

SME WORKSHOP 2019

Ibn Taymiyyah Conference Room, KENMS, IIUM, Gombak, Malaysia 53100

Tentative Program Schedule

DAY 1, Tuesday, 22nd Jan 2019

DAY 1, Tuesday, 22 nd Jan 2019				
	8.30 am to 9.00 am	Registration and Breakfast		
	9.00 am to 9.15am	<ul style="list-style-type: none"> • Welcome speech by the Dean, KENMS • Program Briefing by Dr. Dzuljastri Abdul Razak • Photography Session 		
THEME-1 “Profile of SMEs”	9.15am to 9.30am	Dr Suharni Binti Maulan and Tn Yusof Ismail	IIUM	1. Profile of Entrepreneurs and SMEs: Issues & Challenges
	9.30am to 9.45am	Dr. Mohamed Asmy Bin Mohd Thas Thaker and Dr. Moha Asri Abdullah	IIUM	2. Business Success Factors of SMEs in Malaysia: An Empirical Study
	9.45am to 10.00am	Dr. Dhika Amalia	UNIDA	3. Profile of MSMEs in East Java: challenges and prospects
THEME-2 “Islamic Finance”	10.00am to 10.15am	Dr. Khoirul Umam	UNIDA	4. Islamic finance institutions for MSMEs: an overview of challenges and prospect
	10.15am to 10.30am	Dr. Bedjo Santoso	UNISSULA	5. MSMEs Role Toward Sustainable Development Goals (SDGs) Through Islamic Finance Accessibility
	10.30am to 11.00am	TEA BREAK		
	11.00am to 11.15am	Dr. Hartomi Maulana	UNIDA	6. Identifying accessibility of financing for MSMEs in East Java Indonesia
THEME-3 “Training of SMEs”	11.15am to 11.30am	Taufik Akhbar	UMY	7. Training Needs: How SMEs Improve Their Competitiveness.
	11.30am to 11.45am	Dr. Moha Asri Abdullah and Dr. Dzuljastri Abdul Razak	IIUM	8. Capacity Building for SMEs: Realizing the Training Gap Amongst SMEs in Malaysia
	11.45am to 12.00pm	Dr. Royyan Ramdani Djayusman	UNIDA	9. Financial Literacy and its Influence on sustainability of MSMEs in East Java
THEME-4 “Financial Literacy”	12.00pm to 12.15pm	Dr. Rahma Yudi	UNIDA	10. The roles of accounting Towards Sustainability of SMEs in East Java
	12.15pm to 12.30pm	Dr. Rizal Yaya	UMY	11. Financial Literacy for SMEs in Yogyakarta after a Decade of SMEs Act
	12.30pm to 2.30pm	ZUHR AND LUNCH BREAK		

	2.30pm to 2.45pm	Dr. Norhayati Mohd Alwi and Dr. Maliah Sulaiman	IUM	12. A study on financial literacy and the roles of accounting towards sustainability of SMEs in Malaysia
	2.45pm to 3.00pm	Dr. Ardian Adhiatma	UNISSULA	13. Establishing Community of Practice (CoP) to reduce SMEs Barriers in accessing Islamic Financial Institution
	3.00pm to 3.15pm	Dr. Olivia Fachrunnisa	UNISSULA	14. A gap analysis of SMEs' training needs and knowledge of challenges to enter global Market
	3.15pm to 3.45pm	TEA BREAK		
THEME-5 "SMEs in Global"	3.45pm to 4.00pm	Dr. Khairunisah Ibrahim, Dr. Moha Asri Abdullah, and Dr. Maliah Sulaiman	IUM	15. Examining Issues and Challenges in Integrating SMEs into Global Value Chains: Malaysia Evidence
	4.00pm to 4.15pm	Dr. Susilo Nur Aji Coko Darsono	UMY	16. Determinants of Small and Medium Enterprises (SMEs) Competitiveness in Global Market
	4.15pm to 4.30pm	Dr. Hendar	UNISSULA	17. SMEs Global Marketing Challenges in Indonesia
	4.30pm to 4.45pm	Dr. Fajar Surya	UNIDA	18. MSMEs perception of barriers to trade on global market: case of East Java MSMEs
	5.00pm	CLOSING OF DAY-1		
	8.00pm	Dinner at Restaurant Taj Hadramawt, Taman Melati, Kuala Lumpur		
DAY 2, Wednesday, 23rd Jan 2019				
	8.30 am to 9.00 am	Breakfast		
	9.00am to 10.00am	Group Discussion Based on Common Themes (Moderator: Prof. Dr. Moha Asri Abdullah) <ul style="list-style-type: none"> • Joint Publication • Journal Identification 		
	10.00am to 10.30am	TEA BREAK		
	10.30am to 11.30am	Continue Discussion		
	11.30am to 1.00pm	Resolution of discussion from each theme (Chairman of each session to present)		
	1.00pm	Closing Session and Lunch		

