

CAPITAL FINANCING OF SMES BY UTILIZING MICRO WAQF BANK TO ALLEVIATE RURAL POVERTY

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Abstract. The great potential of the Micro Waqf Bank (MWB) for the national economy is to improve economic development based on the potential of regional resources and the empowerment of populist economies in the countryside through strengthening small and micro enterprises (SMEs) as a continuation of poverty alleviation. Religious and social activities become an economic activity such as trade, agriculture, plantation, and home industry activities.

How about the benefits of MWB in order to increase public financial inclusion, especially SMEs among other things, the ease of accessing capital that is easier will be discussed in this paper. Because to obtain financing from banks, collateral and requirements that are not easy are required and high credit interest, while to obtain financing at MWB for capital loans not exceeding 3 million rupiahs is not needed. collateral and requirements such as being multiplied, because MWB only charges fees and profit sharing margins equal to three percent per year.

The purpose of this paper discusses the management and financing system in MWB. MWB different from the one in general because management involving pesantren with consideration in rural/remote areas there are always pesantren, and of course the pesantren environment feels more familiar and close to people in the countryside so that the dissemination and distribution of loan funds is easier and the loan financing pattern is created by a joint group system. That is expected to be able to bridge the gap in access to finance so that participants are able to develop businesses in order to reach their dreams and improve family welfare. Then MWB will provide assistance and training by holding regular weekly meetings with borrowing groups. Weekly group meetings must be held once a week, as well as activities to pay weekly installments. This MWB is not permitted to take deposits from the community because it has a focus on community empowerment through financing along with business assistance. The hope is that in the future MWB will continue to grow in number so that it is expected to be a quick solution in providing access to capital or financing for rural communities that are not yet connected with formal financial institutions.

Keywords: SMEs, Micro Waqf Bank, Rural Poverty, Empowerment, Financing

1. INTRODUCTION

Capital financing that is used for the small and micro business sector (UKM) is always associated with financial or banking institutions. However, the concept of banking itself has not been fully able to touch SMEs in rural areas. The inability of banks to touch this sector causes SMEs business actors to lack capital financing sources which result in insufficient capital requirements that limit the space for business activities that can cause difficulties in achieving optimal income levels to maintain the viability of their business.

The government's effort to overcome this problem is to issue a type of financing for People's Business Credit. However, due to several factors, such as a simple administrative process, the SMEs community members prefer informal financial institutions, which are much more expensive than formal financial institutions (Hidayati, 2014). The informal financial institutions currently

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found are loan sharks because of the high needs of SMEs for financing needs, especially for business capital, making loan sharks still growing today. Besides being easy to withdraw funds, the administration process is easier when compared to applying for financing in the bank (Simamora, 2014).

The advantages offered by loan sharks make this transaction continue to grow until now and make the existence of other financial institutions such as commercial banks, private banks, including Islamic financial institutions and microfinance institutions not able to eliminate the existence of rent transactions in Indonesia (Sabirin & Sukimin, 2017). Also, this moneylender activity always targets SMES groups because most of their education levels are low and there is limited access to formal financial institutions that are easily deceived by the activities of loan sharks who seem to offer convenience but are very detrimental. As a result, the standard of living of SMEs does not change, they have tried hard but there has been no increase in welfare. That's why the activities of moneylenders must be resisted. The receipt of rent transactions as a capital solution by SMEs must be of concern to all parties. Capital financing through moneylender services is only providing a solution for the short term. Capital loans can be easily obtained, but in the long run, SMEs incur a higher interest than the principal loan received, which ensnares and worsens financial conditions.

2. RESEARCH METHODOLOGY

The method used in this study is a qualitative method, which is to examine the condition of objects naturally. With the technique of collecting data by triangulation, data analysis is inductive and the results of research emphasize the meaning rather than generalization. The data analyzed is not to accept or reject the hypothesis, but the results of the study are in the form of descriptions or observed symptoms. The data collection technique needed in this study is to use several methods, namely:

1. Interview

This method is used for data collection and in-depth information that is directly addressed to the MWB management agency

2. Study of literature

This method is carried out by reading literary books on the history and role of Islamic banking regarding the emergence and development of MWB and its benefits in providing financing for micro-entrepreneurs.

