

**CHALLENGES AND STRATEGIES IN USING SHARIA
CROWDFUNDING AND SUKUK FOR MICRO AND
SMALL MEDIUM ENTREPRISES (MSME)
ACCELERATION**

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Abstrak: Penelitian ini bertujuan untuk menggali secara kritis pengalaman UMKM dalam menggunakan instrumen pasar modal syariah seperti crowdfunding dan Sukuk khususnya permasalahan dan tantangannya. Metode penelitian yang digunakan adalah kualitatif dengan metode wawancara mendalam terhadap perusahaan pengguna crowdfunding dan provider platform crowdfunding Syariah. Hasil penelitian ini menemukan bahwa UMKM mengalami kendala dalam mengakses instrumen pasar modal syariah, terutama karena kendala pengetahuan tentang produk crowdfunding dan kendala proses administrasi yang rumit dan proses seleksi yang panjang. Namun demikian, Crowdfunding dan Sukuk masih memiliki potensi besar bagi UMKM utama untuk pemulihan pasca pandemi. Hasil penelitian ini memiliki implikasi khusus bagi otoritas pemerintah dan penyedia platform crowdfunding untuk melakukannya penyederhanaan proses administrasi dan seleksi guna mempercepat akses UMKM terhadap instrumen pasar modal syariah.

Kata kunci: Instrumen Pasar Modal Syariah, UMKM, Crowdfunding, Sukuk

Abstract: *This study aims to critically explore the experiences of MSME for using Islamic capital market instruments such as crowdfunding and Sukuk in particular the problems and challenges. The research method used is qualitative with in-depth interview method to crowdfunding user companies and Sharia crowdfunding platform provider. The results of this study found that MSME encountered obstacles in accessing Islamic capital market instruments, mainly due to knowledge constraints on crowdfunding products and constraints on the complexity of the administrative process and the lengthy selection process. However, Crowdfunding and Sukuk still have great potential for the main MSME for post-pandemic recovery. The results of this study have particular implications for government authorities and crowdfunding platform providers in order to simplifying administration and selection processes in order to accelerate MSME access to Islamic capital market instruments.*

Keywords: *Islamic Capital Market Instruments, MSMEs, Crowdfunding, Sukuk*

Introduction

The development and trend of Islamic economics, especially in Indonesia, has been very rapid over the last few decades. Especially because Indonesia's population is predominantly Muslim, many people are interested in Islamic economics ¹. In the last three decades, the Islamic-based value of business or activities in financial institutions such as insurance, capital, banks, pawnshops, markets, pension funds, and others has increased in volume along with the global development of the Islamic economy ².

¹ Melisa Lailatul Khikmawati, 'Optimalisasi Potensi Industri Halal Di Indonesia Melalui Peran Pasar Modal Syariah', *Al-Iqtishod: Jurnal Ekonomi Syariah*, 3 (2021), 63–74.

² Siti Nurbaya and Azhar Alam, 'Analysis of Factors Affecting Islamic Insurance Profitability (Case Study Of Sinar Mas Islamic Insurance Period 2011-2017)', *Journal of Islamic Economic Laws*, 2.2 (2019), 234–51.

The world now is suffering from Covid-19 outbreak which obviously impacts the economy as a whole. Covid-19, or better known as the corona virus, is a virus that can attack animals and humans, causing the infected to get symptoms such as SARS and MERS; the difference is that Covid-19 is a little more passive in its development. Indonesia is also one of the countries affected by this epidemic. Therefore, government action and full awareness from the public are needed to suppress the spread of this virus ³.

The Covid-19 virus has finally hit Indonesia, which is a terrible news for people's lives or health and the economic sector. The social distancing policy (PSBB) issued by the government made people's activities drop drastically, including from the production and consumption sectors, and of course, had an impact on MSMEs or micro, small and medium enterprises. The health issue is also a concern for the community, thereby reducing the level of purchasing a product due to fear, which is very detrimental to MSMEs. A survey by *Lembaga Ilmu Pengetahuan (LIPI)* in 2020 proved that more than 94% of MSMEs experienced a decline in sales; this is a fantastic number and it is proof that MSMEs are one of the sectors that have been seriously affected by the pandemic ⁴. In regard to this concern, efforts are needed to reduce

³ Idah Wahidah and others, 'Pandemik COVID-19: Analisis Perencanaan Pemerintah Dan Masyarakat Dalam Berbagai Upaya Pencegahan', *Jurnal Manajemen Dan Organisasi*, 11.3 (2020), 179–88.

