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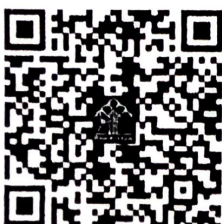
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INTERNATIONAL COLLABORATIVE RESEARCH

**THE EMPOWERMENT OF SMALL and MEDIUM ENTERPRISES (SMEs) THROUGH
BMT and COOPERATIVE
REVOLVING FUND IN INDONESIA AND MALAYSIA**



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**DIREKTORAT PENDIDIKAN TINGGI KEAGAMAAN ISLAM
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ABSTRACT

The role of BMT and cooperatives in Indonesian and Malaysian economics are undoubtedly. As a country with the biggest muslim 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. 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. A form of cooperation in the financial or capital sector, that is by using revolving fund. The mechanism of small and medium enterprises empowerment through BMT and cooperatives revolving fund in Indonesia and Malaysia very interesting to study. This research seek to find the contributions the BMT and cooperatives through the revolving fund program in Indonesia and Malaysia.

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. Qualitative analysis is used to support problem solving in this study that is less able to be answered in quantitative analysis. While quantitative analysis is used for hypothesis testing by using partial least square technique (PLS). The reason for using PLS is because the variable contained in the model is latent with reflective indicator model, so it can not use other way. Pekalongan has the highest percentage (30%) compared to other provinces. The high percentage of the number of batik industries in Pekalongan shows that Pekalongan is still the center of batik industry in Central Java. The subject of the research in this research is the SMEs managers and cooperative managers in the city of Pekalongan Kuala Lumpur, and Kelantan. The tool analysis used in this research is descriptive. This study found that the attention of governments in the two countries towards batik development is basically quite integrated.

The research found that 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. 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. 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. Differences in consumption emerging from the community make the empowerment of batik production in the two different countries.

Key word : Bmt, cooperative, revolving fund, batik, empowerment.

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CHAPTER I

INTRODUCTION

A. Research Background

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 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, 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.¹

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, specifically in Kuala Lumpur. Some of the conducted researches show that SMEs are grassroots business that resistant to crysis. Why is that? And what makes SMEs keep survive when economic crysis 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 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.

¹ Mori, Kogid., 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. 186

Meanwhile, the Micro, Small, and Medium Enterprises (MSMEs) that bloom in Pekalongan, also has a strategic contribution in the effort of poverty alleviation.

The existence and the role of BMT and cooperatives in Indonesian and Malaysian economics are undoubtedly. As a country with the biggest muslim 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. Related to this issue, then we submit a research proposal entitled "The Empowerment of Small and Medium Enterprises (SMEs) Through BMT and Cooperatives Revolving Fund In Indonesia and Malaysia"

B. Research Question:

1. How is the mechanism of small and medium enterprises empowerment through BMT and cooperatives revolving fund in Indonesia and Malaysia?
2. Why does the small and medium enterprises financial factor still an obstacle for the development of enterprises in Indonesia and Malaysia?
3. What are the factors that become an obstacle for the small and medium enterprises' accessibility towards the financial institutions in Indonesia and Malaysia?
4. What are the possible solution and contributions that could be provided through the BMT and cooperatives revolving fund program in Indonesia and Malaysia?

C. Significance of The Research

1. The society's economic empowerment and independence in Pekalongan, Indonesia and in Kuala Lumpur, Malaysia by developing SMEs.
2. To analyze capital mechanism model for SMEs in Pekalongan, Indonesia and in Kuala Lumpur, Malaysia through revolving fund held by BMT and cooperatives.
3. To inform problems that based on the effort of SMEs enhancement in Pekalongan, Indonesia and Kuala Lumpur, Malaysia, both quantitatively and qualitatively.
4. To help the government in evaluating the empowerment program implementation acceleration of SMEs in Pekalongan, Indonesia and Kuala Lumpur, Malaysia.

D. Urgency of The Research

1. To understand the industrial's latest condition that relates with the social, cultural, and religion in the city of Pekalongan, Indonesia and Kuala Lumpur, Malaysia.
2. To identify the problems that are faced by the SMEs managers in the city of Pekalongan and Kuala Lumpur on the sector of financial, cultural, social, enterprise climate, etc.
3. To produce a research and scientific publication 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.

E. Theoretical Background

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 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.²

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 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.

² Saleh, I.A. 1986. *Industri Kecil, Sebuah Tinjauan Dan Perbandingan*, LP3ES, hlm. xvii

An enterprise unit's management quality has a strong relationship towards the financial performance.³ Therefore, 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.⁴

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.⁵

Businessmen characteristics such as innovative, creative, never give up, confident, business minded, etc really determine the business attitude. Claessens (2006) states that access towards financial services is divided into some dimensions that are: availability, cost, and range, type and quality of the financial services itself. While Murdoch (1999) says that dimensions: reliability, convenience, continuity, and flexibility affects the financial accesibility.⁶

Frequently, consideration of risk that assessed high in SMEs activity also become an important aspect for the financial managers, both bank and non-bank.

³Said, I. Omran, A., Abas, Z. 2009. "The Relationship Between Quality Management, Strategic Control Systems and Financial Performance of Malaysia Local Government", *Annals of University of Bucharest, Economic and Administrative*, Nr.3, pp. 23-40.

⁴Ayob, A.H., Ramlee, S., Rahman, A.A. 2015. "Financial Factors and Export behavior of Small and Medium-Sized Enterprises in an Emerging Economy", *Journal International Entrepreneurship*, 13: 49-66. DOI 10.10007/s10843-0141-5.

⁵Hung, 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.

⁶ See Anane, G.K., Cobbinah, P.B., Manu, J.K. 2013. "Sustainability of Small and Medium Scale Enterprises in Rural Ghana: The Role of Microfinance Institutions", *Asian Economic and Financial Review*, 3 (8), pp. 1003-1017

The objective conditions of the SMEs businessman are often under pressure because of environmental challenges, in macroeconomics, culture, financial performance, political stability, and also other fundamental problems.⁷ In brief, financial and financial institutions contributes significantly in the SMEs' development and innovation strategy.⁸

F. Previous Researches

Table 1.1.
Previous Researches

No	Title and Researcher's name	Method	Result	Difference
1.	Development of SMEs in A Developing Country: The Indonesian Story Tulus Tambunan, 2017	Qualitative	1. More than 90 % of SMEs outside from agriculture sector. 2. The constraints of SMEs: regulation, lack of financial, low human resource and technology being a fundamental problem of Indonesian entrepreneurs	The research to be conducted focused more on how is the SME empowerment through revolving fund through financial institutions such as BMT and cooperatives in Indonesia and Malaysia is undertaken and identifying the appearing obstacles especially for the muslim SMEs businessmen.
2.	Small And Medium Industry (Sme) And Financial Assistance In Sabah: An Empirical Analysis,	Quantitative	1. The Sme businessmen capital source generally sourced from their own savings as the	In the research to be conducted, not only the rational-economic needs that will be studied, but

⁷ Marn, J.T.K., Hin, C. W., Bohari, A.M. (2016), "Antecedent of Strategic Planning of Small and Medium-sized Enterprises in Malaysia: The Influence of Ownership Motivations and Environmental Uncertainty", *International Review of Management and Marketing*, 6 (S7), pp. 270-276; Ong, J.W., Ismail, H., Yeap, P.F. 2010. "Malaysian Small and Medium Enterprises: The Fundamental Problems and Recommendations for Improvement", *Journal of Asia Entrepreneurship and Sustainability*, Vol. VI, Issue 1, July, pp. 39-51.

⁸ Jarunee, W. 2015. "Challenges of SMEs Innovation and Entrepreneurial Financing", *World Journal of Entrepreneurship, Management and Sustainable Development*, Vol. 11, No. 4. Pp.295-311.

	Mori Kogid, Kasim Mansur, Dullah Mulok & Wilson Akmadia, 2009.		<p>income from their previous job or family loan.</p> <p>2. The loan convenience of financial institutions encourages Smes in Malaysia grow faster.</p>	also covers the notion of involvement of culture, behavior, and value that forms the financial behavior of SMEs businessmen in both countries.
3.	A Preliminary Study of Top SMEs in Malaysia: Key Success Factors vs Government Support Program Daisy K. et.al. 2010	Quantitative	There are six main factors (networking, product, ability to focus on market, customer, supportive management, and leadership) contribute to success of local SMEs	For this research, it needs to find the financial contribution into SMEs management by integrated approach
4.	Analysis of Credit Ratings for Small and Medium-Sized Enterprises: Evidence from Asia Naoyuki Yoshindo, Farhad Taghizadeh-Hesary, 2015	Quantitative	<p>1. Four variables (net income, short-term assets, liquidity and capital) are the most important for describing the general characteristics of SMEs</p> <p>2. Financially healthy SMEs could borrow more money from banks at lower interest rate because of their lower default risk, while SMEs in poor financial health would have to pay higher interest rates and have a lower borrowing ceiling.</p> <p>3. Using such credit rating mechanism, bank could reduce the amount of nonperforming loans made to SMEs.</p>	SMEs characters in Indonesia and Malaysia need to be clarified in order to identify the enterprises' financial behavior through collaborative-comparative research
5.	Small and Medium Enterprises and Their Finance Pattern:	Quantitative	1. The general profile of the SMEs in Malaysia is no less	The research to be conducted is oriented on the

	Evidence from Malaysia Moha Asri Abdullah, Siti Khadijah Abd. Manan, 2011		<p>different than the general profile of other SMEs around the world</p> <p>2. External financial needs will start to increase even though internal funds represent a significant proportion of their finances.</p> <p>3. A wide variety of facilities provided by various agencies and financial institutions lead to greater accessibility to finance SMEs in the country.</p>	empowerment of SMEs through revolving fund financing accessibility through BMT and cooperatives, how the program's progressivity has the potential to develop SMEs in Indonesia and Malaysia
6.	Financing Small and Medium Enterprises in Asia and the Pasific Masato Abe, 2013	Quantitative-qualitative	<p>1. Financing is a critical constraint for SMEs for several reasons</p> <p>2. Owner don't manage working capital effectively, information asymmetry between banks and SMEs retards the loan application and approval process and underdeveloped by serving as facilitators and communicators: government should not provide financing directly if possible</p>	The research to be conducted is integrative because in the analyzing process, the identification of the issue on the weakness of financial accessibility is not only viewed from technical managerial point of view, but also involves knowledge, value, and cultural social from the background of SMEs businessmen in both countries.

CHAPTER II

THEORETICAL FOUNDATION

A. *Baitul Maal wa Tamwil.*

1. BMT as Finance Institution

The growth of BMTs in rural and urban areas has obviously helped improve the economy of the communities around the institution. This fact is corroborated by Euis Amalia's research in her dissertation "Policy Reform for Strengthening the Role of Micro Financial Institutions and Small and Medium Enterprises in Indonesia". In her dissertation stated that Small and Micro Business (SME) is the largest part of the Indonesian people who have the ability to be productive and contribute greatly to the national economy and the Sharia Micro Financial Institution (*Lembaga Keuangan Mikro Syariah/LKMS-BMT*) becomes an option in terms of funding and financial access proven to provide prime services and increase turnover as well as earnings of Small Micro Enterprises (SMEs) groups. Through LKMS BMT, it is possible to develop *syirkah* (profit sharing) and other sharia investment systems which are in line with the concept of Triple-Co (Co-ownership), Co-determination and co-responsibility.¹

Bayt al-Māl wa al-Tamwīl (BMT) is a Micro Finance Institution (*Lembaga Keuangan Mikro/LKM*) in Indonesia, operating on the basis of Sharia principles. The BMT, as the name implies, consists of two main functions, namely: 1) *Bayt al-Māl* (Bayt = house, Māl = treasure, BM) is intended as an *Amil Zakat* Institute (*Lembaga Amil Zakat/LAZ*) as later emerged Law no. 38/1999, that is receiving *Zakat*, *Infaq* and *Shadaqah* fund deposit and optimizing its distribution in accordance with the regulation and its mandate; 2) *Bayt al-Tamwīl* (Bayt = house, Tamwīl = development of property, BT) undertakes the development activities of productive enterprises

¹ Euis Amalia, Reformasi Kebijakan Bagi Penguatan Peran Lembaga Keuangan Mikro dan Usaha Kecil Menengah Di Indonesia: Jakarta .Dissertation. 2008. p.335

and investment in improving the economic quality of micro and small entrepreneurs by encouraging savings activities and supporting the financing of their economic activities.²

In another understanding, BMT is a community economic institution that aims to support economic activities of lower and small people, 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 activity is receiving and channeling Islamic fund which comes from *zakat*, *infaq* and *sadaqah*. Distribution is allocated to those who are entitled (*mustahiq*) for *zakat*, in accordance with religious rules and in accordance with modern financial management. In managing this ZIS and *waqaf* funds, BMT does not get financial benefits, because the results of *zakat* should not be commercialized by 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 deposits/savings and channeling through financing the people's enterprises which are productive and profitable in accordance with the *sharia* economic system. Thus, in addition to collecting funds from the public, through investment/savings, *Baitul Tanwil's* activities are to develop productive enterprises and investments in improving the people's economic quality, especially small entrepreneurs. In addition to saving and loan units, BMTs can also directly move in the real business sectors, such as department stores, livestock, fisheries, telecommunication services, import-exports, suppliers, contractors, etc.

BMT aims to improve the quality of economic enterprises for the welfare of its members in particular and the society in general. This Islamic MFI is a self-sustaining business enterprise, developed by self-help and managed professionally, and oriented to the welfare of its members and the society of its environment.³ The vision of BMT is to become an independent, healthy and strong financial institution, whose members'

² Hertanto Widodo, et.al., *PAS (Pedoman Akuntansi Syariah): Panduan Praktis Operasional Baitul Mal wat Tamwil (BMT)*, p. 36, 81-82 (Later referred Hertanto-Panduan). See also Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah-Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, p. III-1-III-2, later referred Pinbukindo-Modul.

³ Tim 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.

quality of praying is increased, so that it can play a role as a devotee representative of Allah SWT in prospering the life of its members in particular, and the mankind, in general. While the BMT's mission is to realize: the liberation movement of members and society from the shackles of moneylenders, poverty circle, and *ribawi* economy; empowerment movements in increasing the capacity of real economic activities and their institutions to a prosperous and developed economic order; as well as the justice movement of building a justice civil society structure - developed prosperous, and prosperous-advanced based on *shari'ah* and the *ridha* of Allah swt.⁴

In order to achieve the above objectives, here are the BMT functions: (1) identifying, mobilizing, organizing, encouraging and developing the potential and economic capacity of its members, business groups of the members of the muamalat (*kelompok usaha anggota muamalat/Pokusma*) in its working area; (2) enhancing the quality of member's and *Pokusma's* human resources to become more professional and Islamic so that they are more intact and resilient in facing global challenges; (3) raise and organize community potency in order to improve the member's welfare.⁵

In the side of its managers, the BMT Managers have special requirements. In BMT Manual published by PINBUK stated that the qualification of Shariah cooperative management of BMT is, First, has a strong foundation of faith and attitude of sincerity. Second, trustworthy, honest and noble. These two conditions become the main requirement as a BMT manager. When the faith is thin and the attitude is disrespectful, then do not ever become a manager of BMT. Third, is able to cooperate in a work, especially in growing and advancing the BMT. Fourth, work professionally. Fifth, the minimal education is associate degree/*D3* (but preferably bachelor degree/*SI*). Sixth, comes from the area around the BMT and actually lives around the BMT.⁶

2. The history of BMT establishment

Beginning in the 1980s, Masjid Salman ITB initiated the establishment of *LKM Teknosa* (*Teknosa* MFI) in the form of *Bayt al-Tamwīl* (BT). *Teknosa* had reached the assets of 1.3 billion rupiah. After *Teknosa*, in 1988 in Jakarta stands *Ridha Gusti*

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

⁶ Yadi Nurhayadi, *Praktek Keuangan Mikro Islam: sebuah Upaya membentuk Peradaban Islami* (Paper), Jakarta, 2008.p.17

Cooperative which is also in the form of BT. Unfortunately these two BT MFIs are not developed. In 1990, having previously studied Sharia Economic Sciences in Jeddah and Kuala Lumpur, two youths named Ahmad Adib Zain and Hasbi M. Hasyim respectively established *BPRS (Sharia Rural Bank) Dana Mardhatillah* in Bandung and *BPRS (Sharia Rural Bank) Berkah Amal Sejahtera* in Padalarang. Both are the first Islamic Bank in Indonesia, even the first Islamic Rural Banks in the world.⁷

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) was opened and started its operations. BMI became the first Shariah Commercial Bank in Indonesia. Following in June 1992 in Jakarta appeared BMT Bina Insan Kamil, initiated by three youths: 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 Enterprise Incubation Center (*Pusat Inkubasi Bisnis dan Usaha Kecil/Pinbuk*).⁸

DD Republika which was established in 1993 and *Pinbuk* which was established in 1995, then became the institution that helped the birth to many of new BMTs throughout Indonesia. Now thousands of BMT institutions all over Indonesia are listed as Islamic MFI coached by *Pinbuk*, and *Pinbuk* is now recognized as the dominant institution as the consultant to the establishment of BMTs in Indonesia.⁹

3. Key Features and Characteristics of BMT¹⁰

BMTs in Indonesia, especially those under the nurture of Pinbuk coaching have the key features and characteristics. The key features of BMT are as follows. First, business-oriented, seeking joint profit, and increasing the most economic utilization for its members and the environment. Second, it is not a social institution but it is used to streamline the use of *zakat*, *infaq*, *sadaqah*, and *wakaf* for the welfare of the community. Third, grown from below, based on the participation of the community

⁷ Hertanto-Guide: p.33-34.

⁸ Hertanto-Panduan: 36-38.

⁹ Ersu Tri Wahyuni, *The Accountability of Islamic Microfinance Institution: Evidence From Indonesia*, p. 534. Later referred Wahyuni- *Accountability*.

¹⁰ Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah–Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, Modul p.: III-6–III-7.

and its surrounding areas. And fourth, belongs to the micro and small community of the BMT environment itself, not belonging to a person or community from outside the community.

BMT has the following characteristics. (1) BMT staff and employees are active, pro-active, and dynamic, are not waiting but picking up prospective depositor/borrower members, whether the members who are advised to place deposits or to finance business. The popular term is "*jemput bola*", or prospective member scouting not waiting. (2) The office is opened within a certain time and is attended by a limited number of staff, as most staff have to be active in the field to obtain deposits, obtain members who are conducting business financing and monitor and supervise the business of both prospective depositor and borrower members (business financing). However, talks about business and BMT transactions can be done outside the office. (3) BMT conducts regular recitation periodically which the time and place (usually in *madrasah*, mosque or *mushalla*) is determined in accordance with the activities of BMT members or customers. After the study of the religious knowledge, it is usually continued with experience sharing (*bagi-bagi pengalaman*/"*balam*") business talks from the 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, bookkeeping, and procedures, organized and implemented with Indonesian Accounting Standards accounting systems, adjusted to the principles of Sharia. For competent BMTs (have an asset 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, records per member, print member savings, monitor the remaining installment of member's capital loans, calculate profit sharing with depositor and borrower members, correspondence archives, BMT health calculations, and other administrative processes. b) Actively, scouting, visiting, pioneering, proactively, discovering, analyzing, and solving problems sharply and wisely that win all parties. c) *ahsanu amala* thinking and behaving: service excellence.

From the explanation above, it can be concluded in outline BMT has its own characteristics which are:

1. Business oriented and making shared profit
2. Not a social institution but can be utilized to streamline the use of *zakat, infak* and *sadaqoh*.
3. Grown from below and based on community participation.
4. Owned commonly by the community, not the individual.
5. In carrying out its activities BMT managers act active, dynamic, have proactive view.
6. Make efforts to increase the insight and practice of Islamic values to all BMT personnel and customers. Usually done with studies or discussions with planned topics.
7. BMT Management is managed professionally and Islami.

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

BMT Legality is issued upon approval from the Ministry of Cooperatives and SMEs. Since 2004, based on Ministry of Cooperatives and SME's decree number 11/PER/M.KUKM/XII/2017, BMT is categorized as Sharia Financial Services Cooperative (*Koperasi Jasa Keuangan Syariah/KJKS*).¹¹

In the establishment of a new BMT under *Pinbuk* coaching, the community who took the initiative as the founder (capital owner) can apply for assistance. Usually the candidate of BMT founder, supervisors, administrators, and managers were given training by *Pinbuk* first. Then prepared all the BMT software and hardware, including Human Resources, location (office), BMT facilities/infrastructure and facilities, licensing files, and software and hardware for the BMT On Line installation.

The initial BMT operation is still accompanied by representatives from *Pinbuk* until all the BMT devices, assets (usually having reached a minimum value of Rp.100 million), and the licensing process is ready. If all is ready, BMT will be registered to the Ministry of Cooperatives and SMEs to be legalized by the legal entity of Sharia Financial Services Cooperative (*Koperasi Jasa Keuangan Syariah /KJKS*).

The BMT structure includes: Member Meetings, which issue decisions regarding the Articles of Association/Bylaws (*AD/ART*) and BMT operationals; The

¹¹ Wahyuni- *Accountability*: 542.

Supervisory Board, whose basic function is to oversee the operations of the BMT in accordance with the decision of the Member Meeting; The Sharia Supervisory Board, which oversees the operation of BMTs to remain in the Sharia corridor; The Governing Board, 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, Financial/Administration Staff, Marketing Staff, and Cashier, with the basic function of managing all operational BMTs.¹² Member Meetings are held minimum once a year. For special cases, it can be proposed Extraordinary Members Meeting. BMT Structure Chart can be seen in Figure 1 below.