The results of this study were compiled to explore the phenomena that occur by integrating the concepts and operations of the management institution MWB, as an institution or agency engaged in the social field. In analyzing the problem, first carry out the analysis process of the problem then link the scheme from the right work pattern. To obtain scientific truth, this research is carried out by observing several stages, namely the stage of presenting evidence or facts paying attention to the relevant problems, and the objective weighing stage for logical thinking.

3. RESULT AND DISCUSSION

3.1. Overview of Micro Waqf Banks and Micro Financing.

Micro Waqf Bank (MWB) is the result of the commitment of the government and OJK to improve financial inclusion for the community by providing access to formal financial services which are part of the implementation of the Republic of Indonesia Presidential Regulation Number 82 of 2016 concerning the National Strategy for Inclusive Finance. MWB is a form of non-bank financial institution. MWB is a microfinance institution whose operating license is under the OJK on the

legal basis of its establishment as a cooperative in accordance with Law No. 1 of 2013 concerning Article 5 paragraph 1 of Microfinance Institutions and Financial Services Authority Regulation Number 12 of 2014 concerning Business Licensing and Institutional Business of Microfinance Institutions, and Financial Services Authority Regulation Number 62 of 2015 concerning Amendments to Financial Services Authority Regulation Number 13 of 2014 about the Business Implementation of Microfinance Institutions (Financial Services Authority, 2017: 14). OJK has a goal in providing financial access to the wider community, as well as actively supporting government programs. The existence of Law No. 1 of 2013 concerning Microfinance Institutions is the legal basis for microfinance institutions to operate, including for MWB which is an OJK pilot program to improve financial inclusion and develop microfinance products for communities that are developed through religious institutions based on Islamic boarding schools. However, not all Islamic boarding schools can be established by MWB because the pesantren as the place of establishment of MWB must meet the criteria, namely (1) Having a close position with the productive poor, (2) leadership of pesantren that has an understanding of sharia finance, (3) prospective management has integrity, good moral, and financial reputation; and (4) prospective administrators have good competence in the development of microfinance and community empowerment. MWB as an institution entrusted to channel financing is required to maintain a mandate in managing the virtue funds provided by LAZ. In carrying out its business activities, MWB as part of the MFI supervised by the OJK coordinates with Islamic boarding schools, village officials and local government.

3.2. Financing Definitions and Schemes

Microfinance institutions are financial institutions that are specifically established to provide business development services and community empowerment, where funding is one form of activities carried out by MFIs by Law Number 1 of 2013. MWB provides funding for poor people who productive who have the willingness and enthusiasm to work and the poor who can be trusted and educated. So that it is expected to overcome the problem of poverty alleviation through financial inclusion which is manifested in the innovation of the business model of the Sharia MFI - Islamic Boarding School (Financial Services Authority, 2017: 13).

The presence of the MWB program which is a breakthrough program of the government and the Financial Services Authority (OJK) by providing capital financing for productive poor people for actors (SMEs) is believed to reduce moneylenders in the countryside. Because the presence of BMW provides better new financial access for rural communities. Because of this, rural communities are often trapped by the moneylenders when they need money for business or other purposes. because people in rural areas still lack financial access. With the existence of MWB, the underprivileged people can start SMEs by obtaining capital in the form of loans from MWB so that it will help village communities who have been entangled in the number of installments due to high interest when owed to moneylenders.

The characteristics of MWB are providing financing products as well as business assistance, not conducting fundraising, group-based activities, a maximum profit sharing system of 3% per year, and without collateral. MWB which is a pesantren-based development implements 7 program principles that become a value in implementing the program, namely (Financial Services Authority, 2017: 10).