List of Papers and Participants

Participants	University	Paper Title
1. Dr Suharni Binti Maulan	IIUM	Profile of Intrapreneurs and SMEs: Issues & Challenges
2. Dr. Mohamed Asmy Bin Mohd Thas Thaker	IIUM	Business Success Factors of SMEs in Malaysia: An Empirical Study
3. Dr. Dzuljastri Abdul Razak	IIUM	Capacity Building for SMEs: Realizing the Training Gap Amongst SMEs in Malaysia
4. Dr. Norhayati Mohd Alwi	IIUM	A study on financial literacy and the roles of accounting towards sustainability of SMEs in Malaysia
5. Dr. Khairunisah Ibrahim	IIUM	Examining Issues and Challenges in Integrating SMEs into Global Value Chains: Malaysia Evidence
6. Dr. Moha Asri Abdullah	IIUM	Researcher and Author
7. Dr. Maliah Sulaiman	IIUM	Researcher and Author
8. Tn Yusof Ismail	IIUM	Researcher and Author
9. Taufik Akhbar	UMY	Training Needs: How SMEs Improve Their Competitiveness.
10. Dr. Rizal Yaya	UMY	Financial Literacy for SMEs in Yogyakarta after a Decade of SMEs Act
11. Dr. Susilo Nur Aji Coko Darsono	UMY	Determinants of Small and Medium Enterprises (SMEs) Competitiveness in Global Market
12. Dr. Royyan Ramdani Djayusman	UNIDA	Financial Literacy and its Influence on sustainability of MSMEs in East Java
13. Dr. Hartomi Maulana	UNIDA	Identifying accessibility of financing for MSMEs in East Java Indonesia
14. Dr. Dhika Amalia	UNIDA	Profile of MSMEs in East Java: challenges and prospects
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17. Dr. Fajar Surya	UNIDA	MSMEs perception of barriers to trade on global market: case of East Java MSMEs
18. Dr. Ardian Adhiatma	UNISSULA	Establishing Community of Practice (CoP) to reduce SMEs Barriers in accessing Islamic Financial Institution
19. Dr. Olivia Fachrunnisa	UNISSULA	A gap analysis of SMEs' training needs and knowledge of challenges to enter global Market
20. Dr. Hendar	UNISSULA	SMEs Global Marketing Challenges in Indonesia
21. Dr. Bedjo Santoso	UNISSULA	MSMEs Role Toward Sustainable Development Goals (SDGs) Through Islamic Finance Accessibility
22. Dr. Winarsih	UNISSULA	Researcher
23. Md. Siddique E Azam	IIUM	Research Assistant
24. Fodol Mohamed Zakaria	IIUM	Research Assistant

Establishing Community of Practice (CoP) to reduce SMEs Barriers in Accessing Islamic Financial Institution

Ardian Adhiatma

e-mail: ardian@unissula.ac.id

Abstract

The purpose of this research is to identify the obstacles of SMEs in accessing financing from sharia financial institutions and the level of financial literacy or financial skills possessed by SMEs. Data were collected from 374 SMEs in Java as whole by using questionnaire and analyzed using descriptive analysis. The findings of this study indicate that there are several internal and external barriers that affect SMEs in accessing Islamic financial institutions. Some of the obstacles include the low level of knowledge about finance and accounting, as well as the low level of knowledge about the Islamic Financial Institution. To overcome these internal and external barriers, this research offers solutions through mentoring, training and increasing knowledge capacity by forming a community of practice (CoP). CoP is an informal institution consisting of experts and stakeholders involved in Islamic financial access to SMEs.

Keywords: Small and Medium Enterprises, community of practice (CoP), Islamic Financial Institution (IFI).

1. Introduction

SME is one of the business sectors that are easily run by the community in Indonesia. For example; culinary, fashion, education, automotive, agribusiness, tour & travel, creative crafts, etc. The strategic advantage of Indonesian SMEs is the availability of employee, abundant natural resources, and the relatively small capital needed. Most SMEs, there are many of them who do not have the ability to work formally. The SME business sector is more informal, that is, its business activities have not been well organized, because the business establishment process does not involve facilities from the existing formal institutions, without licensing, business processes are not patterned, such as uncertainty of worktime and workplaces, as well as business fields. There are still many MSMEs that utilize traditional technology, with the limited capital; it affects on relatively small production levels. The capacity of employee is still limited, most of the local employee, or employee in their family-owned company, the source of capital comes from personal funds or informal finance.