¹² Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah–Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, p. III-1–III--Modul: III-11–III-22.

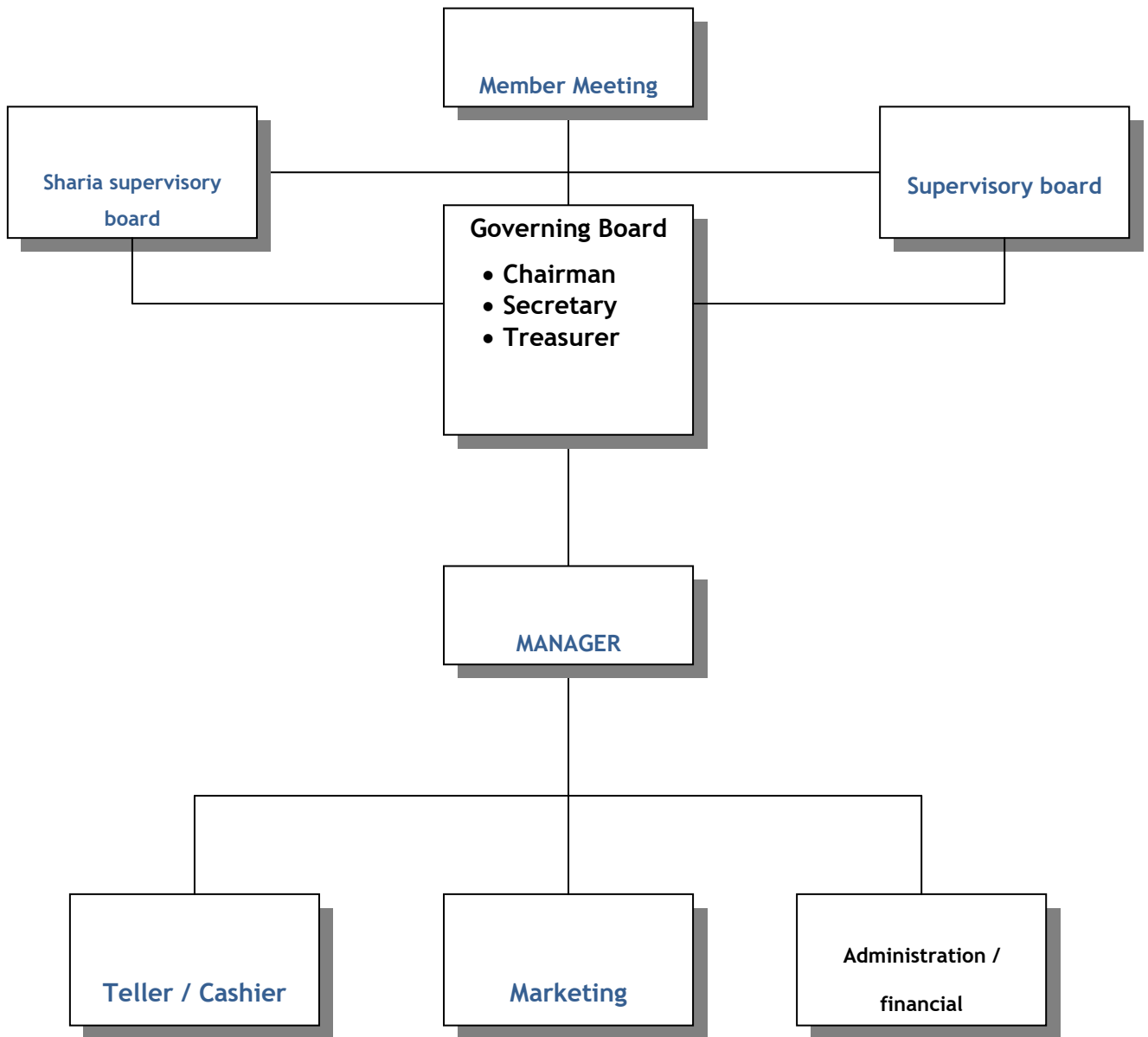


Figure 2.1. BMT Structure Chart.¹³

¹³ Pinbukindo-Modul: III-10.

While job descriptions of each of the structure are described as follows:

a. Member's General Meeting/ *Rapat Umum Anggota (RUA)*

Member's General Meeting (*RUA*) has the highest authority in the BMT.

RUA has the following tasks:

1. *RUA* is in charge of determining BMT's Articles of Association/Bylaws (*AD/ART*) including when there is a change.
2. General policy in the field of BMT organization, management and business
3. Appoint the BMT Sharia Board and Council of each period. Also may dismiss the board in violation of BMT provisions.
4. Establish a Work Plan, BMT revenue and expenditure budget as well as approval of financial statements.
5. Doing the distribution of net income
6. Merger, consolidation and liquidation of BMT.

b. *Sharia Supervisory Board*

The Sharia Supervisory Board has the authority to supervise the implementation of sharia concepts in BMT operations and provide advice in the field of syariah. The task of this Council is:

1. Making sharia guidance for every fund mobilization products or BMT financing products.
2. Supervise the sharia concept implementation in all BMT operational activities.
3. Conducting guidance/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 *BPRS* and other *ulama/* other intellectuals conduct an assessment of the possible development of BMT products.

c. Supervisory board

The Supervisory board has the following authority:

1. To perform all legal acts for and on behalf of the BMT.
2. Representing the BMT before and outside the Court
3. Decides to accept and manage new members and dismiss members in accordance with the provisions of the articles of association.

4. Conduct actions and efforts for the interests and benefits of BMT in accordance with their responsibilities and the decisions of member deliberations.

While the supervisory board's task is as follows:

1. Leading BMT organization and business.
2. Create work plan and budget plan of BMT's revenue and expenditure.
3. Holding board members meeting
4. Submit financial statements and responsibilities of execution of duties at general meeting of members.
5. Conducting financial, inventory, and member administration bookkeeping.

d. BMT Manager

BMT managers lead the BMT's way so that 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 task is :

1. Create marketing, financing, operational and financial plan periodically
2. Make a special policy in accordance with the general policy outlined by the Sharia Supervisory Board.
3. Lead and direct the activities undertaken by staff.
4. Creating new financing reports, developments of financing, funds, profit loss periodically to the Sharia Supervisory Board.

e. *Marketing/financial*

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 loan return congestion. As for the duty :

1. Seek funds from members and owners of stock certificates as much as possible.
2. Develop a financing plan.
3. Receive a financing request
4. Conducting financing analysis
5. Submit financing approval to baitul tamwil chairman
6. conducting finance administration
7. conducting member coaching
8. make a report on the development of financing.

f. *Cashier/Member Service*

Cashiers have the authority to perform services to members, especially savers and act as money recipients and paymasters. As for the duty:

1. Receive money and pay according to the chairman's/director's order.
2. Serving and paying for withdrawals.
3. Create a daily cash register.
4. At the end of working hour, count the money and ask for an examination from the manager.
5. Provide explanations to prospective members and members.
6. Handle the savings card bookkeeping
7. Exchange all documents and work to be communicated with members.

g. *Bookkeeping*

The bookkeeping department has the authority to handle financial administration and calculate profit sharing and prepare financial statements. The job description is as follows:

1. Working on journals and ledgers.
2. Prepare a trial balance
3. Do the profit-sharing calculation
4. Prepare financial reports periodically.

5. BMT Islamic Microfinance Practices

The rotation of BMT funds is shown in Figure 2 below, i.e. the initial BMT funds are expected to come from the founders, in the form of a Special Basic Deposit (*Simpanan Pokok Khusus/Simpokus*). As an Ordinary Member, the founders also pay for Basic Deposits, Mandatory Deposits, and if able to provide Voluntary Deposits. From the capital of the founders are invested to finance the training of managers, preparing office infrastructure facilities and administrative tools. Apart from the founders, capital can also come from community institutions such as Foundation, *Kas Masjid*, *BAZ (Badan Amil Zakat)*, *LAZ*, Government Program Support, Banks, etc. However, the largest capital is expected to come from the initiators and founders of BMT. Thus, if later on something is not good happen to this BMT, the founders are the

first to take the initiative to recover it. They are expected to have more feeling on the BMT.

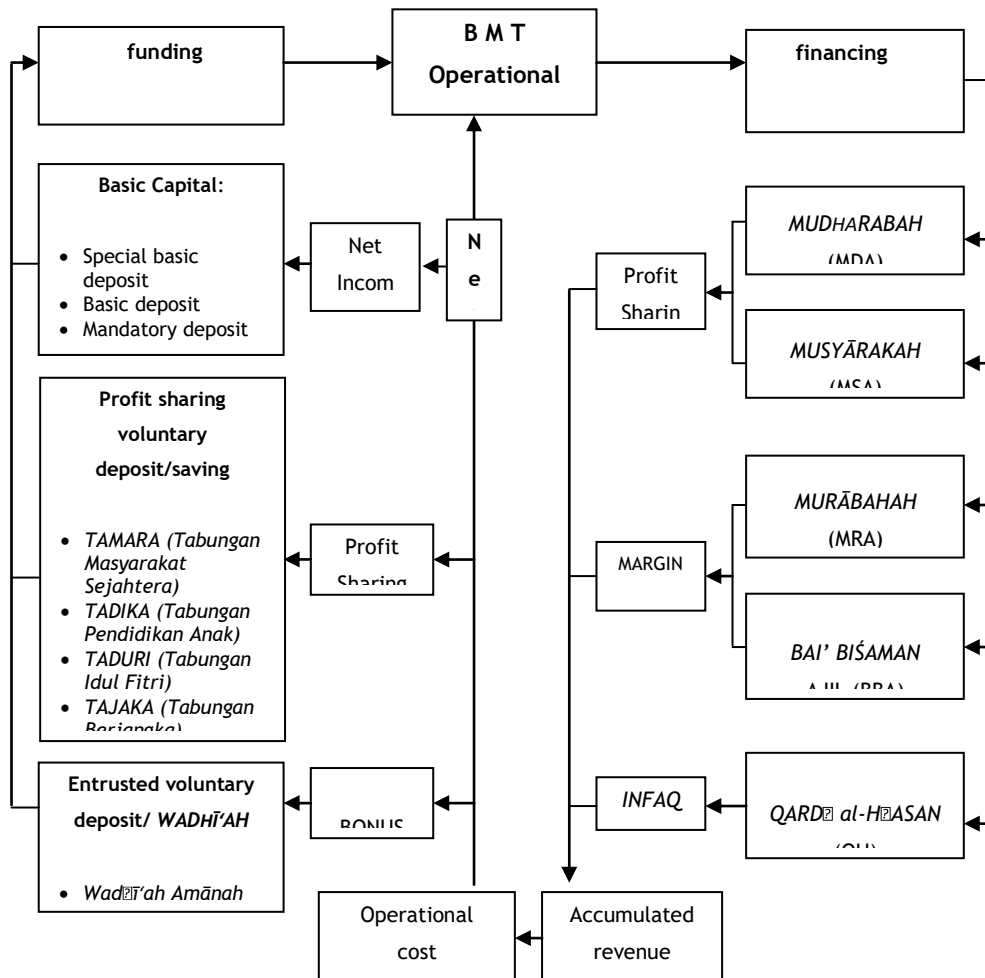


Figure 2.2. Islamic Microfinance Practices and Fund Turnover on BMTs.¹⁴

Ordinary Members who hold Basic Savings, Mandatory Save, and Voluntary Deposits will receive Profit Sharing from BMT's profit. In order for the revenue share to be granted, the BMT must have income from the proceeds of the financing business in the form of capital given to members, Joint Business Groups (*Kelompok Usaha Bersama/POKUSMA*) such as *Pertanian Pokusma*, *Ranch Pokusma*, *Fishery Pokusma*,

¹⁴ Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah–Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, p. III-1–III-Modul: III-23.

or other similar focus *Pokusmas* such as home industry, fish traders, fruit, hawkers, etc. Therefore, the BMT Manager must "pick up the ball".

Efforts to "pick up the ball" is such as, the BMT managers should coach its members mainly through group mechanisms in *POKUSMA* so they are may gain big enough. Of that profit, BMT can bear operational costs in the form of managers' salary, electricity, telephone, water, computer equipment, other operational costs, and more importantly pay adequate and satisfactory Sharing for members of voluntary deposit depositors/Savers. In addition, the manager of the BMT must be able to explain attractively to members or prospective members to save their voluntary deposit in large volumes. Among its efforts, by showing the possibilities of financing or borrowing for business activities of small entrepreneurs that are profitable, feasible and secure, beneficial to the large community (especially for the poor), and more than that, benefit for both life and afterlife for obtaining halal profit sharing, free of *riba* element. And the BMT should be able to prove it.

Funds that have been collected by BMT, then distributed to micro enterprises through financing facilitation. Prior to grant, BMT analyzes the financing and feasibility of micro enterprises prospective financing members, so that the amount of financing, installment, and profit sharing are not burdensome to micro entrepreneurs. The financing offered is as follows.¹⁵

1. ***Mudārahah***, which is the financing provided to finance all business needs that will be run by micro entrepreneurs. In this financing, micro entrepreneurs are obliged to repay the financing received and provide profit sharing of their profits and the amount according to the agreement between BMT and micro entrepreneurs.
2. ***Musyārakah***, which is the financing provided to finance the shortage of micro enterprises capital needs. As with the total profit-sharing financing, micro-entrepreneurs are also obliged to deposit the financing installment and profit sharing to BMT which is in accordance with the agreement between BMT and micro entrepreneurs.
3. ***Murābahah***, which is the financing to meet the needs of community business facilities whose payments are paid off at maturity of the financing. In this

¹⁵ Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah–Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, p. III-1–III--Modul: III-25 – III-26.

financing, the micro entrepreneur is obliged to pay the financing received along with the profit margin of BMT at the time and amount of margin that has previously agreed by BMT and micro entrepreneurs.

4. ***Bai' Bisaman Ajil / BBA***, which is the financing to meet the needs of community business facilities that the payments are through installments. In this financing, micro entrepreneurs perform financing installments and provide a profit margin to the BMT that the amount and the term of financing is according to joint agreement.
5. ***Qard al-Hasan***, that is the financing provided without asking for compensation at all, but the financing recipients are advised to provide an *infaq* that the amount is according to the ability of the beneficiary. While the term of financing and the amount of installment is in accordance with the agreement between micro entrepreneur and BMT.

Meanwhile, in order to raise funds of members/prospective members of third parties, BMT held a voluntary savings program. According to Government Regulation No.9/1995 of the Implementation of Saving and Loan Cooperatives by cooperatives, savings are funds entrusted by members, prospective members, other cooperatives, and/or its members to cooperatives in the form of savings and deposits of futures cooperatives. This understanding is also used by BMT whose term is called with deposit, not saving.

The voluntary deposit products offered by BMT to members/prospective members generally consist of the following two types.¹⁶

1. Deposits with an association contract (*Syirkah*), consisting of *al-Mudārabah* (profit sharing) and *al-Musyārahah* (union). For this type of contract, BMT usually only offers deposit products with *al-Mudārabah*. In this case, deposits from members are capitalized to be managed by the BMT. On this contract, the owner of the depositary is called *Sāhib al-Māl* (capital provider) and the BMT is called *Mudārib* (beneficiary) according to the agreement, the capital is managed by BMT and its profit is shared to *Sāhib al-Māl* and *Mudārib* according to the agreement. Savings products with this profit-sharing agreement can be in various forms, such as education savings, time savings, Eid savings, etc.

¹⁶ Tim Pinbuk Konsulindo, *Modul Pelatihan Pengurus dan Pengelola LKMS BMT/BQ Dayah—Program Pengembangan LKMS BMT/BQ Dayah di NAD*, Pinbukindo-Jakarta, 2006, p. III-1–III--Modul: IV-2 – IV-6.

2. Deposits with entrusted contract (*Wad'ah*), consist of: 1) *Wad'ah yad al-Amānah* that is a deposit where the BMT should not use it, in case of natural damage BMT is not charged responsibility of replacing, the deposit is returned as its original, and the BMT receives service fees from the party who deposits; 2) *Wad'ah yad al-D'amānah*, i.e. BMT can take advantage of the deposit, BMT is also responsible if the deposit is damaged or lost, the benefits of the use of the deposit is owned by BMT, and BMT may give bonus to the depositor.

6. Sharia Financial Services Cooperative (*Koperasi Jasa Keuangan Syariah/KJKS*)

Cooperative in fiqh terminology is synonymous with syirkah. Etymologically, syirkah derived from the word Al-Khaltu which means mixing is a mixture of something with others so makes it difficult to distinguish. While terminologically, syirkah has a variety of meanings as proposed by some ulamas of fiqh, among them :¹⁷

- a. Malikiyyah, Syirkah is defined as "a license to act legally for the two parties who cooperate with their property
- b. Syafiiyyah dan Hanabillah, Syirkah means "Legal right to two or more persons proportionately..
- c. Hanafiyyah, Syirkah means, "contracts committed by people who work together in capital and profits."

Syirkah legal basis is the word of Allah in the surah an-Nisa verse 12 which reads
 "..... then they are union in one third of the property ..."

Besides, there is a 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).¹⁸

From the legal basis above, the cooperative is allowed in Islam and has considerable benefits and objectives. According to Mahmud Syaltut, a professor of Islamic law in Egypt, cooperatives have goals and benefits that at least include the following things:¹⁹

1. Provide benefits to members as shareholders

¹⁷ Wahbah Zuhaily, *Al-Fiqh al Islamy wa Adillatuh* , Beirut : Dar Al-Fikr Al Mu'asir, 1997 p. 3875.

¹⁸ Sulaiman bin Al-Asy-Asy, *Sunan Abi Daud*, Beirut: Dar al-Fikr) p. 256.

¹⁹ M.Zaidi Abdad, *Lembaga Perekonomina Umat Di Indonesia*, Bandung: Angkasa, 2003. p.

2. Giving employment to its employees
3. Provide financial assistance from some of the cooperative's business profits to establish worship places, schools etc.

Sharia Financial Services Cooperative is one form of Cooperative. According to the cooperative law number 12 of 1967 "Indonesian cooperative is a social economic organization of people, consists of people or legal entity cooperative which is obedient to economic structure as a joint effort on the principle of kinship." ²⁰ Whereas Law no. 25 of 1992 cooperative is defined as "business entity consisting of people or cooperative legal entity by base its activities on cooperative principle as well as a people's economic movement based on the principle of kinship."²¹

From the cooperative terminology, it is seen that cooperative principles are in accordance with Islamic values. For that reason along with the development of Islamic financial institutions in Indonesia, the Department of Cooperatives set about Sharia Financial Services Cooperative (*Koperasi Jasa Keuangan Syariah/KJKS*). KJKS is a saving and loan cooperative based on sharia principles. That is by using the principle of profit sharing rather than interest calculation in its operational mechanism. As with cooperatives in general, the structure of the Organization follows the provisions of the Saving and Loan Cooperatives in general. However, there is only an addition that is the Sharia Supervisory Board. The structure of the Sharia Supervisory Board is one of the requirements for the establishment of Sharia financial services cooperatives. Cooperatives that use sharia principles need to have Sharia Supervisory Board. The presence of Sharia Supervisory Board is to maintain cooperative's compliance with Islamic principles, in addition to translating the fatwa of the National Sharia Council (*Dewan Syariah Nasional/DSN*) before it can be applied.

The Birth of Sharia Cooperatives in Indonesia is based on the Ministerial Decree (KepMen) No.91/Kep/M.KUKM/IX/2004 dated September 10th, 2004 of Guidelines for the Implementation of Sharia Financial Services Cooperative Business Activities. This Ministerial Decree facilitates the establishment of Sharia cooperatives into Sharia Financial Services Cooperatives (KJKS) or Sharia Financial Services Unit (*Unit Jasa Keuangan Syariah/UJKS*)

²⁰ Panji Anoraga dan Djoko Sudantoko, *Koperasi, Kewirausahaan dan Usaha Kecil*, Jakarta : Rineka Cipta, 2002. p.1

²¹Ibid. . p.2

Accompanying the Minister's decision, it was finally made a guideline for cooperatives that want to open a unit of Islamic financial services, is required to deposit initial capital of at least Rp 15 million for primary and Rp 50 million for secondary cooperatives. The establishment of both secondary and primary KJKS is carried out in accordance with the provisions of Government Regulation No.4 of 1994 on the requirements and procedures for the ratification of the certificate of establishment and amendment of the articles of association of cooperatives and the decisions of State Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia No.104.1/Kep/M.KUKM/X/2002 on guidance on the implementation of establishment, approval of deed of incorporation and amendment of Articles of Association of Cooperatives.²²

Just like banks, Shariah financial services and Islamic financial services units are allowed to collect members' funds in the form of savings and term deposits with *mudharabah* and *wadiah* contracts, as well as distributing them in *mudharabah*, *musyarakah*, *murabaha*, *salam*, *istisna*, *ijarah* and *alqardh* financing.

In addition to these activities, financial services cooperatives are also permitted to carry out the activities of collecting and distributing *zakat*, *infaq*, and alms funds including *waqf* with separate managers. Meanwhile, external audits are required for cooperatives with a minimum financing volume of Rp 1 billion.

In this manual also made details about products and contract that can be done in sharia cooperative transactions. In addition to the definition, these guidelines also include steps, terms, objects, and acceptance of every contract, whether it is *mudharabah*, *musyarakah*, *murabaha*, or other forms. In more detail, the guidelines also make the financing model scheme easier to understand.