1. Empowerment of the Poor,
2. Mentoring by Sharia Principles,
3. Collaboration, Group Financing,
4. Convenience,
5. Trust,
6. Program Sustainability,

7. Blessing.

Therefore, MWB in carrying out its operations as an LKMS has a mandate to manage donations of benevolent funds as a basic capital for MWB to carry out its role as an institution that provides microfinance to the community around Islamic boarding schools donors collected by Amil Lembaga Zakat Rp. 4,000,000,000 (four billion rupiahs). The fund is divided into Rp. 3,000,000,000,000 (three billion rupiahs) is deposited as an endowment in Islamic banking deposits, where profit-sharing from endowment deposits is used to cover MWB and Rp. 1,000,000,000 (one billion rupiah) as funds. financing to customers which is further divided into Rp. 100,000,000 (one hundred million rupiah) as liquid financing funds and Rp. 900,000,000 (nine hundred million rupiahs) are stored in the form of 9 deposit bills used if MWB wants to provide capital financing when the funds are Rp. 100,000,000 (one hundred million rupiah) as the first liquid fund has been channeled by MWB for initial funding for poor SMEs in the neighborhood around Islamic boarding schools in the form of cash of Rp1,000,000 (one million rupiah) for each customer. Also, MWB received funds from LAZ for the needs of the establishment of MWB including the establishment of buildings and business permits in the amount of Rp 250,000,000 (two hundred fifty million rupiah). MWB also assists customers regularly through business assistance, household economic management assistance, and religious assistance (Financial Services Authority, 2017: 16). Then MWB's group-based capital financing mechanism applies the risk of cooperation between members. Prospective customers who are then determined to become customers will create a group association called "Kumpi". Kumpi stands for Community Business Group around pesantren. In one Kumpi 5 members finance customers from MWB. Kumpi is formed when prospective customers submit a funding request which is then approved by MWB. Kumpi has been formed, then holds the Weekly Halaqah called "Halmi". Halmi is a meeting between Kumpi (3-5 Kumpi). Each Halmi is held by the disbursement of financing funds and financing installments provided by MWB. Halmi can be done at the home of one member where the accompanying officer assists in the form of business assistance, family economic management assistance, and assistance in religious education. MWB also assists customers, this assistance is carried out regularly through business assistance, household economic management assistance, and religious assistance (Financial Services Authority, 2017: 16). Then MWB's group-based capital financing mechanism applies the risk of cooperation between members. Prospective customers who are then determined to become customers will create a group association called "Kumpi". Kumpi stands for Community Business Group around pesantren. In one Kumpi 5 members finance customers from MWB. Kumpi is formed when prospective customers submit a funding request which is then approved by MWB. Kumpi has been formed, then holds the Weekly Halaqah called "Halmi". Halmi is a meeting between Kumpi (3-5 Kumpi). Each Halmi is held by the disbursement of financing funds and financing installments provided by MWB. Halmi can be done at the home of one member where the accompanying officer assists in the form of business assistance, family economic management assistance, and assistance in religious education.

3.3. Overview of Small and Micro Enterprises

The sector SMEs have a fairly good defense capability in facing the economic crisis. This is because one of them is the ability to adapt to changes in the environment because, under conditions of a rapidly changing business environment, the flexibility of a business to adjust to the environment is an absolute factor to survive (Haryanto, 2011: 230). History captures well how the SMEs sector was able to survive in national economic activities when Indonesia was hit by the economic crisis in 1998 (Alyas and Rakib, 2017: 114). SMEs that has a strategic function in national economic development. Therefore, the existence of SMEs in national economic activities is very important and is a real form of populist economic practice in supporting national economic development (Tedjasuksmana, 2014: 190). In addition to functioning in supporting national economic growth, the SMEs sector can absorb employment so that it can reduce unemployment which will then have a major impact on macroeconomic activities (Setyawati, 2009: 27).