Besides that, one of the weaknesses of SMEs in Indonesia is the limited knowledge and ability to develop their business from a local SME to a global SME scale. Research of (Nicholls-nixon, 2005) mentions the limited knowledge and abilities in access to global marketing, access, and financial management, application of modern technology, managerial capabilities, and lack of coaching workforce to hinder the growth of MSMEs into the international market. The competency of MSME actors and employees is still limited and the lack of knowledge and competency in entrepreneurship causes the level of productivity and skills of workers to be difficult to develop. They have not been able to manage their business, for example in terms of administration/bookkeeping, not having legal entities due

to lack of knowledge about legality and licensing, and lack of product innovation capabilities to be able to compete in the international market. To overcome the constraints of the limitations and abilities of MSMEs in global competition, capital is needed. There are still many difficulties in accessing capital for MSME actors. The study by (Tambunan, 2008) explains some of the problems faced by SMEs in Indonesia, especially the factor of capital and managerial skills. The dominant factor that inhibits the growth of SMEs in global markets is financial access and marketing (Elasrag†, 2016).

Barriers to access capital from formal financial institutions have caused many SMEs to choose informal microfinance institutions, even with a higher interest burden. In addition, requirements for formal financing institutions are needed to meet the requirements for bookkeeping and administration. Meanwhile, the phenomenon found shows that SMEs are weak in bookkeeping. Their administration still uses manual bookkeeping. They have not been able to calculate sales turnover and profit due to limited knowledge in terms of bookkeeping. So that they are less able to know the position of the development of their business to determine strategies to achieve competitive advantages in the future.

To deal with these challenges, a strategy that involves the government is needed, in the form of extensive networking to bridge the needs of SMEs with stakeholders. (Premaratne, 2008) examines three types of networks namely social networks, business-focused networks, and inter-firm strategic networks. Entrepreneurship skills networks are developed starting from pre-start-up, start-up and on-going networks. In the early stages of pre-start-up, more social networks are needed with influential actors (friends, co-workers), the start-up stage requires more professional networking with influential actors (friends, co-workers, support agents, and business professionals), then the on-going stage requires more inter-firm networking with influential actors (other similar businesses, other similar businesses that support each other, and agency).

The MSME players need to reconstruct the network forms needed to run their businesses to be more effective and efficient in facing global competition. Relations among networks will form a collective community. The network community that is formed collectively among SMEs consists of several groups, such as culture, country, resources, etc. SME actors use social network relationships to achieve business success, such as accessing to finance through sharia financial institutions. Some research shows the role of Islamic financial Institution is able to support the success of SMEs in meeting financial needs and management. Research of (Shaban, Duygun & Fry, 2016) found that capital loans provided by Islamic finance to SMEs provide a win-win situation that is favorable for SMEs and Islamic finance. Studies conducted by (Balushi et al., 2018) show that IFI plays a role in determining financial decision making in terms of access to capital. (Haron & Ibrahim, 2016) IFI is able to influence SMEs to choose alternative access to capital available in IFI so that they are able to improve financial performance. Study conducted by (Aysan, Disli, Ng, & Ozturk, 2015) on MSMEs in Turkey, it demonstrates the role of IFI through Islamic banking helps facilitate access to credit for MSME actors.

So, the purpose of this study is to identify the level of financial literacy of SMEs, accessibility levels in accessing capital and financing institution, especially Islamic financial institution. Furthermore, this study proposes a Community of Practice (CoP) framework to help strengthen Islamic financial literacy of SMEs and the capacity of MSMEs to access sharia capital and financing institutions.

The rest of the paper is organized as follows. Section 2 discusses literature review regarding Islamic Financial Literacy, Islamic Financial Institution, Community of practice (CoP), and Section 3 provides research method. Section 4 for findings and discussion, meanwhile conclusion and recommendation are provided in section 5.

2. Literature Review

2.1. SMEs and Financial Literacy

One of the efforts to increase the capacity of SMEs is to increase the capacity of working capital. Availability of capital for SMEs helps them to be able to invest and improve performance so that it will encourage economic growth and open new employment opportunities. (Kersten, Harms, Liket, & Maas, 2017) found that financial programs run by MSMEs have a positive effect on access to capital and investment. The success of SMEs in accessing finance through R & D programs in Mexico resulted in increased sales, value-added, and increased exports (Lopez-Acevedo & Tinajero, 2010).

There are many ways to strengthen working capital, one of them are access to capital. Some access to capital for SMEs such as low interest loans, securities exchanges, joint ventures and other forms of capital access (Rupeika-Apoga, 2014), however, SMEs has its weaknesses, lack of ability to access capital, barriers in marketing and administration, lack of skills about accounting systems, weaknesses in HR turnover management, bureaucracy and government policies such as licensing etc. (Shaban, Duygun, & Fry, 2016), and Financial Literacy (Elasrag†, 2016).

Financial Literacy is a comprehensive understanding of financial products for consumers and investors and their ability and trust to make informed decisions, and effective actions to improve financial well-being (Bayrakdaroğlu & Şan, 2014). Financial literacy is also called as financial intelligence, which is the skill possessed to manage existing financial resources so as to achieve organizational goals. Like other basic competencies needed by MSMEs for the sustainability of its business, financial literacy is also important. The level of financial intelligence of each individual is different, and these differences affect the decision making behavior. Financial literacy, for example; the concept of financial knowledge, the concept of financial communication skills, skills to manage personal finance, the capacity to adjust decision making, and the ability to plan financial effectively in the future. Meanwhile, Islamic financial literacy is a level of someone having a range of knowledge, attention / care, and skills to understand basic financial information and services that influence their behavior to make decisions to choose Islamic financial institution (Balushi, Locke, & Boulanouar, 2018). Islamic financial activities are often managed by Islamic Financial Institution.

