

## **Development of Islamic Financial Service Unit (Baitul Maalwa Tamwil) to Increase the Interest of Entrepreneurial Campus**

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**Abstract:** *The present study aims at developing Islamic Financial Service Unit to be disseminated at Students Cooperative of State University of Malang and identifying the obstacles. The study constitutes as an action research employing qualitative descriptive approach. The subject of the study is the community of students cooperative and Muslim Study in State University of Malang. The results of the study show that Islamic Financial Service Unit is worth to be followed up, and to overcome the obstacles, it is recommended to: (1) seek for a more strategic Islamic Financial Service Unite work space, and (2) look for investors to raise the capital of Islamic Financial Service Unit to add the number and types of the financing especially Musharaka (Enterprise Finance) in effort to increase entrepreneurial campus in the university environment.*

**Keywords:** *Islamic Financial Service Unit, Entrepreneurial Campus*

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### **I. Introduction**

Islamic economics follow the concept of equilibrium economic, and one of the implementation of islamic economics is BMT (*BaitulMaalwaTamwil*). In Indonesia, it is better known as islamic cooperative. In the last decade, BMT is able to quickly touch the low class society with a very vital role to support the growth of the UMKM sector in Indonesia. BMT is able to provide another option which is more profitable than other microfinance institutions, because recently it dared to lend the loan ceiling to its members in the amount of at least \$ 500 thousand. It is certainly different from microfinance bank financial institutions which the minimum average is \$ 4 millions. The mininum choice of borrowing is intended that BMT is able to absorb as many prospective members (CISFED, 2012)

Along with the development of Islamic cooperative or commonly known as *BaitulMaalwaTamwil* (BMT) is a non-bank financial institution with legal status of cooperative. Terminologically, *BaitulMaalwatTamwil* is a microfinance institution that is operated with the principle of sharing, growing and developing micro businesses based on the economic system which is salaam: safety (justice), peace, and prosperity. BMT activities are developing productive ventures and investment in improving the quality and economic activities of small entrepreneurs by encouraging the members to want to save money and support their economic activities. (Amalia, 2005) As for the characteristics of BMT are open, independent, not partisan, oriented towards the development of savings and financing to support productive economic business for the members and social welfare of the surrounding community.

Related to the existence of the Student Cooperative (Kopma), the interview with the Chairman of the Board at the State University of Malang, there are two obstacles that are faced. The first obstacle is the business field of micro-credit is not running and is now closed, while there is a need of members to cover the cost of living for those who do not get money from their parents on time. Second, for members who already have a business and have running it, Student Cooperative State University of Malang can not help them by giving capital. The business sectors in the Student Cooperative of State University of Malang, including a mini market, photocopy, computer rental and cafeteria, are still managed according to the rules of conventional cooperative. To build students' spirit of entrepreneurship and effort to overcome the existing problems in Kopma of State University of Malang, it is necessary to immediately conduct trials: Development of Islamic Financial Service Unit in Effort to Increase the Number of Students Entrepreneur On Campus, State University of Malang.

### **II. Literature Review**

#### **1.1 Islamic Financial Service Unit**

Islamic Financial Services Cooperative (KJKS) is a cooperative whose business activities engage in financing, investment, and savings, in accordance with the pattern of sharing (islamic) .Sedangkan Islamic Financial Service Unit (UJKS) is a cooperative unit engaged in the financing, investment and savings, in accordance with the pattern of sharing (islamic) as a part of the cooperative activities concerned. (Rodoni, 2008) The business practice of cooperative which is run islamically has grown and developed in the community and take an important part in the economic empowerment of the community. In order to encourage the growth of

UJKS as a financial institution which is professional, independent and serves its members based on cooperative principles, then UJKS should have a vision, mission and objectives which are clear and written. The vision of Islamic Financial Service Unit of the cooperative is derived from the vision of cooperative. The mission is concerned in what should be carried or held as strategic and operational guidelines that need to be done by the management of KJKS and UJKS to achieve its vision. (Rodoni, 2008). The objective of UJKS is as economic institution of community, *baitulmaalwattamwil* has several objectives, which are: "Improving the physical and spiritual welfare as well as the bargaining position (competitiveness) of the members and the partners also society in general through other supporting activities." In carrying out its operational activities, which is serving the public, the main activity of KJKS includes two activities, namely deposits (*mudharabah*) and financing. (Rodoni, 2008)

