

JOINT RESEARCH REPORT



Improving SMEs Performance and Financial Inclusion Level Based on Best Practices of Islamic Financing in Indonesia and Malaysia

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UNIVERSITAS MUHAMMADIYAH YOGYAKARTA

AUGUST 2018

**APPROVAL PAGE
JOINT RESEARCH PROGRAMME**

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Length of research period : 2 years

Year of research : (First)

Research funds : Rp. 50,000,000

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ABSTRACT

Small and medium-sized enterprises (SMEs) in Indonesia lay significant economic and social roles by offering new job opportunities, lowering unemployment rate, increasing competition and productivity, and providing substantial benefits to the economy of the two countries. A number of efforts have been undertaken by the government including by Islamic financial institutions. However the SMEs development and their productivity is still behind the large corporation. In this regards there is a need to compare Indonesian experience with other Muslim countries with dual banking system ie Malaysia and learn from each other of the failure and the success.

From the results of the survey, the first capital of MSMEs was obtained from NGOs 43.9%, 26.6% from private savings and 10% capital from bank loans. Islamic Financial Institution rarely plays its role as a social institution which should also play a role in facilitating and supporting developing MSMEs. In terms of accessibility, it can also be seen that the capital obtained from NGOs is very easy to access, besides that high accessibility is also obtained from personal savings. The capital provided by NGOs is very easy to access because they do provide capital for the establishment of businesses with free to encourage the entrepreneurial community. Literacy of Islamic financial products among SMEs is very low, only 2% are familiar with Islamic financial products. At the time of the initial establishment of the business, only 1.7% of SMEs used kafala products and 1.3% used mudarabah products. Currently almost all Islamic finance products have been used by a handful of local entrepreneurs, 1.3% use Kafala, 2% use Mudarabah and 1% Murabahah. From the results of this study we can conclude that Islamic financial institutions are still very rarely used by MSME entrepreneurs. This is not due to the lack of accessibility of sharia financial products, but rather the lack of knowledge and understanding of Islamic financial products and services. Therefore, it is necessary to increase the socialization of Sharia financial products and services to the UMKM.

Keywords: Profiling SMEs, Malaysia, Indonesia, Islamic finance, Development Model, Financial Inclusion, Comparative Evidence

CHAPTER 1

INTRODUCTION

1.1 Research Background

SMEs in Indonesia account for more than 99 percent of all enterprises and the major employment creator. Micro enterprises (MIEs) having the low levels of productivity, poor quality products, and serving small localized markets. Despite having difficulties upgrading especially with import liberalization, technological changes and lower demand for traditional products, however, this enterprises' growth can be seen especially in an early phase of entrepreneurship development.

Soetrisno (2015) stated that the government of Indonesia need to cater the issue of SME development on these three major factors which are financial, non-financial supports such as industrial linkages aspects and endorsement for conducive business environment. The main objective for their action is to affirm the role of SMEs in exports and in economic development. To ensure a conducive business environment, the government attempts to provide a platform for all businesses to compete in the market place. There are some laws and regulations need to be revoked and need to be developed in order to ensure their objective being actualized. Not only that, government also tries to be more lenient in terms of procedures, for business licensing through one stop service.

In terms of financial aspect, more opportunities should be given to SMEs with regards to access to sources of credits, particularly banking institutions. The need to rectify the ability of SMEs in utilizing banking credits is important since most of SMEs are lacking in collateral, which is very crucial as it is one of the criteria for selection of customers by the banks. Since most of the small enterprises are micro enterprises, thus it is quite difficult for them to have access in banking credit. Hence, more microfinance institutions are being promoted to help the SMEs. As Indonesia is the largest Muslim dominated country, the government tends to greater efforts on the promotion of Shari' ah banking both at national and local level. The government is also promoting Shari' ah even at non -financial institutions like cooperatives or house of wealth and thrift. To further extend its vision in seeking for a developed economy, the government has applied a policy for agricultural sector handled by Bank Rakyat Indonesia (BRI), property sector under Bank BTN and other credits for cooperatives and SMEs under PT. Permodalan Nasional Madani. The continuation of handling carry over financial support credit program is being used to help the industries to grow.

SMEs in Indonesia play a significant role and gives a big impact towards the national economic development. SMEs giving a high contribution to the GDP, net exports, as well as employment growth. Even during the Asian Financial Crisis 1997/1998, large enterprises having big problems due to the depreciation of Rupiah at that time. However, SMEs gained benefits from its depreciation especially in the agribusiness and agroindustry by exporting these products. With the existence of SMEs business cluster, both respective manufacturing and non- manufacturing industry begin to mold into a good shape. However, they are still at the beginning stage where it is essential to differentiate the stage of cluster from being, mature and advance. To achieve the objective of developing strong integrated cluster, the method, the modalities of support should be synchronized with the basis of market driven. To expand the cluster program, support for business has been recognized as a constituent of non – financial component.

Besides Indonesia, Malaysia is also really concerned to develop Small and Medium-sized Enterprises (SMEs). Malaysia identifies that SMEs have taken part in their economic activities as an important contributor to stimulate the economic growth and later have become the most significant tools for economic development, Gross Domestic Product (GDP) and workforces (Abdullah,2015; Ardic et al, 2011; and Harif, 2010).

Malaysia started to evolve the SMEs in the 1990s, and a number of agencies and government bodies were established to support them in terms of planning and implementing their various programs. Historically speaking, traditional sectors such as agriculture related and cottage industry activities served as the foundation for the growth of SMEs in Malaysia. Nowadays, however, the expansion is broad based and exists in almost all sectors of economy in Malaysia (Harif, 2010).In 2012 it was recorded that the SMEs represented 97.3% of the total establishment in the country, or 645,136 out of 662,939 establishment (SMECorp. Malaysia, 2014). Based on the SME Annual Report 2015/2016, the current trend indicates that the Malaysian SMEs remained resilient with SMEs GDP sustaining a respectable growth of 6.1%. Despite the weak external environment due to domestic demand, particularly consumption and investment activities, the growth is higher than the overall GDP of the country which was only 5% in 2015.

This study of Profiling SMEs in Indonesia and Malaysia attempts to describe the significance of the SMEs' roles in the economic growth of those countries. The study is needed to add the existing body of knowledge on SMEs in Indonesia and Malaysia due to the absence

of the criteria to measure the achievement. Moreover, the findings hopefully can provide useful feedback for the regulators to improve the existing and practices.

1.2 Problem Statement

The contribution of SME is huge in all three countries regarding GDP, employment and even exports. However, at the same time SME has confronted many issues such as SME financing, Capital Management, Risk Management and many more. The issues caused by financing is whether SMEs are focusing more on Islamic Finance or Conventional method of financing. Additionally it is still a grey area that what the current situation of their accessibility and sufficiency is. So it is a high time to do a research to analyze and understand the extent of Islamic Finance and Conventional financing used by SMEs in this three researched countries. Furthermore, this will help to identify the possible recommendations in strengthening Islamic Finance in SMEs on all three countries which is still not clearly accessible for further study.

1.3 Research Objectives

1. To investigate the business profile and issues of SMEs in Malaysia and Indonesia
2. To identify the prospects of SME using Islamic Finance
3. To determine the extent of using Islamic financing sources to SMEs
4. To identify the Accessibility and Sufficiency of Islamic Finance in SMEs
5. To assess the extent to which Islamic finance supports for sustainable development of SMEs
6. To develop a development model in strengthening SMEs performance through the use of Islamic Finance.
7. To propose recommendations in strengthening Islamic Finance in SMEs for Indonesia and Malaysia.

1.4. Significance of the study

The role of SMEs in the economic growth of the countries is significant. However, there has not been much study that compares the criteria used to measure these achievements in Malaysia. Hence, this study will add to the existing body of knowledge on SMEs in those countries. In addition, the findings can provide useful feedback to the regulators to improve the existing policies and practices. A preliminary investigation is used in this study as a bridge to explore detail issues of those countries.

1.5. Research Team and Road Map

The research team consists of the team from Universitas Muhammadiyah Yogyakarta for covering Yogyakarta (UMY) Special Region; Universitas Darussalam (UNIDA) Gontor

covering East Java and Universitas Sultan Agung (UNISSULA) covering central Java and International Islamic University Malaysia (IIUM) covering Malaysia. The four universities and the research team have experience in Islamic finance, SMEs empowerment and economic development discipline of knowledge as shown detail in their CVs. This gives confidence that the research project will be successful to be undertaken. The involvement of prominent scholars from Malaysia will enhance the capability to have manuscript published in Scopus indexed journals. This research proposal is the follow up and development of proposed joined research initiated by IIUM. IIUM is the university which have collaboration with UMY and will be lead of the research. Initial discussions via email have been undertaken among the three universities and there have been an understanding to have joint publication in the said journals.

This study matches with the UMY research roadmap under the cluster of Islamic Economics and development of Small and Medium Enterprise.

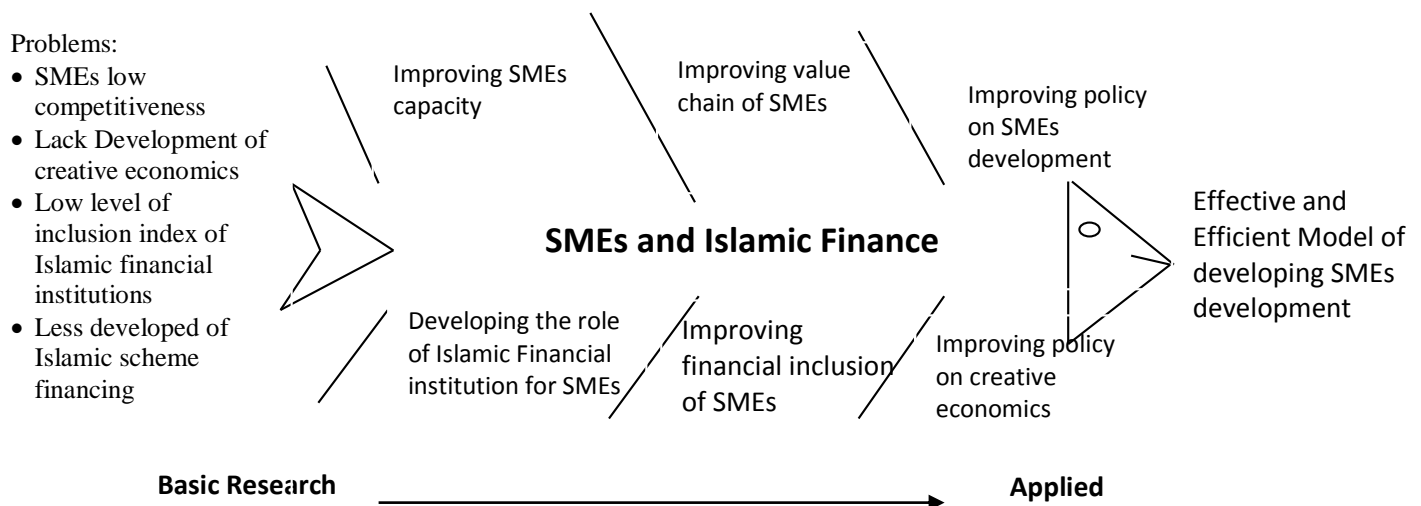


Figure 1.1. fishbone diagram of research roadmap in developing SMEs supported by Islamic Finance

1.6. Research Outcomes

The main outcome of this research is scientific publication in Scopus Indexed Journals. The expected journals are Journal of Islamic Accounting and Business Research; Gadjah Mada International Journal of Business; and the International Journal of Globalisation and Small

Business. In addition to these are papers presented at the international conferences and one book with level 7 of technical readiness at year 3.

CHAPTER 2

LITERATURE REVIEW

2.1. Small, Medium-Sized Enterprises (SMEs)

There are significantly various definitions of SME provided by countries that are concerned about SMEs development. Harif (2010) defines SME used in some countries that are members of Asia Pacific Economic Cooperation (APEC). The number of employees and value of sales and/or assets are the most common measure. It can be concluded that different countries use different standards and different criteria to determine the size of firms. Therefore, what constitutes an SME seems to depend on the definition adopted, although there is no universally accepted definition of what a SME is (Harif, 2010).

In most countries, SME is defined as a firm with employees less than 100 —or even fewer in specific industries, such as services or retail, even though in some larger countries this ceiling is raised to 300 or even 500 employees (Harif, 2010). The EU (European Union) and a large number of OECD (Organization for Economic Co-operation and Development), transitional, and developing countries set the upper limit of number of employees in the SMEs between 200-250, with a few exceptions such as Japan which is 300, and the USA which is 500 (OECD, 2004). In Indonesia as shown in Table 2.1 SME is defined based on the number of full time labor, sales turnover and value of asset

Table 2.1 SME Definition in Indonesia

	Full time Labor	Sales Turnover (\$)	Value of Asset (\$)
Micro	1 – 5	0 – 22,485	0 – 3,748
Small	6 - 19	33,485 – 187,378	3,748 – 37,480
Medium	20 - 99	187,378 – 3,747,564	37,480 – 749,512

Source: UNDP Official Website

Profiling

Profiling is defined as the extrapolation of information about something, based on known qualities (Wikipedia, 2016). Furthermore, Merriam-Webster (2016) defines profiling as the act or process of learning information about someone based on what is already known. From the definition above we can sum up that profiling is a study relying exclusively on

existing reports and databases to develop the profile and to some extent on related data provided (NCR, 2015).

Comparative Evidence

A comparative study is one research methodology in social sciences that aims to make comparisons across different countries or cultures. The major problem in a comparative research is that the data sets in different countries may not use the same categories, or they define categories differently. This technique often utilizes multiple disciplines in one study (Wikipedia, 2016). Caramani (2008) argues that comparison is a fundamental principle of science as well as a basic element of everyday life. Hence, Caramani emphasizes that comparison is one of the crucial conceptual processes making the world intelligible.

Contribution, Opportunities for SMEs Growth

Caner describes that the spring of SMEs embarks on the improvement in the cost reducing industries which brings transformation to the industrial structure and development of new markets. Also, starting in the late of 70s and early 80s, SMEs started to become more innovative and were flexible in terms of reducing cost. And right now, SMEs are crowned as the engine of development and employment. SMEs official as an unregistered or shadow economy have become significant sources in providing employment as well as additional value. In a long-term, SMEs will affect the national economics as follows:

1. As per capital income increases, the contribution of SMEs to GDP and employment increases.
2. As per capital income increases, the contribution of the unregistered economy decreases.
3. Registered and unregistered SMEs together contribute about 60%-70% to GDP on average.
4. However, as GDP increases, the share of the unregistered economy decreases.

The contribution of SMEs to economic fundamentals nonetheless varies substantially across countries: from 16% of GDP in low-income countries (where the sector is typically large but informal) to 51% of GDP in high-income countries. The contribution of the SME sector to GDP, including both the formal sector and estimates of the informal sector, is disproportionately large in low-income countries. In addition to that, history and legal tradition can also play a very important role.

2.2. SME Sustainability

Sustainable development is recognized as an essential requirement for achieving economic goals without degrading the environment, major problems arise in implementing the concept of sustainability. At the most basic level, researchers dealing with sustainable development have suggested that the achievement of sustainability requires ecologically sustainable political and economic systems, organizations, and individuals (Starik and Rands 1995; Costanza and Daly 1992; Gallup International Institute 1992). Specifically, governments, consumers, and enterprises contribute and play crucial roles in reaching sustainable development. As a result, if goals of sustainability are to be achieved, small and medium-sized enterprises must be reformed to minimize their negative ecological and social impacts (Gladwin, 1992).

Generally, SMEs will have to assist and facilitate growth, multiply and replicate into sufficient mass across industries and sectors. The SME sector is considered to be the backbone of the modern day economy. The importance of this segment is undisputed. However, the yawning gap between the needs, demands and policy response in this unorganized sector has always dampened the sector's prospects. The recent economic turbulence has only added to the sector's problems. Hence, it becomes imperative for us to ensure that SME sector, which is facing one of the toughest times in the industrial history, should be strongly supported by the relevant stakeholders - government, financial institutions, associations, etc. This is to enable the sector to play its sustainability roles in the economy.

SMEs contribution towards sustainable development is small, taken together SMEs have a very large impact on the development quality of a specific geographic area. The more presence of SMEs in the economy of a particular area, the more important is the SMEs role for achieving sustainability (Welford and Gouldson, 1993).

In comparison with large companies, SMEs show particular benefits for a geographic area interested in achieving a sustainable development, which can be grouped in the following categories: economic, socio-cultural, environmental, and collaboration contributions. Major economic contributions to sustainability come from the fact that residents and indigenous are more probably to own and run SMEs than larger companies, which frequently are multinational companies.

Specifically, in the SMEs, the management process is characterized by the highly personalized preferences, prejudices, and attitudes of the firms' entrepreneur, owner and/or owner-manager (Jennings and Beaver, 1995). As a result, SMEs allow residents and

indigenous to participate in the economic development and, consequently, to obtain the economic benefits generated by the community (Howard and Hine, 1995).

Furthermore, SMEs which are owned and run by residents who are expected to reinvest their benefits in the community itself, while large companies usually act internationally. Finally, SMEs draw out capital that would otherwise remain underexploited by the economy, and help develop new markets by improving forward and backward linkages between economically, socially, and geographically diverse sectors of the economy (Howard and Hine, 1995). These SMEs potential economic contributions to sustainability might be balanced against overall economic efficiency of SMEs in comparison with larger companies; meaning that SMEs operating in a particular community must be internationally competitive in order to make significant contributions to sustainability.

There are several challenges that SMEs are facing that hinder further growth. These challenges include the following:

- Human Capital Development
- Infrastructure
- Innovation and technology adaptation
- Legal and Regulatory environment
- Market Access

2.3. Islamic Financing in SMEs

SMEs, by number, dominate the world business stage; although precise, up-to-date data are difficult to obtain, estimates suggest that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment (*Small vs. Young Firms Across The World—Contribution to Employment, Job Creation, and Growth, Policy Research Working Paper 5631*, World Bank Development Research Group). Given the importance of the SME sector, it is unfortunate to notice the lack of financing options available for them. A study by the International Finance Corporation (IFC) showed that approximately 35% of SMEs in the Middle East and North Africa (MENA) are excluded from the formal banking sector because they seek Sharia-compliant products that are not readily available in the market.

SMEs faces similar problems in the countries and regions where Islamic finance is flourishing, negating one of the aspirations of Islamic finance: access to financing for all Shariah-compliant businesses irrespective of the size of business operations. In the aftermath

of recent global financial crises, various financial institutions and regulatory bodies have claimed that Islamic finance is more stable than conventional finance. This argument is supported by the foundation of Islamic finance, which is structured on strong ethical precepts and prohibits interest and speculation as well as asset-based financing. Moreover, Islamic financial institutions are considered to be a good platform for increasing access to financial inclusion, including access to finance for SMEs, thereby supporting growth and economic development. This aspiration is further supported by a recent finding by the International Monetary Fund that states that “Islamic Finance’s emphasis on asset-backed financing and risk-sharing feature means that it could provide support for small and medium-sized enterprises.”

The IFC has noted a potential gap of \$8.63bn to \$13.20bn for Islamic SME financing across the nine surveyed countries in the region. The report highlighted that only 36% of more than 160 surveyed banks in Iraq, Pakistan, Yemen, the Kingdom of Saudi Arabia, Egypt, Lebanon, Morocco, Tunisia, and Jordan, had an SME offering.

Limited access to finance for SMEs is one of the main obstacles to their growth in the majority of Islamic finance territories. Most SMEs do not have access to credit, or have limited access to credit. SMEs’ limited access to finance reflects the interaction of demand, supply, institutional, regulatory, and other policy factors that are a hindrance for the growth of SMEs. SMEs also lack awareness and knowledge regarding Islamic banking products and what products may suit their requirements. Additionally, the cost of credit charged by Islamic banks is relatively higher than conventional banks for the same sector. Growth is also hindered in those countries with developed Islamic banking by the lack of suitable Islamic finance offerings for SMEs. On average, around 35% of SMEs in MENA and Pakistan are not borrowing money despite the significant demand due to the lack of Islamic finance offerings.

However, In the last decade, the growth in Islamic banks lending to SMEs was overwhelming to the extent that it prompted practitioners to regard this as a “win-win” situation. Unlike a conventional bank that mainly resorts to relationship banking to SMEs, an Islamic bank uses a *Murabaha* contract that creates a “*collateral-by-contract*” to the borrower. Such distinct lending approaches by the two types of banks have an implication on banks' cost curves that arise from differences in monitoring cost. In this article, we develop a two-stage competition model to investigate the growth in SMEs lending by Islamic banks. In our theoretical model Islamic and conventional banks compete with prices at the first stage (Bertrand framework) and with loan output at the second stage (Cournot framework). Our

results reveal that in price competition an Islamic bank will gain market share initially due to its differentiated product. However, in the second stage, the amount of lending to SMEs by Islamic banks decreases due to market share competition.

In the current situation, the banking sector in Middle East and North Africa (MENA) countries has undergone astonishing growth and diversification in recent times. In 2013, the Islamic banking sector's growth far outpaced that of the rest of the world, reaching 16% while the overall global banking sector grew by 0.6%.¹ The Islamic banking and finance industry swelled to include more than US\$1.87 trillion in assets by 2014.² Consequently, the Islamic banking sector has been able to provide some growth for the small and medium enterprises (SME) sector.

SMEs contribute greatly to employment, GDP, sustainability, and economic growth in both developed and developing countries. On a global scale, SMEs have created approximately 57.8% of the total new jobs created. This is of vital relevance, because in order for employment to keep up with the growth of the labor force, 600 million jobs will need to be created internationally by the year 2030. SMEs have the potential to contribute substantially to this greatly needed employment growth. For this to occur, challenges that hinder SME growth need to be addressed.

2.4 Business Cycle of SMEs

The stage model or life cycle theory of the firm originates in economics literature (Penrose 1952, 1959; Rostow 1960), and is commonly used to describe the progression of the successful firm through growth phases. A biological analogy is sometimes used to describe "...the cyclical quality of organizational existence. Organizations are born, grow, and decline. Sometimes they reawaken, sometimes they disappear" (Kimberly and Miles 1980, p. ix). Penrose (1952, p. 806) disagrees with applying biological analogies to the life cycle theory of the firm, however, as "... the development of firms does not proceed according to the same 'grim' laws as does that of living organisms". The stage model or firm life cycle approach describes the development of the firm as a linear sequential process through a number of stages. Numerous stage models have been developed, particularly in the management and organizational studies literature. As evidenced by summaries presented in D'Amboise and Muldowney (1988) and Poutziouris (2003), the number of stages is not standardized. For example, Steinmetz (1969) proposes a model based on three phases of growth, whilst Greiner

(1972) proposes a five-stage “evolution-revolution” model, with each stage separated by “revolutionary change”.

The financial life cycle theory of the firm developed in corporate finance identifies a number of stages in a firm’s development. Presented as a descriptive concept in early textbooks such as Weston and Brigham (1970), it outlines sources of finance typically available at various growth stages of the firm, along with potential financing problems that may arise at each stage, and is reproduced. The financial life cycle model incorporates elements of trade-off, agency, and pecking order theories, and describes sources of finance typically advanced by funders at each stage of a firm’s development.

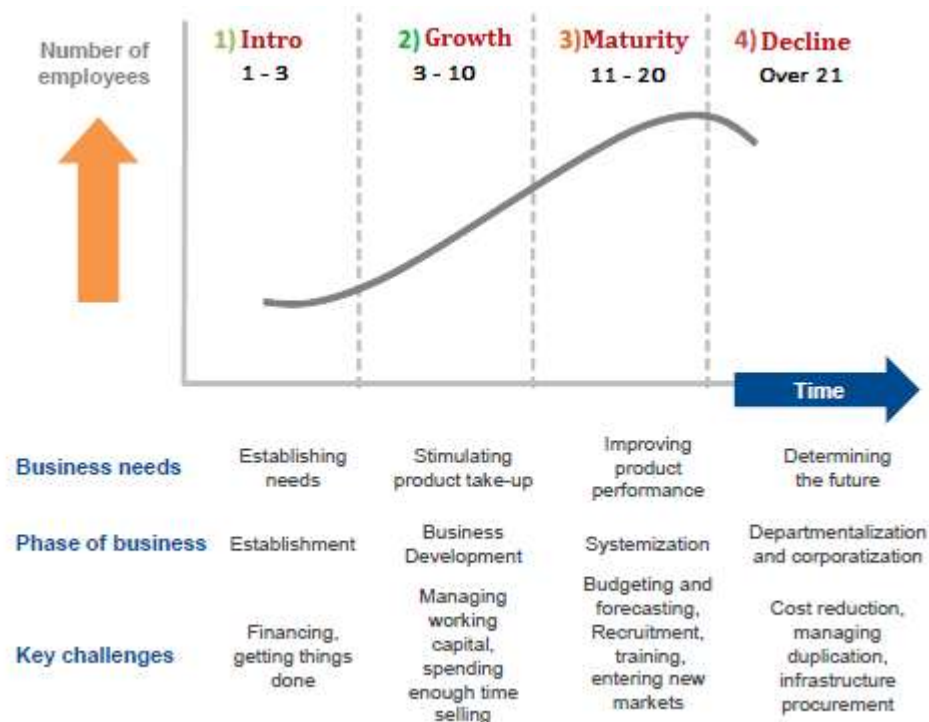


Figure 2.1 SMEs Business Cycle

CHAPTER 3

RESEARCH METHODOLOGY

The research two main research methods of utilizing secondary data and primary data through survey and face to face interview. In the first year secondary data from all three countries will be obtained through respective banks and official published data, reports and records to update on the issues. Meanwhile previous research findings will also be used to strengthen literature review and research report in later stage of the research. In order to secure those relevant information, respective researchers from Indonesia and Malaysia will identify, collect, gather and compile those in accordance to the objectives of the research. This knowledge will be used later to enhance/endorse and compare with this research findings.