SMEs even though they have an important role in national economic activities, in carrying out their business activities does not mean they do not have various challenges, because the reality currently faced by SMEs is their difficulties in accessing these sources of funding (Irmawati, Damelia, and Puspita, 2013: 153). The most basic problems faced by the SME sector include: human resources that lack knowledge and skills in business development alone, have capital problems, lack of facilities and infrastructure, and lack of access to product marketing (Anggraeni, Hardjanto, and Hayat, 2013: 1287). From the explanation above, it can be shown if the financing problem is an obstacle in the development of SMEs, namely the problem of capital financing. Because the development of the SMEs sector requires capital injections in the form of financing in the form of loans or loans that must be able to become capital for economic activities and become a driving force in running a business (Haryanto, 2011: 231). Limited access to formal funding sources and banking is handled by SMEs by seeking non-informal funding sources such as moneylenders (Rofiah, 2011: 49) because borrowing money from moneylenders do not require guarantees and administrative conditions that they think are difficult to do. meet. Although the range of debt interest from moneylenders is very high, it does not make SMEs reluctant to live and walk with the system. This makes it difficult for the SMEs sector to develop and become entangled in the system (Worokinasih, 2012: 87). In addition to the reasons for fast loans and easy installments or installments, installments can be paid every day, weekly and monthly. with the ability and agreement agreed between the borrower and loan sharks (Siboro, 2015: 1). So the Financial Services Authority (OJK) as a regulator of the financial services industry knows that the activities of moneylenders are detrimental in the midst of society, trying to counteract moneylender activities by expanding financial access and encouraging low-interest loan credit programs through Islamic Microfinance Institutions. (LKMS) which has a function in encouraging economic growth, income distribution, poverty alleviation and achieving financial system stability in accordance with the mandate contained in the Republic of Indonesia Presidential Regulation Number 82 of 2016 concerning the National Strategy for Financial Participation so that financial institutions in developing the SME sector are important and play a role in the availability of access to microfinance resources for SMEs in the form of capital financing. With easy access to financial services, community involvement in the economic system is increasingly proven and able to reduce poverty (Avais, 2014: 2).

The capital financing program by the innovative OJK microfinance institution is called Micro Waqf Bank (MWB) which stands in a boarding school that provides loan funding facilities to meet the capital financing needs of the productive poor around Islamic boarding schools for micro and small business scale and in carrying out its functions as an institution Islamic microfinance, MWB only distributes financing to its customers and does not conduct fundraising activities. According to OJK data until November 2018, OJK has granted business licenses to 41 MWB at Islamic Boarding Schools spread throughout Indonesia that have provided capital funding of 9.72 billion rupiah and have provided financing to 8,373 customers with initial funding of one million rupiah per customer channeled in cash with the margin costs borne by the customer only at 3% per year charged for operational needs.

3.4. Rural Poverty

Poverty is broadly based on definitions and concepts, divided into two aspects, namely primary aspects in the form of bad assets (assets), socio-political organizations, knowledge, and skills and secondary aspects of poor social networks, financial and information resources (Arsyad, 2010: 299). When viewed from an economic aspect, poverty refers to the gap between weak purchasing power and the desire to fulfill basic needs. By what was revealed by Nugroho and Dahuri (2012) that poverty is an absolute or relative condition in an area where a person or community group cannot fulfill their basic needs by applicable values or norms.

Different if based on the concept, poverty is divided into absolute poverty and relative poverty. Absolute poverty views poverty in absolute sizes that empty or manifest as lines, points, or poverty lines. Whereas relative poverty views poverty in size which is influenced by other measures related to proportion or distribution (Nugroho and Dahuri, 2012: 184). A person or family can be said to be poor or live in poverty if their income or their access to goods and services is relatively low compared to most people in the economy. Also, poverty can be seen as an absolute level of income or standard of living (Van den Berg, 2005: 509).

Todaro (2006: 269) which states that "before we can formulate effective programs and policies to combat poverty, more in-depth knowledge is needed about who belongs to the poor, and what their economic characteristics are. This is supported by Remi and Tjiptoherijanto (2002: 2), the success of poverty alleviation programs depends on identifying groups and target areas such as who is poor and where they live. In addition to the above characteristics, Wirosardjono (1992) states that poor people generally have limited access to credit and information. (1998) found that microcredit was able to increase consumption expenditure, reduce poverty, and increase non-land assets. Morduch in Quibria (2012) found that microcredit had no effect or only had a small impact on poverty.