⁴ Nibras Anny Khabibah and Wira Risma Bharata, 'Equity Crowdfunding Sebagai Opsi Penyelamatan UMKM Dari Krisis Akibat Pandemi', *Fokus Bisnis: Media Pengkajian Manajemen Dan Akuntansi*, 20.1 (2021), 58–68.

the risk even though the stability record shows that Islamic economies such as banking tend to be more stable in facing the crises ⁵.

This crisis period is forcing MSMEs to think creatively and to take innovative steps in dealing with it, especially by improving the quality of the business from all sides in order to attract people's attention to increase sales. However, creative thinking alone is not enough as innovation do require capital. One of the biggest problems for MSMEs today is the lack of capital. In Indonesia, financing is still very dependent on banks to acquire capital, even though many MSME sectors are struggling because their categories are ineligible ⁶.

This study aims to find new alternatives to financing MSMEs through crowdfunding and sukuk issuance. First, this study will focus on instruments or issues related to sharia or Islam to provide a clearer view of crowdfunding and sukuk. Second, this study explores the experiences of informants critically about their experiences using Islamic capital market instruments. Ultimately, this study aims to discover the challenges and strategies in using Islamic capital market instruments. In line with this, this study tries to answer the following research questions: (1) How is the acceleration of MSME development through Islamic capital market instruments? (2) What are the challenges in using capital market instruments for MSMEs and Providers? (3) What is the strategy for using capital market instruments for MSMEs and Providers?

⁵ Mohammad Zen Nasrudin Fajri and others, 'The Effect Covid-19 and Sectoral Financing on Islamic Bank Profitability in Indonesia', *Journal of Islamic Economic Laws*, 5.1 (2022), 38–60.

⁶ Ramadhani Irma Tripalupi, 'LINKAGE PROGRAM DAN PASAR MODAL SEBAGAI ALTERNATIF DALAM AKSES PENDANAAN UMKM DI ERA MASYARAKAT EKONOMI ASEAN (MEA) Ramadhani Irma Tripalupi', *ADLIYA : Jurnal Hukum Dan Kemanusiaan*, 11.2 (2017).

This study covers from two sides; (i) crowdfunding service provider, and (ii) MSME. First, this research can provide an in-depth and accurate view of Islamic capital market instruments from the service provider side, which certainly has many challenges and strategies. A clearer view also can be perceived from the MSMEs as the leading players which can be used to highlight a new recommendation. The findings of this study can provide new views for MSMEs. They need new alternatives to help their businesses recover from the Covid-19 virus. Advising policymakers in establishing appropriate regulations is insufficient to help them improving the Islamic capital market instruments in Indonesia.

Literature Review

M. Umer Chapra explains that every human being, both individuals and economic actors, has a dominant view or worldview and even assumptions about human nature in the world or nature ⁷. In the Qur'an surah Al-Fajr, verses 27-30 can be interpreted:

"O serene soul! Return to your Lord with a heart that is pleased and pleased with Him. To enter into the group of My servants and My Paradise."

Following the verse above, the essence of the contents cannot be achieved unless human life is in harmony with the world from within. As we know, the foundation of the Islamic worldview is sharia which functions as a source of essential knowledge and guidance for the operations or financial operating systems in Islam, especially with the

⁷ Anindya Aryu Inayati, 'Pemikiran Ekonomi Islam M. Umer Chapra', *Profetika, Jurnal Studi Islam*, 14.2 (2013), 164–76.

constant changes, such as technology⁸. This includes economy, which must be in line with the values of faith; therefore, this study will discuss the economic improvements or recovery strategy that can be carried out after the pandemic but are still sharia compliance from the side of MSMEs, individuals and service providers from crowdfunding and sukuk.

MSME itself is an abbreviation of micro, small and medium enterprises. At the same time, crowdfunding, according to Wade (2013), is a process of collecting capital or funds, which are usually utilised to fund business projects through a system of collecting a small number of funds from many donor participants who usually have the same ideology and interests through the internet⁹. Crowdfunding is usually used in artistic and social matters such as songs or films. With rapid technological trends, business owners have developed this service to finance their business projects¹⁰. Business owners organize fundraising through the internet or social media with a website dedicated to crowdfunding. Usually, crowdfunding has a time limit, some take a few days, and some take a few weeks to reach the capital target they want to achieve¹¹.