Primary data will be collected from respective countries. In order to practically realize this, a set of questionnaire will be designed which will be used for respondents in all three countries. Thus, similar set of questionnaire is to be used for the purpose of comparison the questionnaire, among others will be related to the objectives of the research including looking in greater detail at issues related to the background of the entrepreneurs, risk analysis, business background, capital management, uses and prospects of Islamic Finance, requirement analysis and finally the issues, performance and prospects related to SME. The study is aware that the questionnaire in the area has already been developed previously, hence, an improvement will be made accordingly.

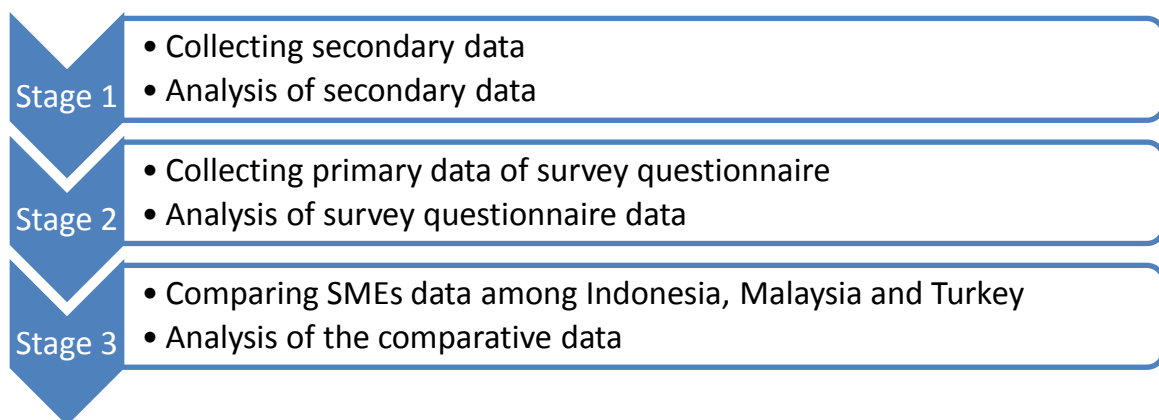


Figure 3.1. Research Stages of Year 1

Beside this, the study will also use a technique developed over recent years of recording the interview on video as well as digital sound recorder. This has been used in particular in our ‘Doing Business in Asia’ project (http://www.vuw.ac.nz/~caplabtb/w_dbia/) and yields particularly rich data. The video material can also be used in teaching, providing an enhanced

learning experience for students. In addition, the video recording of focus groups to be very fruitful, the interaction between the focus group members generating a dynamism that is seldom seen in one-to-one interviews.

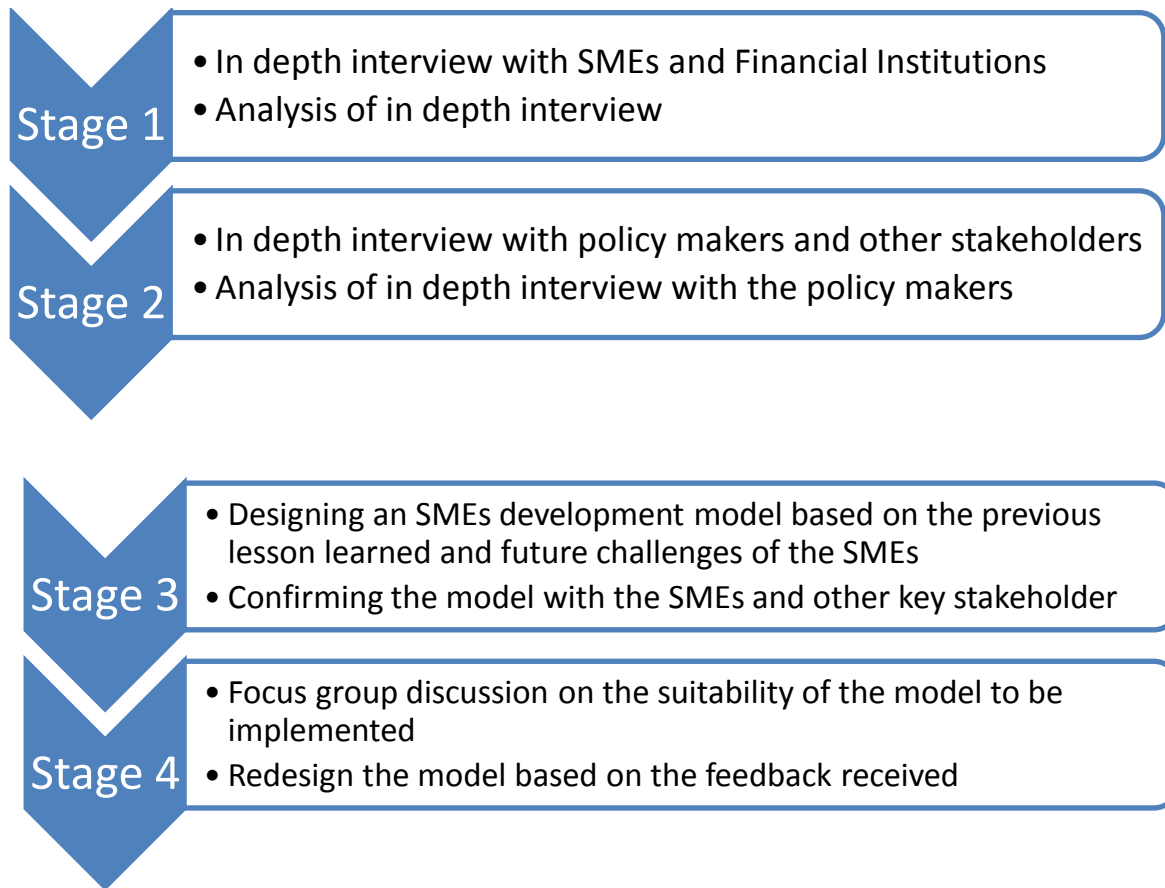
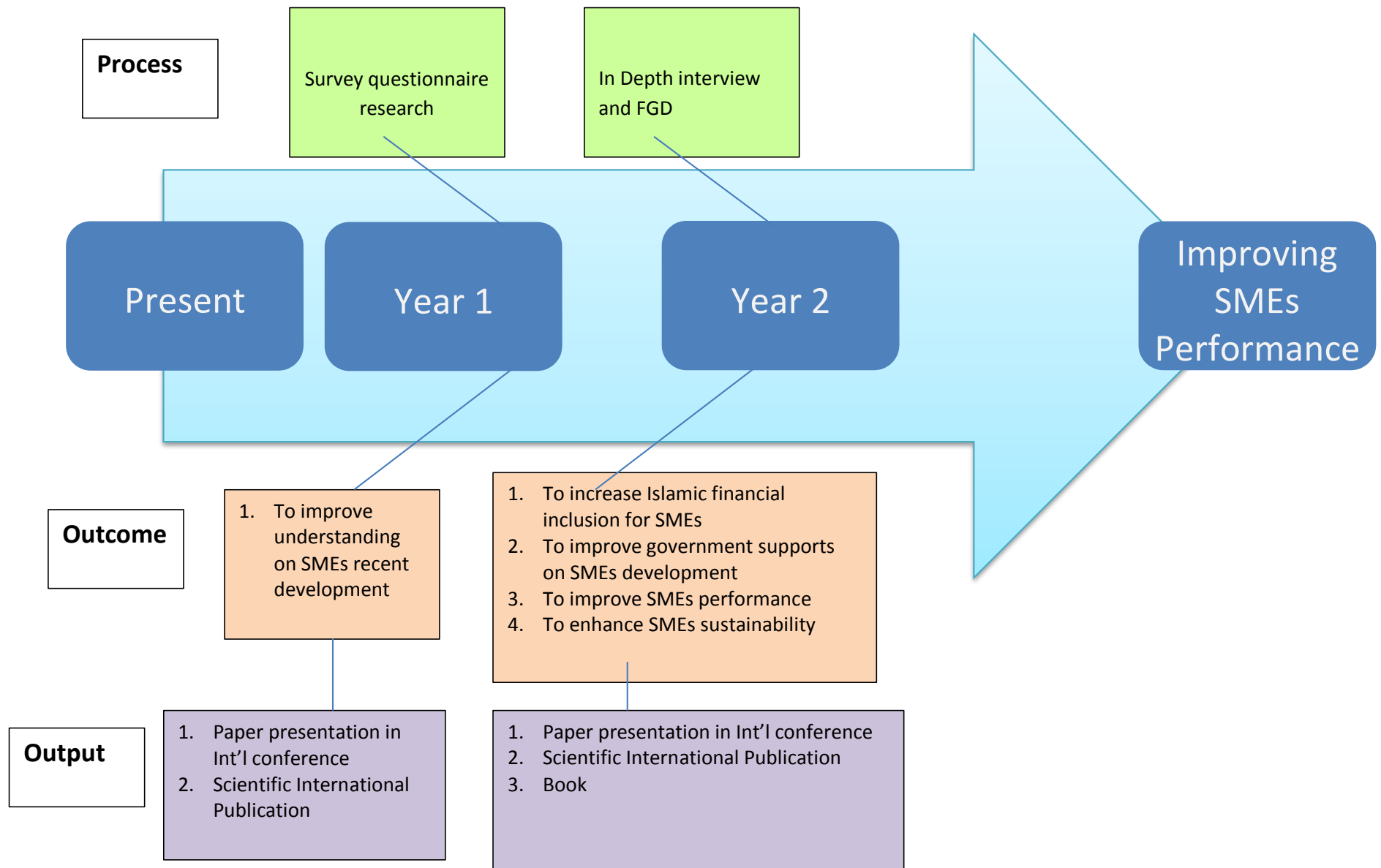


Figure 3.2. Research Stages of Year 2

This report outlines recent research substantiating the contribution of the small and medium enterprises (SMEs) in particular for the opportunities in Islamic Financing. It also highlights on the background of the entrepreneurs and the Risk taking capacity by the enterprises. Additionally the research includes Capital Management and the prospects of Islamic Finance in SMEs. Furthermore, the requirement and needs are considered base on accessibility and sufficiency on particular enterprise. Finally, the research identifies the Issues, Success and prospects of SMEs in present time.

The relationship between the research process, research output and research outcome is shown in Figure 3.4

Figure 3.4 Research Process, Outcome and Output



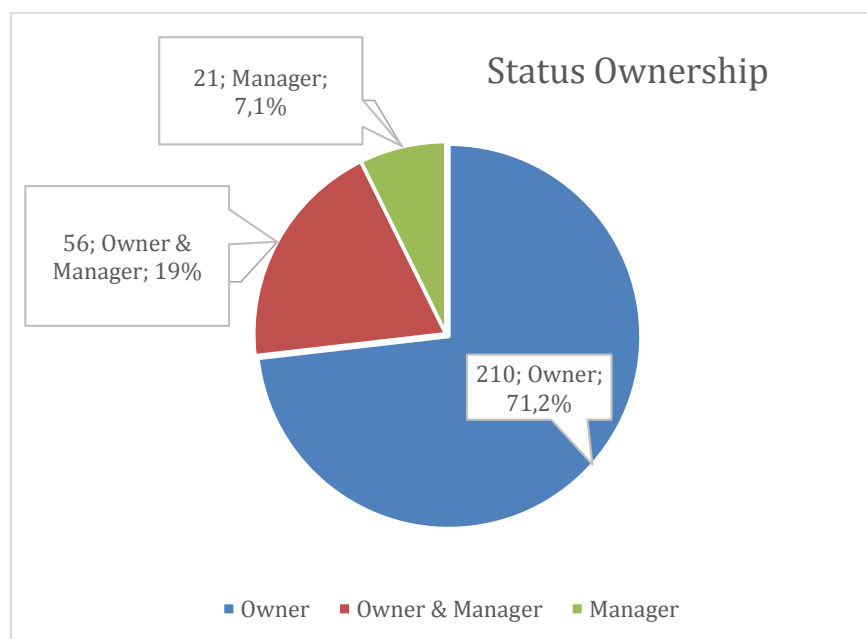
CHAPTER 4

ANALYSIS OF FINANCIAL INCLUSION AND LITERACY WITH CHALLENGES FOR SMALL AND MEDIUM ENTERPRISES

4.1. Description of Respondents

4.1.2. Profile of Respondents

This research was conducted in Special Region of Yogyakarta. Samples in this research include MSMEs (Micro, Small and Medium Enterprises) owners throughout five districts in Special Region of Yogyakarta. Apparently, there are 300 respondents in our samples. Data collection in this research contains ownership status, gender, age, education, asset, number of workers, and turnover values within a year. Distribution of characteristics of MSMEs' respondents by ownership status can be seen in Figure 5.1 as follows.



Source: Survey data (processed)

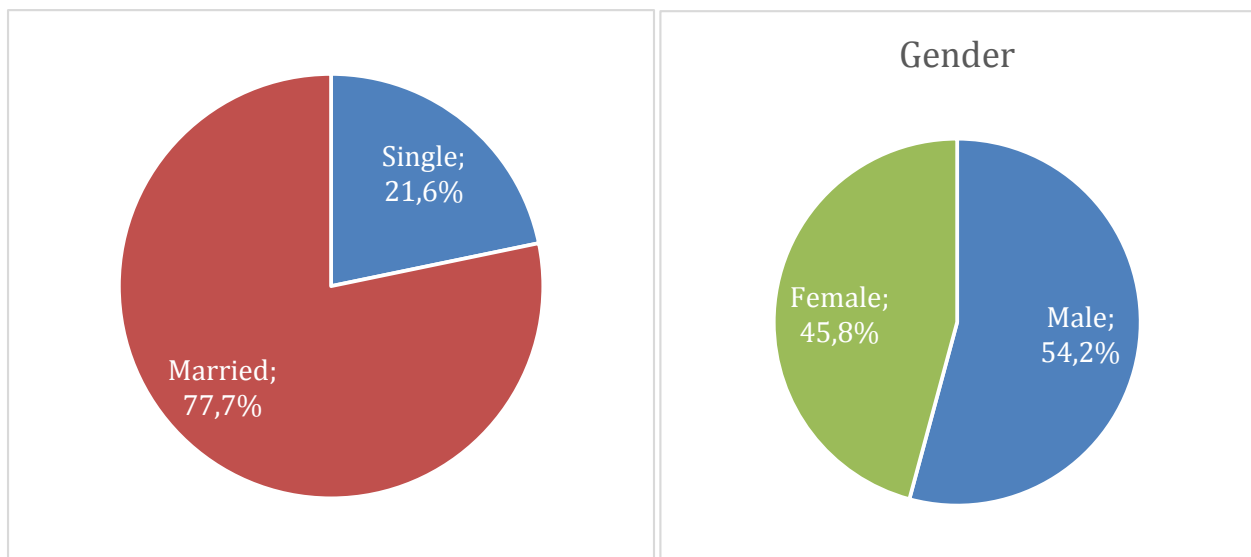
Figure 5.1

Characteristics of MSMEs' Owners in Special Region of Yogyakarta by Ownership Status

Based on field report, 210 out of 300 respondents, or 71.2 percent of them are the business firms. Meanwhile, 56 respondents or 19 percent of them are owners with dual role as manager. Even though the business scale is MSMEs, the owners do not always have the full control of

the business, implying that the business relies on the manager which accounts for 21 respondents or 7.1%. Probably, a type of business with its operational relied on the manager is an medium scale of business as general characteristics of such business have better, more advanced and well-planned management and organization with clear division of tasks such as finance department, marketing department and production department, with skilled and trained human resources.

Meanwhile, even though man is dominant by gender to control the business, data in field report also confirms that some women also control their own business with comparison of 54.2%:45.8%, or 160:135. Most of the MSMEs owners in Special Region of Yogyakarta based on marital status are married as many as 219 respondents or 77.7%, while the remaining business firms are single, either not married or divorce.



Source: Survey Data (processed)
Figure 5.2

Characteristics of MSMEs Owner in Special Region of Yogyakarta by Marital Status and Gender

Since most of the business firms are married, they are no longer young on average as 111 of them are above 50 years old or 37.2%, while 71 of them or 23.8% are around 41 to 49 years old. By contrast, there are many business firms are categorized as young which accounts for 69 respondents or 23.2%. Based on education level, most of the MSMEs owners in Special Region of Yogyakarta have secondary education as many as 157 respondents or 53.2%. Even, there are business firms with primary education which accounts for 41 respondents or 13.9%. In line with the development of social level of the society, there are also many business firms

with higher education which account for 54 respondents or 18.3%. This statistics is relevant with previous data as there is a type of business relied on the manager, which is not managed by the owner. Most definitely, a manager should have higher education as one of criteria. This situation can be seen in Figure 5.3.

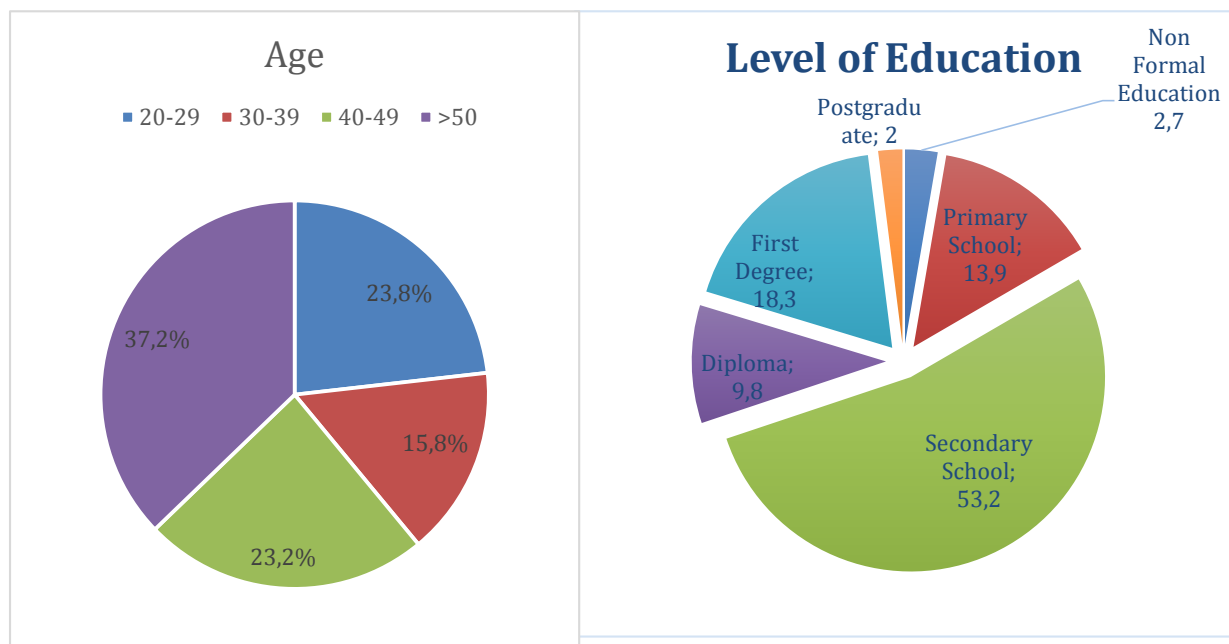
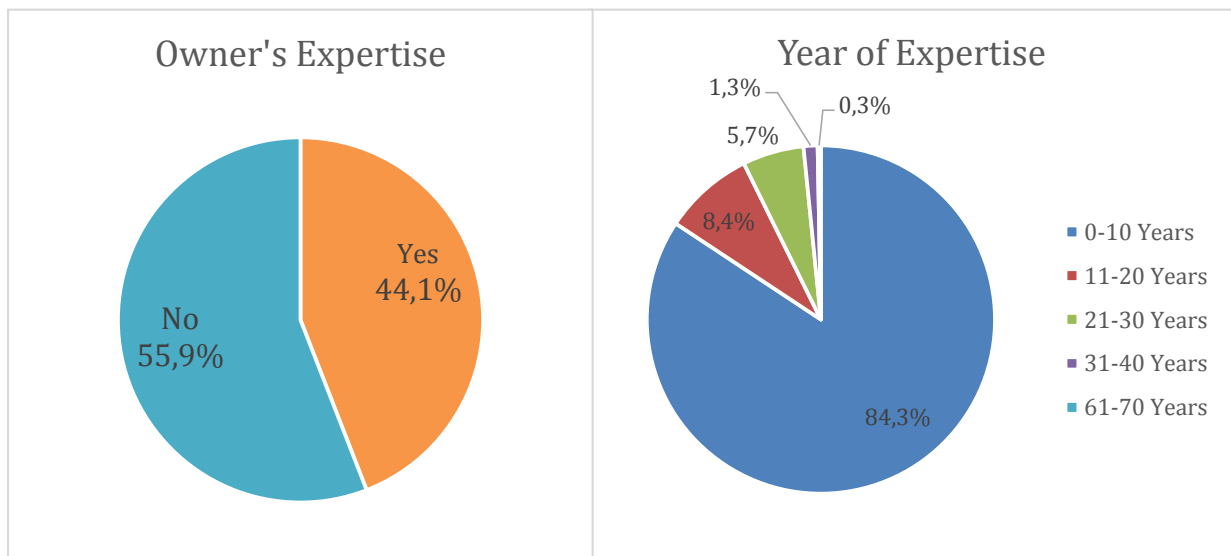


Figure 5.3

Characteristics of MSMEs Owner in Special Region of Yogyakarta

by Age and Education Level

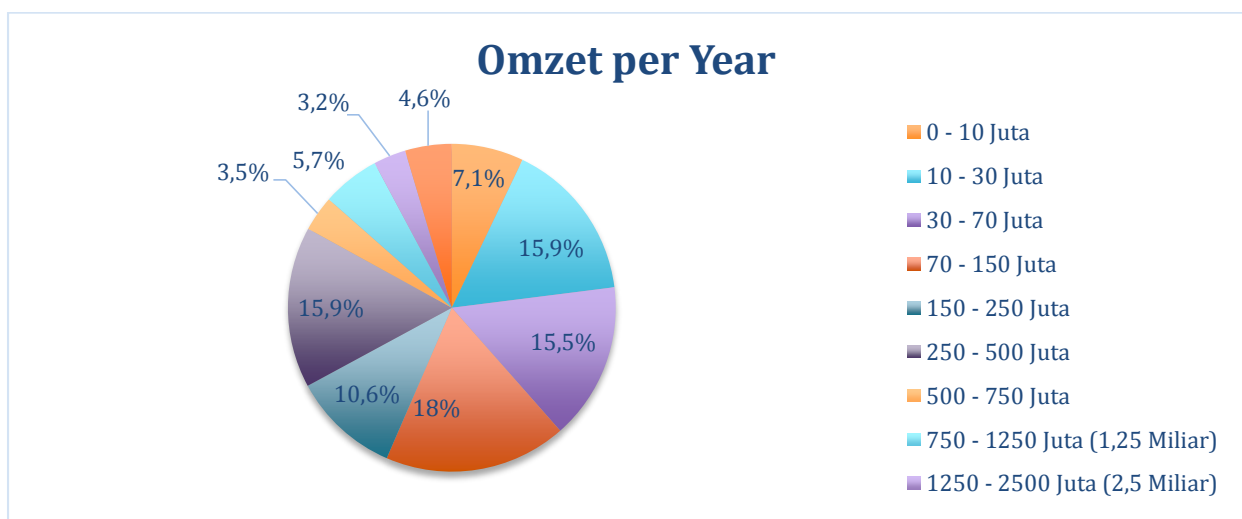
Generally speaking, the owners of MSMEs business have entrepreneurship before running their own business. As confirmed by survey data, 132 respondents or 44.1% of them are possessed with business experience, while the remaining 167 respondents or 55.9% have no prior experience. There are more business firms with no entrepreneurship experience than those with such experience. It might be possible that most of the MSMEs in Yogyakarta are family business with continuation of its operational is given to the children or other family members across generation. Most of the learning process of business management is given directly to the subsequent generation or self-learning in which the family members contributed to the business intensively as the employees or volunteers. This description can be viewed in Figure 5.4.



Source: Survey Data (processed)

Figure 5.3
Characteristics of MSMEs Owner in Special Region of Yogyakarta
by Education Status and Entrepreneurship

As business firms in MSMEs, turnover values in one-year period remain at the level of micro and small as defined by Regulations No. 20 Year 2008 that maximum turnover values per year for micro business are IDR 300 million, while turnover values for small business are around IDR 300 million to IDR 2.5 billion.