## **1.2 Entrepreneurial Campus**

Big Indonesian Dictionary (KBBI) defines an entrepreneur as intelligent or gifted person in recognizing new products, drawing up a new way of producing, preparing the operation for the procurement of new products, manage capital operations, and marketing it. College as one of the leading mediator and facilitator in building the younger generation, has an obligation to teach and motivate students to become intelligent generation of independent, creative, innovative and capable of creating a wide range of employment opportunities (business). In Indonesia, efforts to inculcate the spirit of entrepreneurship in college is continuously implemented and enhanced, of course, with a variety of methods and strategies to make students interested in entrepreneurship. In an effort to create new entrepreneurs in students of the universities, it is necessary to include entrepreneurship as a compulsory subject for all study programs which gives more emphasis in practice and get the most funding for their capital.

## **III. Methods**

This research aims to develop Islamic Financial Service Unit (UJKS) to be disseminated at the Student Cooperative in State University of Malang and identify the obstacles faced. To achieve the objectives, the design of the study is action research. Action research is participatory, known as Participatory Action Research (PAR). PAR performed to obtain changes in certain situations, and test procedures that are expected to produce changes. According to Gunawan (2007), action research is an activity or action to correct a planning, implementation, and evaluation, which is done systematically to achieve the level of validity and reliability of research. The subjects of this research were students of cooperative members and members of the Muslim Study at the State University of Malang. The techniques of data collection used are interviews and observation. Data were analyzed with descriptive qualitative techniques. Qualitative descriptive approach is used to describe, explain the problems of The Development of Islamic Financial Service Unit at the sites of research. Data were obtained, collected and analyzed by the approach of focus group discussion, which the process is highly participatory involving students, researchers, coaches and officials concerned in the State University of Malang. In this FGD process, sharing information, clarification of the document review and interviews, so there is an increased knowledge of the FGD participants on the operational model of Islamic Financial Service Unit which is being developed.

## **IV. Result**

### **1.3 The Planning of the Trial of UJKS Model**

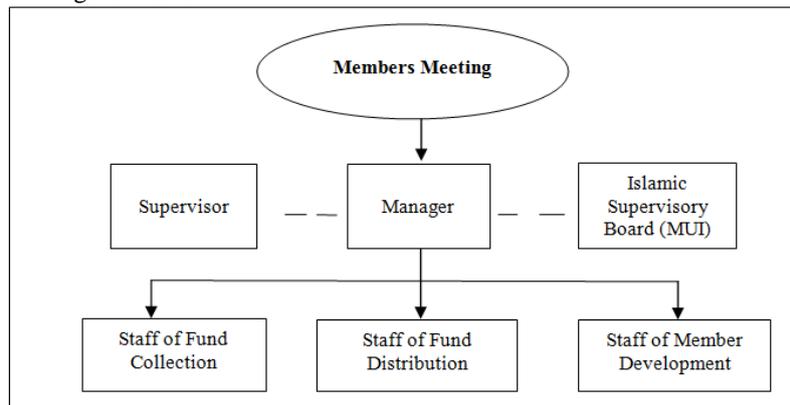
#### **1.3.1 Socialization of UJKS Model**

Based on the observations of the implementation of UJKS Model Socialization on May 24, 2016 from 08.00 am – finish, at the hall of LP2M to the prospective members, which are administrators and members of the student cooperative, student entrepreneurs, members of muslim study, and alumni of entrepreneurs. The feedback result of socialization of UJKS model showed that from 54 participants who attended the socialization, as many as 95% said that the material of socialization was very useful to increase the knowledge about the islamic financial institutions, and 5% said that the material of socialization was quite useful to gain knowledge about the Islamic financial institutions.