⁸ Filka Catur Windiastuti and Fauzul Hanif Noor Athief, 'Inacoin Cryptocurrency Analysis: An Islamic Law Perspective', *Journal of Islamic Economic Laws*, 2.2 (2019), 152–77.

⁹ Imam Abdul Aziz, Nurwahidin Nurwahidin, and Irwan Chailis, 'Faktor-Faktor Yang Mempengaruhi Masyarakat Menyalurkan Donasi Melalui Platform Crowdfunding Berbasis Online', *Jurnal Syarikah : Jurnal Ekonomi Islam*, 5.1 (2019), 94–108.

¹⁰ Paul Belleflamme, Thomas Lambert, and Armin Schwiendbacher, 'Crowdfunding: Tapping the Right Crowd', *SSRN Electronic Journal*, 2012.

¹¹ Rachel E. Wheat and others, 'Raising Money for Scientific Research through Crowdfunding', *Trends in Ecology and Evolution*, 28.2 (2013), 71–72.

As compared to the capital services offered by banks with many requirements, crowdfunding is more flexible, especially for individuals and the small business sector. Innovative business ideas to be developed and capital to expand the business will continue to be technological developments that will help the financial industry ¹². One type of crowdfunding is Equity Crowdfunding, used by Santara. In contrast, a new type of crowdfunding is Securities Crowdfunding which OJK launched on January 4, 2021, as a more upgraded version of equity crowdfunding.

Another alternative is to use sukuk; actually, sukuk is quite familiar to our ears. Sukuk itself is derived from Arabic, which has the plural form of "*shak*" which is now known in economics and even since ancient times in the Middle Ages, which was used to show financial obligations in the form of documents that arise through economic or trade business and commercial activities ¹³. The fundamental characteristic of a sukuk is that it contains a financial obligation that makes it comparable to a cheque in Latin which is commonly used in banking ^{14,15}.

¹² Mónica Kuti and Madarász Gábor, 'Crowdfunding', *Public Finance Quarterly*, 59.3 (2014), 355–66.

¹³ Muhammad Ayub, 'Securitization, Sukuk and Fund Management Potential to Be Realized by Securitization, Sukuk and Fund Management Potential to Be Realized by Islamic Financial Institutions', in *International Conference on Islamic Economics and Finance*, 2018.

¹⁴ Nathif Jama Adam, 'Sukuk: A Panacea for Convergence and Capital Market Development in the OIC Countries', in *Makalah, 6th International Conference on Islamic Economics and Finance*, 2005.

¹⁵ Nurhidayah, D., Hidayati, A. N., & Habib, M. A. F. (2022). Pengaruh Inflasi, Sukuk, Saham Syariah dan Reksadana Syariah terhadap Pertumbuhan Ekonomi Nasional Tahun 2016-2020. *Jurnal Sinar Manajemen*, 9(1), 158-169.

In his research, Abdullah Jalil ¹⁶ states that the sukuk is made as a financial instrument that has an asset base and is not a debt instrument because of that debt-based Islamic bonds certainly cannot be equated with sukuk because the bonds show the value of debt and not tangible assets. Sukuk are different from stocks because they are not the same thing as conventional bonds or those with fixed income ¹⁷. That is why sukuk can be said to be unique because it is a combination of bonds and stock; this makes sukuk to have a side that shows ownership like shares, but on the other hand, it can also provide a relatively fixed rate of dividends or returns similar to bonds. This sukuk process underlies the sharia securitization product, which represents ownership of the underlying asset, and the income from the asset is not divided among investors ¹⁸. Therefore, it can be said that sukuk, generally, is assets that support stable and tradable income and are also sharia-compliant certificates of trust.

Mohammed Obaidillah said that the sukuk 's assets are physical or financial assets that represent ownership in physical assets ¹⁹. Meanwhile, non-physical assets such as invoices can also be used as underlying assets if they collaborate with physical assets on the condition that they must be the main asset or have a minimum composition of 51%. In contrast, invoiced assets can only be added. For

¹⁶ Abdullaah Jalil, 'ISLAMIC BONDS ISSUES: THE MALAYSIAN EXPERIENCE Abdullaah Jalil', *The 6th Asian Academy of Management Conference*, 2005, 1–9.