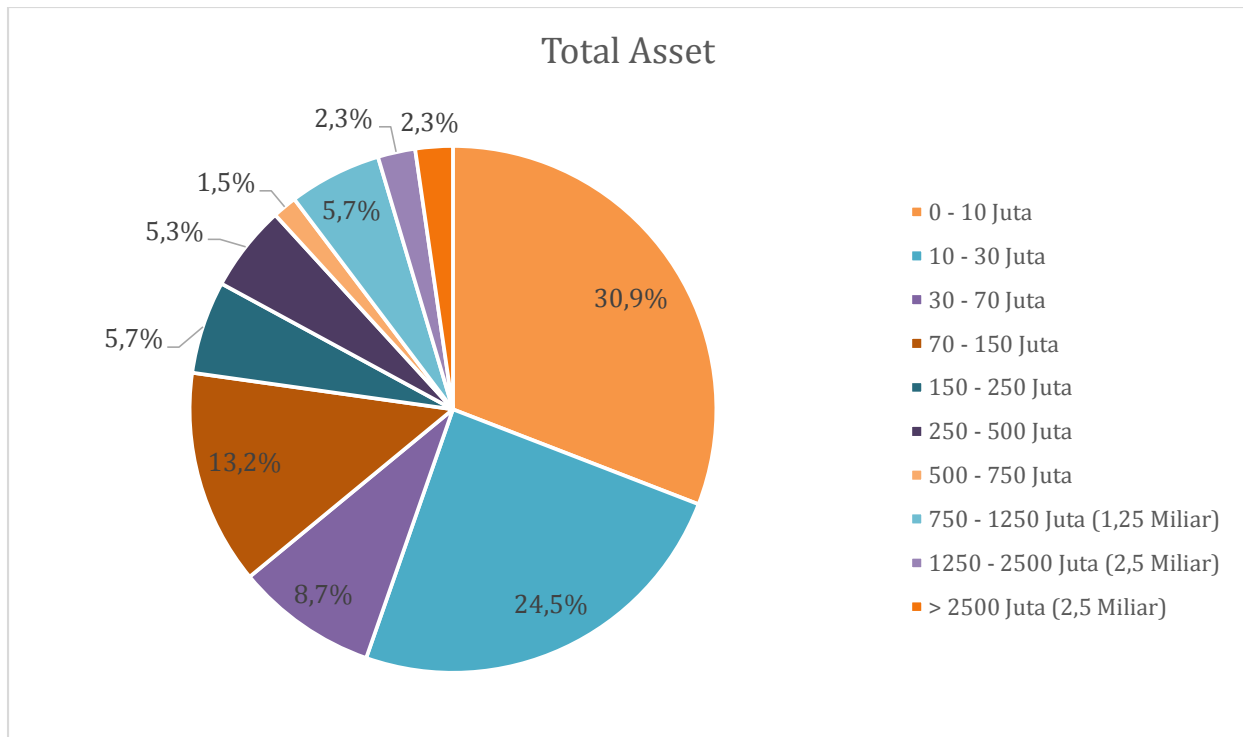


Source: Survey Data (processed)

Figure 5.4
Characteristics of MSMEs Owner in Special Region of Yogyakarta
by Annual Turnover Values

There are only 13 business firms categorized as medium scale business with turnover values per year more than IDR 2.5 billion. Based on asset ownership of the business, most of

the asset values of MSMEs in Yogyakarta are around IDR 0 to IDR 30 million, which account for 147 respondents or 55.4%. The data suggests that most of the business firms in Yogyakarta are those with micro scale as stated by the Regulations No. 20 Year 2008 that maximum asset values for micro scale business are IDR 50 million. The remaining portion of the data is small scale business with 87 respondents or 32.9%, while the rest is medium scale business with 31 respondents or 11.7%. This condition can be seen in Figure 5.5.



Source: Survey Data (processed)

Figure 5.5
Characteristics of MSMEs Owner in Special Region of Yogyakarta
by Asset Values

4.1.3. Descriptive of Business Activities of the Respondents

One of the formal requirements to run the business is related to legal issue or permission for business. Besides, it is important for business entities, whether they are small, medium, or large, to have legal institution. Legal institution will protect the business entities from any claims based on activities of the enterprises. The main feature of business entities with legal institution includes separation between wealth of the owners and wealth of the business entities so that the owners are only responsible for the wealth of the enterprises.

Table 5.1**Characteristics of MSMEs in Special Region of Yogyakarta by Business Entity**

Variables	Frequency	Percent
Year of Establishment		
1940 - 1988	32	10,8
1990 - 2000	69	23,4
2001 - 2010	86	29,2
>2010	108	36,6
Missing	6	
Legal Form		
Co-operative	3	1,1
Private Limited	3	1,1
Partnership	9	3,2
Sole Proprietorship	260	93,9
Missing	26	

Source: Survey Data (processed)

Table 5.1 confirms that almost of entire business firms in Yogyakarta are in the form of sole proprietorship which account for 260 enterprises or 93.9%, while the rests are private limited, partnership, and co-operative. This situation makes sense as most of the business firms in Yogyakarta are micro and small enterprise with characteristics of sole proprietorship business entity.

As the previous section mentions that several business firms have prior knowledge in entrepreneurship while running the business, there are some motivations of why they run the business. Apparently, there are various motivations to run the business in Yogyakarta. Based on survey data, it can be informed that 59.2% or 142 respondents run the business because of possessing skills, which in turn is expected to contribute in successful business. It is more interesting to know that among 47.1% or 104 respondents reveals of getting new challenge while running the business. This motivation is in line with the previous data as there are 69 respondents at the young age between 20 to 29 years old which are in the age of being productive at bottom level with risk lover character in their life.

Table 5.1
MSME's Sector in Yogyakarta

Sector		
Sector	Frequency	Percent
Consumer	78	40,8
Construction	4	2,1
Industrial	22	11,5
Plantation	4	2,1
Properties	3	1,6
Technology	1	0,5
Trading/Services	76	39,8
Transportation	3	1,6

Source: Survey Data (Processed)

Based on the survey result, the micro small and medium enterprises in Yogyakarta was divided into 8 sectors. The biggest number of MSMEs are in the consumer sector with 40,8% then in the Trading/Services with 39,8%, Industrial sector 11,5%, Construction and Plantation 2,1%, Properties and Transportation 1,6% and Technology 0,5%.

Table 5.2
Reasons of MSMEs Running the Business

3 Important reason you choose this business		
By Profession	142	59,2
Inherited Business	46	21,8
Economic Hardship	86	38,9
More Challenging	104	47,1
Encouraged by government	6	3
No other jobs	48	22,5
For Additional income	145	57,5
Personal Interest	245	86,6

Source: Survey Data (processed)

Among 86 respondents state that their motivation of running the business is to improve the household economy as finding a job is not easy as they perceive. However, some of the MSMEs owners in Yogyakarta give the reason of inherited business as it is the family business. There are 46 respondents, or 21,8% running the business because of inherited business. This reason is in line with the data as there are 44% of total respondents state that they do not have entrepreneurship skill before running the business. This is reasonable as they only continue the business established by their parents.

In relation to business activities, most of the respondents have just run the activities for less than 10 years, which account for 157 respondents or 52.9%. There are 80 respondents

running the business for 11 to 20 years, 42 respondents for 21 to 30 years, while 13 respondents have been running their own business for 31 to 40 years. Meanwhile, very few respondents have been running the business for more than 50 years.

Table 5.3

Length of Business Activities of MSMEs

How long have you been in this business?		
0-10 Years	157	52,9
11-20 Years	80	26,9
21-30 Years	42	14,1
31-40 Years	13	4,4
41-50 Years	4	1,3
>60 Years	1	,3

Source: Survey Data (processed)

Even though most of the respondents have been running their business activities for 10 years, even more than 20 years, 74.6% or 223 respondents of business firms in Yogyakarta never get any training related to their own business activities either from government in related institution higher education institutions, or vocational department.

Table 5.4

Training for MSMEs during Business Activities

I have attended more training program provided by the private sector than the public sector		
Yes	75	25,1
No	223	74,6
Types of Training		
Vocational	21	9,4
On the Job Training	63	28,3
Training College	21	9,4
No Training	118	52,9
Missing	78	

Source: Survey Data (processed)

In order to develop the business, adequate skill and knowledge are required for the business firms which are not only for Small, Medium, and Enterprises (MSMEs) but also for entrepreneur in large scale. There are several benefits acquired by the business world, such as: (1) increasing work performance, (2) preparing the employers to have skill in certain areas as required by the company, (3) having adequate skill and knowledge so that the employers have security and being appreciated, as well as have satisfaction. From the survey data, it was informed that business firms with various trainings, there are several types of training being done, such as business planning, leadership, business feasibility, financial management, and others as appeared in Table 5.5.

Table 5.5.
Type of Training for MSMEs during Business Activities

Business Training		Frequency	%
Accounting	Yes	50	17,7
	No	232	82,3
Achievement Motivation Training	Yes	58	20,4
	No	226	79,6
Business Plan	Yes	61	21,6
	No	221	78,4
Business Feasibility	Yes	71	25,3
	No	210	74,7
Finance	Yes	67	23,5
	No	218	76,5
Human Resource Management	Yes	59	20,6
	No	227	79,4
ICT Application	Yes	57	20,1
	No	227	79,9
Leadership Training	Yes	63	22,3
	No	220	77,7
Marketing and Promotion	Yes	88	31
	No		

Business Training		Frequency	%
	No	196	69
Operation and Manufacturing	Yes	51	18,1
	No	231	81,9
Research and Development	Yes	55	19,5
	No	227	80,5

Source: Survey Data (processed)

Business training is the most valuable investment and can be very beneficial for the entrepreneur in the future. The values and benefits are not only measured financially but also in terms of skill improvement in production or managerial as long term investment for business firm. However, based on survey data it can be informed that there are so many MSMEs owners in Yogyakarta who never have any business trainings which are essential for them to develop their business. With more knowledge of managing business activities, they will know how to market the products, manage the assets efficiently, manage the employees well, and so on. Thus, various trainings are required to develop business activities. In relation to the need of training, several types of training are required as it can be seen in Table 5.6.

Table 5.6

Types of Training Required by MSMEs Yogyakarta

Training On	Responses	Current		Future	
		Freq	Percent (%)	Freq	Percent (%)
Finance	Yes	127	43,5	143	49,1
	Definitely Yes	43	14,7	59	20,3
Human Resources	Yes	121	41,9	131	45,5
	Definitely Yes	35	12,1	56	19,4
Information Technology	Yes	114	39,2	114	39,6
	Definitely Yes	38	13,1	52	18,1
Marketing	Yes	130	44,7	136	47,4
	Definitely Yes	48	16,5	53	18,5

Training On	Responses	Current		Future	
		Freq	Percent (%)	Freq	Percent (%)
Product Development	Yes	114	38,9	128	44,6
	Definitely Yes	39	13,3	42	14,6
Operational Management	Yes	127	43,3	140	48,1
	Definitely Yes	48	16,4	53	18,2
Quality Development	Yes	106	36,2	115	39,9
	Definitely Yes	47	16,0	53	18,4
Research Development and Innovation	Yes	79	27,1	96	33,7
	Definitely Yes	41	14,0	45	15,8
Sustainability and Green Technology	Yes	30	31,9	32	35,2
	Definitely Yes	11	11,7	13	14,3

Source: Survey Data (processed)

Business activities are strongly related to capital access and this is one among so many issues faced by business firm in all scales from micro, small, medium to large. Thus, financial institutions have important and strategic role to solve financing issues for these business firms. Nowadays, the development of financial institutions has been so rapid in terms of various financing products for business firm, both conventional and sharia. The existence of sharia financing in Indonesia is relatively new compared to conventional financial institutions so that it makes sense if its development is still left behind. This situation has implication toward the society, particularly MSMEs owners in Yogyakarta, in which most of them do not realize the existence of sharia financial institution as the alternative solution to finance the business instead of conventional financial institution. This condition can be seen in Table 5.7.

Table 5.7
Awareness Level of MSMEs toward Sharia Financing

Awareness of the differences between Islamic Financing and Conventional Financing method		
Variables	Frequency	Percent (%)
Not aware at all (0)	2	0,7
Not Aware (1)	126	43,2
Not Sure (2)	54	18,5
Little Aware (3)	46	15,8
Aware (4)	38	13,0
Very Aware (5)	26	8,9
Missing	9	
Source of Capital		
Islamic	21	8,6
Conventional	218	89,7
Self Funding	2	0,8
Missing	60	

Source: Survey Data (processed)

Table 5.7 confirms that there are very few business firms in Yogyakarta, particularly MSMEs, who had realized the existence of sharia finance in Indonesian economy which can be an alternative toward financing access for their business. Survey data also concludes that there are only 21 business firms in Yogyakarta who had already utilized the fund from sharia financial institution, while 218 or 89.7% of business firms still used the loan from conventional financial institution. This finding is very possible as sharia financial institution lacks of socialization to business firms and they do not receive any knowledge about sharia financial institution from the government and higher education institution.

Even though there are many business firms not utilizing the funding from sharia financial institution, either from the banks or micro financial institutions, there is no possibility for them to utilize the fund from sharia financial institution in the future, and only few of them are willing to utilize the fund, which account for 9 respondents or 3.2%. Meanwhile, for

economic agents who had already utilized the fund from sharia financial institution, still there is no possibility to continue utilizing the fund from sharia financial institution in the future. There are only 22 respondents who commit to continue utilizing the fund from sharia financial institution which account for 22%. This descriptive statistics can be seen in Table 5.8.

Table 5.8.
Possibility of MSMEs Utilizing Sharia Finance

Responses	If you are currently not using Islamic Finance, do you intend to utilize it in near future?		you are currently using Islamic Finance, do you intend to continue using it in the future?	
	Frequency	Percent (%)	Frequency	Percent (%)
Definitely No	11	4,0	3	1,5
No	77	27,7	41	20,0
Not Sure	140	50,4	33	16,1
Yes	41	14,7	83	40,5
Definitely Yes	9	3,2	45	22,0
Total	278		205	
Missing	23		96	

Source: Survey Data (processed)

4.2. Access of MSMEs in Special Region of Yogyakarta to Sharia Finance

The existence of micro, small and medium enterprises (MSMEs) reflects the reality of social and economic life for typical Indonesian society, including Special Region of Yogyakarta. Besides, MSMEs are proven to survive in crisis situation, absorb large pool of workers, spread out in almost of entire sectors in the economy, and improve income distribution. In relation to their characteristics, business firms are the main stakeholders who utilize the funds from financial institutions (i.e. bank, microfinance, and co-operative, either in conventional and sharia basis) as financing sources. However, there is still possibility for business firms to utilize or not utilize the funds from those financial institutions as they can obtain the funds from other sources, such as personal funds, loans from the family, loan sharks, and rotating finance. The distribution of funds utilization to develop the business from various financing sources can be seen in Table 5.9.

Table 5.9.
Capital Sources of MSMEs by Period

Source of Financial Capital	INITIAL		CURRENT		FUTURE	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Bank	30	10	52	17,3	56	18,6
Cooperation	4	1,3	2	0,7	5	1,7
Crowd Funding	45	15	10	3,3	8	2,7
Loan Relative	10	3,3	6	2	7	2,3
Micro Finance	0	0	4	1,3	3	1
NGO	132	43,9	136	45,2	139	46,2
Personal Savings	80	26,6	63	20,9	58	19,3
Registered Money Lender	2	0,7	0	0	2	0,7
Rotating Finance (arisan)	4	1,3	0	0	2	0,7
Unregistered Money Lender	2	0,7	0	0	0	0
Others	44	14,6	44	14,6	0	0

Source: Survey Data (processed)

Based on Table 5.9, it is apparent that initially most of the business firms run their business with funding from Non-Government Organization, which is as known as BKM or *Badan Keswadayaan Masyarakat*. There are 132 respondents or 44% of them who utilize the fund from BKM at the initial stage of business activities, while there are some business firms who start their business by relying upon personal funding from their saving, which account for 80 respondents or 27%. There are also business firms who utilize the fund from crowd funding by the time they start their business. By contrast, there are only 30 respondents or 10% who utilize the fund from the bank to start their business activities. It gives us evidence that most definitely access to formal financial institution, such as bank and microfinance, did not provide enough space for business firm of MSMEs in Yogyakarta.

In relation to difficult access for financial institution to provide more space for business firm of MSMEs in Yogyakarta, the data can be traced in Table 5.10.

Table 5.10.
Accessability of MSMEs toward Financing Sources

Source of Capital	Accessibility									
	Not Accessible		be accessed		Neutral		Accessible		sified with the accesibility	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Bank Loan	4	1,3	6	2	21	7	63	20,9	41	13,6
Coop Society	11	3,7	5	1,7	34	11,3	38	12,6	6	2
Crowd Fund	16	5,3	5	1,7	28	9,3	58	19,3	26	8,6
Loan Relative	6	2	11	3,7	35	11,6	33	11	17	5,6
Microfinance	11	3,7	8	2,7	35	11,6	36	12	5	1,7
Non- Gov	11	3,7	9	3	35	11,6	73	24,3	79	26,2
Personal Saving	12	4	3	1	16	5,3	43	14,3	51	16,9
Registered Money Lenders	20	6,6	3	1	31	10,3	37	12,3	2	0,7
Rotating	19	6,3	9	3	23	7,6	34	11,3	2	0,7
Unregistered Money Lender	12	4	2	0,7	14	4,7	19	6,3	2	0,7

Source: Survey Data (processed)

Based on Table 5.10, it is obvious that funds from Non-Government Organization or NGO are the most accessible funds. It does make sense as the business firms do not need complicated requirements, such as business plan, or collateral. This is revolving fund which initially becomes a part of economic empowerment program from central government. As the funds revolve, the management of the funds is given to NGO.

The second most accessible funds for MSMEs are funds from banking sector. However, according to Table 5.9, this type of funds is not the main choice for the business firms to finance their business activities. This is partly because there are difficult requirements imposed to MSMEs' owners even though they perceive that it is relatively easy to get funding from banking sector once the requirements are simple. Crowd funding also becomes the most accessible funding for business firms in Yogyakarta since this type of funds is relatively cheap in terms of the cost of getting the funds. Even though the utilization of the funds from loan sharks are no longer to be used as capital during initial stage of business, business firms of

MSMEs in Yogyakarta feel confident of getting that type of funds. Meanwhile, the business firms also perceive that financial access to microfinance such as cooperatives and BMT is relatively easy.

One of financing sources for the business firms of MSMEs in Yogyakarta is capital or financing from sharia financial institution with various financing products and forms. However, the existence of products from sharia financial institution does not seem to be familiar for the business firms of MSMEs in Yogyakarta. Majority of them which account for 88 respondents do not recognize financing products from sharia financial institution, while only 6 respondents noticing the products. Among 300 respondents, there are only 94 respondents or 31% who do not answer the questions about access to banking sector or sharia financial institution. This finding implies that majority of MSMEs' owners in Yogyakarta are still unfamiliar with the existence of sharia financial institution, particularly with financing products from sharia financial institution. This condition can be seen in Table 5.11 and Table 5.12.

Table 5.11.
Familiarities of MSMEs toward Sharia Financing Products

Familiar Islamic Finance Products	Frequency	Percent (%)
Yes	6	2
No	88	29,2
Total	94	31,2
Missing	207	

Source: Survey Data (processed)

Table 5.12.
Utilization of Sharia Financing Products

Type of Islamic Finance Products						
	INITIAL		CURRENT		FUTURE	
	Freq	%	Freq	%	Freq	%
Diminishing Musharaka			1	0,3		
Ijara			1	0,3		
Kafala	5	1,7	4	1,3	5	1,7
Mudaraba	4	1,3	6	2	4	1,3
Murabaha			3	1	2	0,7
Musharaka			1	0,3	1	0,3
Qard Hassan			1	0,3	1	0,3
Sukuk						

Source: Survey Data (processed)

From Table 5.12, it is obvious that majority of respondents do not answer the question related to the utilization of financing products from sharia financial institution, both sharia bank and sharia microfinance, such as BMT. There are only 9 respondents who utilize the funds from sharia financing at the beginning of their business. This number increases into 17 business firms by the time of the survey, but decreasing into 13 respondents in the future. This number decreases in Mudharaba and Murabaha. Thus, it is essential for regular socialization to the business firms of MSMEs so that utilization of the funds from sharia financing can grow. As the majority of business firms in Yogyakarta are micro and small enterprises with small needs of the funds, it is very plausible for them to be served by sharia financial institutions, both sharia bank and sharia microfinance, such as BMT.

Limited utilization of the funds from sharia financial institution can be transformed into the degree of accessibility of MSMEs to sharia finance. Unfamiliarity of business firms of MSMEs in Yogyakarta toward financing products from sharia financial institution is translated into lack of access to sharia financial institution. Table 5.13 provides information that access to sharia finance is relatively easy. However, only few respondents answer this question as most of the respondents are not familiar with sharia financial products.

Table 5.13.
Accessibility of MSMEs to Sharia Finance

Type of Islamic Finance Products	Accessibility									
	Accessible		be accessed		Neutral		Accessible		sified with the accessibility	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Diminishing Musharaka	3	1	8	2,7	5	1,7	3	1		
Ijara	3	1	8	2,7	5	1,7	3	1		
Kafala	1	0,3	8	2,7	7	2,3	6	2	1	0,3
Mudaraba	1	0,3	8	2,7	3	1	8	2,7	2	0,7
Murabaha	1	0,3	9	3	2	0,7	7	2,3		
Musharaka	3	1	8	2,7	6	2	1	0,3	1	0,3
Qard Hassan	4	1,3	6	2	3	1	6	2		
Sukuk	3	1	2	0,7			1	0,3		

Source: Survey Data (processed)

5.3. Challenges of MSMEs

Even though the owner of micro, small, and medium enterprises in Yogyakarta is the backbone and the main contributor of value added in the economy, in fact the business firms have to deal with uneasy challenges, particularly when they are confronted with globalization and digital era. On the other hand, the world has been changing as we entered into new situation with full of volatility, uncertainty, complexity, and ambiguity (VUCA). This condition takes place due to rapid technological growth in the world nowadays, which may have impact on MSMEs. The potential challenges for business firms of MSMEs in Yogyakarta can be seen in Table 5.14.

Table 5.14.
Potential Challenges for MSMEs in Special Region of Yogyakarta

Challenges	Level of Challenges									
	1		2		3		4		5	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Competitive advantage	38	12,6	20	6,6	70	23,3	118	39,2	51	16,9
Economic fluctuations	54	17,9	32	10,6	86	28,6	90	29,9	32	10,6
Environmental concern	49	16,3	38	12,6	108	35,9	67	22,3	29	9,6
Finance difficulties	70	23,3	45	15	64	21,3	72	23,9	41	13,6
Foreign product competition (MEA)	65	21,6	48	15,9	63	20,9	63	20,9	53	17,6
Information Communication and Technology Development (ICT)	47	15,6	45	15	91	30,2	72	23,9	37	12,3
Knowledge and skills in finance and accounting	46	15,3	41	13,6	114	37,9	67	22,3	24	8
Knowledge and skills in marketing	46	15,3	36	12	110	36,5	79	26,2	22	7,3
Knowledge and skills in technology	55	18,3	40	13,3	105	34,9	64	21,3	27	9
Knowledge and skills in research& development	22	7,3	29	9,6	118	39,2	91	30,2	31	10,3
Margins (Profit)/	27	9	26	8,6	99	32,9	106	35,2	34	11,3
Operational cost	42	14	25	8,3	75	24,9	83	27,6	64	21,3
On-line sales	20	6,6	24	8	90	29,9	109	36,2	49	16,3
Product cost	51	16,9	39	13	89	29,6	81	26,9	31	10,3
Recruiting staff	58	19,3	39	13	94	31,2	70	23,3	30	10
Retaining staff	24	8	21	7	98	32,6	94	31,2	53	17,6
Uncertainty of market direction	5	1,7	5	1,7	32	10,6	25	8,3	28	8,3
Other (specify)	23	7,6	13	4,3	65	21,6	64	21,3	35	11,6

Source: Survey Data (processed)

In the following three years, respondents think that the hardest challenge for entrepreneurs of MSMEs in Yogyakarta is operational cost. It is uneasy to anticipate this cost as some raw materials are imported so that it will be depending on exchange rates. Besides, cost of energy, such as fossil fuel or electricity, has been adjusted by the market so that the business firms must be ready to face with higher prices due to government policy. Another challenge for MSMEs entrepreneurs in Yogyakarta is how to keep well performed employees while facing with final products from overseas in the context of free trade policy with ASEAN countries or MEA. It is plausible that well performed employees will move to other workplaces with higher salary. Considerable inflows of goods from Malaysia, Thailand, and Vietnam also have impact on more variations of consumer choice with lower prices. This condition must be

having impact on strict competition toward products from MSMEs' entrepreneurs in Yogyakarta, particularly in terms of price and quality, which in turn reduces the sales of business firms.

Besides, trend of online shop can be a threat for MSMEs' products in Yogyakarta as the technology grows more rapidly. The business firms with internet system do not need large spaces, production areas, and many employees. They only need computer or mobile phone to market their products and sometimes their products are imported from overseas.

As economic condition tends to be unstable and unpredictable, it will have impacts on the performance of business entity, from micro, small, medium, to large scale. Any economic changes can be caused by economic or non-economic factors, either domestically or overseas. Here are some components in the company for which respondents think of being increased in the last three years.