Islamic Financial Institution is defined as a financial institution whose operations are guided by Islamic principles, avoiding usury, ghahar, maisir and the contracts are not in conflict with Islamic principles (Tatiana, Igor, & Liliya, 2015). IFI products must conform to the main aspects; conformity aspects to Islamic sharia guidelines and operational legal aspects of the Sharia Supervisory Board as financial institution (justice, partnership, transparency, and universal).

Whereas Islamic finance literation is a combination of knowledge, actions and behaviors needed related to financial decision making (Grohmann, Klühs, & Menkhoff, 2018). Conceptually, Islamic financial intelligence can be interpreted as a person's capacity

to utilize financial knowledge, skills, and behavior in the framework of managing financial resources based on Islamic principles (Salman & Nawaz, 2018). The difference between IFI and other financial institutions is that IFI focuses on financial investment by taking profits without usury with the principle of profit and loss sharing methods. The financing activities and investment savings of IFI in their transactions do not use the interest system (Chapra, 2011). The removal of the interest system has become a solution to overcome the injustice between the owners of capital and business actors. Because basically taking advantage of interest, the fund collector is harmed. If high-interest rates will burden business actors as capital borrowers, it inhibits investment and causes productivity to decline. Islam teaches social solidarity and uses available financial resources in mutually beneficial cooperation, increasing Islamic financial institutions literacy from each of the SMEs actors will help increase the availability of funds to be distributed through increasing funding needs from consumers. So that they find funding that is in accordance with sharia principles.

2.2 Community of Practices (CoP)

A community of Practice is a group of people with a common interest, a common goal of improving, and a group who shares experiences. Community practice does not mean making, but rather to foster and maintain sustainability (informal, prioritizing comfort and focus on values). The existence of this community is due to the relationship and social reaction from the routine of their work activities. Community of practice consists of practitioners with competencies based on their respective fields of work experience.

CoP plays a role in providing benefits to individuals and organizations. With the discussion of fellow members allows the development of effective knowledge for individuals CoP. The role of the CoP for organizations is to support the creation of innovation, even in some literature from management shows that CoP can facilitate the process of developing knowledge in organizations. More broadly, the CoP also supports the level of organizational innovation by encouraging the creation, development, and use of knowledge. Furthermore, by combining a common sense of identity and discussion of the overlapping understanding of CoP, it increases the potential for sharing knowledge among fellow members.

The CoP has a role in supporting the process of knowledge creation. In CoP, the effective knowledge processes occur; sharing, creation, and utilization of Knowledge, overlapping values and shared identity. Knowledge in CoP contains values of assumptions that support knowledge and process in effective knowledge processes. Overlapping value in CoP is processed in the sharing, creation, and utilization phases in the effective knowledge processes. Shared identity in CoP creates conducive conditions for sharing knowledge through effective knowledge processes (sharing, creation, and utilization).

Several studies have provided examples of the success of CoP. Research on several SMEs in Sweden by (Patricio, Axelsson, Blomé, & Rosado, 2018) is able to improve the ability of SMEs to interrelate in networking to collaborate among fellow SMEs so as to increase economic gain through global markets. Study conducted by (Li, Li, Goerzen, & Shi, 2018) prove CoP is able to encourage SMEs to expand their overseas markets through financial and intellectual resource growth. Furthermore, (Hirsch, Nitzl, & Schoen, 2018) also shows that the CoP that exists among SMEs and between SMEs and financial institutions providing capital has an impact on increasing trust among them, which can reduce the cost of access to credit through increased negotiations because the CoP helped the confidence of financial institutions to improve banking monitoring for the more intensive SMEs. Research on local

knowledge creation, (Backman, 2018) describes Community of Practice to stimulate collaboration of SMEs through industrial energy networks, focusing on knowledge creation (practical experience, trust among members and informal learning) to achieve energy efficiency improvements.

3. Methodology

3.1. Data Measurement

Type of research used in this study is descriptive. This method aims to create a picture or a description of a situation objectively. In this study, the authors aim to describe the factors that challenge SMEs in Indonesia in accessing Islamic Financial Institution.

The main research instrument used in gathering primary data for the study has been a survey questionnaire. Most SMEs operating in Central Java, Indonesia are family-owned businesses. The authors with helped by research assistance made mostly use of the personal contacts to approach owner managers who are the main participants in the study. It can thus be said that convenience sampling was used for this study whereby those who were willing to give information were invited to fill the questionnaire.