¹⁷ Zamir Iqbal and Abbas Mirakhor, *Pengantar Keuangan Islam* (Kencana Prenada Media Group, 2008).

¹⁸ Abdulkader Thomas and M. Ikram Thofeek, *Structuring Islamic Finance Transactions* (Euromoney Institutional Investor, 2005).

¹⁹ M.Kabir Hassan and Mervyn K Lewis, *Handbook of Islamic Banking* (Edward Elgar Publishing Limited, 2007).

example, in Malaysia, many bills are used as underlying assets for sukuk, such as "Musharakah One Sukuk," which uses assets in the form of bills from a payment that provides computers in schools and MBS musharakah Sukuk with asset bills in the form of sharia mortgages.

Similar to Malaysia, in Indonesia, the rules of Law 19/2018 stated that assets or the object of sukuk financing, can be in the form of tangible goods such as buildings or land or others, and tangible goods that have economic value. AAOFI defines sukuk as a representation of ownership that, according to AAOFI, is not divided into tangible assets, services, benefits, special investment activities, and assets in a particular project. This makes financial assets such as bills to be ruled out as the underlying assets for sukuk ²⁰.

An International journal entitled "Equity Crowdfunding As MSME Financing Alternative To Improve Business Competitiveness in the Time of Covid-19 (Case Study in Pak Min Chicken Sop)", in 2021. This journal concludes that MSMEs such as Pak Min Chicken Sop as an example of businesses that can increase its competitiveness through equal distribution of support from crowdfunding by using the Santara platform amid the Covid-19 Pandemic. The existence of crowdfunding is also considered appropriate as an alternative solution for MSMEs to sustain their business during the pandemic ²¹.

²⁰ Annete Rosemarie John, *The Islamic Securities (Sukuk) Market*, 2009 <Lexis Nexis>.

²¹ ETTY Widawati, Syamsul Arifin, and Nur Aini Anisa, 'Equity Crowdfunding As Msme Financing Alternative To Improve Business Competitiveness in the Time of Covid-19 (Case Study in Pak Min Chicken Sop)', *International Journal of Global Accounting, Management, Education, and Entrepreneurship (IJGAME2)*, 1.2 (2021), 155–62.

Through profound study, the journal above construed that a business can survive the pandemic using alternatives such as crowdfunding and at the same time become an example and innovation to motivate others to do the same. The novelty of this study compared to previous studies is that this study presents in-depth data from two sides, first, from the side of crowdfunding platform companies and second, from the side of MSMEs which use crowdfunding services. By covering both sides, will provide holistic understanding for the challenges and opportunities of SME's for using Sharia crowdfunding and Sukuk

Method

This study uses a qualitative approach, with descriptive method. Based on the subject matter and the objectives that the researcher wants to achieve, the type of data gathered are used to provide information of the background the study, which are carried out in order to describe social systems, social events, and social relationships as well as to generate explanations.

Bondan and Taylor define qualitative research as a procedure that produces descriptive data such as writing or speech and observable behaviour from the subject of the people themselves²². So, it can be said that descriptive qualitative research is utilized to seek new theories or information to clarify a previously contradicting belief. In addition, the qualitative approach is descriptive, meaning that the data collected is not in the form of numbers but pictures or words. For this study, the data obtained is from interview transcripts, notes, journals, other sources, or

²² Tatang Yuli, *Penelitian Pendidikan Matematika* (Surabaya: Unesa University Press, 2010).

other documents. These are the primary and secondary data that researchers use.

This study presents interview data from the MSMEs which had used the crowdfunding platform, Santara. Santara is the first crowdfunding platform licensed and supervised by OJK in Indonesia. Besides that, this study also presents interview data from the sharia crowdfunding organizers, namely Shafiq. Shafiq is the first sharia crowdfunding service in Indonesia and includes sukuk services. The detail is as follow;

Table 1. Respondent

Source person	Gender	Nationality	Affiliation	Position
Mr. M	Male	Indonesia	PT APE	Owner
Mr. K	Male	Indonesia	Shafiq Platform	Co-Founder & Chief Executive Officer

The main consideration to choose PT APE as informants for SME's since PT APE as one of the well-known SME's company in Indonesia that using crowdfunding platform. In addition, PT APE is the only one company that give positive respond for interview compared with other company. While PT Shafiq is chosen since this article is written, PT Shafiq is the one and only Sharia crowdfunding platform in Indonesia that already acknowledged by Indonesian Financial Authority (OJK).