Table 5.15.
Increasing Components in the Past Three Years

Particulars	Strongly Disagree to Strongly Agree									
	1		2		3		4		5	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Demand for the product	13	4,3	12	4	79	26,2	118	39,2	70	23,3
Cost of product	27	9	17	5,6	99	32,9	95	31,6	52	17,3
Improvement in overall business environment	12	4	31	10,3	112	37,2	91	30,2	44	14,6
Market share	11	3,7	21	7	106	35,2	107	35,5	48	15,9
Net Profit	57	18,9	30	10	100	33,2	78	25,9	28	9,3
Number of employees	24	8	38	12,6	92	30,6	109	36,2	31	10,3
Total Revenue (sales)	15	5	34	11,3	98	32,6	99	32,9	49	16,3
Total Financing	32	10,6	32	10,6	123	40,9	77	25,6	30	10
Total Asset	14	4,7	33	11	117	38,9	79	26,2	51	16,9
Total Capital	59	19,6	32	10,6	76	25,2	61	20,3	70	23,3

Source: Survey Data (processed)

According to respondents, almost of entire components in the last three years have been increasing even though profit and financing components are not considered to increase. Despite increasing demand in the last three years, production cost also increases, hence the profit diminishes.

Other components which increase include total asset, sales, and market share along with total capital as the most important one. Within the last the years, capital has been significantly

increasing in order to meet increasing demand with higher production costs at the same time. Even though sales have also been increasing since the last three years, the business firms were still unsure whether profit increased in the midst of higher production costs. Improvement in overall business environment has been higher during the last three years by the time of increasing market share and number of employees.

4.4. Sharia Finance Literacy of MSMEs in Special Region of Yogyakarta

One particular issue faced by business firms of Micro Small Enterprises (MSEs) includes business administration and accounting. Several constraints to deal with include limited understanding in basic concepts of record keeping, limited ability to use information technology, and no established commitment for consistent financial accounting. A study from Bank Indonesia (2012) also concludes that MSEs have limited access to get financing sources from the banking sector. This is caused by low level of knowledge possessed by MSMEs in Yogyakarta about their ability for financial management.

Business firms must have ability in planning, running and monitoring the implementation of financial management in their business. They also should be able to make decision effectively and efficiently so that their business generates maximum profit. In order to make financial decision effectively and efficiently, a business firm must possess adequate knowledge about financial management, which is known as financial literacy. The evaluation for financial literacy of MSEs in Yogyakarta can be seen from several aspects, including (1) record keeping, (2) budgeting, (3) accounting information, (4) risk and supervision, and (5) financial literacy.

5.4.1. Record Keeping

In general, there are so many Micro Small Enterprises (MSEs) doing record keeping for current transaction only. They only record incoming (purchased) and out-coming (sold) stocks. This condition makes it difficult to know net revenue exactly. Thus, it takes time and accuracy. In the process of record keeping, there is no separation between business spending and personal spending. There are several reasons why they are reluctant to do record keeping, such as the availability of facilities for record keeping, particular personnel required, unstructured spending between personal activities and business activities, unaware of discipline of bookkeeping, and additional expenses. This condition can be seen in Table 5.16.

Table 5.16.

Financial Literacy of MSMEs by Record Keeping

Particulars Record Keeping	Never to Always									
	1 Never		2 Seldom		3 Sometimes		4 Often		5 Always	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Do you separate records of business expenses and personal expenses?	155	51,5	40	13,3	28	9,3	25	8,3	50	16,6
Do you use accounting software to manage your accounting records?	147	48,8	55	18,3	32	10,6	21	7	43	14,3
Do you prepare statement of profit and loss?	140	46,5	43	14,3	42	14	38	12,6	33	11
Do you prepare Balance Sheet (Statement of Financial Position)?	130	43,2	59	19,6	43	14,3	27	9	37	12,3

Source: Survey Data (processed)

From Table 5.16, it is apparent that most of MSMEs in Yogyakarta do not separate business expense and personal expense in record keeping, which account for 155 respondents or 51.5%. However, there are more respondents who always make separate records, which are 16.6%, than those who sometimes make separate records, which are 13.3%. Process of record keeping without any separation is caused by unavailability of electronic facilities in financial reporting. Thus, most of MSMEs' owners never make any report and financial document both in income statement and balance sheet. Avoiding complication with financial discipline is the main reason for them. With such phenomenon, it is possibly difficult to do auditing so that their business performance is hard to assess.

In relation to electronic software in record keeping, several MSMEs sometimes or seldom practice with it. There are only 43 respondents or 14% who practice bookkeeping with electronic software. Most of this computerized bookkeeping is done by medium business firms. Thus, it is easy for medium scale to prepare financial document in the form of income statement and balance sheet.

4.4.2. Budgeting

The main financial characteristic of MSMEs is self-organizing, hence any expense and spending is merely based on instinct. If there is no direct handling in financial planning, it will be harmful for their business sustainability. The potential risk from this issue is inability of the business to pay regular and urgent spending, which may damage their business. Even though there are many pre-orders (PO) on the paper, most of the MSMEs' owners never practice

financial planning or budgeting, which account for 130 respondents or 43.2%. The remaining respondents seldom, or sometimes practice it. By contrast, there are 37 respondents or 12.3% who always practice financial planning. Table 5.16 confirms those situations.

Table 5.16.
Financial Literacy of MSMEs by Budgeting/Financial Planning

Particulars	Never to Always									
	1 Never		2 Seldom		3 Sometimes		4 Often		5 Always	
Budgeting	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Do you prepare yearly budget (<i>financial allocations</i>)?	130	43,2	59	19,6	43	14,3	27	9	37	12,3
Do you prepare yearly budget?	115	38,2	50	16,6	48	15,9	36	12	46	15,3
Do you prepare monthly budget?	32	10,6	12	4	23	7,6	13	4,3	14	4,7
Do you have a trained accountant to prepare budget for your company?	145	48,2	61	20,3	35	11,6	29	9,6	24	8

Source: Survey Data (processed)

As a consequence, respondents who never make any financial planning are those who never prepare monthly financial planning, and do not have any financial personnel or accountant to prepare such planning. For business firms of MSMEs who had prepared financial planning for their business occasionally, they already had their own financial personnel to organize financial planning. Likewise, for business firms who always make financial planning, regular monthly planning is always to be done and relied upon their own financial personnel.

4.4.3. Utilization of Accounting Information

Accounting information can be a strong basis to make decision in organizing MSMEs, such as market development, pricing, and so on. It is also necessary to provide accounting information in order to relate between small enterprises with government and creditor (bank). Accounting information can be used to measure and communicate financial information of the enterprise while making decisions to solve current issues. In fact, there are many small enterprises in Yogyakarta do not utilize accounting information while managing their business as they do not have any knowledge in accounting, and most of them do not understand the importance of recording and bookkeeping for their business sustainability. Small enterprises view that it is not necessary to implement accounting process.

Based on field survey, most of the MSMEs' owners in Yogyakarta never make use of financial report while making decision for business development. They never use information to calculate environmental costs, such as waste or tax or *zakat* payment. There are 161 respondents and 152 respondents who never use financial report and accounting information while making decision regarding their own business development. It is reasonable as these business firms manage their own financial affairs independently and consider that accounting process is not important to be implemented in their own business. For these business firms, financial recording matters for themselves only.

However, there are many business firms who occasionally utilize financial report and accounting information in their own business. There are 59 respondents and 42 respondents who use financial report while making business decision, while only 18 respondents or 6% who always use financial report in business decision making for overall samples in this research. This condition can be seen in Table 5.17.

Table 5.17.
Financial Literacy of MSMEs by Accounting Information Usage

Use of accounting information	1 Never		2 Seldom		3 Sometimes		4 Often		5 Always	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Do you use financial statement for business decision making?	161	53,5	59	19,6	42	14	14	4,7	18	6
Do you use accounting information to calculate environmental cost (e.g. wastage cost)?	152	50,5	65	21,6	40	13,3	17	5,6	20	6,6
Do you use accounting information for tax/ <i>zakat</i> computation?	62	20,6	33	11	49	16,3	63	20,9	88	29,2

Source: Survey Data (processed)

In relation to accounting information usage ass consideration for tax and *zakat* payment, there are 88 respondents or 29.2% who always practice it, while the rests are never, sometimes, and seldom. The number of respondents which utilize accounting information for tax purpose is apparently higher than those who utilize financial information to calculate environmental cost. Most definitely, their awareness toward the importance of financial information appears when they need to deal with other institutions which require financial report or accounting for specific purposes, such as applying loan in the bank and any activities related to tax payment.

4.4.4. Risk and supervision

Risk is uncertainty or the possibility of financial loss. There are various responses from MSMEs toward the risk, depending on past experiences and psychological motives. Most of the MSMEs tend to avoid any situation which cause insecurity or insufficiency. Thus, it is important to deal with any risk using logical and controlled means. The way of MSMEs handling the risk will influence their financial security in the future. One way to deal with such risk is by putting their assets into insurance. It is essential to have adequate knowledge or literacy to manage such risks and avoid additional risk caused by lack of knowledge, such as risk of insurance scam.

Table 5.18 confirms that most of the MSME's owners in Yogyakarta never consider that financial management is important for the enterprises, which account for 107 respondents or 35.5%, while there are 53 respondents or 17.6% who consider that financial management is important in business development. The rests consider that financial management is occasionally important for the enterprises.

Table 5.18.
Literacy Level of MSMEs by Accounting Information Usage

Particulars	Never to Always									
	1		2		3		4		5	
	Never		Seldom		Sometimes		Often		Always	
	<u>Freq</u>	<u>%</u>	<u>Freq</u>	<u>%</u>	<u>Freq</u>	<u>%</u>	<u>Freq</u>	<u>%</u>	<u>Freq</u>	<u>%</u>
Do you think financial management is important for your business?	107	35,5	47	15,6	49	16,3	40	13,3	53	17,6
Do you keep records of your debtors (credit sales)?	62	20,6	68	22,6	71	23,6	69	22,9	27	9

Source: Survey Data (processed)

Respondents who consider the importance of financial management for business development will always use financial report and accounting information while making decision for business.

4.4.5 Financial Literacy of MSMEs

Financial literacy can be defined as financial knowledge to attain the welfare. This financial literacy is related to the ability of individuals or business firms in financial planning and management. Financial planning is about how to live for today based on financial adequacy while preparing for wealthy future. Misunderstanding of the importance of financial literacy may cause lack of access to financial institutions, which is easy for financial service providers

to influence their decision. The main issue of running micro, small, and medium enterprises (MSMEs) is not only based on financial and human resource management, but also on capital access for the business firms. Low literacy level of MSMEs' owners becomes one cause of limited access for financial service to those sectors.

Table 5.19 depicts financial literacy level of MSMEs in Special Region of Yogyakarta. Based on data processing, it can be inferred that some business firms had understand of financial report. Even, 55 respondents or 18.3% had understood the financial report very well. There are 88 respondents who possess adequate level of understanding on financial report, while there are 39 respondents or 13% only who do not understand the financial report at all. Even though not entire respondents understand the financial report very well, at least some of the MSMEs' owners had simple financial record or bookkeeping.

Table 5.19.
Literacy Level of MSMEs in Special Region of Yogyakarta

Financial Literacy	1 No		2 a little		3 Not Sure		4 General Understand ing		5 Very Well	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
How well do you understand financial statements from scale 1 – 5?	39	13	53	17,6	58	19,3	88	29,2	55	18,3
How useful is the accounting information for your business from scale 1 – 5?	160	53,2	18	6	26	8,6	17	5,6	30	10
Who prepares financial statement for your organization?	Own Staff	110	36,5	Others Staff	29	9,6				

Source: Survey Data (processed)

For business purpose, financial report of the business is organized by financial personnel owned by the company. There are also business firms who rely their financial report on other parties which account for 29 respondents, or 9.6%. From Table 5.19, it can be inferred that most of the business firms do not have financial report arrangement, which account for 161 respondents, or 53.6%. This condition possibly occurs as the business firms lack of knowledge in bookkeeping and accounting. Ironically, even though the business firms had already understood the financial report, 160 respondents or 53.2% perceived that accounting information is not necessary for their business, while the remaining 30 respondents consider that accounting information is important for them.

5.5 Trade in Global Market

Micro, small, and medium enterprises are productive economic activities with certain annual sales and revenue set by regulations to determine the business category. In the midst of domestic competition protected by the government, MSMEs must be dealing with global competition in the form of market integration across countries with minimum restriction. A lot of regional or multilateral economic collaboration, such as AFTA, APEC, CAFTA, and MEA has been growing so fast and pushing the economy to be more open. On the other hand, development strategy for MSMEs still confront with small value added and contribution toward export.

MEA becomes a threat if MSMEs in Indonesia are not ready to compete with producers from other countries, hence many MSMEs will be in bankruptcy due to inefficiency, lower quality of the products, unskilled human resources. This issue becomes particular concern due to the possibility that Indonesia will be market for other ASEAN products. MEA can be an opportunity if the entrepreneurs or MSMEs are ready to compete and utilize both domestic market and foreign market, especially ASEAN. In the context of entrepreneurship, innovation and technology is a key to increase the competitiveness. Innovation is very important to determine the long run success of the business. MSMEs are confronted with challenge to be the leader in domestic market in the middle of abundant competitors from overseas (import) and in the export market. Consequently, MSMEs must be capable to be business entities with high competitiveness by solving all particular issues, such as limited capital, technology, and skilled and innovative human resources. Otherwise, those challenges will be turned into a threat if the sustainability of MSMEs in Indonesia is eliminated from the contest arena, namely free market.

Table 5.20 lists several business challenges to deal with while participating in global market. From various aspects of global challenges, most of the business firms assert that the hardest challenges for MSMEs' business firms in the global competition era include the knowledge about any threat from foreign products, competition across commodities from overseas, language barriers, and knowledge about market system. The difficulty of market system faced by MSMEs in the competition is related to weaker branding activities and promotion as well as foreign market penetration. This difficulty should not push MSMEs to enter foreign markets.

Table 5.20.
Challenges for MSMEs in Special Region of Yogyakarta at the Global Market

Particulars	Lowest to Highest									
	Not at All		A Little		Not Sure		General Understanding		Very Well	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Knowledge to identify opportunities in foreign markets	63	20,9	34	11,3	77	25,6	77	25,6	30	10
Knowledge about competition in foreign markets	57	18,9	33	11	78	25,9	75	24,9	39	13
Information on marketing channels and networks	67	22,3	34	11,3	72	23,9	61	20,3	47	15,6
Financial resource to conduct market research in international markets	67	22,3	37	12,3	73	24,3	65	21,6	38	12,6
Timely working capital to finance export activities	71	23,6	30	10	83	27,6	55	18,3	42	14
Management emphasis/commitment to develop export activities	69	22,9	37	12,3	74	24,6	60	19,9	40	13,3
Knowledge on meeting importers quality standards	73	24,3	32	10,6	70	23,3	60	19,9	46	15,3
Knowledge to adapt product to foreign markets	62	20,6	29	9,6	73	24,3	71	23,6	43	14,3
Knowledge of market systems	62	20,6	43	14,3	76	25,2	55	18,3	43	14,3
Knowledge about culture and language barrier	77	25,6	28	9,3	55	18,3	74	24,6	44	14,6
Information on export procedures	64	21,3	31	10,3	76	25,2	62	20,6	45	15
Knowledge about promotion and assistance programs by the Government	59	19,6	27	9	90	29,9	60	19,9	42	14
Knowledge of ICT	59	19,6	32	10,6	85	28,2	54	17,9	47	15,6
ICT facilities and infrastructures for business	9	3	12	4	31	10,3	16	5,3	20	6,6
Environmental Legislations	4	1,3	-	-	2	0,7	1	0,3	3	1
Others	90	29,9	50	16,6	32	10,6	21	7	6	2

Source: Survey Data (processed)

However, it does not necessarily mean that the development of information technology will not threat the business firms. According to the business firms, difficulty in information technology can be reduced by employing workers with ability in information technology.

Meanwhile, other important challenges for the business firms of MSMEs in Yogyakarta include lack of information access to the market related to global development, limited financial sources owned by the firms to do research and development, and understanding of export products. A lack of information access to the market for MSMEs' business owners is

comes from the majority of MSMEs in Yogyakarta with no stable and sustainable market. Limited financial source is a particular challenge for MSMEs to obtain sufficient capital as they should fulfill requirements, such as having productive business activities, having adequate cash flow to pay off the loans, and transparency to the bank. Limited understanding of export products for MSMEs will slow down the administration process of various requirements related to export. Thus, it will be transformed into some losses for the business firms as transaction activities take longer time.

CHAPTER 5: CONCLUSION

The large number of MSMEs in Yogyakarta makes researchers interested in analyzing financial inclusion and financial literacy challenges for entrepreneurs. Micro and Small Medium Enterprises is one sector that drives the economy in Yogyakarta. Based on a field survey that we conducted for 1 month on 300 respondents, MSMEs in Yogyakarta was divided into 8 sectors namely 40.8% Consumer, 39.8% Trading / Services, 11.5% Industrial, 2.1% Construction, 2.1 % Plantation, 1.6% Properties, 1.6% Transportation and 0.5% Technology. The average owner of the MSMEs business is more than 50 years old (37%) and 39% are young from the age range of 20 - 39 years. The percentage of business owners who are male is 54.2%, slightly higher than those of women of 45.8%. Two hundred and nineteen (219) 77.7% of business owners are married. The level of education pursued by business owners varies, 53.2% of the owners are only junior high school graduates, but many also have a graduate degree of around 18.3% and there are also post graduate graduates of 2%. On average, business owners have entrepreneurial skills before they start their business, around 44.1% or 132 business owners. Business owners have the ability to have entrepreneurship from around 1-10 years around 84.3%. From our research, there are 13 businesses classified as medium-sized businesses with annual turnover greater than 2.5 billion rupiah and the most businesses of 51 businesses having a turnover range of 70-150 million rupiah per year. This shows that micro, small and medium enterprises have great potential results if they are well developed. Where is Yogyakarta a city of tourism and also a student city that is always crowded with visitors from both domestic and overseas, this is a great potential for the ummah to grow more rapidly if it can be managed properly. SMEs in Yogyakarta around 93.9% (260) businesses are still in the form of sole proprietorship.

MSME entrepreneurs in Yogyakarta choose to do business because 86.6% are based on interest in entrepreneurship. But there are also those who do business because of family inheritance, economic difficulties and so on. Interest in entrepreneurship is a very good main capital in the development of MSMEs, this will make business owners more resilient in pioneering and raising their businesses. A total of 157 MSME entrepreneurs have been involved in their business for 0-10 years, others have been in business for 20 to more than 60 years. Even though they have been in the business world for a long time, many of them have never attended training in entrepreneurship. Training in entrepreneurship is very necessary so that MSMEs can survive the global competition and also rise in class.

The main objective of this research is to analyze the level of awareness of MSME entrepreneurs towards Islamic Finance and conventional financing. So from the results of the research obtained, the local entrepreneurs in Jogjakarta, 43% or around 126 entrepreneurs are not aware of the differences in Islamic financing and conventional financing. Only 21.9% are aware of the differences in the financing system. Lack of awareness of the differences in financing makes entrepreneurs very rarely access Islamic financing to support their capital. This lack of literacy towards sharia financing makes

entrepreneurs unsure of using Islamic financing services in the near future or in the next few years. From the results of the survey, the first capital of MSMEs was obtained from NGOs 43.9%, 26.6% from private savings and 10% capital from bank loans. Islamic Financial Institution rarely plays its role as a social institution which should also play a role in facilitating and supporting developing MSMEs. In terms of accessibility, it can also be seen that the capital obtained from NGOs is very easy to access, besides that high accessibility is also obtained from personal savings. The capital provided by NGOs is very easy to access because they do provide capital for the establishment of businesses with free to encourage the entrepreneurial community. Literacy of Islamic financial products among SMEs is very low, only 2% are familiar with Islamic financial products. At the time of the initial establishment of the business, only 1.7% of SMEs used kafala products and 1.3% used mudarabah products. Currently almost all Islamic finance products have been used by a handful of local entrepreneurs, 1.3% use Kafala, 2% use Mudarabah and 1% Murabahah. From the results of this study we can conclude that Islamic financial institutions are still very rarely used by MSME entrepreneurs. This is not due to the lack of accessibility of sharia financial products, but rather the lack of knowledge and understanding of Islamic financial products and services. Therefore, it is necessary to increase the socialization of Sharia financial products and services to the UMKM.

In this era of industrial revolution 4.0, the challenges of the city in Jogjakarta are increasing rapidly. The growth of various online markets that sell imported goods makes local businessmen have to think hard to reduce their production costs to be able to sell their products at competitive prices. Economic fluctuations also pose a formidable challenge for local businessmen, uncertain market prices, the rising dollar exchange rate makes the UMK market unstable. The sheer amount of profit is also one of the challenges at the moment, that's where entrepreneurs must choose to take thin profits or have to lose competition because of higher prices than their competitors. In this internet of things era, there are still a lot of SME entrepreneurs who do not understand using the internet to increase their product sales. But many also have been able to make a profit from their sales in the online media market. This should encourage various stakeholders to be able to help local entrepreneurs to enter the online market industry. So that it can increase sales and reduce operational costs for UMK entrepreneurs.

At the end of this conclusion, it is hoped that in the future there will be an increase in the dissemination of Sharia financial products and services to local entrepreneurs to encourage and support them to grow up to become medium and large businesses. Business training and the use of information technology in the millennial era are urgently needed to face global challenges so that MSME entrepreneurs in Yogyakarta can survive and win global competition.

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Usaha Mikro, Kecil dan Menengah (UMKM) dan keterjangkauannya terhadap pembiayaan Syariah

Sebuah studi komparatif antara Malaysia dan Indonesia

Kuesioner untuk survey lapangan

1	Nomor identitas responden	
2	Nama perusahaan (opsional)	
3	Alamat perusahaan (opsional)	

BAGIAN A: Latar belakang Pengusaha/Pemilik Usaha/Manajer

Mohon pilih satu jawaban saja pada setiap item pertanyaan berikut dengan memberi tanda centang (✓)

1	Hubungan responden dengan perusahaan	Pemilik		Manajer	
		Pemilik sekaligus manajer		Lainnya	
2	Jenis kelamin	Laki-Laki		Perempuan	
3	Status pernikahan	Lajang	Menikah	Lainnya (mohon ditulis):	
4	Umur	20 – 29 tahun	30-39 Tahun	40-49 tahun	50 tahun atau lebih
5	Pendidikan terakhir	Pendidikan non-formal		Diploma	
		Sekolah Dasar		Sarjana/atau yang sederajat	
		Sekolah Menengah		Pascasarjana	
6	Agama	Budha		Kristen	
		Hindu		Islam	
		Lainya (Jelaskan)			
7	Apakah anda sudah memiliki keahlian wirausaha sebelum membuka usaha?	Ya (selanjutnya jawab no 7)		Tidak (selanjutnya langsung jawab no 8)	
8	Jika 'ya', sudah berapa tahun?				
9	Jumlah anggota keluarga yang bekerja <i>full-time</i> (tetap) di usaha anda*				
10	Total omset penjualan per tahun (rupiah)				
11	Total aset perusahaan (rupiah)				

*Full time adalah bekerja hingga 40 jam kerja seminggu, Part time – hingga 20 jam kerja seminggu

BAGIAN B: Bisnis

(Mohon centang (✓) di kotak yang **paling** sesuai dengan anda)

1	Tahun pendirian usaha		
2	Apa bentuk badan hukum usaha anda? (Mohon centang (✓) di kotak yang paling sesuai dengan anda)	Koperasi	Perseroan terbatas (PT) pribadi
		Perkongsian (CV)	Perusahaan perorangan
		Lain-lain, mohon sebutkan	

3	Apa sektor usaha utama anda saat ini? (Mohon centang (✓) hanya di salah satu yang paling sesuai dengan kondisi anda)	Barang Konsumen	Pertanian
		Konstruksi	Properti
		Hotel dan pariwisata	Teknologi
		Industri	Perdagangan/Jasa
		Tambang	Transportasi
		Lain-lain, sebutkan Contoh: : Industri Penginapan : Fashion : Kerajinan : Mini Market : Restoran	
4	Apa TIGA (3) alasan terpenting anda untuk memilih bisnis yang dijalankan? (Mohon centang (✓) di tiga kotak yang paling sesuai dengan kondisi anda)	bidang keahlian	bisnis warisan
		kesulitan ekonomi	tantangan baru
		bantuan pemerintah	tidak ada pilihan lain
		pendapatan tambahan	minat pribadi
		Lain-lain (sebutkan)	

5	Sudah berapa lama anda menekuni usaha ini?	Tahun:		
6	Apakah anda lebih banyak mengikuti program pelatihan dari sektor swasta daripada pemerintah (Mohon centang (✓) di kotak yang paling sesuai dengan anda)	Ya		Tidak
7	Jenis training yang pernah diikuti	Vokasi	On the job training	Pelatihan di perguruan tinggi
		Lain-lain (sebutkan)		
8	Apakah anda pernah mengikuti pelatihan untuk masing-masing fungsi berikut? (Mohon centang (✓) di kotak yang paling sesuai dengan anda)			
	Akuntansi	Ya	Tidak	
	Pelatihan motivasi berprestasi	Ya	Tidak	
	Studi kelayakan bisnis	Ya	Tidak	
	Rencana bisnis	Ya	Tidak	
	Keuangan	Ya	Tidak	
	Manajemen sumber daya manusia	Ya	Tidak	
	Penggunaan teknologi informasi dan komunikasi	Ya	Tidak	
	Pelatihan kepemimpinan	Ya	Tidak	
	Pemasaran dan promosi	Ya	Tidak	
	Manajemen operasional / manufaktur	Ya	Tidak	
	Penelitian dan pengembangan bisnis	Ya	Tidak	
9	Jumlah pegawai tetap di usaha anda (Mohon tulis jumlah pegawai tetap pada awal usaha dan pada saat sekarang)	Pada awal usaha:	Pada saat sekarang:	
10	Jumlah pegawai tidak tetap di usaha anda (Mohon tulis jumlah pegawai tidak tetap pada awal usaha dan pada saat sekarang)	Pada awal usaha:	Pada saat sekarang:	
11	Apakah anda tahu perbedaan pembiayaan syariah dan konvensional? (Lingkari)	Tidak tahu 1 2 3 4 5 tahu		

12	Skema sumber pendanaan usaha saat ini Mohon beri tanda centang (✓) sesuai kondisi anda. Bisa dikedua kotak jika menggunakan kedua sumber pendanaan.	Syariah			Konvensional	
13	Jika anda saat ini sedang tidak menggunakan pendanaan <i>Syariah</i> , apakah anda ingin menggunakannya di waktu dekat ini? (Mohon beri tanda centang (✓) sesuai dengan kondisi anda)	Pasti Ya	Ya	Tidak Yakin	Tidak	Pasti Tidak
14	Jika anda sedang menggunakan Pembiayaan syariah, apa anda berniat untuk melanjutkannya di kemudian hari?	Pasti Ya	Ya	Tidak Yakin	Tidak	Pasti Tidak

Pertanyaan 13, penjelasan bagi responden yang memilih jawaban “tidak” atau “pasti tidak”

Pertanyaan 14, penjelasan bagi responden yang memilih jawaban “tidak” atau “pasti tidak”

15	Seperti apa kebutuhan anda pada saat ini terhadap pelatihan-pelatihan berikut? (Mohon beri tanda centang (✓) di kotak berdasarkan yang paling sesuai dengan kondisi anda)	Pasti Ya	Ya	Tidak yakin	Tidak	Pasti tidak
	Keuangan					
	Sumber daya manusia					
	Teknologi informasi					
	Pemasaran dan bisnis internasional					
	Pengembangan produk baru					
	Manajemen operasional					
	Pengembangan mutu					
	Penelitian, pengembangan dan inovasi					
	Teknologi ramah lingkungan dan berkelanjutan					
	lainnya (sebutkan)					

16	Seperti apa kebutuhan anda pada saat yang akan datang terhadap pelatihan-pelatihan berikut? (Mohon beri tanda (✓) di kotak berdasarkan yang paling sesuai dengan kondisi anda)	Pasti Ya	Ya	Tidak yakin	Tidak	Pasti tidak
	Keuangan					
	Sumber daya manusia					
	Teknologi informasi					
	Pemasaran dan bisnis internasional					
	Pengembangan produk baru					
	Manajemen operasional					
	Pengembangan mutu					
	Penelitian, pengembangan dan inovasi					
	Teknologi ramah lingkungan dan berkelanjutan					
	lainnya (sebutkan)					

BAGIAN C: Keuangan

PERTANYAAN 1

- **Pertanyaan ini berhubungan dengan sumber modal anda berdasarkan WAKTU**
- Silahkan centang (✓) di kotak berdasarkan yang paling sesuai dengan kondisi anda, apakah setiap sumber modal digunakan pada **awal memulai bisnis**, sedang digunakan **saat ini** dan/atau akan digunakan di masa **akan datang**?