The guidelines also include a profit-sharing model to the member who deposits a fund called the profit-sharing distribution. Meanwhile, for the rest of the business profit is submitted to the general meeting of members. This sharia co-operative financial service manual also includes the Shariah compliant financial statement models such as balance sheet, profit and loss calculation, and cash flow statement adjusting with Islamic bank report model. Which is the accounting is in conformity with the PSAK No. 59 which binds the sharia banks.

²²Keputusan Menteri Negara Koperasi dan Usaha Kecil Menengah No. 91/Kep./M.KUKM/IX/2004. pasal 3 BAB II . p. 5

The growth of KJKS is relatively fast as the growth of Syariah banking in Indonesia. However, quantity growth needs to be accompanied by quality growth.

As Sharia Financial Institutions, both banks and non-banks, KJKS is also required to implement corporate governance in the organization so as to obtain certainty of implementation of Sharia principles and gain maximum results. In the ministerial regulation also mentioned when KJKS proven to violate the principles of sharia in conducting its business, the authorized official may close down the KJKS. To carry out Sharia supervision is the duty of sharia supervisory board.

B. Revolving Fund (Cooperative Revolving Fund And Micro, Small, And Medium Enterprises Management Institution (*Lembaga Pengelola Dana Bergulir Koperasi Dan Usaha Mikro, Kecil Dan Menengah /Lpdb*))

1. LPDB Revolving Fund

Revolving Funds are funds allocated by the State Ministry/Agency/Taskforce of the Public Service Agency for the activities of strengthening venture capital for cooperatives, micro, small, medium and other enterprises under the supervision of the State Ministry/institution.²³

Distribution of revolving funds is channeled by certain agencies/divisions in the ministry of *KUMKM* called *LPDB KUMKM*. The so-called Cooperative Revolving Fund, and Micro, Small and Medium Enterprises Management Agencies, hereinafter referred to as LPDB-KUMKM is a taskforce of the Ministry of Cooperatives and SMEs that have the task of implementing the Management of Revolving Fund to be distributed in the form of Loans/Financing, or in other form and responsible to the State Minister of Cooperatives and SMEs.

LPDB-KUMKM was established by Decree of the Minister of Cooperatives and SME of the Republic of Indonesia Number 19.4/Per/M.KUKM/VIII/2006 dated August 18th, 2006 as amended by the latest amendment through Regulation of the Minister of Cooperatives and SME of the Republic of Indonesia Number 06/Per/M.KUKM/V/2013 dated May 16th, 2013 on the Organization and Administration of Revolving Fund for

²³ Rule number 009 /Per/LPDB/2011 clause 1 p. 9.

Cooperatives and Micro, Small and Medium Enterprises Management Agencies. In addition, in accordance with the Decree of the Minister of Finance No. KEP-292/MK.5/2006 On December 28th, 2006 LPDBKUMKM is designated as a government agency applying the Pattern of Financial Management of the Public Service Board. (www.lpdb.id)

Cumulatively since September 2008, LPDB-KUMKM channeled revolving fund until December 31th, 2016 has been distributed loan/financing of Rp.8.087.251.483.363 to 816.103 MSMEs, through 76 Secondary Cooperative Partners, 2,517 Direct Primary Cooperative Partners, 359 Venture Capital Companies Partners and Bank, and 1.299 Strategic SMEs. From the fund management has been able to absorb 1,759,608 workers.²⁴

Each year the value of loan/financing distribution to partners has increased. In 2008, it can be channelled by Rp.35.125.000.000, in 2009 increased 462,71% In the amount of Rp.197.652.109.986, the year 2010 increased 107,58% or equal to Rp.410.293.458.246, 2011 increased 137,66% or amounting to Rp.975.085.402.039, the year 2012 increased by 9.91% or Rp.1.071.762.493.000, in 2013 increased by 33.13% or amounting to Rp.1.426.845.231.700, In the year 2014 a little constrained by the structuring of new government policies so it drops to Rp. 1.153.968.001.560 or 19.12%, but in 2015 again increased to Rp.1.563.820.224.530 or 35.52%, in 2016 with the reduction of distribution targets caused by the absence of APBN additional funds sourced from BA. 999.03 (Government Investment) so decreased to 19.89% or Rp. 1.252.699.562.303.²⁵

²⁴ LPDB performance report 2016, p. 3

²⁵ LPDB performance report 2016, p 4

Table 2.2.

Realization of Revolving Funds Distribution in 2008 s.d. 2016

No	Desc.	Number of Participating Partners with LPDB-KUMKM						MS MEs	Workforce	Total of distribution	
		Secondary Cooperative	Primary Cooperative	VCC (PMV)	Bank	Strategic SMEs	Total				
1	2008	3	0	11	0	0	14	3.820	7.642	Rp	35.125.000.000
2	2009	6	33	22	6	0	67	30.246	43.005	Rp	197.652.109.986
3	2010	11	200	14	4	0	229	53.379	89.271	Rp	410.293.458.246
4	2011	18	619	0	9	10	656	114.822	212.157	Rp	975.085.402.039
5	2012	11	498	7	19	318	853	125.340	233.192	Rp	1.071.762.493.000
6	2013	16	633	2	14	318	983	163.969	310.450	Rp	1.426.845.231.700
7	2014	4	254	11	75	374	718	137.793	251.078	Rp	1.153.968.001.560
8	2015	3	173	7	114	256	553	186.733	340.253	Rp	1.563.820.224.530
9	2016	4	107	4	40	23	178	149.583	272.560	Rp	1.252.699.562.303
Total 2008-2016		76	2.517	78	281	1.299	4.251	965.685	1.759.608	Rp	8.087.251.483.364

LPDB rolling funds are channeled into several business sectors, such as agriculture, business and services. Based on LPDB performance data of trading sector, hotel and restaurant occupy the biggest portion of LPDB fund distribution since 2007-2006 50.22% (see table 2)

Table 2.3
Distribution of Business Sector Financed by LPDB-KUMKM in the year
2008-2016

No	Business Sector Distribution	Unit of SME	Amount of fund utilized*)	Percent
1	Agriculture, Livestock, Forestry and Fisheries	238.132	Rp 1.906.672.225.303	23,58%
2	Mining and excavation	7.399	Rp 56.790.807.105	0,70%
3	Processing Industry	33.893	Rp 311.996.580.885	3,86%
4	Electricity, Gas, and Water Supply	6.084	Rp 35.846.688.731	0,44%
5	Building	20.597	Rp 184.166.402.023	2,28%
6	Trading, Hotel dan Restaurant	523.388	Rp 4.061.079.831.350	50,22%
7	Transportation	15.214	Rp 525.731.709.364	6,50%
8	Financial, Rental, and Corporate services	17.022	Rp 182.545.617.516	2,26%
9	Services	103.956	Rp 822.421.621.087	10,17%
Total		965.685	Rp 8.087.251.483.364	100,0%

LPDB revolving fund is not a grant without interest. Cooperatives or BMT selected as a channeling partner of a revolving fund are charged a certain interest rate of 8% per year sliding or 3.57% per year flat for the saving and loan sector. The real sector cooperatives bear interest of 2.30% per year flat. The interest rate for LPDB customers impose a limit on loan interest rate for the saving and loan sector at the end-user level of a maximum of 18% per year sliding or 9.19% per year flat or 0.77% per month flat

Table 2.4.
LPDB Interest for Channelling Partner

Sector	Interest Rate	Interest Rate	Interest Conversion	
	2016	2017		
Saving and Loan	8,0% Per year sliding	7,0% per year sliding	3,57% per year flat	0,30% per month flat
Real sector	4,5% Per year sliding	4,5% per year sliding	2,30% per year flat	0,19% per month flat

No doubt there is problematic financing on LPDB revolving fund. Since 2015, LPDB-KUMKM should reduce the percentage of problematic financing loans by an average of 2.81% per year. The target of the handling is expected to be completed until 2019. The total target of problematic account receivable settlement from distribution by 2015 is 14.06% as the following matrix:

Table 2.5.
The total target of problematic account

No	Year	Reduce Target N P L (%)	NPL Residue
1	2015	(1,40)	12,66%
2	2016	(5,11)	7,56%
3	2017	(4,30)	3,26%
4	2018	(1,70)	1,56%
5	2019	(1,56)	0%

B

C.Revolving Fund Channeling Mechanism

Revolving funds are channeled to cooperatives/BMTs both as primary and secondary cooperatives, MSMEs with conventional and syariah systems. For that BMT/KSPPS who get revolving funds to LPDB institutions must follow the following requirements:

Funding terms of lpdb - kumkm to kjks/ujks - secondary cooperation:

1. Financing is granted on the basis of business feasibility analysis;
2. Type of financing is Mudharabah;
3. Maximum financing ceiling is 10 (ten) times of its own capital;
4. The financing period shall be no longer than 5 (five) years;
5. The portion of the ratio between LPDB KUMKM and KJKS/UJKS- Secondary Cooperative shall be in accordance with the rates approved by the Minister of Finance;
6. The schedule of payment of the financing shall be paid monthly up to the payment of the financing to the LPDB-KUMKM profit/margin account;
7. Schedule of principal installment payment shall be made no later than every 6 (six) months to LPDB-KUMKM account up to the payment of financing ;
8. Financing and guarantee agreements are made by authentic certificate;
9. Willing to submit a letter of statement to LPDB-KUMKM stating that KJKS / UJKS-Secondary Cooperative ensure the payment smoothness of financing obligation to LPDB-KUMKM signed by the management and manager;
10. KJKS / UJKS-Secondary Cooperatives are required to distribute the financing obtained from LPDB-KUMKM to members/prospective members within 30 (thirty) calendar days, since the financing fund from LPDB-KUMKM is received on account of KJKS/ UJKS-Secondary Cooperative , as evidenced by a written report on the realization of the distribution of financing signed by the Board and/or Managers, on the basis of the power of the KJKS/UJKS-Secondary Cooperative. In the event of any change of the list of nominative receiver of financing of member/ prospective member, the KJKS/UJKS-Secondary Cooperative reapply nominative list of new member/prospective recipient of the financing to LPDB - KUMKM;
11. Every KJKS/UJKS-secondary cooperative that has received funding from LPDB KUMKM shall hold capacity building activities to KJKS/UJKS- Primary

Cooperative and/or members/prospective members SMEs of KJKS/UJKS-Primary Cooperative.

Then the BMT channels financing to its members with the following requirements : (LPDB.id)

Financing terms of kjks/ujks-primary cooperations financing to micro and small enterprises

1. Financing is granted on the basis of business feasibility analysis;
2. Types of financing is Mudharabah and or Murabahah for productive enterprises; Maximum financing ceiling is Rp. 5.000.000, - per Micro Business and Rp. 50.000.000, per Small Business; Financing period is 3 (three) years;
3. Profit sharing rate / financing margin to Micro and Small Business (end user), is in accordance with tariff approved by the Minister of Finance;
4. Schedule of payment of principal installment and profit/margin sharing of financing to KJKS/UJKS-Primary Cooperative is paid in accordance with the agreement up to the repayment of financing;
5. Financing and guarantee agreements shall be made in accordance with the applicable provisions of the KJKS/UJKS-Primary Cooperative.

Micro and small enterprises requirements:

1. Running a productive enterprise;
2. Meet the criteria of Micro or Small Enterprise;
3. The business is feasible according to the assessment of KJKS / UJKS-Primary Cooperative;
4. Have the potential to create employment opportunities;
5. Willing to meet other requirements stipulated by KJKS / UJKS-Primary Cooperative.
6. Meet certain warranties required by KJKS / cooperatives

In addition to channeling revolving funds through cooperatives/BMT, UMKM/real sector can apply directly to LPDB institution by submitting proposal to LPDB. The proposal should fulfill the requirements of a business entity that has a law basis of at least two years, business legality (*SIUP*, *NPWP*, *TDP* and others), performs well with positive *SHU* and performs *RAT* over the past two years and also has positive financial reports for SMEs. This proposal can be submitted by coming directly, sent via post, or through cooperative and SME agency.

After the proposal is accepted, then field visits is done (4 days), then conducted for business, juridical, and risk analyzes (3 days), then discussions are made by the loan/financing committee (1 day). After approval of the committee, the consent of principle (SP3) is sent. This SP3 must be read by economic actors (4 days). If the sender of the proposal agrees to the contents of the SP3 then the new contract is taken (1 day) and then made the disbursement of funds (1 day). If the proposal has met the requirements then the proposal process accepted until the disbursement of the fund takes 15 working days on average.

To get this revolving fund, the economic actors need to give five guarantees because if there is no guarantee, the risk of bad debts will be great. The five guarantees are personal guarantee, fiduciary of accounts receivable, cash collateral, fixed asset and guarantee institution. The assets are important and are required to reduce the risk of moral hazard.

From the portfolio of LPDB funds disbursement in the year 2016, it shows that the channeling of funds through MSMEs directly without going through financial institutions was amounting to 70% or 700 billion is for 290 partners or 53.752 units of SMEs business.

Table 2.6.
Channelling of LPDB-KUMKM in the Budget Year.2016

No	Partner	Portfolio	Target 2016	Partners	MSMEs
A	Cooperatives	30%	300.000.000.000	125	23.037
B.	Non-cooperative real sectors	70%	700.000.000.000	290	53.752

The effect of this revolving fund can be felt by MSMEs because this revolving fund can provide capital assistance with relatively low interest. A research by Yon Giri Mulyono, Ratna Verawati, Achmad Tjachja Nugraha (Jurnal Agribisnis, Vol 9, No. 1, June 2015, [71 - 96]) mentions that MSMEs in Majalengka have economic improvement with the following indicators: Increase in loan/financing after receiving revolving funds in the first year (2010) amounted to 26.07% and in the second year (2011) amounted to 54.94%. Increase in the value of own capital after receiving revolving funds in the first year (2010) amounted to 13.33% and in the second year (2011) amounted to 67.24%. The increase of SHU after receiving revolving fund in the first year (2010) amounted to 27.61% while in the second year decreased by - 27.61%. The increase in the number of workers after receiving revolving funds in the first year (2010) amounted to 29.41% and in the second year (2011) amounted to 48.53%.

CHAPTER III

DEVELOPMENT BATIK IN INDONESIA AND MALAYSIA

A. Development Batik in Indonesia

Batik and Indonesia, are two words that have been worldwide. The World City of Batik award from UNESCO awarded to Indonesia as a form of appreciation for the struggle of the Indonesian people in developing and maintaining batik to the international level. Batik Indonesia is included in Intangible Cultural Heritage of Humanity list. The award is indeed deserve for Indonesian society, because batik has become a cultural heritage for hundreds of years and even become a highly calculated economic veins.

In Indonesia, batik cloth is always associated with tradition, festival activities and religious ceremonies. Even today batik has expanded to everyday use, household, school, government and private office. The encouragement of Indonesian people to use batik cloth is so strong, not separated from the spirituality of batik cloth itself. The closeness of the relationship between the community with batik cloth is on the aspect of mystical quality 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 its color and motive even in its way of making. Since the beginning of Indonesian culture, the use of cloth even shows the status of wearer. Some patterns or motifs have the meaning of sadness but there is also another pattern or motif 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 life.¹

In Indonesia, batik-producing cities that are located in the North Coast of Central Java and Madura have similarities, both in terms of style, color and the trade of batik. These cities include Cirebon, Indramayu, Pekalongan, Demak,

¹ Fraser-Lu, S., (1989), *Indonesian Batik, Processes, Patterns and Places*, New York: Oxford University Press, p. 28.

Tuban and Madura. Batik that are produced from these areas are then known as batik *Pesisiran*.

As already mentioned, 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 motives. 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 employers, workers, the environment, beliefs, rituals and traditions are closely related to how they deal with the tides of the batik industry. The influence of modernization, capitalization, and even globalization has changed the development of batik, which originally batik present around the life of the palace with a non-commercial orientation, and then became a segment of activities that provide a source of income in the form of commercial business activities (commercial mindedness).

Several researches on coastal batik has been undertaken by many researchers. Beginning in the 1980s, anthropologist Rens Heringa examined the northern coastal batik of Java, as well as Harmen C. Veldhuisen, a sociologist and batik collector. They both are from Netherlands. From both, it is known that coastal batik is estimated to have started to develop since the 15th century. Peter Carey, a British scientist who studied the history of Java, in *Enchanted Fabric* stated that the northern coast became the birthplace of a unique culture. Culture has had a glorious time since the fall of Majapahit kingdom in the early sixteenth century until the war of Diponegoro (1825-1830) ended. This coast becomes a meeting place of traders, travelers and clerics from India, China and various parts of Eastern Asia. This is where the Chinese, Arabian and Gujarat migrants introduce Islam. Coastal areas are away from the palace (*keraton*), so that residents can more easily absorb outside influences. The combination of this culture is reflected in batik cloth, especially in those made in the 1870-1960s.²

² Ishwara, H., Yahya, L.R.S., Moeis, X. (2011). *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia), p. 242-25.

In the past, batik has not become a commercial item. The use of patterned fabrics is used only by certain circles, such as *brahmanas* and priests. While the kings are more accepting gifts of cloth or embroidered fabric with certain decorations such as *patola* from India or from Thailand, which made with a double woven technique. These patterned fabrics are rarely owned by ordinary people because the price is expensive. It is for this reason that the *astacandala*, those among ordinary people who have the skills to prepare various ceremonial equipments, especially batik cloth that is the same ornament of cloth but with different technical, that is batik technique, whether worn as *tapih* (cloth wrapped around the body for women) as well as a tool placement of offerings at the time of the ceremony. With the demands of the need for the purposes of religious ceremonies, the variety of ornaments on batik cloth also adjust to the existing beliefs and religions..³

The coastal batik is estimated to began to develop since the 15th century, and was produced in Jakarta (formerly Batavia, *Betawi*), Indramayu, Cirebon, Tegal, Pekalongan and surroundings, Kudus, Juwana, Lasem, Tuban, Gresik, Sidoarjo, Madura and other places such as Banyumas , Garut, and Tasikmalaya were included in this group. Chinese merchants who came in the 14th-15th century were carrying embroidered silk and porcelain drawn with dragon, hong, kilin, banji (swastika), Chinese flowers like peony, plum flower, and crane and so on. The pictures were adapted to batik and combined with decorations that were already part of Indonesian culture such as *kawung* motifs, machetes (*parang*) and so on.

The person who first introduced the word batik to the international world is 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 Dutch Governor Rijcklof Van Goens. While the British General Governor Thomas Standford Raffles circa 1811-1816 mentioned the first word of batik in his report when looking at the fabric decoration pattern that resembles the fabric decoration pattern of India.⁴

³ Hanafi, I., (2011), *Spiritualitas Batik Jlamprang Pekalongan*, Pekalongan. (unpublished), p 18.

⁴ Hanafi, I., (2011), *Spiritualitas Batik Jlamprang Pekalongan*, Pekalongan. (unpublished), p 13

Sondari and Yusmawati (2000) stated that in view of its history, the art of batik can be classified into two groups, which are mainly based on the nature of decoration and color patterns viewed from a large group of batik making areas. The grouping that has been made since the Dutch colonial era and seems to remain in effect today determines two major groups that distinguish the art of batik craft from one another, namely *vorstenlanden* batik or batik *keraton* and coastal batik. Batik *vorstenlanden* is a batik craft art that is found in the crafting areas that in the Dutch colonial era were called *vorstenlanden*, and shows in two *keraton* area centers of Solo and Yogyakarta. The variety of decorative batik Solo and Yogya is symbolic of Hindu-Buddhist-Javanese background, with the dominant colors are, *sogan*, indigo (blue), black and white.

While coastal batik is all the art of batik craft coming from outside of Solo and Yogyakarta or outside the *vorstenlanden* area. This decorative this coastal batik is more naturalistic and show many strong influence of foreign culture, with diversified color.⁵ Included in batik is coastal batik is Batavia batik, Indramayu batik, Cirebon batik, Tegalan batik, Pekalongan batik, Batang batik, Lasem batik, Tuban batik, Madura batik. Others which are also includes in coastal batik are Ponorogo batik, Banyumasan batik, Tulungagung batik and so on. Although geographically, closer to the palace. 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 batik in the interior of Java. The color is diverse and the motives tend to be naturalist, showing more about flora and fauna richness.⁶ Motive coloring and making in Pekalongan batik can be said to be brave to out of the original and dynamic stream. Such batik nature cannot 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

⁵ Sondari, K. , Yusmawati (2000), *Batik Pesisir*, Direktorat Jenderal Kebudayaan, Departemen Pendidikan Nasional, p. 2.

⁶ Ishwara, H., Yahya, L.R.S., Moeis, X. (2011). *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia), p. 61.

coastal area that became one of the trading entrance in Java, through the arrival of the Chinese nation, Gujarat, also from the islands outside of Java.