A Semi-structured interviews were carried out during the data collection. The researcher's interview began with introductions which were deliberately done to create a good condition. The researcher had

prepared a list of questions to be answered. These questions were addressed directly to the MSME owner, Mr. M from PT APE and representatives from Shafiq, Mr. K. Then, the data was recorded in the form of a transcript. Documentation techniques were also used, and this technique is an effort made by the researchers to obtain information about the subject or problem to be studied. The data was extracted with various documentation regarding the Islamic capital market such as crowdfunding and sukuk, for example, company profiles from crowdfunding platforms and others.

Data processing methods that researchers had used include: Editing, the researcher edited the interviews' results so that they followed the research guidelines without changing the primary purpose. Classifying, this process is used so that the existing data can be easily understood and to provide objective. Finally, data analysis, after going through the previous process and using the proper rules, arguments, and theories so that conclusions can emerge as answers to the problems discussed.

Result

The results were obtained using interview techniques to collect data naturally. However, the guidelines used are not standardize to allow the researchers to ask other questions so that the answers given are more appropriate and sufficient to be analysed.

Accelerated development of MSMEs through Islamic Capital Market Instruments in Indonesia (Crowdfunding and Sukuk)

1. Crowdfunding

The growth and potential of crowdfunding can be reflected in data from the OJK in 2019, which noted that as many as 498,824 people had channelled their funds using the crowdfunding system to provide additional funds for entrepreneurs or MSMEs with an average of Rp. 71,805,959. This data is an evidence of the potential of the MSMEs, especially in Indonesia, to be able to use crowdfunding as alternative financing as it is constantly growing, according to the following table:

Table 2. Development of the number of MSMEs

Size	2016	2017	2018
Micro	60.863.578	62.106.900	63.360.222
Small	731.047	757.090	783.132
Medium	56.551	58.627	60.702
Total MSME	61.651.177	62.922.617	64.194.057

Source: Ministry of Cooperatives and Small and Medium Enterprises and Bank Indonesia (processed)

One type of crowdfunding is Equity Crowdfunding developed by Santara, following the interview with one of the MSME business owners, with the initial Mr. M, who had used the platform. Crowdfunding is relatively new in Indonesia, but it has already attracted those who has the interest in crowdfunding services, usually those who are already active in the capital market or at least understand it, as well as Mr. M. He has been active in the capital market for a long time. Regarding the changes before and after using Santara service, one of the

advantages of using it is that the popularity of the business is increasing and being known by the public. Mr. M also said that he felt the public increasingly recognized the popularity of his business.

Since there are several types of crowdfunding, many use them for different purposes; crowdfunding services do not only provide crowdfunding for specific projects. In fact, most of these services are still using the conventional economy, even though the Islamic economy is also essential to be considered, especially in Indonesia. This sharia economic concept will be very progressive if applied to crowdfunding services, for example, the sharia crowdfunding service from Shafiq. Mr. K, the resource representative from Shafiq, explained the about the benefits that MSMEs can obtain; between business owners and investors, it would be easy to monitor the business which in turn lead to mutual trust both in terms of sharia and business.

The benefits of these MSMEs can undoubtedly increase the acceleration of MSMEs to level up and restore the current Indonesian economy. The development of MSMEs is also a new potential to improve the economy in Indonesia. Mr. K himself sees this potential because it is known that almost 90% of state revenue comes from MSMEs, so that this new alternative of financing will be beneficial, including from the sharia side.

2. Sukuk

Sukuk has already existed since ancient times; even during the early days of Islam, they could be used to pay the salaries of private employees. It is also known that Caliph Umar bin al-Khattab was the first caliph to issue sukuk by giving a stamp under the sukuk paper. The development of sukuk also grew in the 4th to 5th centuries of Hijriyah,

where buyers could send sukuk to traders. On the sukuk, the price and the name of the goods, and the signature of the purchaser are displayed on the paper as the term. Then, the merchant will send the appropriate goods according to the agreed time, and the buyer will pay for the goods as stated. Ibn Khaldun also said that sukuk is not only used for the people or the private sector but also the government. Sometimes, the sukuk will be handed over to the Baitul Mal, the treasurer or the merchant, with their name, two fair witnesses, and signatures on them²³.