	Sumber modal pendanaan	WAKTU		
		Awal	Saat ini	Akan datang
1	Pinjaman bank			
	Koperasi			
	Penggalangan dana masyarakat			
	Pinjaman keluarga			
	Lembaga keuangan mikro			
	Lembaga swadaya masyarakat			
	Tabungan pribadi			
	Rentenir terdaftar			
	Skema pinjaman arisan			
	Rentenir tidak terdaftar			
	lainya (sebutkan)			

PERTANYAAN 2

- Untuk aksesibilitas terhadap sumber modal keuangan, silahkan centang (✓) keperluan anda berdasarkan pada skala dibawah ini:

- 1 – Tidak dapat terjangkau
- 2 – Kurang bisa diakses
- 3 – Netral
- 4 – Dapat diakses
- 5 – Puas dengan keterjangkauan

		AKSESIBILITAS				
	Sumber modal pendanaan	1	2	3	4	5
2	Pinjaman bank					
	Koperasi					
	Penggalangan dana masyarakat					
	Pinjaman keluarga					
	Lembaga keuangan mikro					
	Lembaga swadaya masyarakat					
	Tabungan pribadi					
	Rentenir terdaftar					
	Skema pinjaman arisan					
	Rentenir tidak terdaftar					
	lainya (sebutkan)					

PERTANYAAN 3

3	Apakah anda terbiasa dengan produk keuangan syariah?	Ya (Lanjut ke pertanyaan 4) (misal <i>Ijarah, Kafala</i>)	Tidak (Lanjut ke pertanyaan 6)
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PERTANYAAN 4

- Silahkan centang (✓) apakah anda telah menggunakan setiap produk keuangan Syariah sebagaimana yang tertera dibawah pada saat **awal**, **saat ini** dan berlanjut di masa **akan datang**.

		Waktu		
	Jenis produk keuangan Syariah	Awal	Saat ini	Akan datang
4	Musharaka Mutanaqisah			
	Ijara			
	Kafala			
	Mudaraba			
	Murabaha			
	Musharaka			
	Qard Hassan			
	Sukuk			
	Lainnya (sebutkan)			

PERTANYAAN 5

- Untuk aksesibilitas terhadap sumber produk keuangan Syariah, silahkan centang (✓) keperluan anda berdasarkan pada skala dibawah ini:

- 1 – Tidak dapat terjangkau
- 2 – Kurang bisa diakses
- 3 – Netral
- 4 – Dapat diakses
- 5 – Puas dengan keterjangkauan

		Aksesibilitas				
	Jenis produk keuangan Syariah	1	2	3	4	5
5	Musharaka Mutanaqisah					
	Ijara					
	Kafala					
	Mudaraba					
	Murabaha					
	Musharaka					
	Qard Hassan					
	Sukuk					
	Lainnya (sebutkan)					

PERTANYAAN 6

6	Jenis bantuan apa yang diperlukan untuk membantu meningkatkan prospek masa depan usaha anda? Jelaskan secara ringkas
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BAGIAN D: Tantangan

D1. ISU

Menurut pendapat anda, seberapa besar tingkat tantangan yang dihadapi usaha anda selama **tiga tahun kedepan** dalam hal berikut?

Silahkan centang (✓) salah satu dari tingkatan tantangan dari yang terendah sampai yang paling tinggi dibawah ini.

	Tantangan	Terendah ke Tertinggi				
		1	2	3	4	5
1	Menciptakan keunggulan bersaing					
2	Fluktuasi ekonomi					
3	Kepedulian lingkungan					
4	Kesulitan keuangan					
5	Persaingan produk asing (Masyarakat Ekonomi ASEAN)					
6	Perkembangan Teknologi Informasi dan Komunikasi (ICT)					
7	Keterbatasan pengetahuan dan keahlian di bidang keuangan dan akuntansi					
8	Keterbatasan pengetahuan dan keahlian di bidang pemasaran					
9	Keterbatasan pengetahuan dan keahlian di bidang teknologi					
10	Keterbatasan pengetahuan dan keahlian di bidang, penelitian dan pengembangan					
11	Mempertahankan margin (keuntungan)					
12	Peningkatan biaya operasional					
13	Kompetisi penjualan online					
14	Peningkatan biaya produk					
15	Perekrutan staf					
16	Mempertahankan staf yang bagus					
17	Ketidakpastian pasar					
18	lainya (sebutkan)					

D2. KINERJA DAN KESUKSESAN BISNIS

Secara rata-rata, apakah faktor-faktor berikut mengalami **kenaikan** di **tiga tahun terakhir**?

Silahkan centang (✓) satu diantara kotak tidak setuju dan setuju dibawah ini.

	Indikator yang mengalami kenaikan tiga tahun terakhir	Sangat Tidak Setuju ke Sangat Setuju				
		1	2	3	4	5
1	Permintaan produk yang dibuat oleh perusahaan ini					
2	Biaya Produksi					
3	Perbaikan di keadaan bisnis secara keseluruhan					
4	Pangsa pasar					
5	Keuntungan bersih					
6	Jumlah pekerja					
7	Total omset penjualan					
8	Total pembiayaan					
9	Total Aset					
10	Total Modal					

D3. LITERASI KEUANGAN

Silahkan nilai (✓) kelayakan anda berdasarkan skala sebagai berikut:

1 –Tidak Pernah 2 – Jarang 3 – Kadang-kadang
4 – Sering 5 – Selalu

	Aspek Literasi	Tidak Pernah ke Selalu				
		1	2	3	4	5
	Pencatatan					
1	Apakah anda memisahkan catatan pengeluaran bisnis dan pengeluaran pribadi?					
2	Apakah anda mempunyai software akuntansi untuk mengatur catatan akuntansi anda?					
3	Apakah anda mempersiapkan laporan laba rugi bulanan?					
4	Apakah anda mempersiapkan Laporan Neraca Tahunan (Aset, Hutang dan Modal)					
	Penganggaran					
5	Apakah anda mempersiapkan anggaran tahunan (alokasi keuangan)?					
6	Apakah anda mempersiapkan anggaran bulanan?					
7	Apakah anda memiliki akuntan terlatih untuk mempersiapkan anggaran perusahaan anda?					
	Penggunaan informasi akuntansi					
8	Apakah anda menggunakan laporan keuangan dalam pengambilan keputusan bisnis?					
9	Apakah anda menggunakan informasi akuntansi untuk menghitung biaya lingkungan (seperti biaya limbah)					

	Aspek Literasi	Tidak Pernah ke Selalu				
		1	2	3	4	5
10	Apakah anda menggunakan informasi akuntansi untuk penghitungan pajak/zakat?					
	Resiko dan pengawasan					
11	Apakah anda berpikir bahwa manajemen keuangan itu penting bagi bisnis anda?					
12	Apakah anda mencatat debitur anda (penjualan kredit)?					
	Literasi keuangan					
13	Sejauh mana anda memahami laporan keuangan? 1-tidak sama sekali, 2-sedikit, 3- tidak yakin 4-paham secara umum 5-sangat baik					
14	Seberapa bermanfaat informasi akuntansi untuk bisnis anda dari skala 1- 5? 1-tidak sama sekali, 2-sedikit, 3- tidak yakin 4-berguna 5-sangat berguna					
15	Siapa yang menyiapkan laporan keuangan untuk organisasi anda?	Staf Sendiri		Orang luar perusahaan		

D4. PERDAGANGAN DI PASAR GLOBAL

Menurut anda, seperti apa tingkat tantangan bisnis yang akan anda dihadapi dalam partisipasi di pasar global?

Silahkan centang (✓) salah satu dari kotak terendah sampai tertinggi untuk masing-masing tantangan dibawah ini

	Tantangan	Terendah ke Tertinggi				
		1	2	3	4	5
1	Kurangnya pengetahuan untuk mencari peluang dan ancaman di pasar luar negeri					
2	Pengetahuan tentang kompetisi di pasar asing					
3	Keterbatasan Informasi tentang saluran pemasaran dan jaringan					
4	Kurangnya sumber keuangan untuk melakukan riset di pasar internasional					
5	Kurangnya modal kerja waktu dan memadai untuk membiayai kegiatan ekspor					
6	Kurangnya penekanan manajemen / komitmen untuk mengembangkan kegiatan ekspor					

	Tantangan	Terendah ke Tertinggi				
		1	2	3	4	5
7	Keterbatasan pengetahuan dalam pemenuhan standar kualitas importir					
8	Kurangnya pengetahuan untuk menyesuaikan produk ke pasar luar negeri					
9	Pengetahuan tentang sistem pasar					
10	Hambatan budaya dan bahasa					
11	Informasi tentang prosedur ekspor					
12	Pengetahuan tentang program promosi dan bantuan oleh pemerintah					
13	Pengetahuan tentang Teknologi Informasi dan Komunikasi					
14	Fasilitas dan Infrastruktur Teknologi Informasi dan Komunikasi untuk bisnis					
15	Lainnya (Sebutkan)					

D5. LINGKUNGAN

- a. Mohon beri tanda centang (✓) pada salah satu untuk menunjukkan seberapa setuju anda dengan pernyataan-pernyataan berikut!

Sangat tidak setuju

1

2

3

4

Sangat Setuju

5

	Butiran Particulars	Sangat tidak Setuju Sangat setuju				
		1	2	3	4	5
1	Limbah adalah masalah besar di perusahaan saya					
2	Perusahaan saya aktif memperhatikan upaya meningkatkan pengelolaan lingkungan					
3	Perusahaan saya peduli dengan peraturan lingkungan bagi usaha/industri					
4	Biaya adalah kendala utama bagi kami dalam memperbaiki kinerja lingkungan.					
5	Pegawai saya memiliki pengetahuan sangat sedikit dalam mengatasi masalah lingkungan.					
6	Tidak ada dampak lingkungan dari produk-produk perusahaan saya.					
7	Saat ini tidak ada manfaat komersial bagi perusahaan saya dengan adanya kebijakan lingkungan					

	<i>Butiran Particulars</i>	Sangat tidak Setuju Sangat setuju				
		1	2	3	4	5
8	Isu lingkungan seharusnya diatur dalam peraturan pemerintah.					
9	Peningkatan kinerja lingkungan akan memandu pada peningkatan laba perusahaan.					
10	Peningkatan kinerja lingkungan biasanya meningkatkan efisiensi produksi.					
11	Yas, saya pernah mendengar tentang akuntansi lingkungan.					
12	Saya tahu tentang Akuntansi Aliran Bahan (<i>Material Flow Cost Accounting</i>)					
13	Tidak selalu jelas bagaimana peraturan lingkungan mempengaruhi usaha kami.					
14	Saya berharap, pemerintah dapat menyediakan bantuan pada kami untuk meningkatkan kinerja lingkungan kami.					

b. Pada tahun lalu, biaya pembuangan limbah perusahaan saya adalah sebesar Rp.....

..... **Terima Kasih**

SMEs DAN AKSES KEPADA KEWANGAN ISLAM

SMEs AND THEIR ACCESSIBILITY TO ISLAMIC FINANCING

Kajian perbandingan antara Malaysia dan Indonesia
A comparative Study between Malaysia and Indonesia

Borang Soal Selidik bagi Kajian Lapangan

Questionnaire for Field Survey

1	<i>Nombor ID Responden</i> Respondent's ID Number	
2	<i>Nama Organisasi (Optional)</i> Name of the Enterprise (Optional)	
3	<i>Alamat Organisasi (Optional)</i> Address of Enterprise (Optional)	

BAHAGIAN A: Latarbelakang Usahawan / Pengurus Pemilik

PART A: Background of Entrepreneur/Owner Manager

Sila pilih satu jawapan sahaja bagi setiap item/soalan berikut dengan menandakan (✓)
Please select only one answer for each item/question by ticking (✓)

1	<i>Status Responden</i> Status of Respondent	<i>Pemilik</i> Owner		<i>Pengurus</i> Manager	
		<i>Pemilik & Pengurus</i> Owner Manager		<i>Lain-lain (Sila Nyatakan):</i> Others (Specify):	
2	<i>Jantina</i> Gender	<i>Lelaki</i> Male		<i>Perempuan</i> Female	
3	<i>Status Perkahwinan</i> Marital Status	<i>Bujang</i> Single	<i>Sudah berkahwin</i> Married	<i>Lain-lain (Sila Nyatakan):</i> Others (Specify):	
4	<i>Umur</i> Age	20 - 29 Tahun 20 - 29 Years	30 – 39 Tahun 30 – 39 Years	40 – 49 Tahun 40 – 49 Years	50 Tahun dan ke atas 50 Years and Above

5	Pendidikan Highest Educational Attainment	Pendidikan Tidak Formal Non-formal education	Diploma Diploma	
		Sekolah rendah Primary school	Ijazah siswazah / setaraf dengannya First degree/equivalent	
		Sekolah Menengah Secondary school	Ijazah Pascasiswazah Postgraduate degree	
6	Agama Religion	Buddha Buddhism	Kristian Christianity	
		Hindu Hinduism	Islam Islam	
		Lain-lain (Sila Nyatakan): Others (Specify):		
7	Adakah anda memiliki kepakaran perniagaan sebelum membuka perniagaan sendiri? Do you have business expertise prior to opening your own business?		Ya (Sila Jawab No. 7) Yes (go to 7)	Tidak (Sila Jawab No.8) No (go to 8)
8	Jika ya, berapa tahun? If yes, how many years?			
9	Bilangan ahli keluarga yang bekerja sepenuh masa* dalam perniagaan anda Number of family members working full time* in your business			
10	Jumlah Perolehan Jualan Setiap Tahun (Ringgit) Total Sales Turnover per year (Ringgit)			
11	Jumlah Aset bagi Syarikat anda (Ringgit) Total Asset of your company (Ringgit)			

***Nota:** Soalan 9 “Sepenuh Masa”: Bekerja sehingga 40 jam setiap minggu; Separuh Masa – Bekerja sehingga 20 jam setiap minggu.

***Note:** Question 9 “Full time”: Up to 40 working hours per week; Part time – Up to 20 working hours per week.

BAHAGIAN B: Perniagaan
PART B: Business

(Sila tandakan (✓) di dalam kotak yang **paling** relevan kepada anda, kecuali dinyatakan sebaliknya.
(Please (✓) in the box that seems **most** relevant to you, unless specified otherwise.

1	Tahun ditubuhkan Year of Establishment		
2	Apakah bentuk perniagaan anda yang sah? (Sila (✓) di dalam kotak yang-paling relevan kepada anda) What is the legal form of your business? (Please (✓) in the box that seems most applicable to you).	Koperasi Co-operative	Syarikat Sendirian Berhad (Sdn Bhd) Private limited (Sdn Bhd) company
		Perkongsian Partnership	Perniagaan tunggal Sole Proprietorship
		Lain-lain (Sila Nyatakan) Others (specify)	
3	Apakah sektor perniagaan utama anda sekarang ? (Sila (✓) satu sektor sahaja yang-paling relevan kepada anda). What is your current primary business sector? (Please (✓) only one sector that seems most applicable to you).	Konsumer / Pengguna Consumer	Perladangan Plantation
		Pembinaan Constructions	Hartanah Properties
		Hotel dan Pelancongan Hotel and Tourism	Teknologi Technology
		Perindustrian Industrial	Perdagangan / Perkhidmatan Trading/Services
		Perlombongan Mining	Pengangkutan Transportation
		Lain-lain (Sila Nyatakan) Contoh: : Industri desa : Fesyen : Kraftangan : Stor Mini : Restoran Other (Specify)..... Examples: : Cottage industry : Fashion : Handicraft : Mini store : Restaurant	
4	Apakah TIGA sebab utama anda memilih perniagaan ini (dalam Soalan 3)?	Kerjaya By profession	Perniagaan keluarga Inherited business
		Kesukaran ekonomi Economic hardship	Memberi lebih banyak cabaran More challenges

	<p>(Sila (✓) tiga kotak yang-berkaitan dengan anda).</p> <p>What are your THREE (3) most important reasons for choosing this particular business (in Question 3)?</p> <p>(Please (✓) three boxes that seem most related to you).</p>	<p>Digalakkan oleh bantuan kerajaan Encouraged by government assistance</p>		<p>Tiada pekerjaan lain No other jobs</p>
		<p>Untuk menjana pendapatan tambahan For additional income</p>		<p>Minat peribadi Personal interest</p>
		<p>Lain-lain (Sila Nyatakan) Others (specify)</p>		
5	<p>Berapa lamakah anda telah menceburkan diri berada dalam perniagaan ini (dalam Soalan 3)? How long have you been in this business (in Question 3)?</p>	<p>Tahun: Years:</p>		
6	<p>Adakah anda telah menghadiri lebih banyak program latihan yang disediakan oleh sektor swasta daripada program latihan sektor awam?</p> <p>(Sila (✓) kotak yang berkaitan)</p> <p>Have you attended more training program provided by the private sector than the public sector?</p> <p>(Please (✓) the applicable box)</p>	<p>Ya Yes</p>		<p>Tidak No</p>
7	<p>Bentuk latihan yang diterima Type of training received</p>	<p>Vokasional Vocational</p>	<p>Latihan di tempat kerja On the job training</p>	<p>Kolej Latihan Training College</p>
		<p>Lain-lain (Sila Nyatakan)..... Others (specify)</p>		

8	<p>Adakah anda pernah menerima sebarang latihan perniagaan bagi setiap fungsi dibawah?</p> <p>(Sila (✓) kotak yang berkaitan)</p> <p>Have you received any business training for each function below?</p> <p>(Please (✓) the applicable box)</p>		
	<p>Perakaunan Accounting</p>	<p>Ya Yes</p>	<p>Tidak No</p>
	<p>Latihan Motivasi Pencapaian</p>	<p>Ya</p>	<p>Tidak</p>

	Achievement Motivation Training	Yes	No
	<i>Pelan Perniagaan</i> Business Plan	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Kajian Kebolehlaksanaan Perniagaan</i> Business Feasibility Study	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Kewangan</i> Finance	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Pengurusan Sumber Manusia</i> Human Resource Management	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Aplikasi ICT</i> ICT Application	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Latihan Kepimpinan</i> Leadership Training	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Pemasaran dan Promosi</i> Marketing and Promotion	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Operasi/ Pembuatan</i> Operation/Manufacturing	<i>Ya</i> Yes	<i>Tidak</i> No
	<i>Penyelidikan dan Pembangunan</i> Research and Development	<i>Ya</i> Yes	<i>Tidak</i> No
9	<p><i>Jumlah pekerja tetap dalam perniagaan anda</i></p> <p><i>(Sila tulis bilangan pekerja tetap yang awal dan semasa* dalam perniagaan anda di dalam kotak)</i></p> <p><i>*Sehingga 40 jam bekerja bagi setiap minggu</i></p> <p>Number of permanent employees in your business.</p> <p>(Please write the number of initial and current full- time* employees in your business inside the boxes)</p> <p><i>*Up to 40 working hours per week</i></p>	<p>Awal: Initially:</p>	<p>Semasa: Currently:</p>
10	<p><i>Bilangan pekerja separuh masa di dalam perniagaan anda.</i></p> <p><i>(Sila tulis bilangan pekerja separuh masa yang awal dan semasa dalam perniagaan anda di dalam kotak)</i></p> <p>Number of part-time employees in your business.</p> <p>(Please write the number of initial and current part time employees in your business inside the boxes)</p>	<p>Awal: Initially:</p>	<p>Semasa: Currently:</p>
11	<p><i>Adakah anda sedar tentang perbezaan diantara pembiayaan berasaskan Islam dan konvensional? (Sila Bulatkan)</i></p>	<p><i>Tidak sedar 1 2 3 4 5 Sedar</i></p> <p><i>Not aware 1 2 3 4 5 Aware</i></p>	

	To what extent are you aware of the differences between Islamic and conventional financing ? (Circle)					
12	<p><i>Sumber Pembiayaan</i></p> <p>(Sila (✓) dalam kotak yang berkenaan) (Kedua-dua kotak, jika berkenaan)</p> <p>Source(s) of Finance</p> <p>(Please (✓) in the applicable boxes) (Both boxes, if applicable)</p>	<p><i>Islam</i> (contoh: Ijara, Kafala)</p> <p>Islamic (e.g. Ijara, Kafala)</p>	<p><i>Konvensional</i> Conventional</p>			
13	<p><i>Sekiranya anda <u>tidak</u> menggunakan Kewangan Islam sekarang, adakah anda berhasrat untuk menggunakannya pada masa yang akan datang?</i></p> <p><i>Jika tidak atau pasti tidak, mengapa?</i></p> <p>(Sila (✓) dalam kotak yang berkenaan)</p> <p>If you are currently <u>not</u> using Islamic Finance, do you intend to utilize it in near future?</p> <p>If no or definitely no, why?</p> <p>(Please (✓) in the applicable box)</p>	<p><i>Pasti YA</i> Definitely YES</p>	<p><i>Ya</i> Yes</p>	<p><i>Tidak pasti</i> Not Sure</p>	<p><i>Tidak</i> No</p>	<p><i>Pasti TIDAK</i> Definitely NO</p>
14	<p><i>Sekiranya anda sedang menggunakan Kewangan Islam, adakah anda berhasrat untuk meneruskannya pada masa yang akan datang?</i></p> <p><i>Jika tidak atau pasti tidak, mengapa?</i></p> <p>If you are currently using Islamic Finance, do you intend to continue using it in the future?</p> <p>If no or definitely no, why?</p>	<p><i>Pasti YA</i> Definitely YES</p>	<p><i>Ya</i> Yes</p>	<p><i>Tidak pasti</i> Not Sure</p>	<p><i>Tidak</i> No</p>	<p><i>Pasti TIDAK</i> Definitely NO</p>

Penerangan bagi Soalan 13 sekiranya menjawab “tidak” atau “pasti tidak” dalam pilihan jawapan