#### **1.3.2 Aranging UJKS Development Proposal**

Based on the interview with the editorial team of UJKS proposal and documentation, it showed that Development Program of UJKS in Student Cooperative managed to get approval from faculty adviser of Kopma and Vice Rector III, on June 21, 2016. The result of the legality of this proposal shows that the operational plan of UJKS has gained legality and decent to be followed up. UJKS Development Proposal then is used as the material of FGD with the focus of UJKS operational in Student Cooperative. The result of FGD participants' commitment is that UJKS operational is necessary to be realized soon.

UJKS Organizational Structure Model which was developed at Student Cooperative, State University of Malang, can be seen in Figure 1 below.



**Figure 1.** UJKS Organizational Structure

### 1.3.3 UJKS Organizational Structure

UJKS has personal with each task as follows: (1) The manager with the task of leading the UJKS operational in accordance with the objectives and general policy outlined by the board and make monthly reports, annual reports, health assessment of UJKS and discussing it with the board; (2) Staff of Fund Collection is in charge in the activities of saving / deposit of members / community, and administer and make report of the development of savings / deposits; (3) Staff of Funds Distribution is in charge of servicing the borrower, by receiving funding submission file, performing cost analysis and performing administrative and financial progress reports; (4) Staff of the Member Development is in charge of providing guidance to members by giving administration consultation services and the quality of the members' businesses, and providing financial advisory services to members, so that there is no problem in the loan and business.

### 1.3.4 Financial

UJKS Capital Funding comes from: (1) Deposits of *Wadi'ah*, (2) *Mudharabah* deposits, (3) Investments and Grants. Operational costs of UJKS are taken from profit sharing of financing products based on the agreement. The products will be marketed consist of: (1) *Musharakah* (Financing), (2) *Murabahah* (Sale and Purchase), *Rahn* (Guarantee/ Mortgage)

## 1.4 The Implementation of the Trial of UJKS Model

### 1.4.1 UJKS Member Recruitment

The result of observations from the socialization of UJKS Model on May 24, 2016 until 15 September 2016 raised a number of 31 students and alumni who are willing to become a member UJKS with evidence: (1) the willingness to fill out the registration form, (2) submit a copy of their self identity, which are Student Identity Card (KTM) and Identity Card (KTP), and (3) payment of Principal and Required Deposit. This indicates that more than 50% of participants of socialization are interested to become a member UJKS. Based on the results of interviews with some of the student members and members of the Muslim Study in Students Cooperative, which has followed the socialization and not willing to become UJKS, most of them give reasons that are still undecided about the benefits of becoming a member UJKS.

### 1.4.2 Member Meeting

From the observation of the implementation Member Meeting on 15 September 2016, with an agenda of activities: Implementation of a meeting of members elect the boards and supervisor of UJKS, the number of members who present meet a quorum of 21 votes of the total 31 people (more than half). The number of members who present are more than half, it means that it already meets the quorum and is legitimate to choose and decide the members of managers and supervisor of UJKS. The selected manager, supervisors, and UJKS staff are mix between members of Student Cooperative and members of the Muslim Study, on the consideration that each group of student organizations have different knowledge and skills, in accordance with the vision and mission of the organization that they follow. The difference is that the knowledge and skills are expected to make materials to complement each other in operational of UJKS.

### 1.4.3 Operational of UJKS

Based on interviews with the staff of fund-raising and financing, as well as the result of documentation, it showed the following results: (1) The funds raised from *Wadi'ah* savings (principal and required saving) is

still small, the condition is predicted by UJKS to be still running less than a year; (2) there is still no the funds raised from *Mudharabah* (investment) yet, these condition is predicted by the limited number of member of UJKS who mostly are students who do not earn money. As for financing, it still can be partially realized. This condition is predicted from the existence of the funds raised which are still relatively small. The distribution of net income still can not be realized due to the operational of UJKS has not been running for a budget year.