In the contemporary era, the emergence of sukuk is based on an effort to avoid the usury that is rife, including conventional bonds, so an alternative instrument must be developed to allow business owners carry out their transaction within the sharia compliance terms. Finally, practitioners of Islamic economics ijihad to create a new financial instrument or product called Islamic bonds or sukuk.

The Indonesian government also issued sukuk for the first time through the Ministry of Finance of the Republic of Indonesia by selling it to individual Indonesian citizens around 2009 under the name Retail State Sukuk or Retail Sukuk SR-001. Initially, the development of the sukuk tended to be slow. However, due to the government's development and a large amount of support, the sukuk finally overgrew, so they also increased the country's development. Therefore, for more than ten years, sukuk has existed and is always present to support the country's development; even the community is invited to participate by investing in sukuk.

²³ Dede Abdul Fatah, 'Perkembangan Obligasi Syariah (Sukuk) Di Indonesia: Analisis Peluang Dan Tantangan', *Al-Adalah*, X.1 (2011), 35–46.

The issuance of sukuk is carried out by the government, which is said to be able to relieve the dependence upon foreign debt by minimizing foreign loans to realize the independent financing by mobilizing funds from the public by issuing state securities, one of which is state sukuk. The funds collected through SBSN can be used to allocate productive sectors, such as the development of MSMEs, which will undoubtedly impact the real sector. Generally, the sale of sukuk is used in financing the APBN or physical development projects. However, it will be a breakthrough if sukuk can be a new alternative for capital financing for MSMEs. This can produce a positive ripple effect because they can increase productivity and reduce unemployment by creating jobs to increase productivity, income, and social welfare.

The development of sukuk is possible, especially as alternative financing for MSMEs because sukuk is already quite familiar as one of the capital market instruments. Therefore, financing SMEs with sukuk must look for a suitable model.

Challenges in using capital market instruments (Crowdfunding and Sukuk)

There are many challenges in accelerating MSMEs in using Islamic capital market instruments such as crowdfunding and sukuk, including: (1) Classic problems regarding the lack of public knowledge about crowdfunding and sukuk services, (2) The existence of the Covid-19 pandemic, (3) Capital, (4) Administrative Process, (5) Information technology constraints, and (6) Obstacles in management. This section will explain the challenges clearly.

The problem of literacy and public knowledge about instruments or even the capital market is a classic problem, and until now, it has become the biggest challenge. Unfortunately, that also impacts the lack of public interest in a new type of investment and is rarely related to socialization. Moreover, there are debates that cast doubt on whether the capital market is sharia or not, halal or not, usury or not. Unfortunately, very few people clearly explain this, so knowledge about the capital market, including crowdfunding and sukuk, is less than optimal.

Not only is the knowledge about crowdfunding services not maximal, but the Covid-19 pandemic has also become a significant issue that has created more and more obstacles to accelerating MSMEs in Indonesia. The pandemic forced the government to issue PSBB orders or large-scale social restrictions that prevented people from leaving their homes, and other activities were disrupted and limited. One of the impacts of the PSBB is the termination of employment which makes people's incomes decrease, forcing them to save money, and has an impact on people's purchasing power which had caused the demand for various products continues to decline. Apart of that, tourism and hospitality industries are also seriously affected. So, financing through crowdfunding is an alternative solution. Unfortunately, the public knowledge regarding this service is very minimal. On the bright side, the pandemic can be an opportunity for MSMEs to try new things to develop their business, such as by starting to use crowdfunding or sukuk.

The MSMEs we interviewed also felt the pandemic's impact. One of what Mr. M said about capital was that several projects were

postponed because the government's budget was diverted into handling covid. Because of this, one of Mr. M's solutions is to continue running the factory with the implementation of health protocols and to increase promotion through social media.

Another obstacle faced is the procurement of working capital for raw materials, which is decreasing and, of course, directly impacts the quantity of the output itself. This is what made Mr. M decided to try the Santara crowdfunding platform. Nevertheless, of course, to use Santara, several administrative steps are needed to be carried out, and the obstacles that Mr. M had to endure, such as the process and selection, are lengthy; it is deemed as not objective because prospective publishers who use products from companies affiliated with Santara prioritize the listing schedule.