Samples from 374 SMEs owners were selected accidentally and 510 questionnaires distributed directly to respondents who were selected by officers who had been trained first. 425 answers were received or got a response rate of around 83.33%. Evaluation of the validity of the data, it was found 374 valid and reliable data that were used as the basis of analysis (around 73.33 percent). This might be considered a good response rate has given because of the topic sensitivity, the nature of the problem under study, and the barriers management might have regarding the survey. The main construction of the marketing challenge for this study was measured by a Likert type scale with 5 point scales ranging from very low (score 1) to very high (score 5).

Section A dealt with the general background of the business concern and consisted mostly of multiple choice questions where owner managers, as respondents were called upon to choose the alternative which best describes the characteristics of the business concern such as gender, education level, organizational tenure, number of staff. Information mostly pertained to the extent to which SME actors desire SMEs to access capital using Islamic Financial Institutions.

Section B identifies what obstacles SMEs face in accessing capital to Islamic Financial Institution.

Section C attempted to gauge the perception that owner managers had with respect to needed skill and knowledge to access Islamic Financial Institution. The parameters of investigation are in line with literature as previously discussed. Except from two open-ended questions, the section gauged the knowledge on challenges to financial access through a five-point Likert scale system rating.

3.2. Data analysis techniques

Given the nature of the survey data, this study uses exclusively descriptive statistics

regarding the perceptions of financial access from Islamic Financial Institution, about the extent of their desire to access capital from LKS. *First*, the analysis section of the financial analysis based on the use of access to capital in the past, at present and the plan to continue to use the capital of the Islamic institutions in the future among the Indonesian SMEs, using descriptive statistics.

3.3 Nature of business, workforce and legal entity

Out of the 374 respondents, 20 per cent are from the manufacturing sector, while the service sector represents 80 per cent of the sample. This overrepresentation of the service sector is in line with the national statistics and SMEs tend to concentrate on the traditional markets.

In all, 87.1 percent of the sample SMEs are owned by the family-owned business, while 8.6 and 4.3 percent is established as partnerships and companies, respectively. As expected, family-owned business tends to employ fewer employees, it is likely to be a proxy for size entity, it may be concluded that the entity tends to remain small. All of the samples engage below 25 employees. The religion table illustrates that most SMEs, namely as many as 96.52 are Muslims. This shows the potential for capital access from Islamic Financial Institutions that need to be improved. Seen from the form of business legality, 88 percent of SMEs are individual companies. Summary of this result is presented in Table 1

Table 1
Demographic of Respondents

Gender	Male	Female					Total
	212	162					374
%	56.7	43.3					100
Education	Non-formal	Primary	Secondary	Diploma	First Degree	Post Degree	0
	2	28	201	35	98	10	374
%	0.5	7.5	53.7	9.4	26.2	2.7	100
Organizational Tenure	0-5	6-10 years	11-20 years	> 20 years			0
	183	125	12	78			374
%	48.9	33.4	3.2	20.9			150
Status	Owner	Owner & Manager	Manager	Other			0
	155	171	32	16			374
%	41.4	45.7	8.6	4.3			100

Table 2
Type Sector

TYPE OF SECTOR	Number	Percentage	Manufacture	Service	Total
Consumer	97	25.94			
Constructions	2	0.535			
Hotel and Tourism	3	0.802		102	

Industrial	64	17.11			
Mining	0	0			
Plantation	10	2.674	74		
Properties	7	1.872			
Technology	3	0.802			
Trading/Services	177	47.33			
Transportation	11	2.941			
	0	0		198	
TOTAL	374	100	74	300	374
Manufacture (%)			19.79		
Service (%)				80.21	

Table 3
Religion

Religion	Total	%
Buddha	0	0
Hindu	0	0
Christian	13	3.4759
Islam	361	96.524
Other	0	0
Total	374	100

Table 4
Legal Form

Legal form	Total	%
Private limited	5	1.34
Partnership	20	5.35
Sole Proprietorship	329	88
Other (specify)	40	10.6
Total	354	100

4. Findings and Discussions

4.1. Knowledge about Islamic Financial Institution

Table 5 shows the differences of knowledge level in Islamic and conventional financing. It can conclude that almost half of them have no knowledge of the Islamic Financial Institution. This is also confirmed by the data in table 6 which shows that the schemes of the source of funding for their businesses are mostly from conventional institutions. However, in table 7, respondents thought that they wanted to use funding sourced from IFI of almost 88 percent.