In addition to the batik Pekalongan's original motifs that comes with *jlamprang* design. Dutch Batik at about the same time also developed in the north coast of Java Island. In Pekalongan introduced *buketan*, the bouquet of flowers as the main motive.⁷ Then the coastal batik motifs with Chinese motifs began to blend. The Chinese descendants batik makers were soon imitated it. Women in Chinese society adopted their mother's clothes, in the form of batik cloth and *kebaya*. These clothes were tailored to their taste. Starting from *baju kurung*, long *kebaya*, short white lacy *kebaya*, and embroidered white *kebaya*. Initially, the batik cloth they used was made by local people. Known since the end of the eighteenth century, Chinese and Arab merchants have already traded home-made batik-batik they collect from villages. Sometimes, they got these batiks by paying in advance or *mengijon*. They also sold a variety of batik needs. Then some Chinese descendants women hired batik craftsmen to make batik which the variety of decorations were specified by them. The craftsmen made hte batik orders at the buyer's homes. The buyers dared to pay more but their demands were also high, then the result is high quality batiks. Since they were merchant societies, by the 1870s, they came up with ideas for opening batik that employed a number of craftsmen.⁸

Using the analysis of industrial sociology, it is mentioned that the pattern of industrial activity itself is also influenced by wider patterns of life such as values, ideas, beliefs as social institutions, law and politics, which also have a very close relationship with such patterns; industrial societies are formed from a separate consensus of a series of ideas, beliefs and values; with different languages, Feldman and Moore said that industrial society is a series of social structures.⁹ Included in the Pekalongan batik industry, religious teachings and the believed life values are heterogeneous in Pekalongan society. With each capacity, each ethnic simultaneously plays roles in the batik industry; Javanese

⁷ Wolody, S., Chian, N.W. (2004), *The Book of Batik*, Singapore: Tien Wah Press Pre Ltd, p. 34.

⁸ Ishwara, H., Yahya, L.R.S., Moeis, X. (2011). *Batik Pesisir Pusaka Indonesia*, Jakarta: KPG (Kepustakaan Populer Gramedia), p. 64-65

⁹Eldridge, J.E.T., (1973), *Sociology and Industrial Life*, Britain: Nelson's University Paperbacks, p. 2, 21 & 23

ethnics, Moslems, the majority of them are batik traders and craftsmen, Chinese ethnic, non-Muslims, most of them are providers of raw materials, especially white cloth/*mori*, wax and batik needs products traders, Arab ethnics are mostly traders of batik products and few of them are as batik craftsmen. Economic motivation is very strong in underlying the inter-ethnic and interreligious relationships in the batik industry relations in Pekalongan, until ethnic and religious differences barely become a barrier of these batik business actors in doing their business.

The discussion of social solidarity in the batik industry is related to Durkheim's concept that society and social groups can work together as a structure, by considering one's concern with another. Hence this problem is closely related to social cohesion and social solidarity. Social solidarity is a complete moral phenomenon, the more social solidarity, the more capable the community in maintaining their relations.¹⁰ In batik industry in Pekalongan, it can be understood that there really is none of the ethnic that really can independently finish the process of raw materials supply, manufacturing, until marketing. Profit and loss calculation, high cost risk; time, place and others force these ethnics to need one another.

Batik industry is generally run with a subcontract pattern brings a tremendous cultural impact. Business model of batik business in Pekalongan City is managed in subcontract. Therefore, batik making is easily found in the homes of people who participate as batik *sanggan*. The wage systems does not follow the formal rules such as *UMK* (*Upah Minimum Kota/Minimum Wage City*), but rather the market price, the cheaper, the more demanded by investors or *sanggan* owners. Batik craftsmen include such workers have no other choice. Susilastuti and Partini (1990: 25) states that the big number of profit earned entrepreneurs made many people assume that the wholesale/subcontract system is an exploitative system.¹¹

Networks among family or relatives, neighbors to fellow members of religious social such as various social groups that developed in Pekalongan

¹⁰ Durkheim, E. (1933), *Division of Labor in Society*, New York: The Free Press, p. 64-65

¹¹ Setyarini, V.E. (1994). *Sistem Borongan Bagi Buruh Batik Wanita Studi Kasus di Perusahaan Batik Sumiharjo*, Faculty of Literature: Universitas Gadjah Mada, Yogyakarta, p. 12.

society also provide spiritual support that makes batik craftsmen who mostly live with religious social traditions have a strong spirit or mental to survive in batik business. Their religious knowledge, even by the workers, has influenced their way of thinking and how to behave in fulfilling their life needs, through batik business. Rutten in his research, the *Rural Capitalists in Asia* also found the same thing, that the values owned by indigenous or *bumiputera* affected their economic activity. The influence is partly due to aspects of dependence and resignation.¹² The next discovery, Rutten found that among business people, in addition to consideration of economic transactions are also valid social transactions. In addition, the existence of business is not only caused by market demand, but because of cultural and structural approach.¹³ The solidarity of these batik entrepreneurs became a potential social capital that is very valuable and very worthy of research, considering that batik is the vein of income for most of the Pekalongan people.

Batik comes from the Java language "*amba*" which means writing and the word "*titik*" which means dot. The word batik refers to the fabric with a pattern produced by the "*malam*" material (wax) applied to the fabric, thus blocking the dye's entry, or in English is called wax-resist dyeing. It is not known exactly when batik began to be made in Java. But clearly, in Java Island batik method develops the most fertile 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 barriers and tools. *Batik Tulis* made with *canting* and wax, according to Robyn Maxwell in *Textiles of Southeast Asia: Tradition, Trade and Transformation*, probably newly developed in the early of 17th century. History of batik in Java is more dominant than in other regions. The factors were that, since the ancient times Java has a high density of population compared to other regions. With a high population density, Java is at the

¹² Rutten, M. (2003), *Rural Capitalists in Asia (A Comparative Analysis of India, Indonesia and Malaysia)*, London: RoutledgeCurzon, p. 26.

¹³ Rutten, (2003), *Rural Capitalists in Asia (A Comparative Analysis of India, Indonesia and Malaysia)*, London: RoutledgeCurzon, p. 35-36

center of various economic and commercial activities as well as a center of religious and cultural spread.¹⁴

The existence of the origin of Pekalongan batik cannot be separated from the history of the Mataram Kingdom in the 18th century with King Panembahan Senopati. As the dynamics of a conflict-rebellion government whose caused by power led to wars of that time continued to rage. Both the war against the colonials and the war of division inside the royal family. Inevitably, the war disintegration conflicts resulted in many royal families began to spread to various regions. Those who disagree were fled to the south of the mountains and coastal areas. It is in this new area that those who lived adapted to develop their culture. But at that time batik is still made limited to their 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 defend the principle of survival living in the regions as a place of struggle, just as in the coastal of Pekalongan. To survive, they did not just relied on agricultural products, but the expertise to make batik was also done. The Batik made no longer just for personal needs but ultimately the manufacture of batik shifted to meet the need to sustain the economy.

In 1830, batik slowly began to change into new sector for livelihood. From here, batik began to develop as a commodity. The persistence of batik Pekalongan until now cannot be separated from the expertise of the craftsmen as well as the existence of their entrepreneurial spirit. Batik was not only as a commodity, batik has become a cultural heritage that has been rooted from generation to generation fused with the multi-ethnic Pekalongan community (Arabic, Chinese and Javanese). Culture of commerce and dynamic religious culture supported by high creativity made batik never stop to be explored.¹⁵

The figures in Pekalongan who wrestled in batik business are quite a lot, such

¹⁴ Sularso, Adnan K., Haris, A., Amin, M., (2009), *Gabungan Koperasi Batik Indonesia 1948-2008*, Jakarta: GKBI, p. 23-25

¹⁵ Riyanto, (2008), *Pekalongan Membatik Dunia*, Public Relations and Protocol Section of Pekalongan City Government, p. 56-57.

as Oei Soe Tjun (Kedungwuni), HM Bachir Ahmad (Pesindon), H. Bakri (Krapyak), H. Syahur, H. Zaeni (Wonopringgo), Alie Syahbana (Pekajangan), H. Abbas (Jenggot), H. Arifin Usman (Buaran), Fatchiah A Kadir (Klego), H. Abdullah Makhrus (Sampangan), Abu Al Mafachir, H. Failasuf (Wiradesa) and so on.

Batik was originally made by using a style that refers to the *keraton* batik with *sogan* color. In its development, the shades and colors began to change. Batik is made using a base characteristic of the *kelengan*, known as *bang-biron* batik (*bang-bangan* and *biron*) from the word *abang* (red) and *biron* (blue). This color combination became the characteristic of traditional Pekalongan coastal batik with *jelamprang* motif. This is the type of batik products that distinguish with the *batik-keraton* of Solo and Yogyakarta that are dominated by *sogan* color. This design, in addition to symbolizing the nine *walis* of Allah, also illustrates the faith. This design is inspired from the *patola* motif.¹⁶

From the side of the motive, the arrival of the Netherlands also brought new colors tailored to consumer's orders in the Netherlands. When Japan came the Pekalongan people could develop batik companies with institutional support established by the Japanese government. The reason why Japan liked batik so they actively developed it is that: the existence of suitability between the clothes of Japanese society with batik Pekalongan. In addition, the Japanese government used indigenous entrepreneurs as a means of mobilizing the people as their defensive army, as the Dutch used the Chinese to sustain their economy. The prominent indigenous batik entrepreneurs at the time were H. Djazuli, H. Junaedi and Kromolawi. After the independence, they made batik cooperative which marked batik's glory in Pekalongan after 1955. The government policy of making batik cooperative was developed rapidly, so it needed to be supported by the establishment of factories in various regions including its *mori* cloth factory.¹⁷

¹⁶ Fraser-Lu, S., (1989), *Indonesian Batik, Processes, Patterns and Places*, New York: Oxford University Press, p. 36.

¹⁷ Asa, K., (2006), *Batik Pekalongan Dalam Lintasan Sejarah*, Yogyakarta: Cahaya Timur Offset, p. 135-141.

Batik development is a major concern for local government. Many policies have been issued by Pekalongan City Government to encourage batik's economic potential. These policies include:

1. Batik wholesalers supply program, by locating batik traders in certain locals which later developed into batik wholesale market, such as in Noyontaan area (PPIP wholesale market), Setono wholesaler and Wiradesa wholesaler. In addition, batik kampongs were also formed, such as Kampung Batik Kauman, Kampung Batik Pesindon, kampung Batik Wiradesa and International Batik Center (IBC). From the geographical side, with the formation of kampong batiks, then the batik business, especially at the small to medium levels are receiving gains, **first** they are in the adjacent territory (geographical proximity). In every village of batik visitors can freely visit batik showroom on foot because almost every house opens a batik selling business. **Second**, the availability of labor pool which has a special skill that is batik (write and stamp). Batik village which became the center of batik also indicates the availability of manpower. The model of recruitment through neighboring relationships greatly benefits residents in each batik village, as they seek employment and also benefit the entrepreneurs because they do not have to bother conducting selections especially if the prospective worker is not a resident, because usually the factor of trust also plays a role. Only under certain conditions if the type of batik works cannot be done by ordinary workers, then the entrepreneurs are looking for reference to certain areas that have adequate human resources to work on the type of interested batik. **Third** is the exchange of information and ideas about business development and innovation of motifs and batik techniques. These batik villages are scattered at several points such as Pesindon, Wiradesa, Buaran, and Kauman. The existence of batik village is also became a tourist destination popularized by the Pekalongan city government through visits by both domestic and foreign tourists, as well as in every visit by the central government and other regions' governments.

2. Pekan Batik or Pekalongan Batik Week activities, held in 2007 until 2016 is a national event that is widely known in Indonesia and even abroad, this event has always been a tourist destination and investment for Pekalongan community itself and various circles in Indonesia and abroad. This activity is very useful to mobilize various components of Pekalongan societies, so with these various activities, the city of Pekalongan given the title of Creative City by UNESCO in the year 2014 in the section of Community Arts and Crafts, thanks to the role of creative economic community in Pekalongan. This predicate more completes the self-confidence as a batik manufacturer.

Batik Week is held in order to welcome and enliven the National Batik Day celebration which is commemorated every October 2nd. Pekalongan City Government involves the support of the central government, ministries, government agencies, *DPR/MPR*, Provincial, Regency, City Governments, State Owned Enterprises, *BUMD*, Privates, Entrepreneurs, Collectors, Batik Lovers, Artists, Designers, Celebrities and Indonesian society at large.

The events that generally accompany the activities of Pekalongan batik week are as follows:

1. Batik nusantara exhibition / batik expo
2. Gala dinner and pekalongan batik masterpiece fashion show
3. Batik crafting, together with vice president, officials, celebrities and netizen.
4. National Seminar "National Batik Protection"
5. Central Java culinary festival
6. Art and cultural performances
7. Tourism photography competition
8. Batik souvenir competition
9. Batik and weaving design competition
10. Batik procession (Pekalongan batik carnival)
11. Batik theatrical on the street

Pekalongan City Government continues to cooperate with various institutions that are competent to develop small and medium enterprises. Such as by holding a fashion show in collaboration with SMESCO Indonesia which often hold Batik Nusantara Fashion Show featuring fashion products and accessories with ethnic batik nuances. This activity is also the result of SMESCO's collaboration with the Deputy of Production and Marketing which shows the best products from business actors in the field of batik and facilitates SMEs to expand market access. The exhibition is expected to introduce batik-both local, from Pekalongan and outside Pekalongan.

3. The government's attention to batik is not on the trade side only, this is indicated by the establishment of Pekalongan Batik Museum located on Jalan Jatayu. The museum was established, of course, with a variety of purposes, among them is easy access to everyone who visits from within the city, outside the city to foreign countries to see the development of batik throughout Indonesia are placed in rooms that have been transformed into showrooms. In this museum, there are also various types of batik from various archipelago, complete with historical information of batik motifs, ranging from the influence of Islam, the influence of Chinese culture, Dutch influence and Japanese influence known as the *Hokokai* Jawa motif. The treatment of batik cloth is very exclusive, even on batik cloth that is hundreds of years old, visitors are prohibited to touch and photograph it. The existence of this batik museum became a landmark of Pekalongan City which has always been a tourist destination even became the main area of organizing cultural events that expose Pekalongan batik
4. Assistance program assistance by the Ministry of Trade and Cooperatives, especially in the environment of the city government of Pekalongan through the Department of Trade and Cooperatives who take care of all types of businesses in the Pekalongan region. Assistance to batik business continues to be done with various activities/exhibition events, including working with other agencies such as tourism office. Also through co-operative activities in terms of capital through cooperatives and BMTs, as well as exhibitions at the municipal, provincial and national levels, which are also administered by the

agency. Ministry of Culture and Tourism, followed by cultural and tourism office of Pekalongan City. Through exhibition activities and cultural performances, such as in International/National Batik Week, batik products become excellent products that often successfully push the transaction value. This mentoring generally includes financing, brand registration, import-export training, online and offline marketing, motive and design development, including batik making techniques.

5. Environmental saving program from batik waste is conducted by Pekalongan City government by making Waste Water Treatment Plant (*Instalasi Pengolahan Air Limbah/IPAL*) Batik with big capacity at some point in Pekalongan City, that is in Kauman and Jenggot. Because the batik industry system that runs with subcontract system, making the process of work is also scattered in residential areas of the population, in every district. This makes the government-made IPAL cannot reach to its full potential. To that end, the Pekalongan City Government facilitates the manufacture of individual/home-based WWTP/*IPAL* with cheaper cost. The common obstacles are the wide area, manufacturing costs, and waste treatment technologies. Facilities provided by the Environment Agency through the assistance of making the size of the home industry/individual. Although the government has tried to overcome the contamination of batik waste, it does not mean the problem of this waste has been solved. The habit of home-scale batik craftsmen or small-medium enterprises (SMEs) who dispose of waste water directly to the river, continue to be made aware through the socialization of batik waste and approach to entrepreneurs to be willing to make individual-scaled WWTP/*IPAL*. In reducing the waste of batik industry, local government also drive innovation of batik making with environment-friendly materials or called by natural dyes (green product).
6. Through batik subjects included in the local curriculum content. This subject's activities synergize with the activities organized by the Batik Museum in Pekalongan City, namely through batik lesson workshop and batik model and creations. In addition to local subjects, batik policy in the school environment is also applied through the use of batik uniforms on certain days. The number

of students in the school environment since the elementary, junior high and senior high school level in Pekalongan City is very large, very significant with the increase of batik products. Pekalongan City Government Policy that requires civil servants/State Civil Servants (*ASN*) in the government to wear batik uniforms on certain days of the week. This policy certainly brings economic implications, where batik products consumptions increased significantly.

B. Development Batik in Malaysia

Telling the story of batik in Malaysia, in particular, is not only linked to the textile traditions of other regions in the Malay World and to their common origins but also to the geography of the Malay Peninsula and its location at the southernmost tip of the Asian mainland, midway along the ancient East-West trade routes. That the more remote northern peninsular states of Kelantan and Terengganu on the east coast have always been the bedrock of the traditional arts and craft, long known for their artistic achievements, including the most sophisticated of local handwoven cloths, is no accident of history. Although craft have always practiced in the other Malay states, including those on the west coast of Peninsula, it was the comparative isolation of the east coast states, their proximity to neighbouring nation states, but also their role as royal centres of power and patronage that allowed the arts and crafts to flourish. Kelantan and Terengganu had their own cotton industries and later Terengganu was to produce silk thread. A substantial number of the female population was always engaged in the arts, and in the second half of the nineteenth century the ruler of Terengganu actively encouraged foreign artisans to settle there. Furthermore, British colonial interference was minimal up to the twentieth century as the east coast of the west coast, specifically Penang, Melaka and Johor. Although the east coast state of Pahang also had a substantial weaving tradition, it never took to the production of batik the way the more northern states did.

The earliest of the Malay Peninsula, indeed the whole of the area that eventually came to be known as Southeast Asia, was shaped to a large extent by the crosscurrents of maritime trade. The strategic location of Southeast Asia as the nexus of the monsoons that straddled the major East-West maritime trade route greatly contributed to the region's role as a transshipment point for cargoes from one end of Asia to the other, as well as the wider world. From the immemorial, trade links had been forged with ports in the Malay Peninsula via coastal shipping and overland routes as well as with trading partners located around the Strait of Malacca and the South China Sea –the famed Malay Archipelago- via inter-island shipping. But trade was also forged with the great civilizations of China to the northeast of Peninsula and India, Arabia and Europe to the northwest, for whom products from Southeast Asia were highly desirable commodities.

Maritime trade was largely driven by an insatiable demand for a variety of luxury goods and exotic rarities, what the eminent curator, ceramicist and author John Guy calls 'the strange and the precious.' The region's forests were a rich source of perfumed woods such as sandalwood, gharuwood and camphor for incense and aromatics as well as waxes, resins and rattan, while ivory, rhinoceros horn and kingfisher feather from the forests were coveted for decorative purposes. The earth yielded tin, iron, and gold. The seas supplied various kinds of shellfish, pear oysters, tortoiseshell, cowrie shells and edible seaweeds. Most important of all were the spices, such as nutmegs, cloves, pepper and mace, that were so desirable and necessary for preserving and flavouring food.

This flourishing maritime trade helped to stimulate the emergence of trading kingdoms and royal entrepôts, located mostly along the coastlines. They were mighty cosmopolitan emporiums and centres of culture and statecraft offering luxurious commodities from India, China and the Arab World as well as from the region's own vast hinterland. Local rulers took advantage of the trade to acquire textiles, porcelain, bronze wares, lacquered items, beads and other rare objects such as silk yarns, gold threads, gold leaf

and dyestuffs. All these items served as status symbols and tangibly demonstrated the rulers' wealth and their access to international trade.

Of all the imported textile, the gossamer-like *patola* cloths from northwest India were to have the greatest influence on textile construction in the east coast states of the Malay Peninsula and elsewhere in Southeast Asia. Unlike in India where these high-status cloths were usually woven in Sari dimensions (1 by 5,5 or 6 meters), *patola* exported to Southeast Asia were mostly in sizes appropriate to local untailored apparel, including sarongs and breast wrappers, shoulder cloths and shawls, head cloths and waist sashes. Although, as in India, their use was largely confined to those of high social position, their design repertoire was to influence not only the patterning produced by the actual process of constructing woven textile such as *kain limar* and *kain songket* on the wooden frame loom, but also the surface decoration of finished cloths mentioned above, was made for rulers and commoners alike and was worn by almost all the communities in the region. The repeat-patterned centrefields on *patola*, comprising interlocking stylized floral motifs or eight-rayed rosettes set in a modified circle, square or hexagon framed by borders and end panels the latter often including the ubiquitous triangular bamboo shoot motif (*pucuk rebung*) –had a profound effect on the design register of woven and printed textiles of Southeast Asia and was undoubtedly *patola's* greatest legacy. In the course of the eighteenth century, block-printed and painted cotton Indonesian imitations of the expensive, prestigious Indian *patola* imports provided a cheap alternative for customer. Known locally as *kain sembagi*, the patterns on these cloths show a close relationship to those appearing on Indonesian and later, Malaysian batik, especially floral rosettes and triangular end borders.¹⁸

The roots of batik are ancient, difficult to trace and much debated, with many countries claiming to be original cradle of the art. The word 'batik' itself, meaning 'to draw with a broken dot or line', is derived from two word – the Javanese word *amba*, 'to draw', and the Malay word for 'dot', *titik* – but

¹⁸ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 16-19

batik has become a generic term referring to a process of dyeing fabric by making use of a resist technique, covering areas of cloth with a dye-resistant substance to prevent them from absorbing colours. Today batik is recognized and practiced in many countries by craftsmen and contemporary artists.

It is not exactly known when and where people first applied beeswax, paraffin, rice and other vegetable ^{paste}, even mud, to cloth that would then resist a dye. What is known is that the batik process existed in India, China, Japan, Thailand, East Turkestan, Europe and West Africa from ancient times, employing a variety of dye-resist techniques, before it emerged in Indonesia, on the Island of Java, in the sixteenth century before the arrival of the Dutch. Here it was to develop into one of the greatest and most enduring art forms of Asia. Here also wax became the dominant resist material used, and here also the *canting* or stylus was developed and perfected, allowing the drawing of hitherto unknown fine and complex lines of wax on the surface of cloths.

