so on.

Policy to encourage batik consumption was done by the government of Indonesia. Particularly in Pekalongan City, with obligations for civil servants and school children to wear batik clothes on certain days. With the increasing needs of batik, bringing a good opportunity for batik entrepreneurs to increase their batik production. The increased production makes the providers of the material participate in a serious rise. Similarly for job seekers, human resources for the batik industry more and more needed. For entrepreneurs, capital also needs to be added. This condition becomes an opportunity for cooperatives and BMTs. In Pekalongan, the research find that BMT Bahtera and BMT SMNU manage the revolving fund to help the small entrepreneur. Most of them lend the money to keep the business going. As we know that the price of fabric always fluctuates. Not all batik entrepreneurs have a strong financial ability.

The similar problem happens also in Malaysia. *Persatuan pembatek melayu timor (PPMT)* is a voluntary body set up to defend the fate of native batik entrepreneurs in Kelantan state. Specifically, it has been 52 years ago and having 420 registered members until 2017. The aim of the establishment is to help batik makers who have problems in the supply of raw materials (white cloth), marketing and new manufacturing techniques. The existence of PPMT in accommodating the needs of batik is helpful to reduce the problems that arise.

The existence of Koperasi Serbaguna Pembatek Kelantan Berhad (KSPKB) is very meaningful for the entrepreneur. The establishment of the Timorese Malayan Batik Maker Association or *Persatuan Pembatek Melayu Pantai Timor*, abbreviated

“PPMT” is to unite all members who are in the state of Kelantan under one shade. Prior to that establishment, many batik makers were hoping for *MARA (RIDA)* to get raw materials to make batik, rather than expect the party, it is to set up their own society to safeguard the welfare of batik experts.

The revolving fund mechanisms of the two countries are quite different. In Indonesia, revolving funds are provided in the form of loan capital for customers or members of cooperatives and BMTs. While in Malaysia, the revolving fund known as *tabung modal pusingan* is given not to members or customers, but to the cooperative. Nor is it in the form of a capital loan, but an investment in building assets. The royal party has consideration in providing capital assistance. Asset stability and risk management become the primary considerations for the royalty.

Based on the analysis result, the significance value of Revolving Fund affecting Sharia Cooperative in Trengganu is 0,009. This value is still below 0.050, so it is stated that Revolving Fund affect the Shariah Cooperative in Trengganu. Based on the analysis result, the significance value of Sharia Cooperative has an effect on the Welfare of Smes in Trengganu is 0,019. This value is still below 0.050, so it is stated that Sharia Cooperative Influence on Welfare Smes in Trengganu. Financial weakness is sometimes also used by moneylenders who lend money at high interest rates. Although small, the impact of revolving funds for SME empowerment remains meaningful.

Larger influence is found in Pekalongan. The impact of greater empowerment in the city of Pekalongan indicates a match of batik craftsmen with a revolving fund mechanism. Based on the analysis result, the significance value of Revolving Fund effect on BMT is 0,026. This value is still below 0.050, so it is stated that Revolving Fund affect SMES prosperity in Pekalongan. Based on the analysis results obtained significant significance BMT value against Smes Welfare is 0.006. This value

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Overall, Financial problems for batik entrepreneurs in Indonesia and Malaysia can be minimized with the help of revolving fund loans, albeit with different forms. Differences in consumption emerging from the community make the growth of batik production in the two different countries. With the increase in consumption, then production will increase, and so on innovation and capital support also needs to be done. Government policy through revolving funds is very helpful for batik entrepreneurs to develop their business.

The results of this research include:

1. The discovery of a number of data on the development of small and medium scale batik business, that in general the conditions in both Indonesia and Malaysia fluctuate according to the national economic conditions of each country.
2. Entrepreneurs in both countries experience similar

obstacles, such as: the availability of raw materials that are still dependent of imported cloth so that the price was already quite expensive. This greatly burdened the cost of production, and led to the dilemma of batik production: the expensive price is not favored by consumers, while the cheap price hurt the producers.

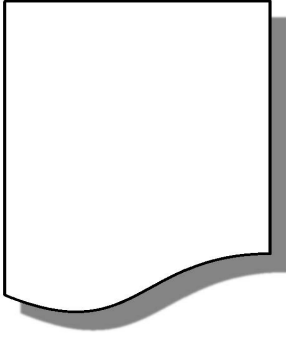
3. Capital remains a major issue, and most entrepreneurs derive capital from individual-family savings and capital from banking or non-bank assistance or loans, such as Cooperatives and Baitul Mal wa Tamwil.
4. In addition to capital factors, and resources, the development of batik business in the City of Pekalongan and Kelantan is also influenced by the motivation and entrepreneur spirit in maintaining and developing the business. Motives of effort and encouragement work derived from Islamic beliefs and religion.
5. The governments of both countries have tried to help this batik business through batik related policies, such as exhibitions, production coaching, batik waste treatment, revolving funding, uniform policies of batik uniforms at various events and other capital assistance.
6. The discovery of subcontracted batik business model in both countries is almost the same.
7. Business models involving relatives, families and surrounding communities make batik businesses have a very strong source of social capital supporting the national economy and labor.
8. The discovery of creativity that is not limited to the development of batik either in terms of motive, media and environmentally friendly coloring.
9. The establishment of recommendations for the government, especially the ministries of industry, trade, SMEs, banking and non-banks.

10. In addition, the ministry of religion also plays an important role in growing the spirituality of batik entrepreneurs so that the balance of entrepreneur mentality.
11. The recommendations in question are the design of policies that mutually support the development of batik business in both countries.

B. Suggestion

This research recommends to the next research, to:

1. A research on customer confidence in financial institutions needs to be conducted, including examining the emerging cultural constraints in financial management of SMEs.
2. It's better, if the next research give deep analysis on environmental aspects, given the natural conditions into a shared need and will be borne not only in certain regions or countries, but also other regions or countries.
3. Focusing on public awareness in protecting the environment to synergize with industry.



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- Siti Rohani Binti Abuyan, October 25th, 2017. Koperasi Serbaguna Iman (KOIMAN) Malaysia Berhad, Wednesday.

Indonesia and Malaysia bilateral relations develop dynamically, either cooperative or is counterproductive. The existence of their similar, which is clump of Malay very potential for fostering cooperation but is also potential to create competition which is not fair. Widening of issues between both countries is no longer a matter of ethnic equation, religion, education, politics, culture and economics, creating competition that is unfair. Over time, the relationship of both Indonesia and Malaysia undergo significant transformation. Consequently, the concept of grouping and "brother" began to wear off. This research presents a unique fact, that both countries have the same emotional bond to the existence of batik. Developing values through the existing motifs also illustrate the similarities of both of these communities of group attention. However many facts at issue which also has significant differences to affect the development of the industry perceived batik craftsmen in both countries.

The findings of the research have been compiled in the form of this book, including:

1. Small and medium enterprise development became the responsibility of the Government and the community. Collaboration synergies from handling some ministries such as the Ministry of industry, cooperatives and religion are very beneficial to the businessmen.
2. Values are sourced from religion contribute to motivation and behavior as well as financial planning. Limitations of small businesses such as raw materials, finance and management often become obstacles for small and medium enterprises.
3. The State as a social group who occupied the region or specific areas, organized by the power of the Government realized its goal through policies that run. The small and medium enterprise development became the underpinning of the national economy. The State as a facilitator is always working to help employers solve the issue both in the provision of raw materials, production, capital, labor, and marketing.



Jl. Solo Km.8, Nayan No.108A, Yogyakarta
Telp./Fax.: (0274) 486872
Email: kksjogja@gmail.com

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