Table 5

The level of knowledge about the differences in Islamic and conventional financing

Knowledge of IFI		%
1: don't know	155	41.444
2: don't really know	76	20.321
3: neutral	87	23.262
4: know	30	8.0214
5: really know	26	6.9519

	374	100
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Table 6
Scheme of business funding sources

Scheme of business funding sources		
Sharia	47	12.57
Conventional	327	87.43
Total	374	100

Table 7
Plan for Use of IFI

Plan for Use of IFI	Total	%
Surely yes	4	1.07
Yes	327	87.43
Not sure	0	0
No	0	0
Surely no	0	0
No response	43	11.49
Total	374	100

Table 8
Accessibility to Islamic financial products (Initial, Current and Future)

Time / Product Type	Initial	Current	Future
Musharaka Mutanaqisah	3	1	1
Ijara	1	4	5
Kafala		3	2
Mudaraba	5	6	7
Murabaha		8	8
Musharaka	1	4	4
Qadr Hassan	1	5	5
Sukuk		3	3
Others	11	34	35
Total	374	374	374

From table 7 and 8, it can be concluded that the majority of MSME actors have not wished to access capital from Islamic Financial Institutions both before, now and in the future.

Table 9
Habits with IFI products

Familiar with IFI products		%
Yes	24	6.4
No	281	75.1
Not sure	69	18.4

Table 10
The level of accessibility to Islamic financial products

Type of product	1	2	3	4	5	Total	F	%
Musharaka Mutanaqisah	2	2	9	4	0	17	8.24	2.202
Ijara	1	1	10	5	1	18	7.78	2.08
Kafala	1	1	9	5	0	16	8.75	2.34
Mudaraba	1	2	9	12	2	26	5.38	1.44
Murabaha	1	1	6	5	4	17	8.24	2.202
Musharaka	1	2	6	5	1	15	9.33	2.496
Qadr Hassan	2	1	7	4	2	16	8.75	2.34
Sukuk	3	2	6	3	1	15	9.33	2.496
Others								17.59

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

On the question of the habits and accessibility of SMEs to IFI, the data shows that their level of understanding of Islamic financing products is still very low. Moreover, the results of field data collection found that the majority of respondents did not answer because of their low understanding of financing sourced from IFI. Whereas at the level of accessibility of SMEs to IFI, respondents who answered in the range of 4 or 5 (accessible and satisfied with the accessibility) are relatively low. Mudharabah products are IFI products that are perceived to be the most accessible by SMEs.

4.2. Source of financing

Questions about where the sources of capital they get at the beginning, present, and future are presented in table 11. It can be seen that most SMEs use personal savings and loans from banks at the beginning of starting a business. In the current time (in the time that they fill out the questionnaire, the biggest source is still from personal savings and bank loans).

Table 11
Source of capital based on time

Source of capital	Initial	%	Current	%	Future	%
Bank Loan	134	35.83	96	25.67	89	23.8
Coop Society	25	6.684	29	7.754	33	8.824
Crowd-Fund	2	0.535	3	0.802	23	6.15
Loan Relative	73	19.52	29	7.754	18	4.813
Micro finance	12	3.209	9	2.406	23	6.15
Non-Gov	8	2.139	4	1.07	21	5.615
Personal Saving	102	27.27	191	51.07	120	32.09

Registered	4	1.07	5	1.337	14	3.743
Rotating	4	1.07	5	1.337	18	4.813
Unregistered	9	2.406	2	0.535	14	3.743
Others	1	0	1	0.267	1	0.267
Total respondents	374		374		374	

The table explains the sources of capital that are accessed by SME actors. SME actors use capital access more from bank loans and personal saving.

Table 12
Accessibility to financial resources

Funding Capital Source	1	2	3	4	5	F	%
Bank Loan	7	27	56	83	73	49.2	13.16
Coop Society	17	44	67	42	22	38.4	10.27
Crowd-Fund	66	55	28	12	10	34.2	9.144
Loan Relative	0	44	40	61	42	37.4	10
Micro finance	34	45	56	30	37	40.4	10.8
Non-Gov	49	53	31	16	27	35.2	9.412
Personal Saving	5	21	23	93	109	50.2	13.42
Registered	67	28	23	20	19	31.4	8.396
Rotating	54	28	26	10	16	26.8	7.166
Unregistered	75	29	24	7	19	30.8	8.235
Others						0	0
Total	374	374	374	374	374	374	100

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

Sources of funding	%	Rank
Personal Saving	13.422	1
Bank Loan	13.155	2
Micro finance	10.802	3
Coop Society	10.267	4
Loan Relative	10	5
Non-Gov	9.4118	6
Crowd-Fund	9.1444	7
Unregistered	8.2353	8
Registered	8.3957	9
Unregistered	7.1658	10

From all respondents' answers, the most widely used funding source by SMEs is personal saving, amounting to 13.42 percent. This shows that according to SME actors, personal saving becomes the most satisfying and easily accessible funding source.

4.3 Financial Literacy

Data on mastery of SMEs on knowledge about budgeting, use of accounting information, risk and control are in table 13, while table 14 provides data about accounting literacy.