The first known record of batik in Java, on a sixteenth-century *lontar* palm, refers to *tulis* ('to write'), while the word 'batik' first appears on a Dutch bill of lading for a shipment of cargo that set sail from Batavia (present-day Jakarta) to Bencoolen (Bengkulen) on the west coast of Sumatra. The first systematic study of batik appears in Thomas Stamford Raffle's 'The History of Java', published in 1817, in which Raffles, at that time Lieutenant Governor of the Dutch East Indies, describes in detail various types of clothing and the local techniques of weaving and patterning of cloth. Illustrations in the volume show numerous batik blocks and the designs produced from them.

At the time batik emerged in Java, Southeast Asia was a fluid assemblage of coastal and inland communities that were in constant communication with one another. There was a great deal of reciprocal exchange of goods and ideas, in particular between India and Southeast Asia as Islam spread through the region via Indian and Arab Muslim traders. There is no record, however, of artisans in the Malay Peninsula adopting the process of wax-resist batik making from the Javanese in the sixteenth century. It appears that Javanese batik only became familiar to Malays from the early

nineteenth century through the Islamic designs produced especially by artisans from the north coast of Java for Muslim clientele.

It is generally agreed that the Malays of the Peninsula adopted the habit of wearing batik, especially batik sarongs, long before the east coast Malays of Kelantan and Terengganu began making batik themselves. The preference of the people remained for locally woven cotton or silk plaid sarongs (*kain tenunan*) – the Malay plaid is considered the earliest and most widespread contribution of Malay weavers to Southeast Asian textiles – or important Indian cotton plaids from Pulicat, known as *kain palekat*. The labour – intensive *kain songket* and *kain limar* continued to be woven at the behest of sultans or rajas for ceremonial use and other special occasions. Indeed, up until the twentieth century, all Malay women from all sections of society were expected to be skilled at weaving, which may partly explain why surface-decorated cloth took a back seat. But with the increasing availability of cotton from India and England, woven with tight, smooth surfaces on industrial looms that made it possible to stamp designs with precision, as well as chemical dyes in a wide range of colours that did not need to be steeped for long periods, the local weaving industry was driven into decline. As British colonial officer R.O. Winstedt admonished in his pamphlet on ‘Art and Craft’ (1909), now was the time for Malays to learn the art of batik from Java.¹⁹

A part from its significant effect on batik production and the commercialization of batik, the introduction of the *cap* signaled a change in demographics in the batik industry in Indonesia. While the application of wax on to cloth with a *canting* had been almost exclusively a task reserved for women, as it is still today in Indonesia (and Malaysia), in the many batik workshops and factories that were established along the north coast of Java, especially by entrepreneurs of Arabic and Chinese origin, men became increasingly involved in what was heavier and more physically demanding than *canting* work, thus opening up a role for men in the ‘production line’ as stamp makers, batik printers and dyers.

¹⁹ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 24-25

Malay women in the Peninsula – not forgetting the small communities of Straits Chinese women in Penang, Melaka and Singapore known as Nyonyas – adopted the habit of wearing batik sarongs long before the Malays in the east coast states of Kelantan and Terengganu began making them. It is believed that the use of metal stamps and wax was introduced to the Malay Peninsula as late as the 1930s by Javanese batik makers who came to seek employment in batik workshops and, in the process, impart their knowledge of batik making. Some were brought in specially to teach the art of *batik cap* at workshops in Kota Bharu and Kuala Terengganu, such as a batik maker by the name of Raden Mokhtar who was employed at the workshop of Haji Che Su bin Haji Ishak in Lorong Gajah mati, Kota Bharu, Kelantan, in early 1931. There was no simultaneous introduction of the *canting* in the Malay Peninsula. As Sarah Arney points out in her pioneering work, *Malaysian Batik: Creating New Traditions* (1987), the Malay were not interested in learning the Indonesian *canting* or *tulis* technique. It was too labour-intensive and the sarongs produced too expensive. By using the *cap* technique, the Malay batik workers, predominantly men as in Indonesia, could produce sarongs in greater quantities and at prices that were within the reach of ordinary people. Although the stamps used were initially made of imported copper, as they were in Indonesia, when the price of copper rose, Malay stamp makers turned to recycling tin cans.

It is perhaps to be expected that the somewhat coarse locally made tin stamps did not produce the fine, consistent lines typical of Indonesian *batik cap*; rather, as Arney points out, they resulted in a ‘fidgety’ look. Nevertheless, the earliest Malaysian *batik cap* fulfilled a local need for sarongs for everyday wear and some were even exported to Sarawak, Brunei, Singapore and Thailand. The block technique could also be used to produce stamped cloth in yardage, which became increasingly popular. Although batik production halted during the Japanese occupation of Malaya (1941-5) because of a lack of imported cotton from England and India, by the early 1950s production had resumed. Haji Ali’s factory in Terengganu was employing 200 workers and there were some 60 factories operating in Kota Bharu, Kelantan.

Batik cap was on its way as a fully established handicraft in Malaysia, reaching its pinnacle in the 1970s.²⁰

Regardless of the patterns and motifs observed on the earliest imported Javanese sarongs, the Malays have always been inclined towards motifs derived from the natural world –arabesques and curvilinear or angular foliated shapes modeled after their environment – and these are clearly exhibited in their handwoven *kain songket* and *kain limar* as well as in their woodcarving (panels and other architectural elements), metalware (goldwork, silverwork and brassware), weaponry (the *keris* sheath), embroidery (gold-thread *tekatan*), fibreware (baskets and mats) and earthenware (cooking pots and water jars). This inclination reflects the environment in which they worked-and continue to work-but it is also the result of generation of cross-cultural influence and the exchange of material goods as well as the Islamic preference for geometric and denaturalized stylization. Malaysian batik, although considered a traditional Malay craft, is, in reality, less than a century old. The very fact that it is so recent frees it in many ways from stereotypical designs, allowing opportunity and freedom for innovation.

At the same time, the design on early stamps ensure a certain amount of continuity of traditional patterns and motifs and the cultural values that are embedded in them. In a carefully designed *batik cap* sarong, as Mohammed Najib Ahmad Dawa points out in the En Bloc catalogue, ‘the motif is from the same source although it is placed in different parts of the scheme.’ He gives the example of a schematic arrangement illustrating the several phases in the growth of a flower: the pre-bud (seed) and bud in the *pucuk rebung* or bamboo shoot motif on the *kepala* (head) of the sarong; opening buds and entwining tendrils on the narrow borders encasing the *kepala*; and fully opened blossoms, leaves and stems on the *badan* (body). These, in turn, he says may symbolically represent the metamorphoses of child into an adult.²¹

²⁰ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 35-36

²¹ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 41-42

Along the length of the east coast states of Kelantan and Terengganu, freshly printed batik flaps on clothes lines or forms colourful ‘carpets’ on the ground as the cloths are laid out to dry. The batik process requires copious amounts of water for the various dye baths and rinsing, so it is not surprising that most workshops are situated near or along the banks of rivers, although this was less imperative as electricity and piped water came to remote areas. They are generally home-based and family-operated ‘factories’ placed beneath Malay wooden houses on stilts or in nearby sheds. Other are located near the sea or on the outskirts of towns or cities, the only of their presence being lengths of batik drying on lines nearby or the pungent smell of molten wax wafting through the windows and doors. Larger, more sophisticated ateliers line the main roads into town, their sign-boards inviting people to visit their showrooms or observe how batik is made in the workshops behind.

Because the production methods and materials of *batik cap* are virtually the same along the east coast, it is difficult for the novice to distinguish between the stamped batik made in Terengganu and Kelantan. One broad difference, however, is that Terengganu is known primarily for its traditional sarongs while Kelantan is identified with batik yardage.

Malaysia’s metal block batik industry flourished from the late 1950s into 1970s through a combination of government participation and the initiatives of young designers and entrepreneurs. The prime mover was Malaysia’s independence in 1957. The new federal government established a number of organizations and institutions to serve the people in the development of the country. One of the first to bring change to the lives of those involved in the batik industry was the Rural and Industrial Development Authority (RIDA), set up to assist small-scale industries in rural areas. This led to the establishment, by the early 1960s, of batik associations to facilitate communication between batik producers and RIDA. The Majlis Amanah Raya (MARA), created at about the same time, and its subsidiary, the MARA Handicraft Development Centre, further assisted the rural population, especially the Malays, with the latter focusing on the search for new batik techniques as well as patterns and motifs with a distinct Malaysian identity. In

1968, MARA's Bumiputera Marketing Board and Malaysian Batek and handicraft Berhad (MBHB) were set up to assist east coast batik producers in marketing their products and in facilitating better quality and consistency. Batik yardage with uniquely Malaysian designs was also encouraged. To facilitate this, longer tables were built for waxing, rollers and racks were installed to handle the waxed cloth and larger tubs were built for dyeing and washing.

Independence –and the ensuing Konfrontasi with Indonesia- also unleashed a spirit of nationalism, leading to a surge in artistic freedom and creativity. Batik artists broke away from the Javanese batik tradition of elaborate background design and Pekalongan bouquests to produce sarongs with either plain or repeat-patterned *badan* (backgrounds), while the *pucuk rebung* (bamboo shoot) motif came to dominate the *kepala* (head). The National Art Gallery also held competitions to encourage the use of batik as an art medium.

In 1970, the first intake of students specializing in art and design graduated from the MARA Institute of Technology and together with returnees from foreign art schools applied their newly acquired knowledge and skills to product and technical development and, most significantly, to the development of a new style of Malaysian batik.²²

The development of batik in Malaysia also being the government attention. Batik need the cooperation, support and involvement of a number of key government ministries and government departments, most critically the Ministry of Culture, Arts and Heritage (later to become the Ministry of Information, Communication and Culture), the Ministry of Tourism and Kuala Lumpur's City Hall (Dewan Bandaraya). It would need the generosity of a large number of sponsors from both the public and private sectors. It would also take a great deal of planning, organization and execution. But under the capable leadership of Penyayang's CEO, Dato' Leela Mohd Ali, and with the assistance of its subsidiary, Batik Guild Sdn Bhd, several phases, building

²² Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 47-48

upon each year's agenda, have been implemented since 2003 and have contributed enormously to the development of the industry. Malaysian batik now enjoys a much higher, more respected profile than previously, both at home and abroad; a great deal of Malaysian talent, not just Malay, has been nurtured and new techniques such as wax-screen printing have allowed batik to be reproduced in commercially viable quantities.²³

The 'Malaysia Batik' –Crafted for the World' movement launched in September 2003, in Kuala Lumpur sprang to life with fashion shows by established and new batik designers at various malls around the city; a street carnival featuring colourful batik-performers and musicians; a Batik Fun Walk for the whole family (the dress code strictly batik); batik exhibitions and demonstrations; and retail booths. The highlight of the month was the inaugural Piala Seri Endon competition for batik fashion design which attracted fifty-five entries.

Penyayang's initiatives augment what the Malaysian Handycraft Development Corporation (Kraftangan) is doing as the government agency responsible for the development of batik. Penyayang's efforts are well received and supplemented by the East Coast batik Producers Association (Persatuan Pembatek-Pembatek Melayu Pantai Timur), the Terengganu Batik Manufacturers Association (Persatuan Pengusaha-Pengusaha Batik Terengganu) and the more recently established Malaysian Batik Association. All these organizations promote the use of batik as an important national product, help to upgrade and spread batik skills through educational services, assist with marketing and research new technologies. Kraftangan's research and development department, for instance, is looking at natural dyes and documenting the processes so that these can be passed on to producers. It also encourage state in Malaysia to have its own batik identity by incorporating significant local motifs into the designs, such as weaving designs from Kelantan and gold-thread embroidery (*tekad*) and pottery designs from Perak.

²³ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 73

On 2004, the second phase of the ‘Malaysia Batik-Crafted for the World’ Movement, was titled ‘Sharing with the Nation’. In line with promoting batik as a treasured cultural heritage and a national economic resource, the movement went on road-shows to Penang and Kota Kinabalu in Sabah to spread the word about the movement and its objectives, to garner interest in the Piala Seri Endon competition and to meet people with a stake in the batik industry. Apart from the Piala Seri Endon, other batik competition are held to highlight batik and in so doing supplement, the efforts of Penyayang. One of the most important, the Piala Seri Iman (Seri Iman Cup), appropriately inaugurated in heartland of Malaysian batik, the state of Terengganu Darul Iman, in 2004, carries very much the same aims as the Piala Seri Endon. In 2008, two new competition categories were added to the batik pattern and fashion design category of the Piala Seri Iman Competition-metal block printed batik (*batik cap*) and batik woodblock carving, the latter another quintessentially. Terengganu art. Specific themes for the annual competition-the one in 2008 was ‘Experimentation and Innovation in Batik’- encourage participants to come up with bold, beautiful and creative designs in fashion, interior design, gifts and commemorative products within the selected theme. Jointly organized by the Terengganu Entrepreneur Development Foundation and its subsidiary, the Terengganu Institute of Design Excellence (TIDE), the Piala Seri Iman is helping to elevate batik locally and internationally.²⁴

²⁴ Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 77-78

CHAPTER IV

METHOD AND RESEARCH PROCEDURE

1. Research Model

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.¹

The subject of the research in this research is the SMEs managers in the city of Pekalongan and Kuala Lumpur. 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 Kuala Lumpur. 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 rs, the formula is used:

¹ Arikunto, S. 2010. *Prosedur Penelitian Suatu Pendekatan Praktek*, Jakarta, Rineka Cipta.

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

The data retrieval technique is taken through questionnaire, interview, and documentation.

2. Research Method

The analysis in this study uses 2 approaches, qualitative and quantitative. Qualitative analysis is used to support problem solving in this study that is less able to be answered in quantitative analysis. While quantitative analysis is used for hypothesis testing by using partial least square technique (PLS). The reason for using PLS is because the variable contained in the model is latent with reflective indicator model, so it can not use other way. The Smart PLS program version 1.01 is used in this research analysis which is based on the opinion of Werld in Ghozali, that PLS is a powerful analytical method because it is not based on many assumptions, other than that the data used do not have to be normal distribution

This research used the questioner and interview in the process of data collecting. Questioner is structured of many questions with many answers. The respondent as informant give their answer as well as their aspiration, persepction, condition or private opinion. This procedure given by alternatives answer in order the objective to make the limitation of relevant answer, not to trap the respondent, but to make the tabulation and data analysis easily.

3. Research Location and Time Period

The research location are the city of Pekalongan and Kuala Lumpur, also Kelantan, Malaysia. The location of this research is Pekalongan, Indonesia and Kuala Lumpur, Kelantan in Malaysia, inwith the subject of research is the owner of batik business. While the time required for completion of this study is 3 months, from September to the beginning of Desember 2017.

4. Research Approach

This research is a type of mix qualitative and quantitative research using phenomena that occur in SMEs and the data analysis by PLS. The method used is descriptive method, meaning the researcher gives a systematic, factual and accurate description of the facts and characteristics of a particular population.² 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 Kuala Lumpur, 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 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

² Arikunto, S. 2010. *Prosedur Penelitian Suatu Pendekatan Praktek*, Jakarta, Rineka Cipta.

strategy in Pekalongan and implement the strategy in the form of policy proposal for The city of Pekalongan and Kuala Lumpur government.

5. Sample and Population

Table 4.6.
Percentage Distribution of Number of Batik Industry In Batik Center Central Java Year 2016

No	City	Procentage
01	Yogyakarta	20 %
02	Pekalongan	30 %
03	Surakarta	15%
04	Semarang	8%
05	KulonProgo	21
06	Wonosobo	6 %
07	Total	100

Source : BPS & Disperindagkop

Based on table 6.4. Pekalongan has the highest percentage (30%) compared to other provinces. The high percentage of the number of batik industries in Pekalongan shows that Pekalongan is still the center of batik industry in Central Java. The subject of the research in this research is the SMEs managers in the city of Pekalongan and Kuala Lumpur. 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 Kuala Lumpur. 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 rs, the formula is used:

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

6. Data Collection Technique

The research instrument used program's effectiveness by Danim (2004), that is, the number of results that can be issued, the level of satisfaction obtained, creative products, and intensity to be achieved. Methods of collecting primary data using questionnaires/questionnaire while secondary data obtained from literature studies. Effectiveness calculation using test of validity, reliability effectiveness. This research also use the interview and observation to get the rich information, which need in qualitative approach.

7. Hypothesis

This study aims to propose two research hypotheses:

- H1. Revolving funds have a significant effect on the empowerment of Smes, through BMT in Pekalongan
- H2. Revolving funds have a significant effect on the empowerment of Smes, through Sharia Cooperatives in Trengganu
- H3. Revolving funds have a significant effect on the empowerment of Smes

8. Analysis Data Technique

The tool analysis used in this research is descriptive, that is by describing experience of Smes for 3 (three) year which using revolving fund through BMT. Descriptive analysis is also used to identify several factors that are considered to encourage the effectiveness of the use of revolving funds, so as to empower SMEs. 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 Kuala Lumpur, based on the problems found in the field through SWOT analysis model.

CHAPTER V

ANALYSIS AND DISCUSSION

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 from 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.

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

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

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

² Yayasan Budi Penyayang Malaysia, *Malaysian Batik Reinventing A Tradition*, Singapore, hlm. 78-81

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

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 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

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

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

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

B. Cooperative in Indonesia and Malaysia

1. The Development and Role of Cooperatives in Indonesia

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

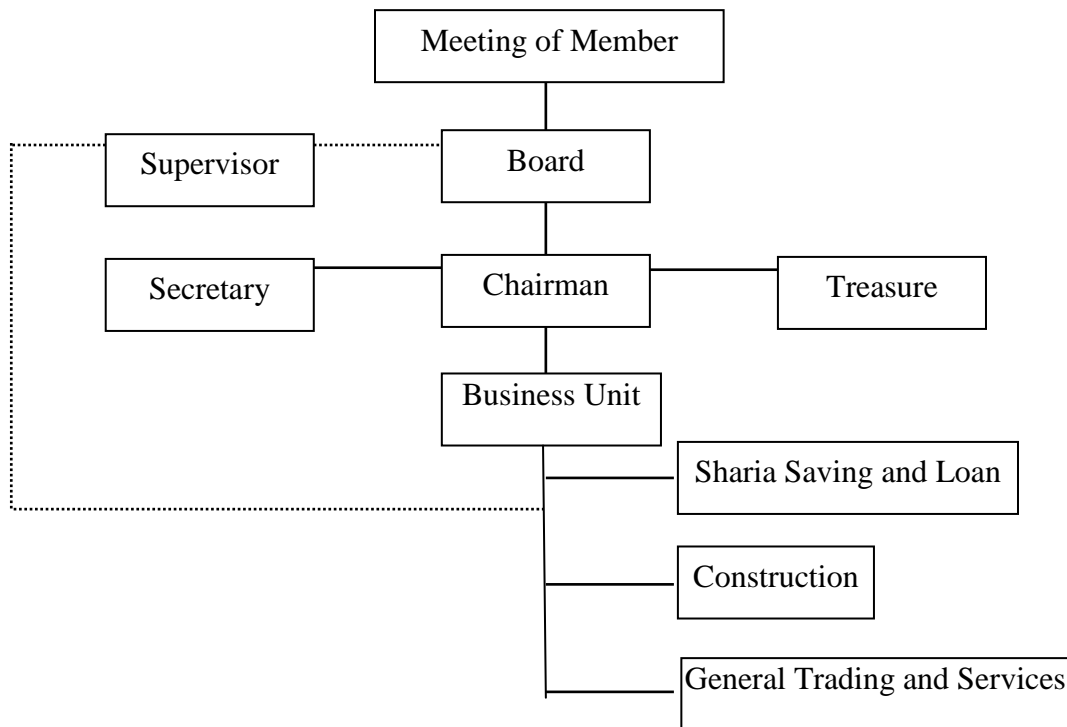
- 1) Making BMT SM NU as a professional company to make profits by dismissing usury reward and divide profit.
- 2) Organizing various savings and financing programs and other supportive activities with maximum satisfaction for customers and business partners

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 *aghiya* care for the *dhuafa* in an integrated and sustainable manner.

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

Figure 5.7.
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. Dananir

Duties 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

c. **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 (HR).