Indonesia as a developing country still faces the problem of poverty which cannot be ignored even though Indonesia is able to reduce the number of poor people every year, but according to Central Statistics Agency data, the number of poor people in March 2019 is 25.14 million people, a decline of 0.53 million in September 2018 and a decrease of 0.80 million people as of March 2018. The percentage of poor people in March 2019 was 9.41 percent, a decrease of 0.25 percentage points against September 2018 and a decrease of 0.41 percentage points against March 2018 Percentage of poor people in urban areas in this region in September 2018 it was 6.89 percent, down to 6.69 percent in March 2019. While the percentage of poor people in rural areas in September 2018 was 13.10 percent, down to 12.85 percent in March 2019. Compared to September 2018, the number of poor people in March 2019 in urban areas decreased 136.5 thousand people (from 10.13 million people in September 2018 to 9.99 million people) to March 2019). Meanwhile, rural areas fell by 393.4 thousand people (from 15.54 million people in September 2018 to 15.15 million people in March 2019). The Poverty Line in March 2019 was recorded at Rp. 425,250, - /capita/month with the composition of the Food Poverty Line of Rp. 313,232 (73.66 percent) and the Non-Food Poverty Line of Rp. 112,018, (26.34) percent). From these data, Poverty is a global problem that is faced and is a concern for people in the world. Poor countries are still faced with problems of growth and uneven income distribution, meanwhile, many developing countries that experience high economic growth, however, do not provide benefits to the poor (Todaro and Smith, 2006: 231; Kuncoro, 2003: 101).

3.5. Empowerment of SMEs

Definition Empowerment of the word "strength" or in Indonesian is "strength" which means giving strength. Empowerment is closely related to development if it is then agreed with the community in which human beings are the requested object. Carver and Clatter in Wasistiono (1995: 12) to support empowerment as "support for giving freedom and opportunities for individuals to take individual responsibility to improve and contribute to organizational goals". Understanding of empowerment is a goal to help clients (Pranarka & Moeljarto, 1996: 2). According to Carlzon and Macauley in Wasistiono (1998: 46) agreement about being supported by empowerment from rigid controls and giving people the freedom to be responsible for their ideas, decisions, and actions.

Community empowerment in development not only provides focus on individuals but also in units and even greater discussion space, in this case the community. 1 of 2013 concerning the revised Microfinance Institution of the MFI as a financial institution specifically established to provide business development and community empowerment services, either through loans or financing on a business scale. Micro for members and communities. According to the mandate, some words

strengthen community empowerment at the micro-business scale. Improvement in the context of development, community empowerment is an effort to increase the dignity of the layer which is now unable to escape the trap of poverty and openness (Kartasasmita, 1996: 148).

Community empowerment can also be interpreted as an effort to restore or enhance the ability of the community to be able to carry out their dignity and dignity in carrying out their rights and responsibilities as members of the community (Mubarok, 2010: 29). The purpose of community empowerment is so that the community has the ability and independence to avoid poverty, backwardness, inequality, and powerlessness (Ibrahim, 2016: 256-267). From this understanding, the community has a role to be able to get out and out of poverty and underdevelopment. Therefore, as the target object to achieve the goal of empowerment is the community itself because of that SMEs Empowerment must be able to foster independence, togetherness, and entrepreneurship. In conducting business development based on regional potential and market potential, SMEs must have and improve competitiveness.

The aim of empowering SMEs is to form resilient and independent SMEs, increasing the role of SMEs in regional development. Also, he embodies a fair and balanced national economic structure (Saiman, 2014: 8).