Table 13
Budgeting, Use of Accounting Information, and Risk and Control

Budgeting	Yearly Budget	15.39
	Monthly Budget	17.82
	Cash Flow	0
	Trained Accountant	5.13
Use of Accounting Information	Financial Statement	16.47
	Accounting Inf	5.94
	Tax Computation	12.42
Risk and Control	Financial Management	36.45
	Record of Debtor	19.71

Table 14
Accounting Literacy

Record Keeping	Business Expense	30.78
	Accounting	6.48
	Stetement	15.66
	Balance Sheet	11.61
Budgeting	Yearly Budget	15.39
	Montly Budget	17.82
	Cash Flow	0
	Trained Accountant	5.13
Use of Accounting Information	Financial Statement	16.47
	Accounting Inf	5.94
	Tax Computation	12.42
Risk and Control	Financial Management	36.45
	Record of Debtor	19.71

Table 14 explains the literacy level of SMEs in finance and accounting, seen from the aspect of keeping records, budgeting, use of accounting information, and risk and control. In the aspect of keeping records of SMEs, they always keep records at the business expense, amounting to 30.78 percent. A monthly budget is also always implemented from the aspect of recording budgeting, amounting to 17.82 percent. Whereas in the aspect of the use of

accounting information and risk and control, SMEs always record tax computation and financial management, which are 12.42 percent and 36.45 percent.

Table 15
Financial Literacy

Financial Literacy	1	2	3	4	5	Total
Understand financial statement	30	82	86	150	26	374
%	8.1	22.14	23.22	40.5	7.02	
Useful of Accounting	20	45	82	141	86	374
%	5.4	12.15	22.14	38.07	23.22	

- 1- not at all
- 2- a little
- 3- not sure
- 4- general understanding
- 5- very well

Meanwhile, table 15 illustrates the extent to which SME actors understand financial statements. The use of accounting is an excellent knowledge possessed by SMEs by 23.22 percent, while understanding of financial statements is also well understood by SMEs.

4.4. Proposed Solution

From the results of data analysis that has been done, SMEs have a low intention to connect with microfinance institutions because of two things, namely, low accounting and financial knowledge. The first comes from the condition of the SME itself, such as not having complete financial reporting, lack of knowledge about sharia, lack of access to sharia financial institutions, incomplete administrative management and limited ability to absorb technology, lack of market penetration capability which results in unsatisfactory sales and the mentality of SME entrepreneurs who still cannot innovate.

The second obstacle comes from the sharia financial institution, such as, the limited number of human resources, undeveloped information technology such as conventional, lack of service to the community, the public image that Islamic banking is more expensive than conventional and limited product variations not as much as conventional.

Therefore, an informal network-based group is needed that will bridge the problem of barriers between SMEs and Islamic financial institution. A community of practice that has the task of providing knowledge to SMEs and IFI will facilitate the relationship between SMEs and Islamic financial institution. This Community of Practice consists of all elements that affect the activities of SMEs both directly and indirectly. This community will disseminate regulations that have been obstacles for SMEs to become opportunities for SMEs to enter in contact with Islamic financial institution. This community consists of the government, Sharia Supervisory Board, Central Bank, Financial Services Authority, Religious Scholars, Consumer, Management, Shareholder and Society. Figure 1 illustrates the design of the CoP framework.