There are also challenges or obstacles from the service providers such as Shafiq. Especially during the Covid-19 pandemic, whereby Shafiq was developed. Even so, Mr. K revealed that there were not many obstacles related to the launching process during the pandemic because there were so many conveniences assisted by technology that made it possible to interact without having to meet in person. Another possible obstacle is capital; Mr. K himself said there was no problem with capital; it is just that later on, maybe more investors will be needed.

Organizers such as Shafiq, of course, may also experience problems managing investors or publishers. He stated that there are obstacles in selecting prospective publishers because publishers must be able to pass from 2 sides, sharia and business. Meanwhile, investors are more concerned with education because this is the main challenge for people in Indonesia.

Apart from crowdfunding, the issuance of sukuk had encountered challenges regarding the standardization of fatwas regarding sharia instrument products. Moreover, the AAOIFI (The Accounting and Auditing Organization of Islamic Financial Institution) standard has not been used as a reference for all countries with predominantly Muslim citizens. Related to this, several countries, especially the Middle East, do not want to invest in sukuk.

Many Middle Eastern countries are reluctant to invest because, for example, in Indonesia, where several issuers use *bai al-inah*, which should not be allowed. Another challenge faced is the risk management, such as the risk of non-compliance with sharia principles and operational risk. The challenge is exacerbated by the unclear operational aspects because there is no standard for operational and accounting provisions. This makes some religious practitioners hesitate to support the development of the sukuk instrument. The sukuk law does not accommodate sukuk issued by corporations and local governments. Even the Sukuk Law is inconclusive to regulate how to resolve disputes between parties who have problems managing their sukuk. Almost all sukuk contracts only include a clause that, if a dispute occurs, will be resolved by deliberation and consensus and then go to Basyarnas²⁴.

The challenges and obstacles that both publishers and organizers face are sufficient to illustrate the situation if we want to start using capital market instruments such as crowdfunding and sukuk.

²⁴ Fatah.

Strategies in using capital market instruments (Crowdfunding and Sukuk)

In a study, Eldrige et al. (2019) said that equity crowdfunding increases the growth for MSMEs. Crowdfunding platforms can encourage MSME growth, especially in product and brand growth²⁵. Business profiles and prospectuses uploaded on crowdfunding platforms can increase business popularity and product promotion. If MSME products are popular, it will increase the number of customers and business value. So, that it can be said crowdfunding allows business owners to develop brands, test products, build a stable customer fandom or even turn customers into investors²⁶. If the MSME business is well known and sales increase, crowdfunding will not only save MSMEs from capital difficulties but can also increase business growth. This advantage cannot be obtained through financial loans from banks.

Apart from the government, each individual and MSME must also be able to formulate short-term and long-term strategies for adaptation during the pandemic. Short-term strategies can be applied by adding new products that are currently trending or according to circumstances, such as face masks during the pandemic. For example, selling goods online can also change the transaction method. Adjusting cash management flows can improve business efficiency and the economic environment. While the long-term strategy, such as MSMEs, must prepare a roadmap as future reference on how the business will

²⁵ Derek Eldridge, Tahir M. Nisar, and Mariateresa Torchia, 'What Impact Does Equity Crowdfunding Have on SME Innovation and Growth? An Empirical Study', *Small Business Economics*, 56.1 (2021), 105–20.

²⁶ Saul Estrin, Daniel Gozman, and Susanna Khavul, 'The Evolution and Adoption of Equity Crowdfunding: Entrepreneur and Investor Entry into a New Market', *Small Business Economics*, 51.2 (2018), 425–39.

run. Of course, the primary strategy can be done by using crowdfunding services which will help optimize the business.

Digitization of information technology also makes MSMEs to inevitably utilize technology to perform innovation. Nevertheless, innovation must be supported by good capital and considerations. That is why the prospectus published by MSMEs on the crowdfunding platform must reflect long-term business prospects so that potential investors can trust and have hopes and views about these MSMEs in the future. Therefore, crowdfunding must be used not only to sustain the business during the pandemic but also to support the progress in the long term.

Regarding how Santara should develop and become better, of course, the experience of one of the service users, namely our resource person, Mr. M, can be something that should be considered regarding the hopes and suggestions for Santara in the future. Mr. M said that Santara must:

"In order to be better as a reliable platform with vigorous promotions to get more potential investors, Develop a better secondary market, Develop sukuk products so that they become an alternative to more capital for issuers, In order for profit sharing to be comparable to the rules of Limited Liability Companies, so that dividends do not sound like bonds."