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 Pemasang 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:

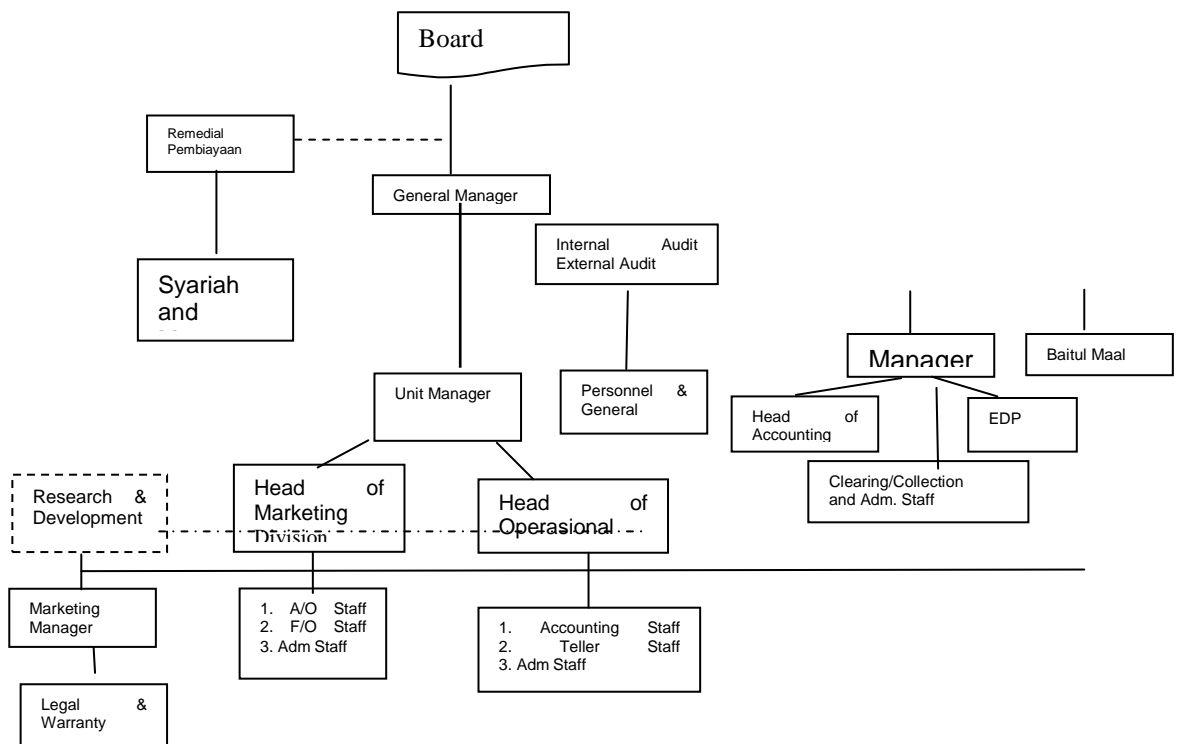
1. Empowering communities /small and medium entrepreneurs.
2. Answering the public demand for the need of sharia financial institutions for the wider community that is cannot accept the concept of interest.
3. Funding opportunities for business bearers based on the partnership principles.
4. Creating 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 5.8.
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 syaria`h 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 5.9.
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 5.10.
Pattern of the Co-operative Movement 2011-2016

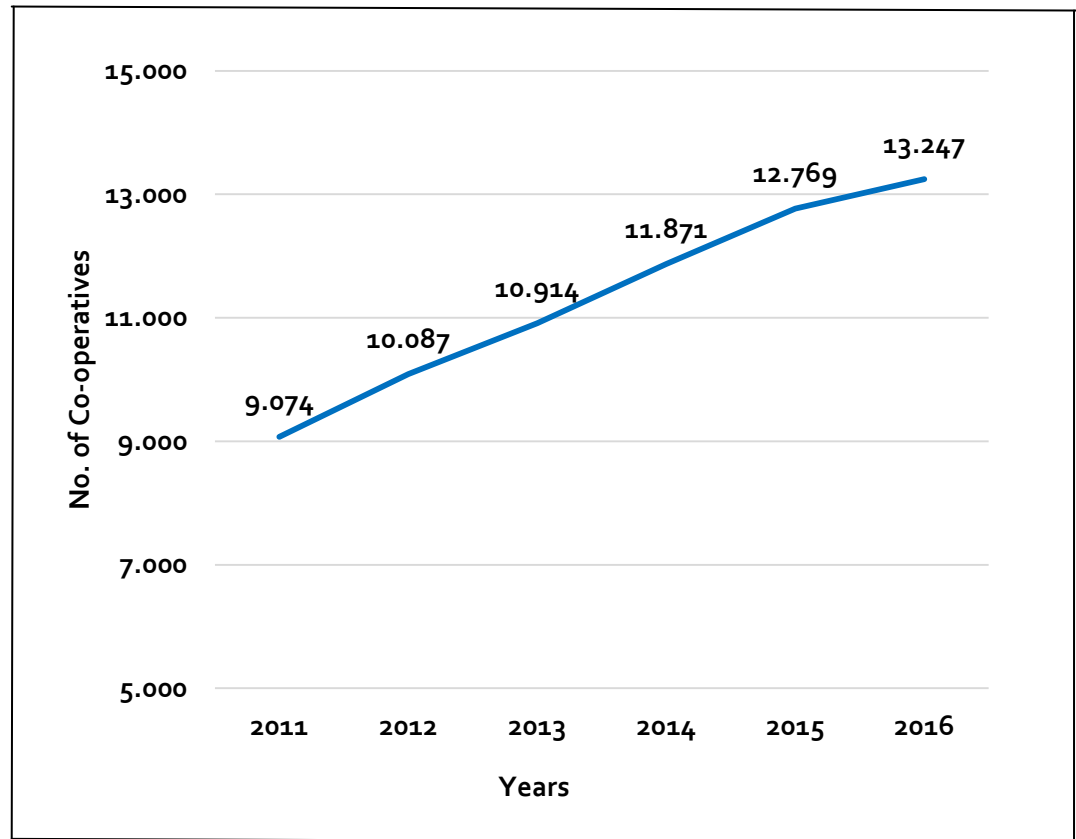


Figure 5.11
Number of Membership

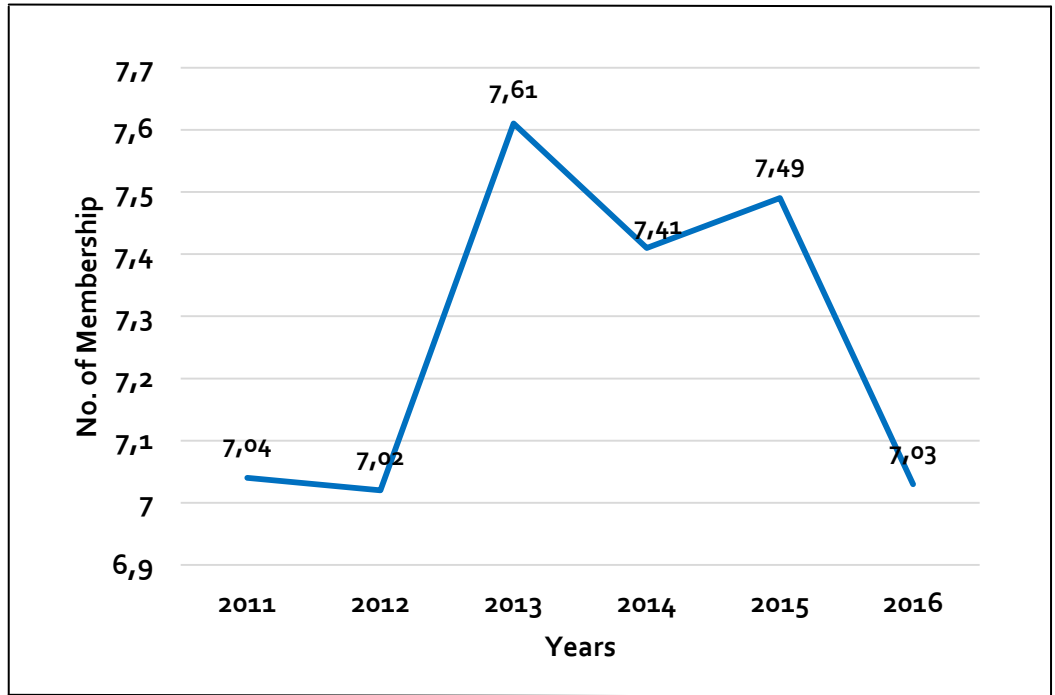
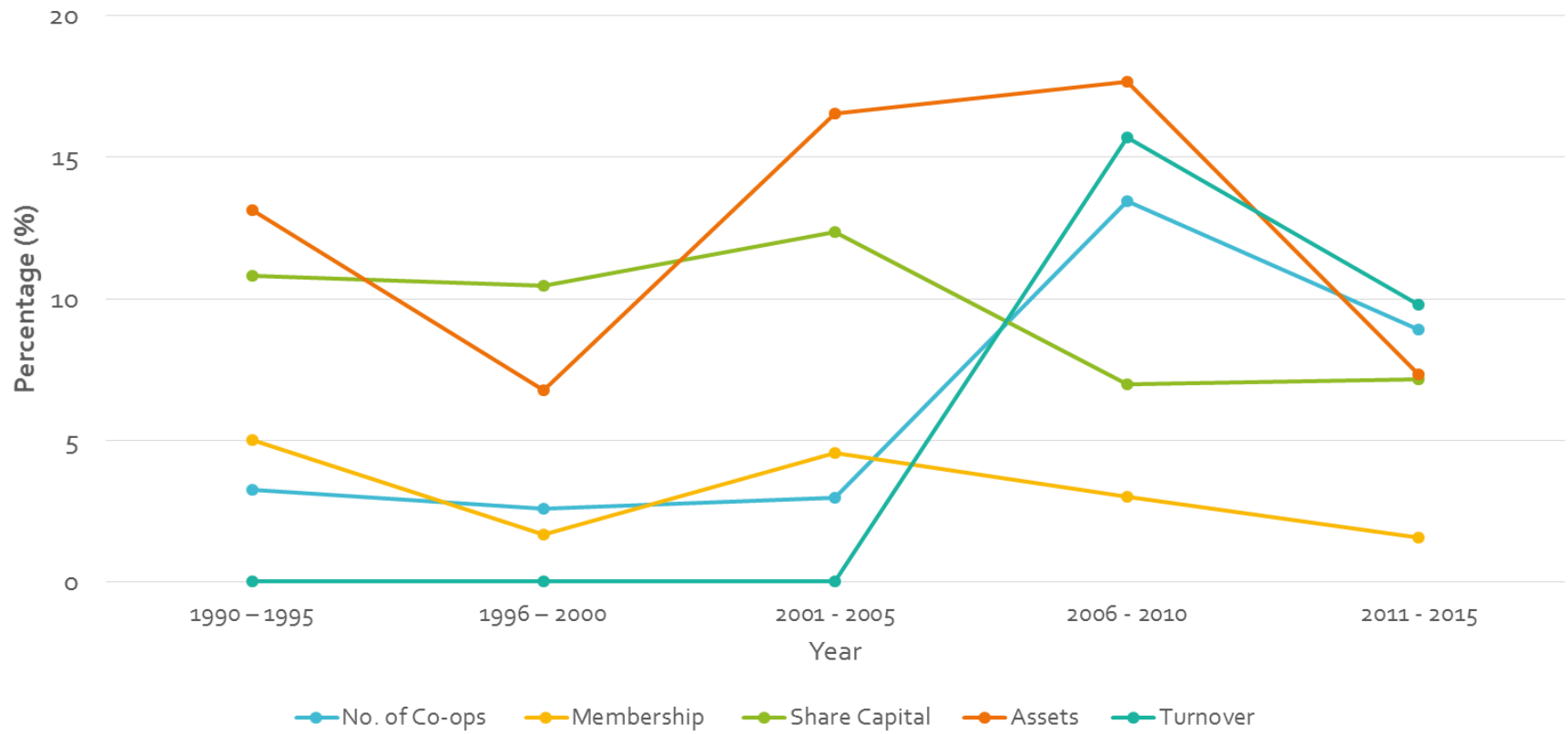


Figure 5.12.
Growth Trend Of The Cooperative Movement 1990-2015



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:

- 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 (NLFC) 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 on⁷. 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 Malaysia⁸, namely:

a. Members' perceptions of cooperatives

In general, cooperatives, at their beginning of the establishment were very interesting for Malaysian society, 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

⁷ Fatimah Kari, October 23th, 2017, Bilik Seminar Fakulti Ekonomi dan Pentadzbiran Universitas Malaya.

⁸ Azmah, October 23th, 2017, Bilik Seminar Fakulti Ekonomi dan Pentadzbiran Universitas Malaya

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)*.⁹

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

⁹ Interview with Mohd Sharifudin bin Yusop, Koperasi Serbaguna Iman (KOIMAN) Malaysia Berhad, Wednesday, October 25th 2017.

economic empowerment, is done through the product of *Ar Rahn* (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 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.¹⁰

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.
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.

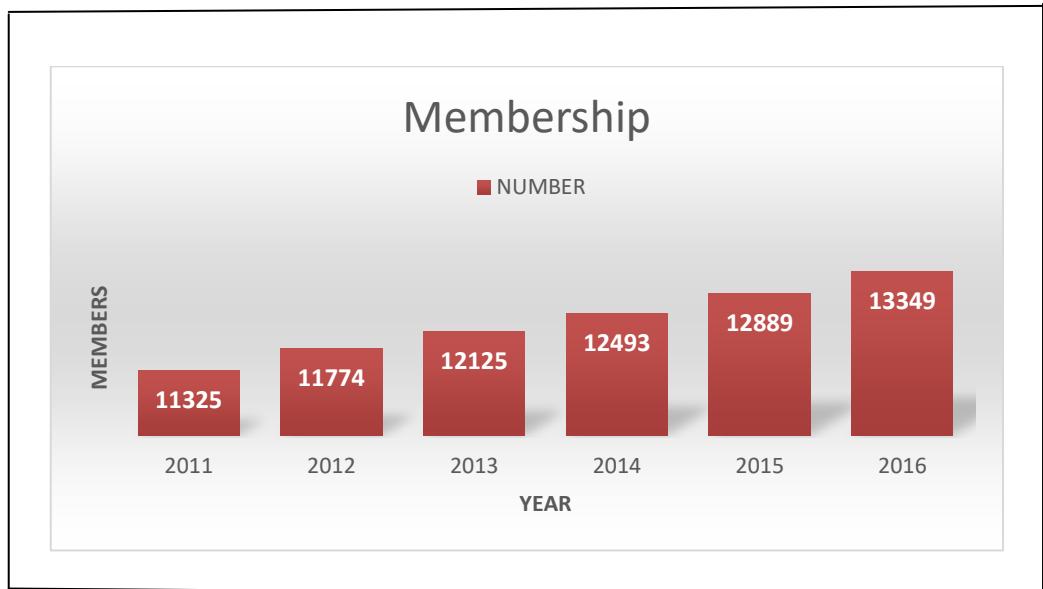
¹⁰ Interview with Siti Rohani Binti Abuyan (General manager = *Pengurus Besar*, Koperasi Serbaguna Iman (KOIMAN) Malaysia Berhad, Wednesday, October 25th, 2017.

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*

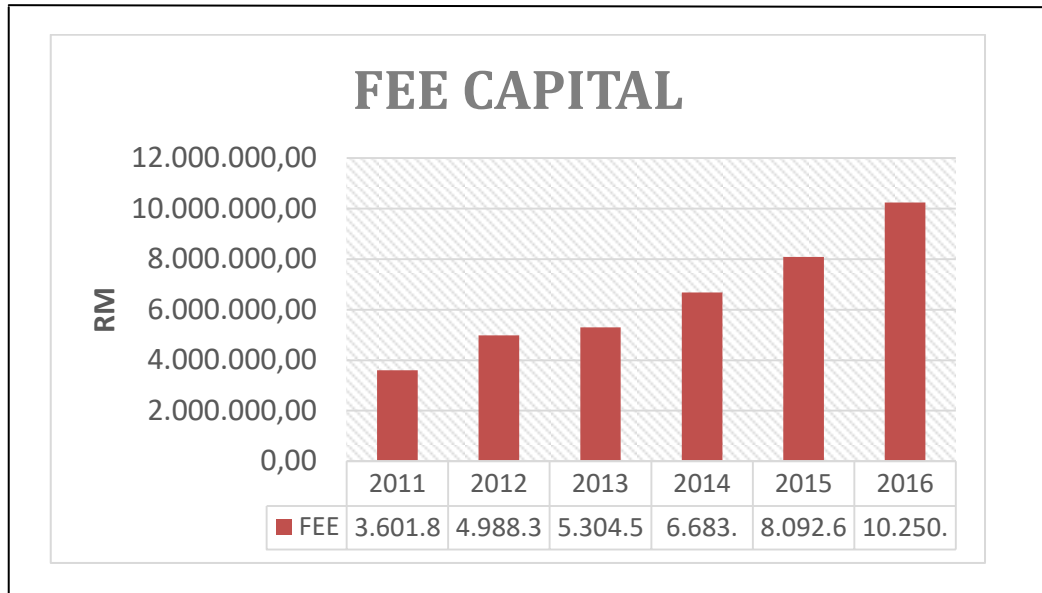
A. Membership

Figure 5.13.
Achievement of *Koperasi Iman*



B. Fee capital

Figure 5.14.
Fee capital



Dividend Amount

Figure 5.15.
Dividend Amount

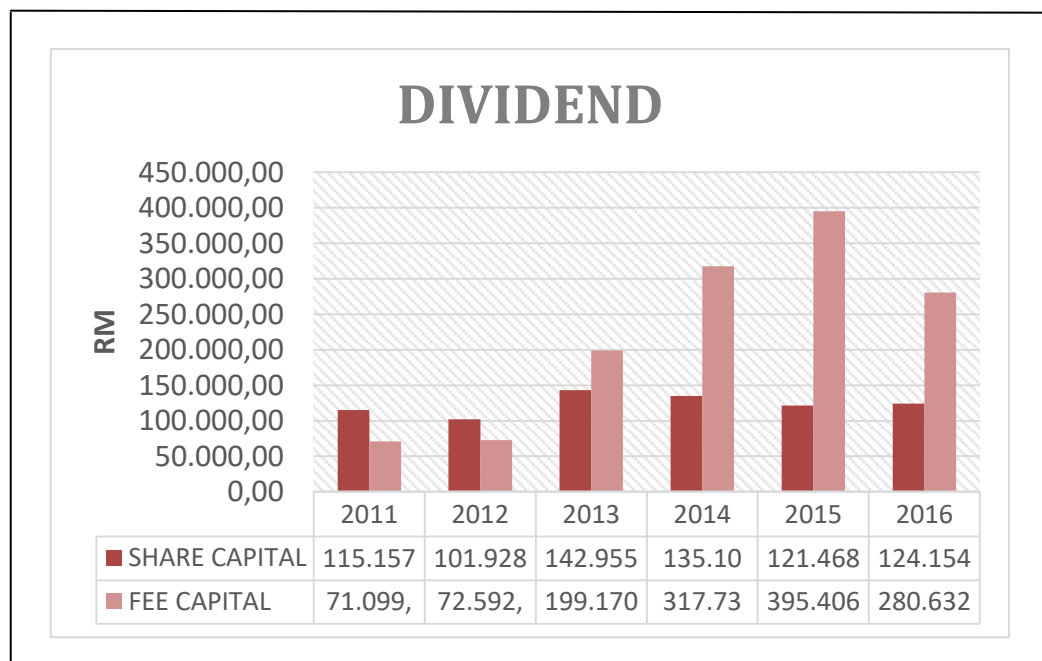
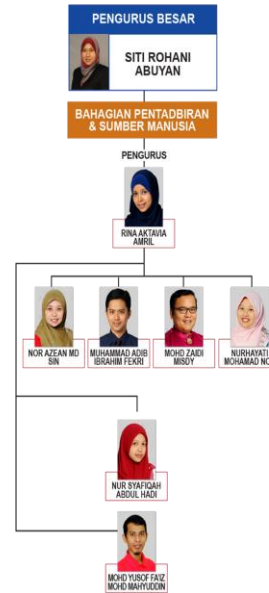


Figure 5. 16.
Administration & Human Resources Division

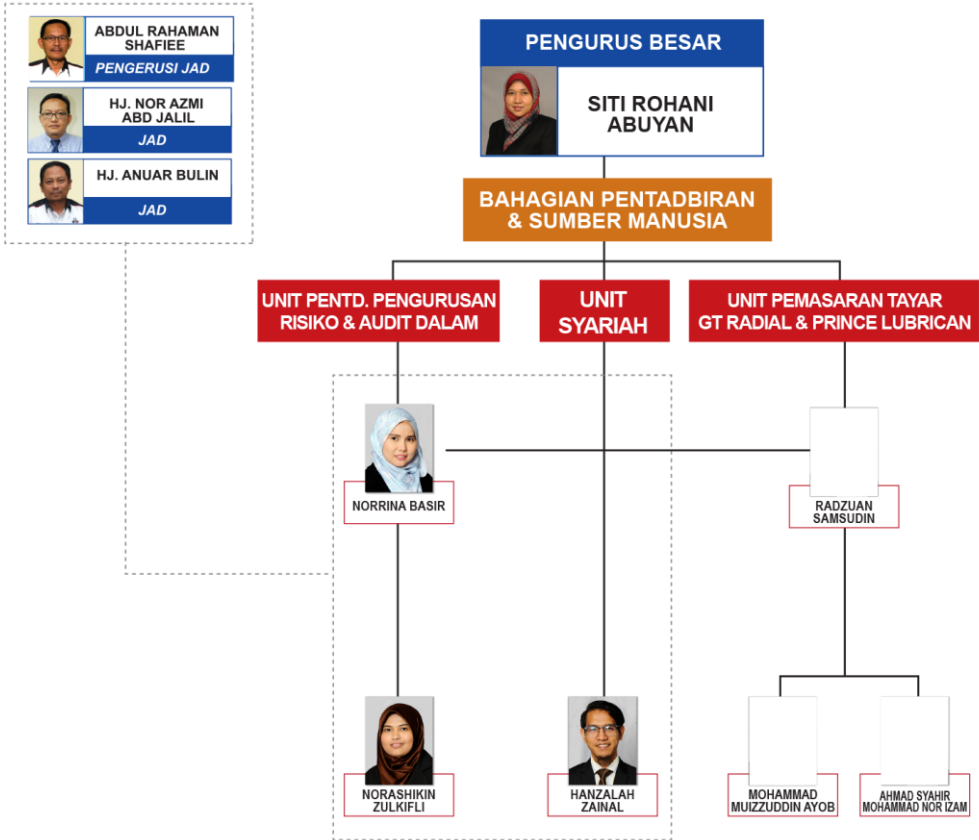
1. Menguruskan Personel
 - Mengurus hal ehwal perjawatan dan perkhidmatan Kakitangan;
 - Penilaian prestasi;
 - Kenaikan gred;
 - Manfaat / faedah.
1. Menguruskan Latihan dan Pembangunan Kakitangan.
2. Kawalan Disiplin Kakitangan.
3. Mengeluarkan Pekeliling / Arahan dari masa ke semasa.
4. Menguruskan pentadbiran am koperasi.