Question 13 Explanation for “no” or “definitely no” answer choice

Penerangan bagi Soalan 14 sekiranya menjawab “tidak” atau “pasti tidak” dalam pilihan jawapan

Question 14 Explanation for “no” or “definitely no” answer choice

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15	<p>Apakah keperluan latihan <u>semasa</u> anda bagi yang berikut?</p> <p>(Sila (✓) dalam kotak yang berkenaan).</p> <p>What is your current training requirement for the following?</p> <p>(Please (✓) in the applicable box).</p>	<i>Pasti YA</i> Definitely YES	<i>Ya</i> Yes	<i>Tidak pasti</i> Not Sure	<i>Tidak</i> No	<i>Pasti TIDAK</i> Definitely NO
	Kewangan Finance					
	Sumber Manusia Human Resource					
	Teknologi Maklumat Information Technology					
	Pemasaran & Perniagaan Antarabangsa Marketing & International Business					
	Pembangunan Produk Baru New Product Developments					
	Pengurusan Operasi Operational Management					
	Pembangunan Kualiti Quality Development					
	Penyelidikan, Pembangunan & Inovasi Research, Development & Innovation					
	Kelestarian dan Teknologi Hijau Sustainability and Green Technology					
	Perakaunan Accounting					
	Lain-lain (Sila nyatakan) Others (specify)					
16	<p>Apakah keperluan latihan <u>masa depan</u> anda bagi yang berikut??</p> <p>(Sila (✓) dalam kotak yang berkenaan).</p> <p>What is your future training requirement for the following?</p> <p>(Please (✓) in the applicable box).</p>	<i>Pasti YA</i> Definitely YES	<i>Ya</i> Yes	<i>Tidak pasti</i> Not Sure	<i>Tidak</i> No	<i>Pasti TIDAK</i> Definitely NO
	Kewangan Finance					
	Sumber Manusia Human Resource					
	Teknologi Maklumat Information Technology					

	<i>Pemasaran & Perniagaan Antarabangsa</i> Marketing & International Business					
	<i>Pembangunan Produk Baru</i> New Product Developments					
	<i>Pengurusan Operasi</i> Operational Management					
	<i>Pembangunan Kualiti</i> Quality Development					
	<i>Penyelidikan, Pembangunan & Inovasi</i> Research, Development & Innovation					
	<i>Kelestarian dan Teknologi Hijau</i> Sustainability and Green Technology					
	<i>Lain-lain (Sila nyatakan)</i> Others (specify)					

BAHAGIAN C: Kewangan

PART C: Finance

Soalan 1

Question 1

- Soalan ini berkaitan dengan **sumber modal anda** berdasarkan MASA
- Sila tanda (✓) kotak yang berkenaan, sama ada setiap sumber **Pernah** digunakan, **Sedang** digunakan atau akan digunakan pada **Masa Akan Datang**
- This question is related to **your source of capital** based on TIME
- Please tick (✓) applicable boxes, whether each source was used **Initially**, is being used **Currently** or will be in used in **Future**

	Sumber Modal Kewangan Source of Financial Capital	MASA TIME		
		<i>Pernah</i> Initial	<i>Sedang</i> Current	<i>Masa Akan</i> <i>Datang</i> Future
1	<i>Pinjaman bank</i> Bank loans			
	<i>Koperasi</i> Cooperative societies			
	<i>Penjanaan modal secara komuniti</i> Crowd-funding			
	<i>Pinjaman daripada saudara-mara</i> Loan from relatives			
	<i>Institusi Pembiayaan Mikro</i> Microfinance Institution			
	<i>Organisasi bukan kerajaan</i> Non-governmental organization			
	<i>Simpanan peribadi</i> Personal savings			
	<i>Peminjam wang berdaftar Pemberi Pinjaman</i> <i>Wang Berdaftar</i> Registered money lenders			
	<i>Skim kredit berputar</i> Rotating credit scheme			
	<i>Peminjam wang tidak berdaftar</i> <i>Pemberi Pinjaman Wang Tidak Berdaftar</i> Unregistered money lenders			
	<i>Lain-lain (nyatakan)</i> Others (specify)			

Soalan 2

Question 2

- Untuk **AKSES** kepada **sumber modal kewangan**, sila (✓) keperluan anda berdasarkan skala berikut:

- 1 – Tidak mendapat akses
 2 – Kurang akses
 3 – Neutral
 4 – Mendapat akses
 5 – Berpuas hati dengan akses yang diberikan

• For **ACCESSIBILITY** to **sources of financial capital**, please rate (✓) your requirement based on the following scale:

- 1 – Not Accessible
 2 – Less accessible
 3 – Neutral
 4 – Accessible
 5 – Satisfied with the Accessibility

	<i>Sumber Modal Kewangan</i> Source of Financial Capital	AKSES ACCESSIBILITY				
		1	2	3	4	5
2	<i>Pinjaman bank</i> Bank loans					
	<i>Koperasi</i> Cooperative societies					
	<i>Penjanaan modal secara komuniti</i> Crowd-funding					
	<i>Pinjaman daripada saudara-mara</i> Loan from relatives					
	<i>Institusi Pembiayaan Mikro</i> Microfinance Institution					
	<i>Organisasi bukan kerajaan</i> Non-governmental organization					
	<i>Simpanan peribadi</i> Personal savings					
	<i>Peminjam wang berdaftar</i> <i>Pemberi Pinjaman Wang Berdaftar</i> Registered money lenders					
	<i>Skim kredit berputar</i> Rotating credit scheme					
	<i>Peminjam wang tidak berdaftar</i> <i>Pemberi Pinjaman Wang Tidak Berdaftar</i> Unregistered money lenders					
	<i>Lain-lain (nyatakan)</i> Others (specify)					

Soalan 3

Question 3

3	Adakah anda mengetahui mana-mana produk Kewangan Islam seperti di dalam Soalan 4 di bawah?	Ya (Teruskan ke Soalan 4) (contoh: Ijara, Kafala) Yes	Tidak (Teruskan ke Soalan 6) No
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Are you familiar with any of the Islamic Finance products in Question 4 below?	(Proceed to Q4) (e.g. <i>Ijara</i> , <i>Kafala</i>)	(Proceed to Q6)
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Soalan 4

Question 4

Sila nyatakan sama ada anda **Pernah** menggunakan, **Sedang** menggunakan atau akan terus menggunakannya pada **Masa Akan Datang** untuk setiap produk kewangan di bawah

Please indicate whether you have used each of the **finance products** below initially, currently and will continue to use them in future.

	<i>Jenis-jenis Produk Kewangan Islam</i> Type of Islamic Finance Products	MASA TIME		
		<i>Pernah</i> Initial	<i>Sedang</i> Current	<i>Masa akan datang</i> Future
4	<i>Musharaka Mutanaqisah</i> Diminishing Partnership			
	<i>Ijara</i>			
	<i>Kafala</i>			
	<i>Mudaraba</i>			
	<i>Murabaha</i>			
	<i>Musharaka</i>			
	<i>Qard Hassan</i>			
	<i>Sukuk</i>			
	<i>Lain-lain (nyatakan)</i> Other (specify)			

Soalan 5

Question 5

- Untuk **AKSES** kepada **sumber Produk-produk Kewangan Islam** di bawah, sila tandakan (✓) mengikut keperluan anda berdasarkan skala berikut:
- For **ACCESSIBILITY** to sources of **Islamic finance products** below, please rate (✓) your requirement based on the following scale:

- 1 – Tidak mendapat akses
- 2 – Kurang akses
- 3 – Neutral
- 4 – Mendapat akses

5 – Berpuas hati dengan akses yang diberikan

1 – Not Accessible

2 – Less accessible

3 – Neutral

4 – Accessible

5 – Satisfied with the Accessibility

	Jenis-jenis Produk Kewangan Islam Type of Islamic Finance Products	AKSES ACCESSIBILITY				
		1	2	3	4	5
5	Musharaka Mutanaqisah/ Perkongsian Berkurangan Diminishing Musharaka					
	Ijara					
	Kafala					
	Mudaraba					
	Murabaha					
	Musharaka					
	Qard Hassan					
	Sukuk					
	Lain-lain (nyatakan) Other (specify)					

Soalan 6

Question 6

6	Apakah jenis bantuan yang mungkin akan dapat memperbaiki prospek masa depan perniagaan anda? Sila jelaskan secara ringkas. What kind of assistance would most help your business to improve its future prospect? A brief description.
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Bahagian D: Cabaran-cabaran

PART D: Challenges

D1. Isu-isu

D1. Issues

Pada pendapat anda, apakah tahap-tahap cabaran yang akan dihadapi oleh perniagaan anda untuk 3 tahun yang akan datang?

In your opinion, what would be the **level of challenges** faced by your business over the next **three years**?

Sila tandakan (✓) pada satu kotak sahaja antara tahap paling rendah – paling tinggi bagi setiap cabaran di bawah.

Please tick (✓) only one of the **lowest-to-highest** boxes for each of the challenges below.

	Cabaran	Paling Rendah ke Paling Tinggi
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	Challenges	Lowest to Highest				
		1	2	3	4	5
1	<i>Kelebihan daya saingan</i> Competition					
2	<i>Ketidakstabilan ekonomi</i> Economic fluctuations					
3	<i>Isu persekitaran</i> Environmental issues					
4	<i>Kekangan kewangan</i> Finance difficulties					
5	<i>Persaingan produk asing</i> Foreign product competition					
6	<i>Perkembangan ICT</i> ICT development					
7	<i>Pengetahuan dan kemahiran dalam kewangan dan perakaunan</i> Knowledge and skills in finance and accounting					
8	<i>Pengetahuan dan kemahiran dalam pemasaran</i> Knowledge and skills in marketing					
9	<i>Pengetahuan dan kemahiran dalam teknologi</i> Knowledge and skills in technology					
10	<i>Pengetahuan dan kemahiran dalam penyelidikan & pembangunan</i> Knowledge and skills in research & development					
11	<i>Untung Bersih</i> Net Profit					
12	<i>Kos operasi</i> Operational cost					
13	<i>Penjualan atas talian</i> On-line sales					
14	<i>Kos produk</i> Product cost					
15	<i>Pengambilan pekerja</i> Recruiting staff					
16	<i>Pengekalan pekerja</i> Retaining staff					
17	<i>Ketidakpastian hala tuju pasaran</i> Uncertainty of market direction					
18	<i>Lain-lain (nyatakan)</i> Other (specify)					

D2. Prestasi Perniagaan/Keberhasilan

D2. Business Performance/Success

Secara purata, adakah setiap faktor yang berikut telah **meningkat** dalam perniagaan anda sepanjang tiga tahun lalu.

On average has each of the following factors **increased** in your business during the past three years?

Sila tandakan (✓) pada satu kotak sahaja antara **Sangat Tidak Setuju - Sangat Setuju** bagi setiap cabaran di bawah.

Please tick (✓) only one of the **Strongly Disagree-to- Strongly Agree** boxes for each of the challenges below.

	Butiran Particulars	Sangat Tidak Setuju ke Sangat Setuju Strongly Disagree to Strongly Agree				
		1	2	3	4	5
1	<i>Permintaan terhadap produk</i> Demand for the product					
2	<i>Kos Pengeluaran (cth., Tenaga, bahan mentah, gaji)</i> Production Cost (e.g., Energy, raw material, wage)					
3	<i>Penambahbaikan keseluruhan persekitaran perniagaan</i> Improvement in overall business environment					
4	<i>Pasaran Saham Saham (Peratus) dalam pasaran</i> Market share					
5	<i>Untung Bersih</i> Net Profit					
6	<i>Jumlah pekerja</i> Number of employees					
7	<i>Jumlah Perolehan Jualan</i> Total Sales Turnover					
8	<i>Jumlah Pembiayaan</i> Total Financing					
9	<i>Jumlah Aset</i> Total Asset					
10	<i>Jumlah Modal</i> Total Capital					

D3. Kebijaksanaan Kewangan

D3. Financial Literacy

Sila tandakan (✓) pada amalan anda masa kini berdasarkan skala yang berikut:

Please rate (✓) your current practices based on the following scale:

1 – Tidak pernah 2 – Jarang 3 – Kadang-kadang 4 – Sering 5 – Selalu

1 – Never 2 – Seldom 3 – Sometimes 4 – Often 5 – Always

	Butiran Particulars	Tidak pernah ke Selalu Never to Always				
		1	2	3	4	5
	Penyimpanan Rekod Record keeping					

1	Adakah anda mengasingkan antara rekod perbelanjaan perniagaan dan perbelanjaan peribadi? Do you separate records of business expenses and personal expenses?					
2	Adakah anda menggunakan perisian perakaunan untuk menguruskan rekod perakaunan anda? Do you use accounting software to manage your accounting records?					
3	Adakah anda menyediakan Penyata Untung dan Rugi? Do you prepare Statement of Profit and Loss?					
4	Adakah anda menyediakan Imbangan Duga (Penyata Kewangan) Do you prepare Balance Sheet (Statement of Financial Position)?					
Belanjawan Budgeting						
5	Adakah anda menyediakan bajet tahunan (peruntukan kewangan)? Do you prepare yearly budget (financial allocations)?					
6	Adakah anda menyediakan bajet bulanan Do you prepare cash flow statement monthly?					
7	Adakah anda mempunyai akauntan terlatih untuk menyediakan bajet syarikat anda? Do you have a trained accountant to prepare budget for your company?					

	Butiran Particulars	Tidak pernah ke Selalu Never to Always				
	Penggunaan Maklumat Perakaunan Use of accounting information	1	2	3	4	5
8	Adakah anda merujuk penyata kewangan dalam membuat keputusan perniagaan? Do you use financial statement for business decision making?					
9	Adakah anda menggunakan maklumat perakaunan untuk mengira kos persekitaran (cth.: kos pembaziran)? Do you use accounting information to calculate environmental cost (e.g. wastage cost)?					
10	Adakah anda menggunakan maklumat perakaunan untuk pengiraan cukai/zakat? Do you use accounting information for tax/zakat computation?					
Kawalan & Risiko Risk & Control						
11	Adakah anda rasa pengurusan kewangan penting untuk perniagaan anda? Do you think financial management is important for your business?					
12	Adakah ada menyimpan rekod penghutang anda (penjualan kredit)?					

	Do you keep records of your debtors (credit sales)?					
	Kebijaksanaan Kewangan Financial Literacy					
13	<i>Sejauh manakah anda memahami penyata kewangan dari skala 1-5?</i> How well do you understand financial statements from scale 1 – 5? <i>1 – Tidak faham langsung, 2 – sedikit, 3 – tidak pasti, 4 – faham secara umum, 5 – Sangat faham</i> <i>1 – Not at all, 2 – a little, 3 – not sure, 4 – general understanding, 5 – very well</i>					
14	<i>Sejauh manakah maklumat perkakaunan berguna untuk perniagaan anda dari skala 1-5?</i> How useful is the accounting information for your business from scale 1 – 5? <i>1 – Tidak berguna langsung, 2 – sedikit, 3 – tidak pasti, 4 – berguna, 5 – Sangat berguna</i> <i>1 – Not at all, 2 – a little, 3 – not sure, 4 – useful, 5 – very useful</i>					
15	<i>Siapakah yang menyediakan penyata kewangan di dalam organisasi anda?</i> Who prepares financial statement for your organization?	<i>Pekerja Sendiri</i> Own staff		<i>Firma Luar</i> Outside firm		

D4. Perniagaan di Pasaran Antarabangsa

D4. Trading In Global Market

Pada pendapat anda, apakah tahap cabaran yang akan dihadapi oleh perniagaan anda dalam menyertai pasaran antarabangsa?

In your opinion, what would be the **level of challenges** faced by your business in participating in the global market?

Sila tandakan (✓) pada satu kotak sahaja antara paling rendah – paling tinggi bagi setiap cabaran di bawah.

Please tick (✓) only one of the **lowest-to-highest** boxes for each of the challenges below.

	Butiran Particulars	Paling Rendah ke Paling Tinggi				
		Lowest		to	Highest	
		1	2	3	4	5
1	<i>Pengetahuan untuk mengenal pasti peluang-peluang dalam pasaran asing</i> Knowledge to identify opportunities in foreign markets					
2	<i>Pengetahuan mengenai persaingan dalam pasaran asing</i> Knowledge about competition in foreign markets					
3	<i>Maklumat berkaitan saluran pemasaran dan rangkaian</i> Information on marketing channels and networks					
4	<i>Sumber kewangan untuk menjalankan kajian pasaran diperingkat pasaran antarabangsa</i>					

	Financial resource to conduct market research in international markets					
5	<i>Modal kerja mengikut tetapan masa untuk pembiayaan aktiviti eksport</i> Timely working capital to finance export activities					
6	<i>Penekanan/Komitmen Pengurusan untuk membangunkan aktiviti eksport</i> Management emphasis/commitment to develop export activities					
7	<i>Pengetahuan untuk memenuhi mencapai piawaian kualiti pengimport</i> Knowledge on meeting importers quality standards					
8	<i>Pengetahuan untuk penyesuaian produk mengikut pasaran asing</i> Knowledge to adapt product to foreign markets					
9	<i>Pengetahuan mengenai sistem pasaran</i> Knowledge of market systems					
10	<i>Pengetahuan mengenai budaya dan halangan bahasa</i> Knowledge about culture and language barrier					
11	<i>Maklumat mengenai prosedur eksport</i> Information on export procedures					

12	<i>Pengetahuan mengenai program promosi dan bantuan yang disediakan oleh Kerajaan</i> Knowledge about promotion and assistance programs by the Government					
13	<i>Pengetahuan ICT</i> Knowledge of ICT					
14	<i>Kemudahan dan infrastruktur ICT untuk tujuan business</i> ICT facilities and infrastructures for business					
15	<i>Undang-undang alam sekitar</i> Environmental legislations					
16	<i>Lain-lain (nyatakan)</i> Other (specify)					

D5. Alam Sekitar

D5. Environment

A. Sejauh manakah anda bersetuju dengan setiap pernyataan di bawah ini?

Sangat tidak bersetuju

Sangat bersetuju

1

2

3

4

5

A. To what extent do you agree with the following statements?

Least agree

Most Agree

1

2

3

4

5

	Butiran Particulars	Sangat tidak bersetuju Sangat bersetuju Least agree Most Agree				
		1	2	3	4	5
1	<i>Pembaziran adalah masalah besar syarikat saya</i> Waste is a big problem in my company.					
2	<i>Syarikat saya sedang aktif mencari kaedah untuk memperbaiki pengurusan alam sekitar</i> My company is actively looking at measures to improve our environmental management.					
3	<i>Syarikat saya menyedari tentang undang-undang alam sekitar dalam perniagaan/industri ini</i> My company is aware of environmental legislations of the business/industry					
4	<i>Kos merupakan faktor utama untuk kami memperbaiki prestasi alam sekitar kami</i> Cost is the main factor for us to improve our environmental performance					

5	<i>Kakitangan saya mempunyai pengetahuan yang sedikit dalam menangani isu-isu alam sekitar</i> My staff has very little knowledge in addressing environmental issues.					
6	<i>Produk-produk syarikat saya tidak memberi kesan (negatif) terhadap alam sekitar</i> There is no environmental impact of my company's products.					
7	<i>Pada waktu ini tiada faedah komersil yang syarikat saya perolehi melalui polisi berkenaan alam sekitar</i> There is currently no commercial benefit to my company in having an environmental policy					
8	<i>Isu-isu alam sekitar hendaklah ditangani melalui undang-undang</i> Environmental issues should be legislated.					
9	<i>Meningkatkan prestasi alam sekitar akan meningkatkan keuntungan</i> Improving environmental performance will lead to improved profits.					
10	<i>Meningkatkan prestasi alam sekitar selalunya meningkatkan kecekapan pengeluaran</i> Improving environmental performance usually improves production efficiency.					
11	<i>Ya, saya pernah mendengar tentang perakaunan alam sekitar</i> Yes, I have heard about environmental accounting					

1 2	<i>Saya mengetahui tentang Perakaunan Kos Aliran Bahan</i> I am aware of Material Flow Cost Accounting					
1 3	<i>Tidak selalunya jelas bagaimana undang-undang alam sekitar memberi kesan kepada kami</i> It is not always clear how environmental legislation affects us.					
1 4	<i>Saya berharap pihak kerajaan dapat membantu kami meningkatkan prestasi alam sekitar kami.</i> I wish the government can provide aid to help us improve our environmental performance					

B. *Pada tahun lepas, kos pelupusan sisa syarikat saya ialah RM _____*
In last year, my company's waste disposal cost was RM _____

..... **Terima Kasih**

..... **Thank You**

Improving SMEs Performance and Financial Inclusion Level Based on Best Practices of Islamic Financing in Indonesia and Malaysia

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ABSTRACT

This study desires to assess selected attributes of the SMEs and the extent of availability, sufficiency and potentials of conventional and Islamic financing methods in Yogyakarta and Kuala Lumpur. The project questionnaires survey of SMEs. This study find that 43% or around 126 entrepreneurs are not aware of the differences in Islamic financing and conventional financing. Only 21.9% are aware of the differences in the financing system. Lack of awareness of the differences in financing makes entrepreneurs very rarely access Islamic financing to support their capital. This lack of literacy towards sharia financing makes entrepreneurs unsure of using Islamic financing services in the near future or in the next few years. From the results of the survey, the first capital of MSMEs was obtained from NGOs 43.9%, 26.6% from private savings and 10% capital from bank loans. Islamic Financial Institution rarely plays its role as a social institution which should also play a role in facilitating and supporting developing MSMEs. In terms of accessibility, it can also be seen that the capital obtained from NGOs is very easy to access, besides that high accessibility is also obtained from personal savings. The capital provided by NGOs is very easy to access because they do provide capital for the establishment of businesses with free to encourage the entrepreneurial community. Literacy of Islamic financial products among SMEs is very low, only 2% are familiar with Islamic financial products. At the time of the initial establishment of the business, only 1.7% of SMEs used kafala products and 1.3% used mudarabah products. Currently almost all Islamic finance products have been used by a handful of local entrepreneurs, 1.3% use Kafala, 2% use Mudarabah and 1% Murabahah. From the results of this study we can conclude that Islamic financial institutions are still very rarely used by MSME entrepreneurs. This is not due to the lack of accessibility of sharia financial products, but rather the lack of knowledge and understanding of Islamic financial products and services. Therefore, it is necessary to increase the socialization of Sharia financial products and services to the UMKM.

Keywords: Profiling SMEs, Malaysia, Indonesia, Islamic finance, Development Model, Financial Inclusion, Comparative Evidence

1. INTRODUCTION

1.1 Research Background

SMEs in Indonesia account for more than 99 percent of all enterprises and the major employment creator. Micro enterprises (MIEs) having the low levels of productivity, poor quality products, and serving small localized markets. Despite having difficulties upgrading especially with import liberalization, technological changes and lower demand for traditional products, however, this enterprises' growth can be seen especially in an early phase of entrepreneurship development.

Soetrisno (2015) stated that the government of Indonesia need to cater the issue of SME development on these three major factors which are financial, non-financial supports such as industrial linkages aspects and endorsement for conducive business environment. The main objective for their action is to affirm the role of SMEs in exports and in economic development. To ensure a conducive business environment, the government attempts to provide a platform for all businesses to compete in the market place. There are some laws and regulations need to be revoked and need to be developed in order to ensure their objective being actualized. Not only that, government also tries to be more lenient in terms of procedures, for business licensing through one stop service.

In terms of financial aspect, more opportunities should be given to SMEs with regards to access to sources of credits, particularly banking institutions. The need to rectify the ability of SMEs in utilizing banking credits is important since most of SMEs are lacking in collateral, which is very crucial as it is one of the criteria for selection of customers by the banks. Since most of the small enterprises are micro enterprises, thus it is quite difficult for them to have access in banking credit. Hence, more microfinance institutions are being promoted to help the SMEs. As Indonesia is the largest Muslim dominated country, the government tends to greater efforts on the promotion of Shari' ah banking both at national and local level. The government is also promoting Shari' ah even at non -financial institutions like cooperatives or house of wealth and thrift. To further extend its vision in seeking for a developed economy, the government has applied a policy for agricultural sector handled by Bank Rakyat Indonesia (BRI), property sector under Bank BTN and other credits for cooperatives and SMEs under PT. Permodalan Nasional Madani. The continuation of handling carry over financial support credit program is being used to help the industries to grow.

SMEs in Indonesia play a significant role and gives a big impact towards the national economic development. SMEs giving a high contribution to the GDP, net exports, as well as employment growth. Even during the Asian Financial Crisis 1997/1998, large enterprises having big problems due to the depreciation of Rupiah at that time. However, SMEs gained benefits from its depreciation especially in the agribusiness and agroindustry by exporting these products. With the existence of SMEs business cluster, both respective manufacturing and non-manufacturing industry begin to mold into a good shape. However, they are still at the beginning stage where it is essential to differentiate the stage of cluster from being, mature and advance. To achieve the objective of developing strong integrated cluster, the method, the modalities of support should be synchronized with the basis of market driven. To expand the cluster program, support for business has been recognized as a constituent of non – financial component.

Besides Indonesia, Malaysia is also really concerned to develop Small and Medium-sized Enterprises (SMEs). Malaysia identifies that SMEs have taken part in their economic activities as an important contributor to stimulate the economic growth and later have become the most significant tools for economic development, Gross Domestic Product (GDP) and workforces (Abdullah,2015; Ardic et al, 2011; and Harif, 2010).