## **1.5 Reflection of The Trial of UJKS Model**

### **1.5.1 Constraints Identification**

Based on the results of Interview with the board of UJKS, operational observation of UJKS and documentation of fund collectors and financing, the result of reflection during the operational process of UJKS model and constraints that exist are: (1) From some of the student members of the Student Cooperative and members of the Muslim Study, which have followed socialization and not willing to become UJKS, most of them give reasons that they are still undecided and doubt about the benefits of being a member of UJKS, (2) UJKS still do not has a strategic place/ space to carry out the operation of UJKS; and (3) the amount of funds collected are still relatively small so the expectation of the types of financing is still limited; (4) *ArRahan* Financing (Mortgage) still can not be realized, because there is still no facility to secure the pawned goods, while the urgent need of members living costs due to delays in shipment of the money from parents is expected to be resolved through pawned goods.

### **1.5.2 Revision of UJKS Model**

Based on the results of the implementation of the trial of UJKS Model and the obstacles exist, the next activity is carrying out FGD to revise the UJKS model. Implementation of the FGD by involving students, researchers, coaches and officials concerned in the State University of Malang. In this FGD, there are process of sharing information, clarification of the document review and interviews, so there is an increased knowledge of the FGD participants on the operational model of Islamic Financial Services Unit which is being developed. FGD with the focus of UJKS model revision showed that UJKS model that has been tested and declared eligible does not need any complex revision. However, the constraints that exist at the time of trial models UJKS still require a solution.

## **V. Discussion**

Based the result of trial of Financial Services Unit Model, so the problems that require to be solved are as follows: (1) Determination of the Basic Budget (AD) and Household Budget (ART) of UJKS still can not be generated. The results of interviews with selected UJKS personal said that for the preparation of AD and ART, UJKS still needs time and adaptation to their members in UJKS, as well as the preparation of the work plan and UJKS budget plan. Two of these activities required intensive assistance of The Advisors of Student Cooperative and experts in the field of Islamic Economics in the State University of Malang. Implementation of the Member Meeting which was first implemented in the operational of UJKS is in accordance with the opinion of Rodoni, 2008, who explains that the function of a meeting of members is the highest decision and is a meeting of all members and administrators to create a formula based on the reports and data that have been accounted for, and evaluated, and also wisdom in the future in improving the service and welfare of the members; (2) Members Recruitment UJKS. From some student members of Student Cooperative and members of the Muslim Study, who followed the socialization and were not willing to become UJKS, mostly they give reason that they are still undecided and doubt about the benefits of becoming a member of UJKS. Efforts to eliminate the doubts of the prospective members by holding intensive discussions with the focus of the benefits of being members of UJKS and seeks to provide financing services according to their needs quickly and on target. This effort is in accordance with the opinion of (Rodoni, 2008) that the purpose of KJKS / UJKS is as a local institution and community, *BaitulMaalwattamwil* has several objectives, which are: "Improving the physical and spiritual welfare as well as the bargaining position (competitiveness) of members and the partners also the public in general through other supporting activities. "; (3) The Chairman and Board Member of UJKS who have been elected seek to get permanent work space and easy to reach members of the Faculty of Economics (former laboratory of Muamalat Bank) which is a strategic location that can be occupied by UJKS operations; (4) Staff of fund collection seek potential investors of lecturers and academic staff on campus of State University of Malang who care about the development of UJKS; (5) Financing of *ArRahan* (Mortgage) is still yet to be realized, and will be the priority development of type of financing after getting funds from investors.

## VI. Conclusion and Suggestions

### 1.6 Conclusion

According to the result of the study and the discussion above, it may conclude that: (1) Islamic Financial Service Unit model based on the operational phase is worth to be further developed by overcoming the existing obstacles. Besides, the involvement of the Muslim Study community strengthen the operational of Islamic Financial Service Unit; (2) The following obstacles are immediately required to be solved: (a) the more strategic work space; (b) assisting the preparation and determination of articles of association and by laws as well as arrangement of work plan and budget proposal of Islamic Financial Service Unit; (c) look for investors to raise the capital of Islamic Financial Service Unit to add the number and types of the financing.

### 1.7 Suggestions

The development and operational model of Islamic Financial Service Unit will be well-accomplished if the stakeholders of the State University of Malang provide financial and emotional support to the sustainability and development of Islamic Financial Service Unit. It suggests to the president of the university to provide legal reinforcement and decent business location. It is also expected that the investors would come from the institution (lecturer and education staff) and Islamic Banking Institution to provide business funding and developing.

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