CARTA ORGANISASI BAHAGIAN PENTADBIRAN & SUMBER MANUSIA
KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD



**CARTA ORGANISASI UNIT SYARIAH &
 UNIT PENTADBIRAN PENGURUSAN RISIKO & AUDIT DALAM
 UNIT PEMASARAN TAYAR GT RADIAL & 'PRINCE LUBRICANT'
 KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD**

JAWATANKUASA AUDIT DALAMAN



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.

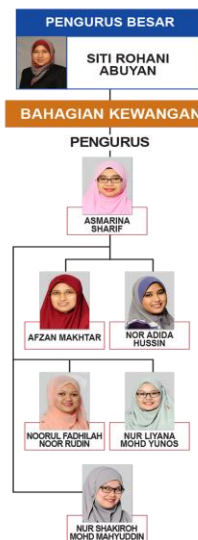
UNIT PENTADBIRAN PENGURUSAN RISIKO & AUDIT DALAM

- 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.

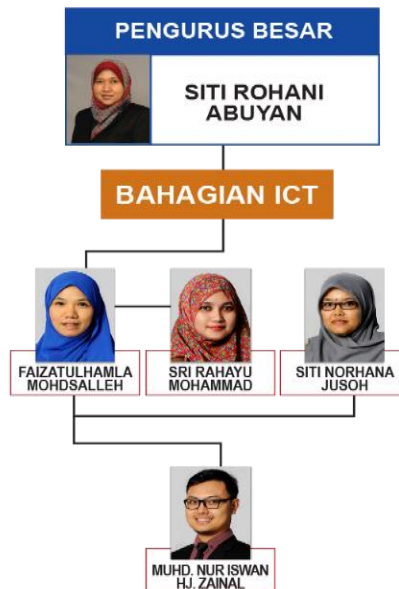
CARTA ORGANISASI BAHAGIAN KEWANGAN
KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD



- Menyediakan Penyata Kewangan
- Urusan transaksi kewangan yang melibatkan urusan pembayaran dan pemindahan wang

Figure 5.17.
Organizational Structure of ICT Section-KOIMAN

**CARTA ORGANISASI BAHAGIAN ICT
KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD**

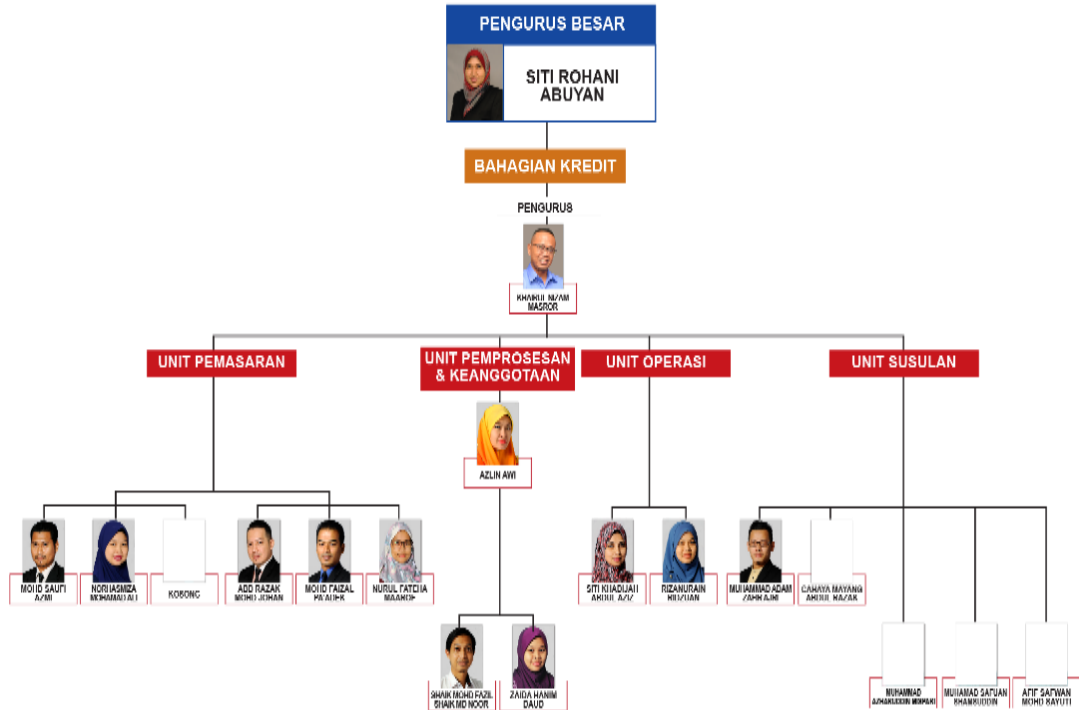


The tasks of ICT division:

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 5. 18.
Credit Section**

**CARTA ORGANISASI BAHAGIAN KREDIT
KOPERASI SERBAGUNA IMAN MALAYSIA BERHAD**



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 5. 19.
KOIMAN Workflow



Figure 5. 20.
IMAN Cooperative Achievement

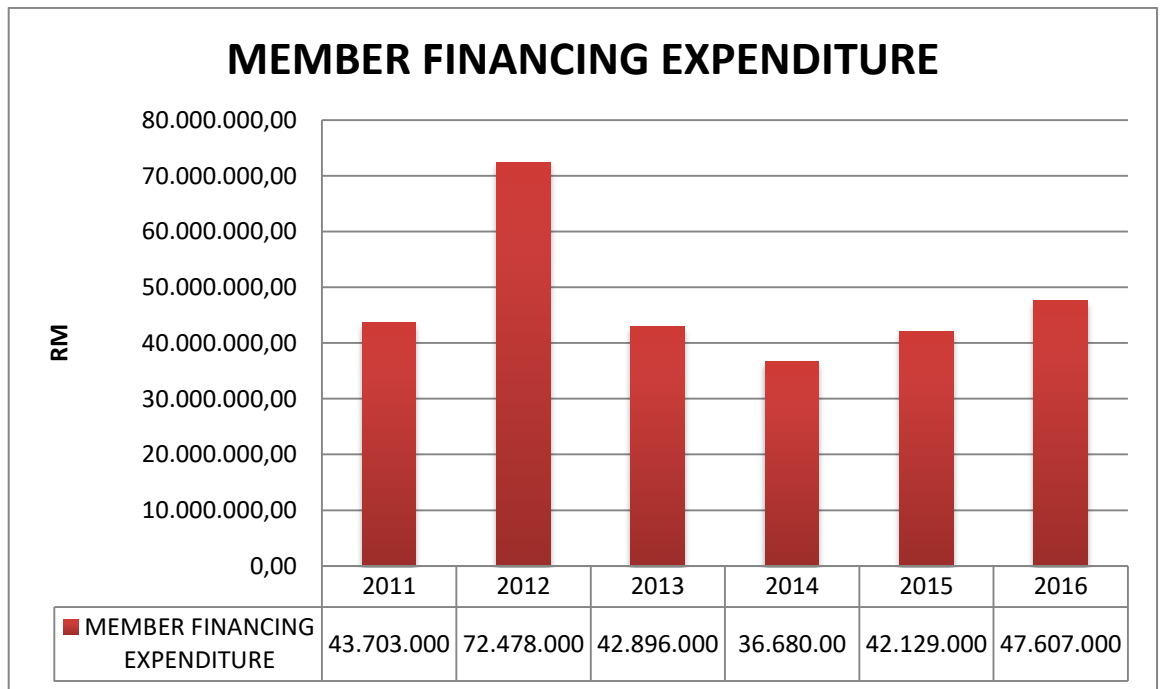
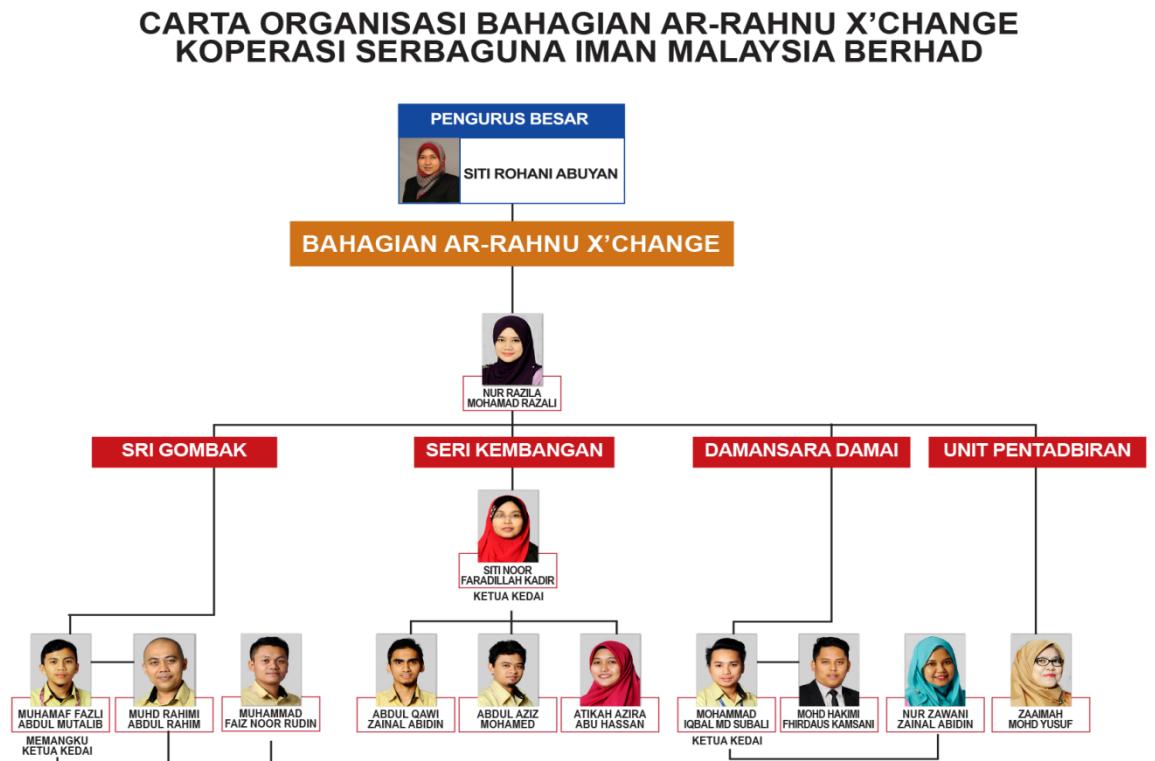


Figure 5. 21.



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 Rahnū X'change Damansara Damai (Commencement date August 1st, 2016)

The specialities of Ar-Rahnū X'change in KOIMAN:

1. Pawn-broking service Ar-Rahnū/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-Rahnū, 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-Rahnū / Az Zahab

Pawn period

- a. For Ar-Rahnū, 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
2. All kinds of jewelry such as bracelet / necklace / ring and so on
3. Gold items such as gold coins and gold bars are purchased through the registered panels.

Ar-Rahnu X'change Annual Loan Expenditure

Figure 5.22.
Loan Expenditure – Arx Sri Gombak

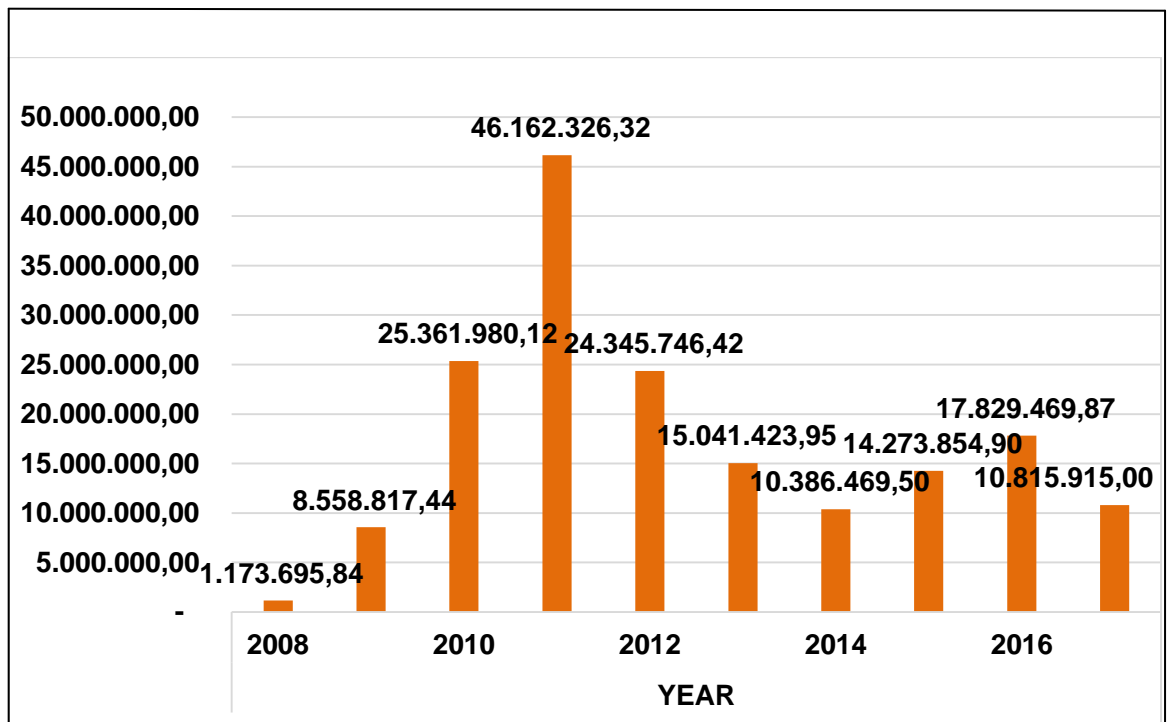


Figure 5.23.
Loan Expenditure – Arx Seri Kembangan

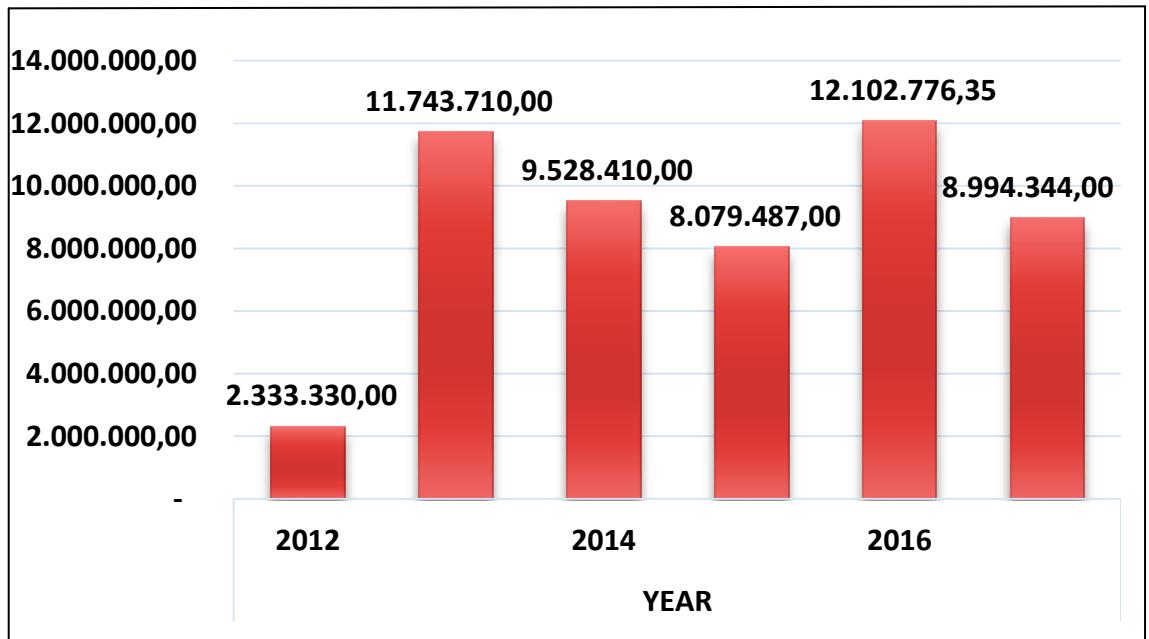
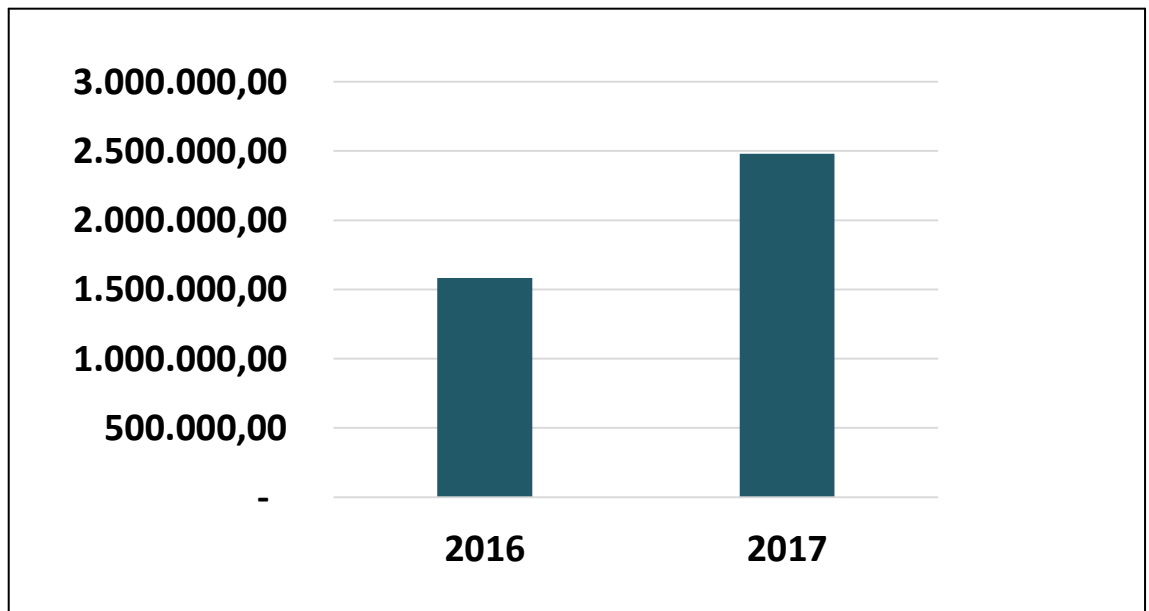


Figure 5.24.
Loan Expenditure – Arx Damansara Damai

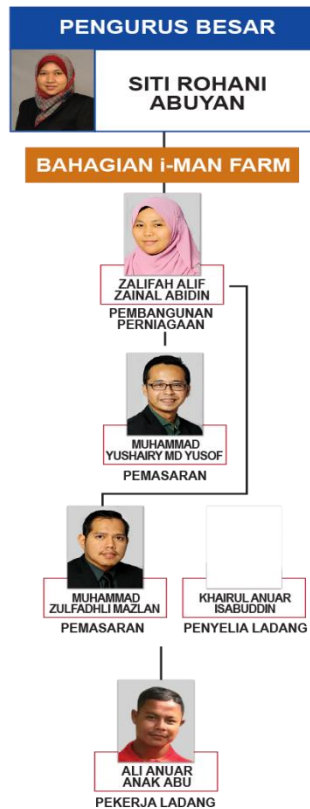


I-Man Farm Division

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 5.25.