Malaysia started to evolve the SMEs in the 1990s, and a number of agencies and government bodies were established to support them in terms of planning and implementing their various programs. Historically speaking, traditional sectors such as agriculture related and cottage industry activities served as the foundation for the growth of SMEs in Malaysia. Nowadays, however, the expansion is broad based and exists in almost all sectors of economy in Malaysia (Harif, 2010). In 2012 it was recorded that the SMEs represented 97.3% of the total establishment in the country, or 645,136 out of 662,939 establishment (SMECorp. Malaysia, 2014). Based on the SME Annual Report 2015/2016, the current trend indicates that the Malaysian SMEs remained resilient with SMEs GDP sustaining a respectable growth of 6.1% . Despite the weak external environment due to domestic demand, particularly consumption and investment activities, the growth is higher than the overall GDP of the country which was only 5% in 2015.

This study of Profiling SMEs in Indonesia and Malaysia attempts to describe the significance of the SMEs' roles in the economic growth of those countries. The study is needed to add the existing body of knowledge on SMEs in Indonesia and Malaysia due to the absence of the criteria to measure the achievement. Moreover, the findings hopefully can provide useful feedback for the regulators to improve the existing and practices. The role of SMEs in the

economic growth of the countries is significant. However, there has not been much study that compares the criteria used to measure these achievements in Malaysia. Hence, this study will add to the existing body of knowledge on SMEs in those countries. In addition, the findings can provide useful feedback to the regulators to improve the existing policies and practices. A preliminary investigation is used in this study as a bridge to explore detail issues of those countries.

2. LITERATURE REVIEW

2.1. Small, Medium-Sized Enterprises (SMEs)

There are significantly various definitions of SME provided by countries that are concerned about SMEs development. Harif (2010) defines SME used in some countries that are members of Asia Pacific Economic Cooperation (APEC). The number of employees and value of sales and/or assets are the most common measure. It can be concluded that different countries use different standards and different criteria to determine the size of firms. Therefore, what constitutes an SME seems to depend on the definition adopted, although there is no universally accepted definition of what a SME is (Harif, 2010).

In most countries, SME is defined as a firm with employees less than 100 —or even fewer in specific industries, such as services or retail, even though in some larger countries this ceiling is raised to 300 or even 500 employees (Harif, 2010). The EU (European Union) and a large number of OECD (Organization for Economic Co-operation and Development), transitional, and developing countries set the upper limit of number of employees in the SMEs between 200-250, with a few exceptions such as Japan which is 300, and the USA which is 500 (OECD, 2004). In Indonesia as shown in Table 2.1 SME is defined based on the number of full time labor, sales turnover and value of asset

Table 1 SME Definition in Indonesia

	Full time Labor	Sales Turnover (\$)	Value of Asset (\$)
Micro	1 – 5	0 – 22,485	0 – 3,748
Small	6 - 19	33,485 – 187,378	3,748 – 37,480
Medium	20 - 99	187,378 – 3,747,564	37,480 – 749,512

Source: UNDP Official Website

Profiling

Profiling is defined as the extrapolation of information about something, based on known qualities (Wikipedia, 2016). Furthermore, Merriam-Webster (2016) defines profiling as the act or process of learning information about someone based on what is already known. From the definition above we can sum up that profiling is a study relying exclusively on existing reports and databases to develop the profile and to some extent on related data provided (NCR, 2015).

Comparative Evidence

A comparative study is one research methodology in [social sciences](#) that aims to make comparisons across different [countries](#) or [cultures](#). The major problem in a comparative research is that the data sets in different countries may not use the same categories, or they define categories differently. This technique often utilizes multiple disciplines in one study (Wikipedia, 2016). Caramani (2008) argues that comparison is a fundamental principle of science as well as a basic element of everyday life. Hence, Caramani emphasizes that comparison is one of the crucial conceptual processes making the world intelligible.

Contribution, Opportunities for SMEs Growth

Caner describes that the spring of SMEs embarks on the improvement in the cost reducing industries which brings transformation to the industrial structure and development of new markets. Also, starting in the late of 70s and early 80s, SMEs started to become more inovative and were flexible in terms of reducing cost. And right now, SMEs are crowned as the engine of development and employment. SMEs official as an unregistered or shadow economy have become significant sources in providing employment as well as additional value. In a long-term, SMEs will affect the national economics as follows:

1. As per capital income increases, the contribution of SMEs to GDP and employment increases.
2. As per capital income increases, the contribution of the unregistered economy decreases.
3. Registered and unregistered SMEs together contribute about 60%-70% to GDP on average.
4. However, as GDP increases, the share of the unregistered economy decreases.

The contribution of SMEs to economic fundamentals nonetheless varies substantially across countries: from 16% of GDP in low-income countries (where the sector is typically large but informal) to 51% of GDP in high-income countries. The contribution of the SME sector to

GDP, including both the formal sector and estimates of the informal sector, is disproportionately large in low-income countries. In addition to that, history and legal tradition can also play a very important role.

2.2. SME Sustainability

Sustainable development is recognized as an essential requirement for achieving economic goals without degrading the environment, major problems arise in implementing the concept of sustainability. At the most basic level, researchers dealing with sustainable development have suggested that the achievement of sustainability requires ecologically sustainable political and economic systems, organizations, and individuals (Starik and Rands 1995; Costanza and Daly 1992; Gallup International Institute 1992). Specifically, governments, consumers, and enterprises contribute and play crucial roles in reaching sustainable development. As a result, if goals of sustainability are to be achieved, small and medium-sized enterprises must be reformed to minimize their negative ecological and social impacts (Gladwin, 1992).

Generally, SMEs will have to assist and facilitate growth, multiply and replicate into sufficient mass across industries and sectors. The SME sector is considered to be the backbone of the modern day economy. The importance of this segment is undisputed. However, the yawning gap between the needs, demands and policy response in this unorganized sector has always dampened the sector's prospects. The recent economic turbulence has only added to the sector's problems. Hence, it becomes imperative for us to ensure that SME sector, which is facing one of the toughest times in the industrial history, should be strongly supported by the relevant stakeholders - government, financial institutions, associations, etc. This is to enable the sector to play its sustainability roles in the economy.

SMEs contribution towards sustainable development is small, taken together SMEs have a very large impact on the development quality of a specific geographic area. The more presence of SMEs in the economy of a particular area, the more important is the SMEs role for achieving sustainability (Welford and Gouldson, 1993).

In comparison with large companies, SMEs show particular benefits for a geographic area interested in achieving a sustainable development, which can be grouped in the following categories: economic, socio-cultural, environmental, and collaboration contributions. Major economic contributions to sustainability come from the fact that residents and indigenous are more probably to own and run SMEs than larger companies, which frequently are multinational companies.

Specifically, in the SMEs, the management process is characterized by the highly personalized preferences, prejudices, and attitudes of the firms' entrepreneur, owner and/or owner-manager (Jennings and Beaver, 1995). As a result, SMEs allow residents and indigenous to participate in the economic development and, consequently, to obtain the economic benefits generated by the community (Howard and Hine, 1995).

Furthermore, SMEs which are owned and run by residents who are expected to reinvest their benefits in the community itself, while large companies usually act internationally. Finally, SMEs draw out capital that would otherwise remain underexploited by the economy, and help develop new markets by improving forward and backward linkages between economically, socially, and geographically diverse sectors of the economy (Howard and Hine, 1995). These SMEs potential economic contributions to sustainability might be balanced against overall economic efficiency of SMEs in comparison with larger companies; meaning that SMEs operating in a particular community must be internationally competitive in order to make significant contributions to sustainability.

There are several challenges that SMEs are facing that hinder further growth. These challenges include the following:

- Human Capital Development
- Infrastructure
- Innovation and technology adaptation
- Legal and Regulatory environment
- Market Access

2.3. Islamic Financing in SMEs

SMEs, by number, dominate the world business stage; although precise, up-to-date data are difficult to obtain, estimates suggest that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment (*Small vs. Young Firms Across The World—Contribution to Employment, Job Creation, and Growth, Policy Research Working Paper 5631*, World Bank Development Research Group). Given the importance of the SME sector, it is unfortunate to notice the lack of financing options available for them. A study by the International Finance Corporation (IFC) showed that approximately 35% of SMEs in the Middle East and North Africa (MENA) are excluded from the formal banking sector because they seek Sharia-compliant products that are not readily available in the market.

SMEs faces similar problems in the countries and regions where Islamic finance is flourishing, negating one of the aspirations of Islamic finance: access to financing for all Shariah-compliant businesses irrespective of the size of business operations. In the aftermath of recent global financial crises, various financial institutions and regulatory bodies have claimed that Islamic finance is more stable than conventional finance. This argument is supported by the foundation of Islamic finance, which is structured on strong ethical precepts and prohibits interest and speculation as well as asset-based financing. Moreover, Islamic financial institutions are considered to be a good platform for increasing access to financial inclusion, including access to finance for SMEs, thereby supporting growth and economic development. This aspiration is further supported by a recent finding by the International Monetary Fund that states that “Islamic Finance’s emphasis on asset-backed financing and risk-sharing feature means that it could provide support for small and medium-sized enterprises.”

The IFC has noted a potential gap of \$8.63bn to \$13.20bn for Islamic SME financing across the nine surveyed countries in the region. The report highlighted that only 36% of more than 160 surveyed banks in Iraq, Pakistan, Yemen, the Kingdom of Saudi Arabia, Egypt, Lebanon, Morocco, Tunisia, and Jordan, had an SME offering.

Limited access to finance for SMEs is one of the main obstacles to their growth in the majority of Islamic finance territories. Most SMEs do not have access to credit, or have limited access to credit. SMEs’ limited access to finance reflects the interaction of demand, supply, institutional, regulatory, and other policy factors that are a hindrance for the growth of SMEs. SMEs also lack awareness and knowledge regarding Islamic banking products and what products may suit their requirements. Additionally, the cost of credit charged by Islamic banks is relatively higher than conventional banks for the same sector. Growth is also hindered in those countries with developed Islamic banking by the lack of suitable Islamic finance offerings for SMEs. On average, around 35% of SMEs in MENA and Pakistan are not borrowing money despite the significant demand due to the lack of Islamic finance offerings.

3. RESEARCH METHODOLOGY

The research two main research methods of utilizing secondary data and primary data through survey and face to face interview. In the first year secondary data from all three countries will be obtained through respective banks and official published data, reports and records to update on the issues. Meanwhile previous research findings will also be used to strengthen literature review and research report in later stage of the research. In order to secure

those relevant information, respective researchers from Indonesia and Malaysia will identify, collect, gather and compile those in accordance to the objectives of the research. This knowledge will be used later to enhance/endorse and compare with this research findings.

Primary data will be collected from respective countries. In order to practically realize this, a set of questionnaire will be designed which will be used for respondents in all three countries. Thus, similar set of questionnaire is to be used for the purpose of comparison the questionnaire, among others will be related to the objectives of the research including looking in greater detail at issues related to the background of the entrepreneurs, risk analysis, business background, capital management, uses and prospects of Islamic Finance, requirement analysis and finally the issues, performance and prospects related to SME. The study is aware that the questionnaire in the area has already been developed previously, hence, an improvement will be made accordingly.

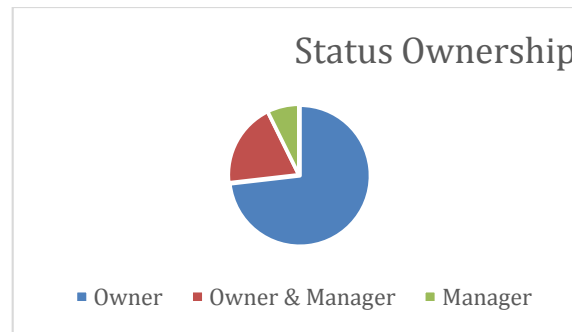
This report outlines recent research substantiating the contribution of the small and medium enterprises (SMEs) in particular for the opportunities in Islamic Financing. It also highlights on the background of the entrepreneurs and the Risk taking capacity by the enterprises. Additionally the research includes Capital Management and the prospects of Islamic Finance in SMEs. Furthermore, the requirement and needs are considered base on accessibility and sufficiency on particular enterprise. Finally, the research identifies the Issues, Success and prospects of SMEs in present time.

RESULTS AND DISCUSSION

4.1. Description of Respondents

4.1.2. Profile of Respondents

This research was conducted in Special Region of Yogyakarta. Samples in this research include MSMEs (Micro, Small and Medium Enterprises) owners throughout five districts in Special Region of Yogyakarta. Apparently, there are 300 respondents in our samples. Data collection in this research contains ownership status, gender, age, education, asset, number of workers, and turnover values within a year. Distribution of characteristics of MSMEs' respondents by ownership status can be seen in Figure 5.1 as follows.

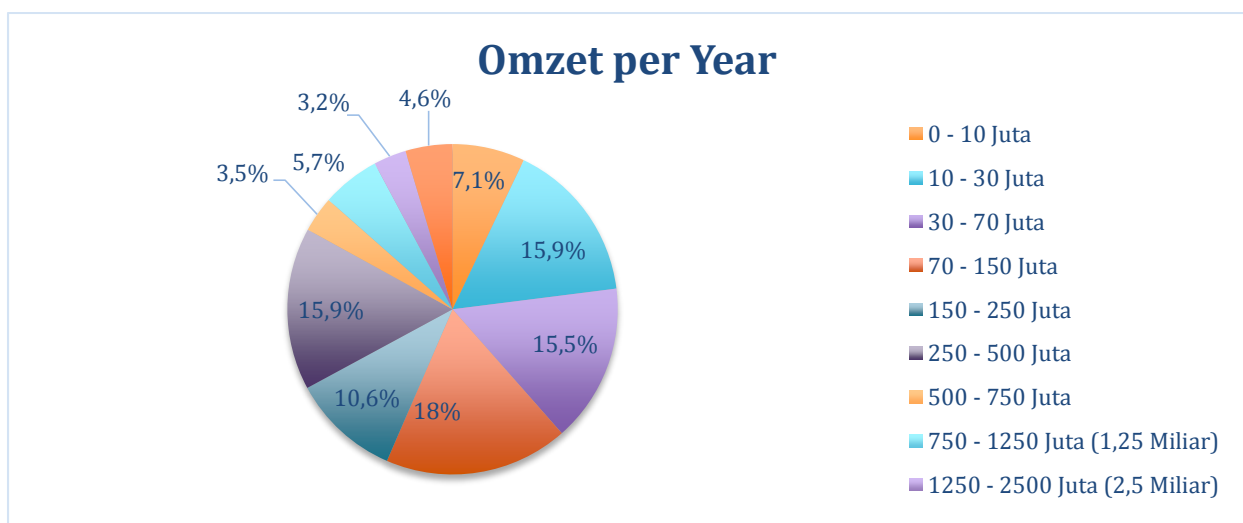


Source: Survey data (processed)

Figure 1: Characteristics of MSMEs' Owners by Ownership Status

Based on field report, 210 out of 300 respondents, or 71.2 percent of them are the business firms. Meanwhile, 56 respondents or 19 percent of them are owners with dual role as manager. Even though the business scale is MSMEs, the owners do not always have the full control of the business, implying that the business relies on the manager which accounts for 21 respondents or 7.1%. Probably, a type of business with its operational relied on the manager is an medium scale of business as general characteristics of such business have better, more advanced and well-planned management and organization with clear division of tasks such as finance department, marketing department and production department, with skilled and trained human resources.

As business firms in MSMEs, turnover values in one-year period remain at the level of micro and small as defined by Regulations No. 20 Year 2008 that maximum turnover values per year for micro business are IDR 300 million, while turnover values for small business are around IDR 300 million to IDR 2.5 billion.

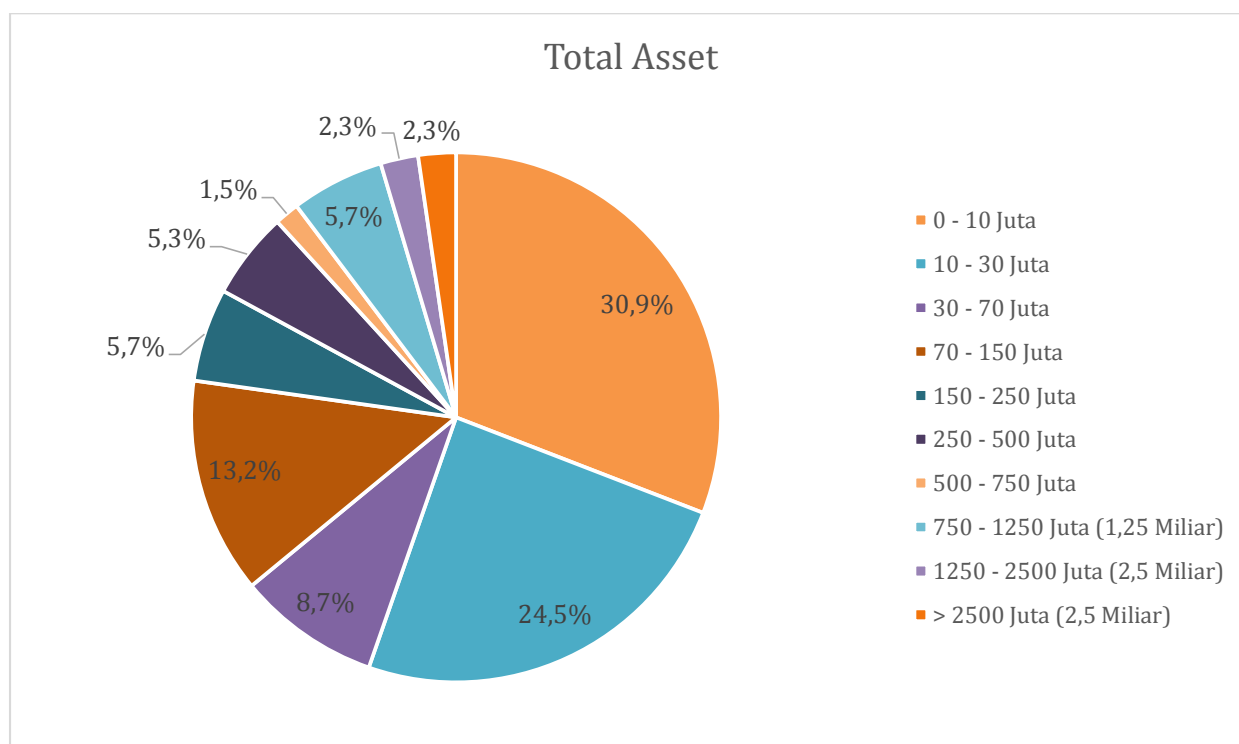


Source: Survey Data (processed)

Figure 2: Characteristics of MSMEs Owner in Special Region of Yogyakarta

by Annual Turnover Values

There are only 13 business firms categorized as medium scale business with turnover values per year more than IDR 2.5 billion. Based on asset ownership of the business, most of the asset values of MSMEs in Yogyakarta are around IDR 0 to IDR 30 million, which account for 147 respondents or 55.4%. The data suggests that most of the business firms in Yogyakarta are those with micro scale as stated by the Regulations No. 20 Year 2008 that maximum asset values for micro scale business are IDR 50 million. The remaining portion of the data is small scale business with 87 respondents or 32.9%, while the rest is medium scale business with 31 respondents or 11.7%. This condition can be seen in Figure 5.5.



Source: Survey Data (processed)

Figure 3
Characteristics of MSMEs Owner in Special Region of Yogyakarta
by Asset Values

4.1.3. Descriptive of Business Activities of the Respondents

One of the formal requirements to run the business is related to legal issue or permission for business. Besides, it is important for business entities, whether they are small, medium, or large, to have legal institution. Legal institution will protect the business entities from any claims based on activities of the enterprises. The main feature of business entities with legal institution includes separation between wealth of the owners and wealth of the business entities so that the owners are only responsible for the wealth of the enterprises.

Table 2**Characteristics of MSMEs in Special Region of Yogyakarta by Business Entity**

Variables	Frequency	Percent
Year of Establishment		
1940 - 1988	32	10,8
1990 - 2000	69	23,4
2001 - 2010	86	29,2
>2010	108	36,6
Missing	6	
Legal Form		
Co-operative	3	1,1
Private Limited	3	1,1
Partnership	9	3,2
Sole Proprietorship	260	93,9
Missing	26	

Source: Survey Data (processed)

Table 5.1 confirms that almost of entire business firms in Yogyakarta are in the form of sole proprietorship which account for 260 enterprises or 93.9%, while the rests are private limited, partnership, and co-operative. This situation makes sense as most of the business firms in Yogyakarta are micro and small enterprise with characteristics of sole proprietorship business entity.

As the previous section mentions that several business firms have prior knowledge in entrepreneurship while running the business, there are some motivations of why they run the business. Apparently, there are various motivations to run the business in Yogyakarta. Based on survey data, it can be informed that 59.2% or 142 respondents run the business because of possessing skills, which in turn is expected to contribute in successful business. It is more interesting to know that among 47.1% or 104 respondents reveals of getting new challenge while running the business. This motivation is in line with the previous data as there are 69 respondents at the young age between 20 to 29 years old which are in the age of being productive at bottom level with risk lover character in their life.

Table 3
MSME's Sector in Yogyakarta

Sector		
Sector	Frequency	Percent
Consumer	78	40,8
Construction	4	2,1
Industrial	22	11,5
Plantation	4	2,1
Properties	3	1,6
Technology	1	0,5
Trading/Services	76	39,8
Transportation	3	1,6

Source: Survey Data (Processed)

Based on the survey result, the micro small and medium enterprises in Yogyakarta was divided into 8 sectors. The biggest number of MSMEs are in the consumer sector with 40,8% then in the Trading/Services with 39,8%, Industrial sector 11,5%, Construction and Plantation 2,1%, Properties and Transportation 1,6% and Technology 0,5%.

Table 4
Reasons of MSMEs Running the Business

3 Important reason you choose this business		
By Profession	142	59,2
Inherited Business	46	21,8
Economic Hardship	86	38,9
More Challenging	104	47,1
Encouraged by government	6	3
No other jobs	48	22,5
For Additional income	145	57,5
Personal Interest	245	86,6

Source: Survey Data (processed)

Among 86 respondents state that their motivation of running the business is to improve the household economy as finding a job is not easy as they perceive. However, some of the MSMEs owners in Yogyakarta give the reason of inherited business as it is the family business. There are 46 respondents, or 21,8% running the business because of inherited business. This reason is in line with the data as there are 44% of total respondents state that they do not have entrepreneurship skill before running the business. This is reasonable as they only continue the business established by their parents.

In relation to business activities, most of the respondents have just run the activities for less than 10 years, which account for 157 respondents or 52.9%. There are 80 respondents running the business for 11 to 20 years, 42 respondents for 21 to 30 years, while 13 respondents have been running their own business for 31 to 40 years. Meanwhile, very few respondents have been running the business for more than 50 years.

Table 5
Length of Business Activities of MSMEs

How long have you been in this business?		
0-10 Years	157	52,9
11-20 Years	80	26,9
21-30 Years	42	14,1
31-40 Years	13	4,4
41-50 Years	4	1,3
>60 Years	1	,3

Source: Survey Data (processed)

Even though most of the respondents have been running their business activities for 10 years, even more than 20 years, 74.6% or 223 respondents of business firms in Yogyakarta never get any training related to their own business activities either from government in related institution higher education institutions, or vocational department.

Table 6
Training for MSMEs during Business Activities

I have attended more training program provided by the private sector than the public sector		
Yes	75	25,1
No	223	74,6
Types of Training		
Vocational	21	9,4
On the Job Training	63	28,3
Training College	21	9,4
No Training	118	52,9
Missing	78	

Source: Survey Data (processed)

In order to develop the business, adequate skill and knowledge are required for the business firms which are not only for Small, Medium, and Enterprises (MSMEs) but also for

entrepreneur in large scale. There are several benefits acquired by the business world, such as: (1) increasing work performance, (2) preparing the employers to have skill in certain areas as required by the company, (3) having adequate skill and knowledge so that the employers have security and being appreciated, as well as have satisfaction. From the survey data, it was informed that business firms with various trainings, there are several types of training being done, such as business planning, leadership, business feasibility, financial management, and others as appeared in Table 5.5.

Table 7
Type of Training for MSMEs during Business Activities

Business Training		Frequency	%
Accounting	Yes	50	17,7
	No	232	82,3
Achievement Motivation Training	Yes	58	20,4
	No	226	79,6
Business Plan	Yes	61	21,6
	No	221	78,4
Business Feasibility	Yes	71	25,3
	No	210	74,7
Finance	Yes	67	23,5
	No	218	76,5
Human Resource Management	Yes	59	20,6
	No	227	79,4
ICT Application	Yes	57	20,1
	No	227	79,9
Leadership Training	Yes	63	22,3
	No	220	77,7
Marketing and Promotion	Yes	88	31
	No	196	69
Operation and Manufacturing	Yes	51	18,1
	No		

Business Training		Frequency	%
	No	231	81,9
Research and Development	Yes	55	19,5
	No	227	80,5

Source: Survey Data (processed)

Business training is the most valuable investment and can be very beneficial for the entrepreneur in the future. The values and benefits are not only measured financially but also in terms of skill improvement in production or managerial as long term investment for business firm. However, based on survey data it can be informed that there are so many MSMEs owners in Yogyakarta who never have any business trainings which are essential for them to develop their business. With more knowledge of managing business activities, they will know how to market the products, manage the assets efficiently, manage the employees well, and so on. Thus, various trainings are required to develop business activities. In relation to the need of training, several types of training are required as it can be seen in Table 5.6.