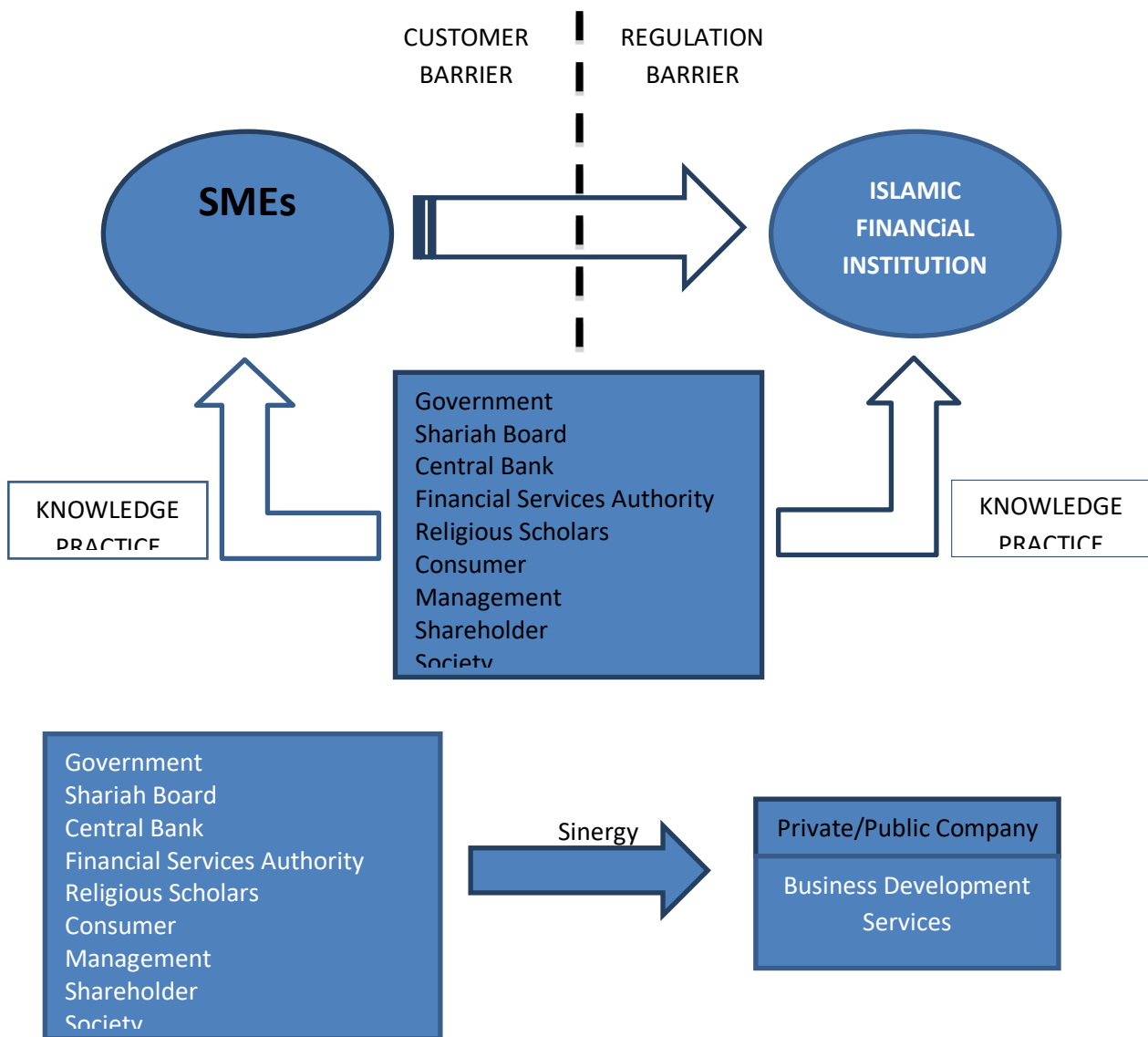


Figure 1. Framework of Community of Practice (CoP)

Our proposed CoP includes several practices or experts which are: government, shariah board, central bank, financial services authority, religious scholars, customer, management and shareholder.

In addition, the tasks of each expert or practice are as follows:

No.	Roles
Government	- compile will politics such as making laws or regulations in the placement of funds to sharia financial institutions
Dewan Pengawas Syariah	- issue a fatwa to the public about the definition of Islamic financial institutions - involved in the socialization program of Islamic financial institutions to the community
Bank Central	- assisting macro-finance to support the

	development of sharia financial institutions
Financial Services Authority	<ul style="list-style-type: none"> - make regulations to facilitate the opening of sharia financial institutions
Religious Scholars	<ul style="list-style-type: none"> - conduct knowledge sharing with the community together with sharia financial institution about products of Islamic financial institution - conduct research studies on the effectiveness of marketing sharia financial institution - assisting the sharia supervisory board to formulate Islamic financial institutions products that can reach all levels of society - spread the understanding of Islamic financial institution in the community
Customer	<ul style="list-style-type: none"> - share knowledge with Islamic financial institutions about the condition of society - share knowledge with the public about Islamic financial institutions - change the perception that saw Islamic financial institutions as the same as conventional financial institutions.
Management (administrator/initiator)	<ul style="list-style-type: none"> - make regulations and operational techniques that make it easier for experts to share tasks with the CoP - manage the running of the community and measure the contribution of the members and measure the success of the CoP
Shareholder	<ul style="list-style-type: none"> - working with the commissioners to ask the directors to facilitate regulation so that people are more easily connected with sharia financial institutions
Society	<ul style="list-style-type: none"> - search for relevant information about the operations of Islamic financial institutions - disseminating information that is in accordance with the purpose of establishing a sharia financial institution - reduce bad information about sharia financial institutions

It is expected that these CoP members will work together to bring together the needs of SMEs and IFIs, so that the capacity of SMEs to access funding sources from IFIs will increase and IFIs have policies to improve their services to SMEs.

5. Conclusion and Future Research

The SMEs in Central Java have a low level of knowledge about the existence of IFIs and their roles and benefits. They also have a low intention to use IFI as a reference for

access to finance and funding. This is because most SMEs have low financial literacy. In addition, most SMEs use personal savings to strengthen their finances. In the long term, this situation will make it difficult for SMEs to develop well, especially towards the international market. Therefore, synergy from various parties is needed which is concerned with the development of SMEs and also IFIs. This research proposes a community framework to help SMEs and IFIs which we termed it as 'Community of Practice (CoP)'. For future research, it is necessary to conduct research on the form of a greater role of CoP in helping people to recognize sharia financial institutions, an institution that already exists in Indonesia in the form of Business Development Services (BDS) is a private institution that works to assist SMEs in preparing documents required in the regulation of Islamic financial institutions.

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