There are three aspects of the theory that become efforts to empower the community (empowering), which consists of (Noor, 2011: 98): 1. Activating, namely creating the potential of the community to develop. This is based on the fact that each community has the potential to develop its strength. So that there are no people or people without power. Thus empowerment is an effort to build strength by encouraging, motivating and increasing awareness of the potential of the community and efforts to develop it. 2. Empowering, that is, the community has potential that can be strengthened by concrete steps to encourage the community to develop and become more empowered. So the most basic effort in empowerment is to increase education levels and health status and access to sources of economic progress (capital, technology, information, fieldwork, markets) including the construction of basic facilities and infrastructure (irrigation, roads, electricity (schools, health services) which can be reached by the lowest level of society whose existence is very lacking 3. Protect, that is by protecting and defending the interests of the weak community by taking part in decision making about the community. Historically, it occurred during the industrialization period in the European region due to an inharmonious relationship between the owners of production factors (entrepreneurs) and production factors (labor/employees). The owner of the production factor enjoys results that are greater than the results received by the factors of production. With this condition, the owner of the production factor (entrepreneur) will advance and become richer as a factor of production, while the factor of production (labor/employee) will not be out of control of the owner of the production factor to remain as a worker. Apart from these aspects, empowerment also arises from the difficulties of the community in getting out of poverty, inequality, and powerlessness. In terms of economic aspects in community empowerment, community economic empowerment is an effort to strengthen in various aspects including ownership aspects of production factors, distribution and marketing mastery aspects, aspects where the community gets adequate salary/wages, and the comfort of the community to obtain information, knowledge, and skills, which must be done in various aspects, both from the aspect of the community itself, and the policy aspects (Hutomo, 2000: 3). Community involvement in economic activity as a target object in empowerment (Sumidiningrat, 1999) summarized by Hutomo (2003: 6) has a conception that includes:

1. The national economy is rooted in the potential and strength of society in general to run their wheels. own economy.
2. Community economic empowerment must be carried out through structural change by changing from the traditional economic level to a more modern economic level to make the economy strong, large, modern and highly competitive in the market mechanism.

3. The traditional economic level that leads to a more modern economic level as an effort for structural change includes: (a) allocating resources for the empowerment of resources; (B) institutional strengthening; (c) mastery of technology; and (d) empowering human resources.

4. There are good and close partnerships between the more advanced and those who are still weak and undeveloped. Partnership emphasis is more than efforts to increase productivity, provide the same business opportunities, and only provide capital injections as a formula.

5. In policy-making, efforts that must be made in the economic development of the community are: (a) providing opportunities or greater access to production assets (especially capital); (B) strengthening the position of transactions and business partnerships in the people's economy, so that the people's economic actors are not only price takers; (c) education and health services; (d) strengthening of small industries; e) encourage the emergence of new entrepreneurs; and (f) spatial equality.

6. Community empowerment activities include: (a) increasing access to business capital assistance; (B) increasing access to HR development; and (c) increasing access to facilities and infrastructure that directly support the socio-economic conditions of the local community.

According to Kurniawan and Fauziah (2014: 168) in Sebstad (1999: 2) in looking at community empowerment in the main economic sector for micro-businesses, it can be through an approach that empowerment is a process through authorization, encouraging increased participation, giving trust to people or groups. Understand what is done until then there is an increase in achieving goals. So from some of the meanings above, it can be seen that empowerment is an effort to give or improve the ability of a person, group or community to get out of obstacles. Through this theory, indicators are used as parameters in looking at the benefits of MWB to finance SMEs' capital to reduce rural poverty.

4. CONCLUSIONS

Based on the results of observations and research that the author has done, follow the author's conclusions:

1. Funding provided by MWB to its customers is used as business capital to develop micro-businesses owned by customers.
2. Business assistance provided by MWB is not limited to business assistance, but also mentoring spirituality and religiosity from MWB customers.

Funding and business assistance carried out by MWB to its customers affect the increase in the number of production and the number of sales, business income, operating profit, and economic conditions. The increase in the number of production/number of sales has led to an increase in business income and operating profit of customers, which in turn has helped improve the economic conditions of the customers so that they can reduce the number of poor people around Islamic boarding schools or villages.

5. SUGGESTION

From the results of the research and analysis that the researchers did along with the conclusions that have been presented, the researcher gave the following suggestions:

1. There is a need for studies that discuss, examine, and analyze in-depth the impact of financial inclusion based on Islamic boarding schools
2. There is a need for further studies on the effectiveness and influence of financing and assistance carried out by MWB on the empowerment of micro-businesses that are around Islamic boarding schools.

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