Table 8
Types of Training Required by MSMEs Yogyakarta

Training On	Responses	Current		Future	
		Freq	Percent (%)	Freq	Percent (%)
Finance	Yes	127	43,5	143	49,1
	Definitely Yes	43	14,7	59	20,3
Human Resources	Yes	121	41,9	131	45,5
	Definitely Yes	35	12,1	56	19,4
Information Technology	Yes	114	39,2	114	39,6
	Definitely Yes	38	13,1	52	18,1
Marketing	Yes	130	44,7	136	47,4
	Definitely Yes	48	16,5	53	18,5
Product Development	Yes	114	38,9	128	44,6
	Definitely Yes	39	13,3	42	14,6

Training On	Responses	Current		Future	
		Freq	Percent (%)	Freq	Percent (%)
Operational Management	Yes	127	43,3	140	48,1
	Definitely Yes	48	16,4	53	18,2
Quality Development	Yes	106	36,2	115	39,9
	Definitely Yes	47	16,0	53	18,4
Research Development and Innovation	Yes	79	27,1	96	33,7
	Definitely Yes	41	14,0	45	15,8
Sustainability and Green Technology	Yes	30	31,9	32	35,2
	Definitely Yes	11	11,7	13	14,3

Source: Survey Data (processed)

Business activities are strongly related to capital access and this is one among so many issues faced by business firm in all scales from micro, small, medium to large. Thus, financial institutions have important and strategic role to solve financing issues for these business firms. Nowadays, the development of financial institutions has been so rapid in terms of various financing products for business firm, both conventional and sharia. The existence of sharia financing in Indonesia is relatively new compared to conventional financial institutions so that it makes sense if its development is still left behind. This situation has implication toward the society, particularly MSMEs owners in Yogyakarta, in which most of them do not realize the existence of sharia financial institution as the alternative solution to finance the business instead of conventional financial institution. This condition can be seen in Table 5.7.

Table 9
Awareness Level of MSMEs toward Sharia Financing

Awareness of the differences between Islamic Financing and Conventional Financing method		
Variables	Frequency	Percent (%)
Not aware at all (0)	2	0,7
Not Aware (1)	126	43,2
Not Sure (2)	54	18,5
Little Aware (3)	46	15,8
Aware (4)	38	13,0
Very Aware (5)	26	8,9
Missing	9	
Source of Capital		
Islamic	21	8,6
Conventional	218	89,7
Self Funding	2	0,8
Missing	60	

Source: Survey Data (processed)

Table 5.7 confirms that there are very few business firms in Yogyakarta, particularly MSMEs, who had realized the existence of sharia finance in Indonesian economy which can be an alternative toward financing access for their business. Survey data also concludes that there are only 21 business firms in Yogyakarta who had already utilized the fund from sharia financial institution, while 218 or 89.7% of business firms still used the loan from conventional financial institution. This finding is very possible as sharia financial institution lacks of socialization to business firms and they do not receive any knowledge about sharia financial institution from the government and higher education institution.

Even though there are many business firms not utilizing the funding from sharia financial institution, either from the banks or micro financial institutions, there is no possibility for them to utilize the fund from sharia financial institution in the future, and only few of them are willing to utilize the fund, which account for 9 respondents or 3.2%. Meanwhile, for

economic agents who had already utilized the fund from sharia financial institution, still there is no possibility to continue utilizing the fund from sharia financial institution in the future. There are only 22 respondents who commit to continue utilizing the fund from sharia financial institution which account for 22%. This descriptive statistics can be seen in Table 5.8.

Table 10
Possibility of MSMEs Utilizing Sharia Finance

Responses	If you are currently not using Islamic Finance, do you intend to utilize it in near future?		you are currently using Islamic Finance, do you intend to continue using it in the future?	
	Frequency	Percent (%)	Frequency	Percent (%)
Definitely No	11	4,0	3	1,5
No	77	27,7	41	20,0
Not Sure	140	50,4	33	16,1
Yes	41	14,7	83	40,5
Definitely Yes	9	3,2	45	22,0
Total	278		205	
Missing	23		96	

Source: Survey Data (processed)

4.2. Access of MSMEs in Special Region of Yogyakarta to Sharia Finance

The existence of micro, small and medium enterprises (MSMEs) reflects the reality of social and economic life for typical Indonesian society, including Special Region of Yogyakarta. Besides, MSMEs are proven to survive in crisis situation, absorb large pool of workers, spread out in almost of entire sectors in the economy, and improve income distribution. In relation to their characteristics, business firms are the main stakeholders who utilize the funds from financial institutions (i.e. bank, microfinance, and co-operative, either in conventional and sharia basis) as financing sources. However, there is still possibility for business firms to utilize or not utilize the funds from those financial institutions as they can obtain the funds from other sources, such as personal funds, loans from the family, loan sharks, and rotating finance. The distribution of funds utilization to develop the business from various financing sources can be seen in Table 5.9.

Table 11
Capital Sources of MSMEs by Period

Source of Financial Capital	INITIAL		CURRENT		FUTURE	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Bank	30	10	52	17,3	56	18,6
Cooperation	4	1,3	2	0,7	5	1,7
Crowd Funding	45	15	10	3,3	8	2,7
Loan Relative	10	3,3	6	2	7	2,3
Micro Finance	0	0	4	1,3	3	1
NGO	132	43,9	136	45,2	139	46,2
Personal Savings	80	26,6	63	20,9	58	19,3
Registered Money Lender	2	0,7	0	0	2	0,7
Rotating Finance (arisan)	4	1,3	0	0	2	0,7
Unregistered Money Lender	2	0,7	0	0	0	0
Others	44	14,6	44	14,6	0	0

Source: Survey Data (processed)

Based on Table 5.9, it is apparent that initially most of the business firms run their business with funding from Non-Government Organization, which is as known as BKM or *Badan Keswadayaan Masyarakat*. There are 132 respondents or 44% of them who utilize the fund from BKM at the initial stage of business activities, while there are some business firms who start their business by relying upon personal funding from their saving, which account for 80 respondents or 27%. There are also business firms who utilize the fund from crowd funding by the time they start their business. By contrast, there are only 30 respondents or 10% who utilize the fund from the bank to start their business activities. It gives us evidence that most definitely access to formal financial institution, such as bank and microfinance, did not provide enough space for business firm of MSMEs in Yogyakarta.

In relation to difficult access for financial institution to provide more space for business firm of MSMEs in Yogyakarta, the data can be traced in Table 5.10.

Table 12
Accessability of MSMEs toward Financing Sources

Source of Capital	Accessibility									
	Not Accessible		be accessed		Neutral		Accessible		sified with the accesibility	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Bank Loan	4	1,3	6	2	21	7	63	20,9	41	13,6
Coop Society	11	3,7	5	1,7	34	11,3	38	12,6	6	2
Crowd Fund	16	5,3	5	1,7	28	9,3	58	19,3	26	8,6
Loan Relative	6	2	11	3,7	35	11,6	33	11	17	5,6
Microfinance	11	3,7	8	2,7	35	11,6	36	12	5	1,7
Non- Gov	11	3,7	9	3	35	11,6	73	24,3	79	26,2
Personal Saving	12	4	3	1	16	5,3	43	14,3	51	16,9
Registered Money Lenders	20	6,6	3	1	31	10,3	37	12,3	2	0,7
Rotating	19	6,3	9	3	23	7,6	34	11,3	2	0,7
Unregistered Money Lender	12	4	2	0,7	14	4,7	19	6,3	2	0,7

Source: Survey Data (processed)

Based on Table 5.10, it is obvious that funds from Non-Government Organization or NGO are the most accessible funds. It does make sense as the business firms do not need complicated requirements, such as business plan, or collateral. This is revolving fund which initially becomes a part of economic empowerment program from central government. As the funds revolve, the management of the funds is given to NGO.

The second most accessible funds for MSMEs are funds from banking sector. However, according to Table 5.9, this type of funds is not the main choice for the business firms to finance their business activities. This is partly because there are difficult requirements imposed to MSMEs' owners even though they perceive that it is relatively easy to get funding from banking sector once the requirements are simple. Crowd funding also becomes the most accessible funding for business firms in Yogyakarta since this type of funds is relatively cheap in terms of the cost of getting the funds. Even though the utilization of the funds from loan sharks are no longer to be used as capital during initial stage of business, business firms of

MSMEs in Yogyakarta feel confident of getting that type of funds. Meanwhile, the business firms also perceive that financial access to microfinance such as cooperatives and BMT is relatively easy.

One of financing sources for the business firms of MSMEs in Yogyakarta is capital or financing from sharia financial institution with various financing products and forms. However, the existence of products from sharia financial institution does not seem to be familiar for the business firms of MSMEs in Yogyakarta. Majority of them which account for 88 respondents do not recognize financing products from sharia financial institution, while only 6 respondents noticing the products. Among 300 respondents, there are only 94 respondents or 31% who do not answer the questions about access to banking sector or sharia financial institution. This finding implies that majority of MSMEs' owners in Yogyakarta are still unfamiliar with the existence of sharia financial institution, particularly with financing products from sharia financial institution. This condition can be seen in Table 5.11 and Table 5.12.

Table 13
Familiarities of MSMEs toward Sharia Financing Products

Familiar Islamic Finance Products	Frequency	Percent (%)
Yes	6	2
No	88	29,2
Total	94	31,2
Missing	207	

Source: Survey Data (processed)

Table 14
Utilization of Sharia Financing Products

Type of Islamic Finance Products						
	INITIAL		CURRENT		FUTURE	
	Freq	%	Freq	%	Freq	%
Diminishing Musharaka			1	0,3		
Ijara			1	0,3		
Kafala	5	1,7	4	1,3	5	1,7
Mudaraba	4	1,3	6	2	4	1,3
Murabaha			3	1	2	0,7
Musharaka			1	0,3	1	0,3
Qard Hassan			1	0,3	1	0,3
Sukuk						

Source: Survey Data (processed)

From Table 5.12, it is obvious that majority of respondents do not answer the question related to the utilization of financing products from sharia financial institution, both sharia bank and sharia microfinance, such as BMT. There are only 9 respondents who utilize the funds from sharia financing at the beginning of their business. This number increases into 17 business firms by the time of the survey, but decreasing into 13 respondents in the future. This number decreases in Mudharaba and Murabaha. Thus, it is essential for regular socialization to the business firms of MSMEs so that utilization of the funds from sharia financing can grow. As the majority of business firms in Yogyakarta are micro and small enterprises with small needs of the funds, it is very plausible for them to be served by sharia financial institutions, both sharia bank and sharia microfinance, such as BMT.

Limited utilization of the funds from sharia financial institution can be transformed into the degree of accessibility of MSMEs to sharia finance. Unfamiliarity of business firms of MSMEs in Yogyakarta toward financing products from sharia financial institution is translated into lack of access to sharia financial institution. Table 5.13 provides information that access to sharia finance is relatively easy. However, only few respondents answer this question as most of the respondents are not familiar with sharia financial products.

Table 15
Accessibility of MSMEs to Sharia Finance

Type of Islamic Finance Products	Accessibility									
	Accessible		be accessed		Neutral		Accessible		sified with the accessibility	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Diminishing Musharaka	3	1	8	2,7	5	1,7	3	1		
Ijara	3	1	8	2,7	5	1,7	3	1		
Kafala	1	0,3	8	2,7	7	2,3	6	2	1	0,3
Mudaraba	1	0,3	8	2,7	3	1	8	2,7	2	0,7
Murabaha	1	0,3	9	3	2	0,7	7	2,3		
Musharaka	3	1	8	2,7	6	2	1	0,3	1	0,3
Qard Hassan	4	1,3	6	2	3	1	6	2		
Sukuk	3	1	2	0,7			1	0,3		

Source: Survey Data (processed)

5.3. Challenges of MSMEs

Even though the owner of micro, small, and medium enterprises in Yogyakarta is the backbone and the main contributor of value added in the economy, in fact the business firms have to deal with uneasy challenges, particularly when they are confronted with globalization and digital era. On the other hand, the world has been changing as we entered into new situation with full of volatility, uncertainty, complexity, and ambiguity (VUCA). This condition takes place due to rapid technological growth in the world nowadays, which may have impact on MSMEs. The potential challenges for business firms of MSMEs in Yogyakarta can be seen in Table 5.14.

Table 16
Potential Challenges for MSMEs in Special Region of Yogyakarta

Challenges	Level of Challenges									
	1		2		3		4		5	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Competitive advantage	38	12,6	20	6,6	70	23,3	118	39,2	51	16,9
Economic fluctuations	54	17,9	32	10,6	86	28,6	90	29,9	32	10,6
Environmental concern	49	16,3	38	12,6	108	35,9	67	22,3	29	9,6
Finance difficulties	70	23,3	45	15	64	21,3	72	23,9	41	13,6
Foreign product competition (MEA)	65	21,6	48	15,9	63	20,9	63	20,9	53	17,6
Information Communication and Technology Development (ICT)	47	15,6	45	15	91	30,2	72	23,9	37	12,3
Knowledge and skills in finance and accounting	46	15,3	41	13,6	114	37,9	67	22,3	24	8
Knowledge and skills in marketing	46	15,3	36	12	110	36,5	79	26,2	22	7,3
Knowledge and skills in technology	55	18,3	40	13,3	105	34,9	64	21,3	27	9
Knowledge and skills in research& development	22	7,3	29	9,6	118	39,2	91	30,2	31	10,3
Margins (Profit)/	27	9	26	8,6	99	32,9	106	35,2	34	11,3
Operational cost	42	14	25	8,3	75	24,9	83	27,6	64	21,3
On-line sales	20	6,6	24	8	90	29,9	109	36,2	49	16,3
Product cost	51	16,9	39	13	89	29,6	81	26,9	31	10,3
Recruiting staff	58	19,3	39	13	94	31,2	70	23,3	30	10
Retaining staff	24	8	21	7	98	32,6	94	31,2	53	17,6
Uncertainty of market direction	5	1,7	5	1,7	32	10,6	25	8,3	28	8,3
Other (specify)	23	7,6	13	4,3	65	21,6	64	21,3	35	11,6

Source: Survey Data (processed)

In the following three years, respondents think that the hardest challenge for entrepreneurs of MSMEs in Yogyakarta is operational cost. It is uneasy to anticipate this cost as some raw materials are imported so that it will be depending on exchange rates. Besides, cost of energy, such as fossil fuel or electricity, has been adjusted by the market so that the business firms must be ready to face with higher prices due to government policy. Another challenge for MSMEs entrepreneurs in Yogyakarta is how to keep well performed employees while facing with final products from overseas in the context of free trade policy with ASEAN countries or MEA. It is plausible that well performed employees will move to other workplaces with higher salary. Considerable inflows of goods from Malaysia, Thailand, and Vietnam also have impact on more variations of consumer choice with lower prices. This condition must be

having impact on strict competition toward products from MSMEs' entrepreneurs in Yogyakarta, particularly in terms of price and quality, which in turn reduces the sales of business firms.

Besides, trend of online shop can be a threat for MSMEs' products in Yogyakarta as the technology grows more rapidly. The business firms with internet system do not need large spaces, production areas, and many employees. They only need computer or mobile phone to market their products and sometimes their products are imported from overseas.

As economic condition tends to be unstable and unpredictable, it will have impacts on the performance of business entity, from micro, small, medium, to large scale. Any economic changes can be caused by economic or non-economic factors, either domestically or overseas. Here are some components in the company for which respondents think of being increased in the last three years.

Table 17
Increasing Components in the Past Three Years

Particulars	Strongly Disagree to Strongly Agree									
	1		2		3		4		5	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Demand for the product	13	4,3	12	4	79	26,2	118	39,2	70	23,3
Cost of product	27	9	17	5,6	99	32,9	95	31,6	52	17,3
Improvement in overall business environment	12	4	31	10,3	112	37,2	91	30,2	44	14,6
Market share	11	3,7	21	7	106	35,2	107	35,5	48	15,9
Net Profit	57	18,9	30	10	100	33,2	78	25,9	28	9,3
Number of employees	24	8	38	12,6	92	30,6	109	36,2	31	10,3
Total Revenue (sales)	15	5	34	11,3	98	32,6	99	32,9	49	16,3
Total Financing	32	10,6	32	10,6	123	40,9	77	25,6	30	10
Total Asset	14	4,7	33	11	117	38,9	79	26,2	51	16,9
Total Capital	59	19,6	32	10,6	76	25,2	61	20,3	70	23,3

Source: Survey Data (processed)

According to respondents, almost of entire components in the last three years have been increasing even though profit and financing components are not considered to increase. Despite increasing demand in the last three years, production cost also increases, hence the profit diminishes.

Other components which increase include total asset, sales, and market share along with total capital as the most important one. Within the last the years, capital has been significantly

increasing in order to meet increasing demand with higher production costs at the same time. Even though sales have also been increasing since the last three years, the business firms were still unsure whether profit increased in the midst of higher production costs. Improvement in overall business environment has been higher during the last three years by the time of increasing market share and number of employees.

5.4 Trade in Global Market

Micro, small, and medium enterprises are productive economic activities with certain annual sales and revenue set by regulations to determine the business category. In the midst of domestic competition protected by the government, MSMEs must be dealing with global competition in the form of market integration across countries with minimum restriction. A lot of regional or multilateral economic collaboration, such as AFTA, APEC, CAFTA, and MEA has been growing so fast and pushing the economy to be more open. On the other hand, development strategy for MSMEs still confront with small value added and contribution toward export.

MEA becomes a threat if MSMEs in Indonesia are not ready to compete with producers from other countries, hence many MSMEs will be in bankruptcy due to inefficiency, lower quality of the products, unskilled human resources. This issue becomes particular concern due to the possibility that Indonesia will be market for other ASEAN products. MEA can be an opportunity if the entrepreneurs or MSMEs are ready to compete and utilize both domestic market and foreign market, especially ASEAN. In the context of entrepreneurship, innovation and technology is a key to increase the competitiveness. Innovation is very important to determine the long run success of the business. MSMEs are confronted with challenge to be the leader in domestic market in the middle of abundant competitors from overseas (import) and in the export market. Consequently, MSMEs must be capable to be business entities with high competitiveness by solving all particular issues, such as limited capital, technology, and skilled and innovative human resources. Otherwise, those challenges will be turned into a threat if the sustainability of MSMEs in Indonesia is eliminated from the contest arena, namely free market.

Table 5.20 lists several business challenges to deal with while participating in global market. From various aspects of global challenges, most of the business firms assert that the hardest challenges for MSMEs' business firms in the global competition era include the knowledge about any threat from foreign products, competition across commodities from

overseas, language barriers, and knowledge about market system. The difficulty of market system faced by MSMEs in the competition is related to weaker branding activities and promotion as well as foreign market penetration. This difficulty should not push MSMEs to enter foreign markets.

Table 18
Challenges for MSMEs in Special Region of Yogyakarta at the Global Market

Particulars	Lowest to Highest									
	Not at All		A Little		Not Sure		General Understanding		Very Well	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Knowledge to identify opportunities in foreign markets	63	20,9	34	11,3	77	25,6	77	25,6	30	10
Knowledge about competition in foreign markets	57	18,9	33	11	78	25,9	75	24,9	39	13
Information on marketing channels and networks	67	22,3	34	11,3	72	23,9	61	20,3	47	15,6
Financial resource to conduct market research in international markets	67	22,3	37	12,3	73	24,3	65	21,6	38	12,6
Timely working capital to finance export activities	71	23,6	30	10	83	27,6	55	18,3	42	14
Management emphasis/commitment to develop export activities	69	22,9	37	12,3	74	24,6	60	19,9	40	13,3
Knowledge on meeting importers quality standards	73	24,3	32	10,6	70	23,3	60	19,9	46	15,3
Knowledge to adapt product to foreign markets	62	20,6	29	9,6	73	24,3	71	23,6	43	14,3
Knowledge of market systems	62	20,6	43	14,3	76	25,2	55	18,3	43	14,3
Knowledge about culture and language barrier	77	25,6	28	9,3	55	18,3	74	24,6	44	14,6
Information on export procedures	64	21,3	31	10,3	76	25,2	62	20,6	45	15
Knowledge about promotion and assistance programs by the Government	59	19,6	27	9	90	29,9	60	19,9	42	14
Knowledge of ICT	59	19,6	32	10,6	85	28,2	54	17,9	47	15,6
ICT facilities and infrastructures for business	9	3	12	4	31	10,3	16	5,3	20	6,6
Environmental Legislations	4	1,3	-	-	2	0,7	1	0,3	3	1
Others	90	29,9	50	16,6	32	10,6	21	7	6	2

Source: Survey Data (processed)

However, it does not necessarily mean that the development of information technology will not threaten the business firms. According to the business firms, difficulty in information technology can be reduced by employing workers with ability in information technology.

Meanwhile, other important challenges for the business firms of MSMEs in Yogyakarta include lack of information access to the market related to global development, limited financial sources owned by the firms to do research and development, and understanding of export products. A lack of information access to the market for MSMEs' business owners is comes from the majority of MSMEs in Yogyakarta with no stable and sustainable market. Limited financial source is a particular challenge for MSMEs to obtain sufficient capital as they should fulfill requirements, such as having productive business activities, having adequate cash flow to pay off the loans, and transparency to the bank. Limited understanding of export products for MSMEs will slow down the administration process of various requirements related to export. Thus, it will be transformed into some losses for the business firms as transaction activities take longer time.

CONCLUSION

The large number of MSMEs in Yogyakarta makes researchers interested in analyzing financial inclusion and financial literacy challenges for entrepreneurs. Micro and Small Medium Enterprises is one sector that drives the economy in Yogyakarta. Based on a field survey that we conducted for 1 month on 300 respondents, MSMEs in Yogyakarta was divided into 8 sectors namely 40.8% Consumer, 39.8% Trading / Services, 11.5% Industrial, 2.1% Construction, 2.1 % Plantation, 1.6% Properties, 1.6% Transportation and 0.5% Technology. The average owner of the MSMEs business is more than 50 years old (37%) and 39% are young from the age range of 20 - 39 years. The percentage of business owners who are male is 54.2%, slightly higher than those of women of 45.8%. Two hundred and nineteen (219) 77.7% of business owners are married. The level of education pursued by business owners varies, 53.2% of the owners are only junior high school graduates, but many also have a graduate degree of around 18.3% and there are also post graduate graduates of 2%. On average, business owners have entrepreneurial skills before they start their business, around 44.1% or 132 business owners. Business owners have the ability to have entrepreneurship from around 1-10 years around 84.3%. From our research, there are 13 businesses classified as medium-sized businesses with annual turnover greater than 2.5 billion rupiah and the most businesses of 51

businesses having a turnover range of 70-150 million rupiah per year. This shows that micro, small and medium enterprises have great potential results if they are well developed. Where is Yogyakarta a city of tourism and also a student city that is always crowded with visitors from both domestic and overseas, this is a great potential for the ummah to grow more rapidly if it can be managed properly. SMEs in Yogyakarta around 93.9% (260) businesses are still in the form of sole proprietorship.

MSME entrepreneurs in Yogyakarta choose to do business because 86.6% are based on interest in entrepreneurship. But there are also those who do business because of family inheritance, economic difficulties and so on. Interest in entrepreneurship is a very good main capital in the development of MSMEs, this will make business owners more resilient in pioneering and raising their businesses. A total of 157 MSME entrepreneurs have been involved in their business for 0-10 years, others have been in business for 20 to more than 60 years. Even though they have been in the business world for a long time, many of them have never attended training in entrepreneurship. Training in entrepreneurship is very necessary so that MSMEs can survive the global competition and also rise in class.

This study find that 43% or around 126 entrepreneurs are not aware of the differences in Islamic financing and conventional financing. Only 21.9% are aware of the differences in the financing system. Lack of awareness of the differences in financing makes entrepreneurs very rarely access Islamic financing to support their capital. This lack of literacy towards sharia financing makes entrepreneurs unsure of using Islamic financing services in the near future or in the next few years. From the results of the survey, the first capital of MSMEs was obtained from NGOs 43.9%, 26.6% from private savings and 10% capital from bank loans. Islamic Financial Institution rarely plays its role as a social institution which should also play a role in facilitating and supporting developing MSMEs. In terms of accessibility, it can also be seen that the capital obtained from NGOs is very easy to access, besides that high accessibility is also obtained from personal savings. The capital provided by NGOs is very easy to access because they do provide capital for the establishment of businesses with free to encourage the entrepreneurial community. Literacy of Islamic financial products among SMEs is very low, only 2% are familiar with Islamic financial products. At the time of the initial establishment of the business, only 1.7% of SMEs used kafala products and 1.3% used mudarabah products. Currently almost all Islamic finance products have been used by a handful of local entrepreneurs, 1.3% use Kafala, 2% use Mudarabah and 1% Murabahah. From the results of this study we can conclude that Islamic financial institutions are still very rarely used by MSME

entrepreneurs. This is not due to the lack of accessibility of sharia financial products, but rather the lack of knowledge and understanding of Islamic financial products and services. Therefore, it is necessary to increase the socialization of Sharia financial products and services to the UMKM.

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