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

2. 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 5.26.
TIMELINE of KOSAS development in Malaysia

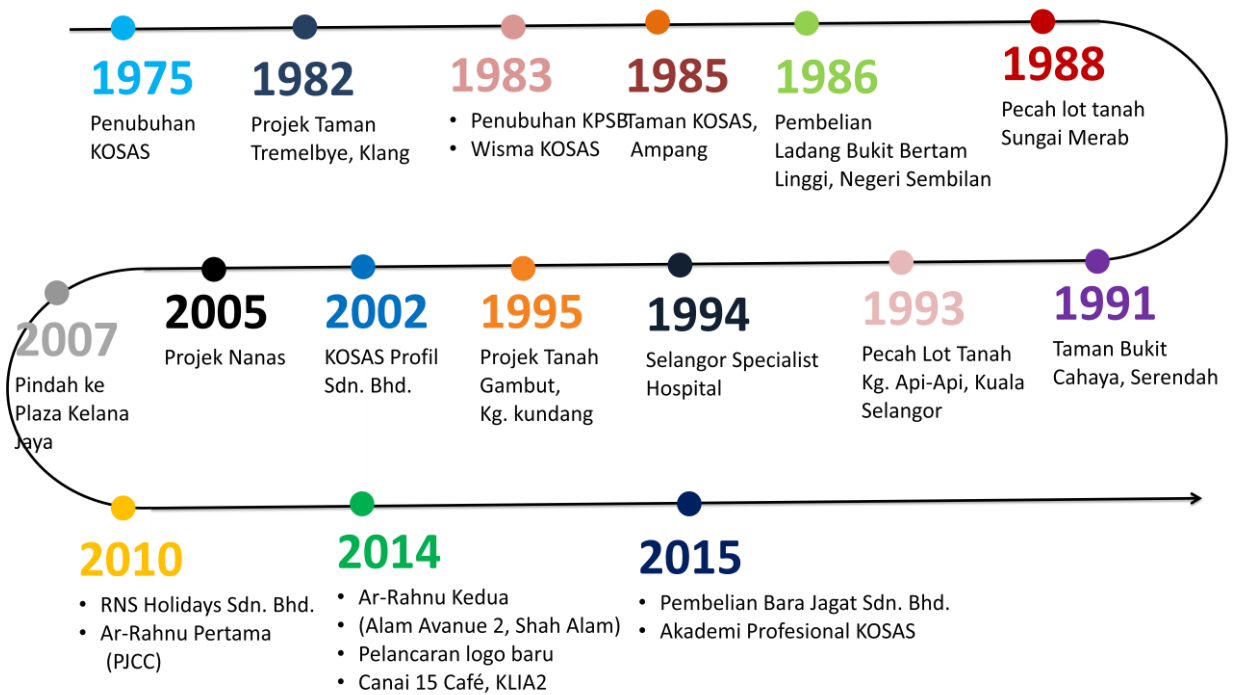


Figure 5.27.
KOSAS Chairmans or Managers

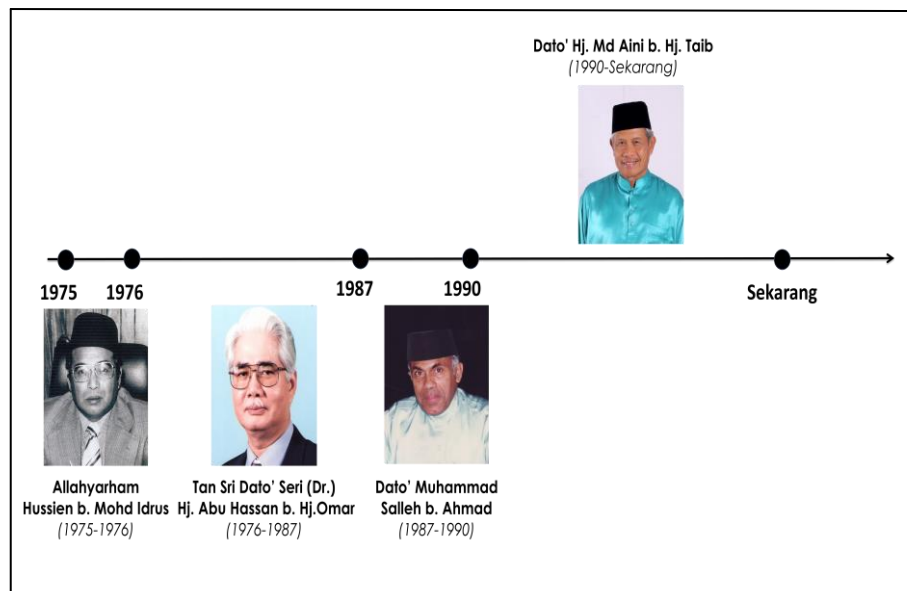


Figure E 5.28.
KOSAS Cooperative Managers

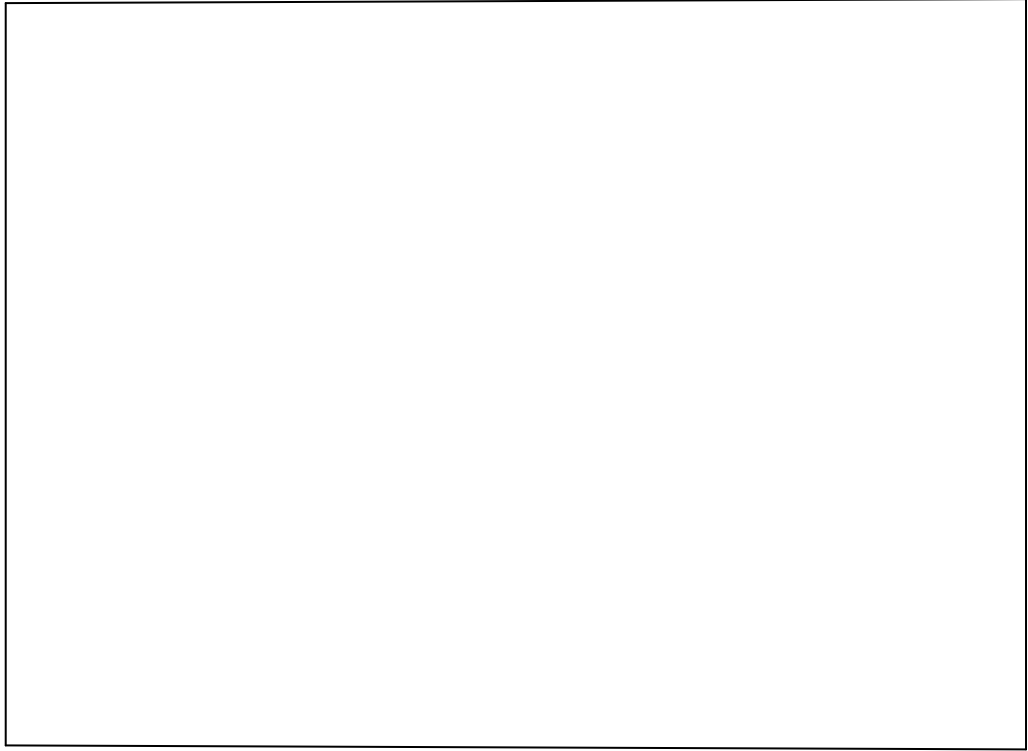
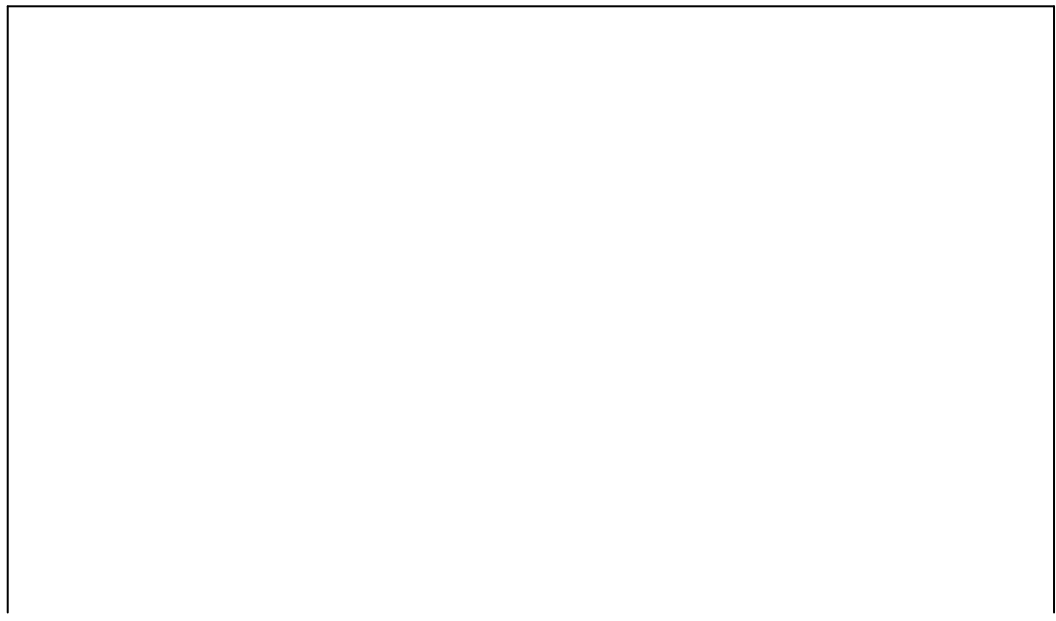


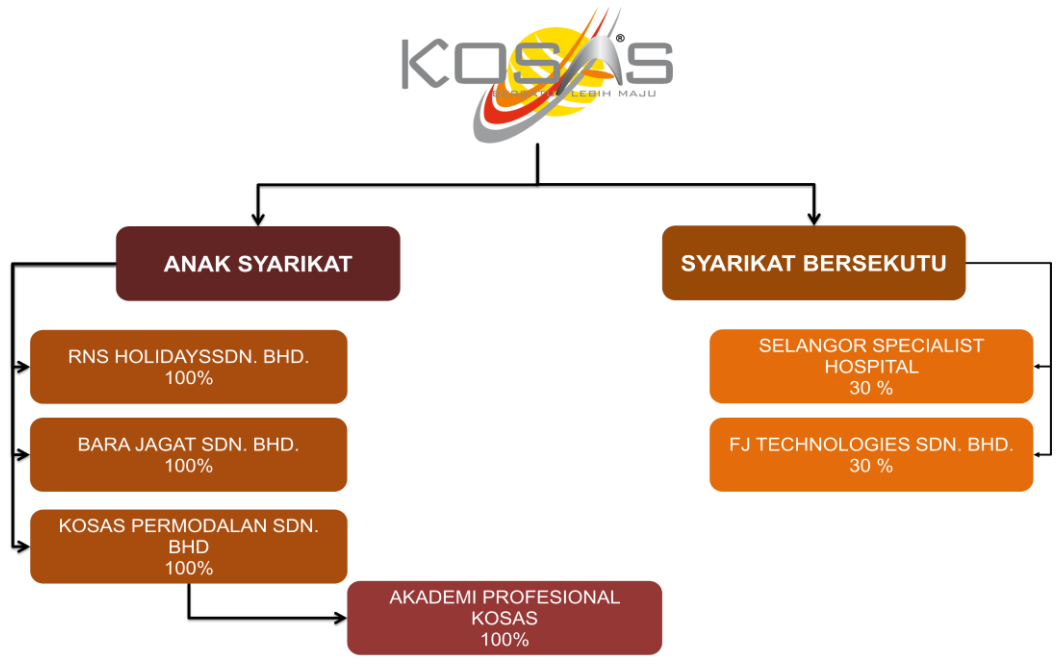
Figure 5.29.
Cooperative Management



**Figure 5.30.
Organization Chart**



**Figure 5.31.
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 courses 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

3. KOPERASI SAHABAT - AMANAH IKHTIAR MALAYSIA

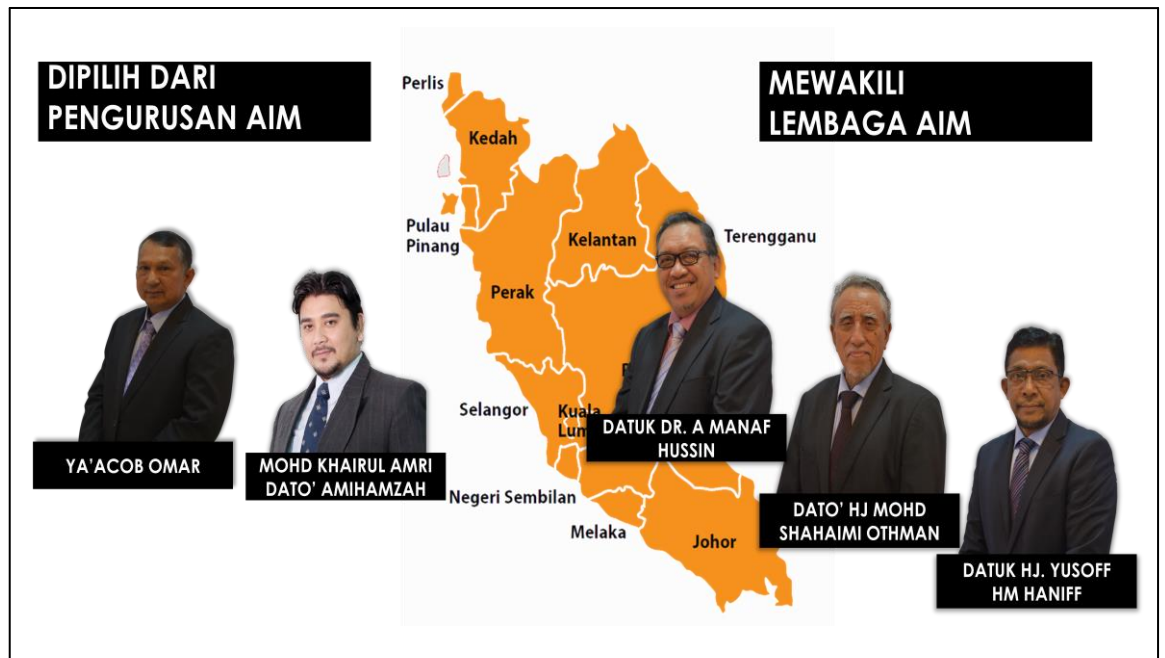
Address: Lot 1-5, 2-3, 2-3A & 2-5, Jalan Cempaka SD 12/1A, Bandar Sri Damansara, PJU 9, 52200, Kuala Lumpur

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 5.32.
Composition of Board Members
A total of 15 people



Figure 5.33.
 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.

1. 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%	$\frac{\text{The contribution given is based on \% TOTAL SHARE Share}}{\text{RM 500}} \times \text{Total contribution}$

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 batik 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 co-operative 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	<u>RM.</u>
<u>5,000.00</u> +	
	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 co-operative 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) c. Buying, selling, transferring ownership, building, renting, securing, leasing, mortgaging and selecting movable and immovable property
- 4) d. 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) Assists 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

Motto

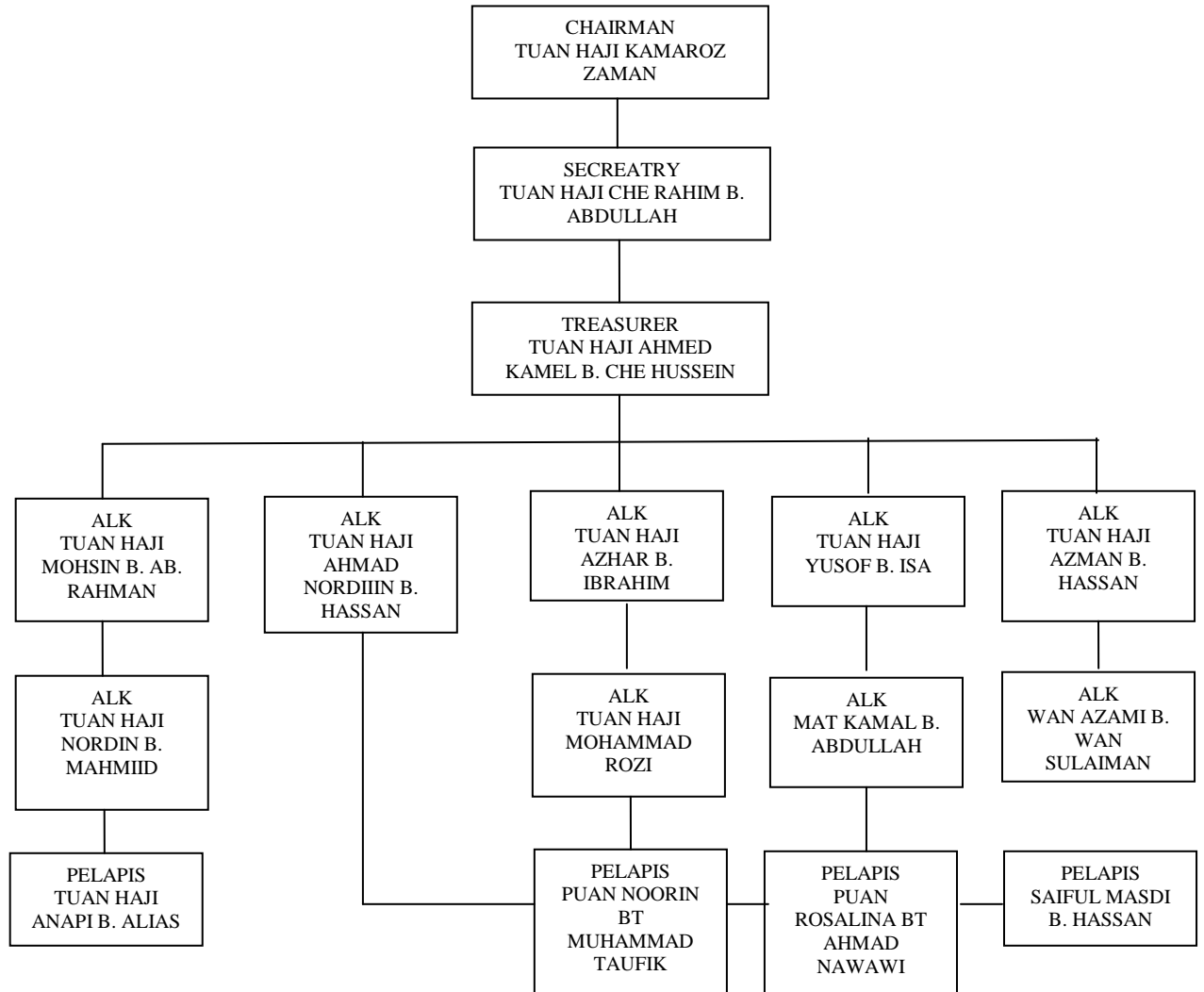
The cooperative has the motto : “*BATIK MAJU BERSAMA KOPERASI*”

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 5.34.

ORGANIZATION STRUCTURE
KSPKB 2017/ 2018



1. Cooparative 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
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 Secreary |
| 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.

2. 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.

3. 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

4. *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

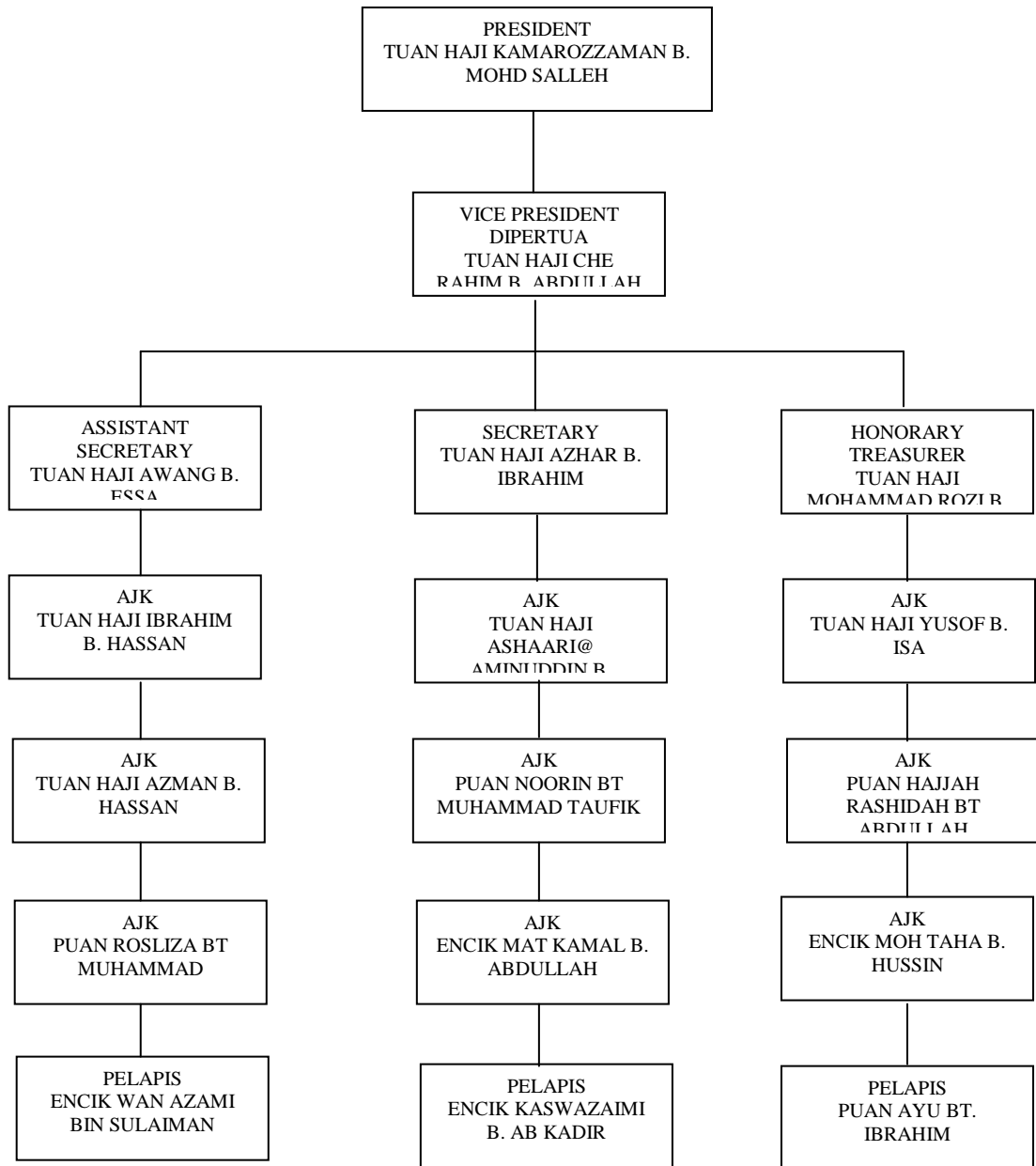
f. Activities

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 secretary : 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 Kadir
c) Puan Ayu bt Ibrahim

Figure 5.35.
Organizational chart of PPMP 2017/2018



- i. Auditing
- a. Internal auditor session 2017/2018
 - 2 The appointed PPMPT 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
- k. 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)

- l. 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 Berhad

Jalan Kebun Sultan
Kota Bharu
- m. 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

- n. 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
- o. 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
 - 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
- p. 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
- q. 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

- r. 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.

CHAPTER VI

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 reperesented 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 is still below 0.050, so it is stated that BMT influence on Welfare Smes in Pekalongan.

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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.

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.