Talking about strategies that can be carried out based on our expectations regarding the development and improvement of the platform, Shafiq, through Mr. K, said that a lot of strategies could be done; the main thing is to engage in education, especially sharia education and collaborate with similar institutions to maximize the

potential. Shafiq also needs a strategy to increase the popularity of sharia crowdfunding. Mr. K revealed his strategy: There are two strategies, organic and non-organic. Depending on which side, it can be done by making good stuff and the right products on the market and promoting them. The non-organic ones is to increase investors from inside and outside or collaborate with relevant stakeholders such as OJK or existing communities.

Sukuk is one of the capital market instruments as an alternative to MSME financing. It can be applied in Indonesia considering its significant population of Muslims, the largest in the world, even. Funds that have been collected through the issuance of sukuk can be used for productive and real economic growth due to its substantial potential and contribution to the development sector. They provide the essential element for the progress of development such capital for productive projects.

If a crowdfunding service such as Shafiq can cooperate with MSMEs, there could be an innovation such as sukuk product. The advantage of using this platform, as stated by Mr. K, is that if the business owner has a project/order/contract and needs a fee, it can be financed by the service provider according to the precise rules.

The profits gained can be used to develop other advantages. Several strategies can be used to issue sukuk as an alternative to improve MSME financing. The first one, of course, is to fix the classic problems in Indonesia which is to socialize sukuk and Islamic capital market instruments to give the public a better understanding. Second, it can be used attract investors by aggressively promoting its benefits. Third, it can be done by increasing the performance of sukuk so that

they are as competitive as the conventional bonds. Then the fourth, it can be done by anticipating the risks that arise from sukuk, which tend to be new investments using risk management.

Fifth, the government must immediately encourage the formation of a state-owned SPV institution to manage assets as a medium for issuing sukuk. Then sixth, the government can also provide opportunities for SOEs to offer direct investment in infrastructure projects and realize the issuance of Islamic bonds. Finally, the seventh, is with the taxes needed to support clear policies and appropriate incentives²⁷.

Discussion

From the research findings above. Three points can be discussed for critical writers:

1. High potential for sukuk in terms of economic recovery after the pandemic among MSMEs

Research by Trimulato and Andi Zulfikar Darussalam²⁸ entitled "Restoration for the real sector of MSMEs with sukuk instruments during the covid-19 pandemic" said that sukuk instruments have a role in economic recovery, especially for MSMEs affected by the covid-19 outbreak. Some funds collected through the sukuk instrument can be diverted to develop MSMEs. The role of sukuk is to develop the MSME real sector during the Covid-19 outbreak, to provide capital assistance for business owners, to provide supervision and business assistance for MSME employees, and to train and develop business skills for MSME

²⁷ Fatah.

²⁸ Andi Zulfikar Darussalam Trimulato, 'Restoration for Real Sector of Smes With Sukuk Instruments During Covid-19 Pandemic', 21, 2020, 88–99.

actors, including production and marketing. sukuk 's potential to help the development in the real sector during the COVID-19 outbreak is outstanding. Many projects in Indonesia can be funded with sukuk because it is very flexible and have great potential. Sukuk is also in great demand by foreign investors who want to invest in Indonesia which could help post-pandemic economic recovery in Indonesia. This allows sukuk to create a multiplier effect in the real sector.

2. However, crowdfunding securities regulations are pretty strict for MSMEs

The study conducted by Gelfond F in 2012 ²⁹ entitled “US\$500 and a click: Investing the “crowdfunding" way" from Journal of Investment Compliance, 9-13. The rules and regulations of crowdfunding are also quite complex, so the risk of violating securities laws also increases, which then affects the business. The researcher agrees with the risk of violating the law, which has not been regulated well enough. However, for crowdfunding platforms in MSME financing, cases are sporadic, so it can be said that even with the risk of violations and regulations that are still imperfect, this platform is relatively safe for investors. So, there must be strict regulations regarding this matter.

²⁹ Joseph Owusu and Wilberforce A Owusu-Ansah, ‘Understanding Crowdfunding Ecosystem as Alternative Source of Entrepreneurial Finance for SMEs in Ghana’, *International Journal of Innovation, Creativity and Change*. *Www.Ijicc.Net*, 13.11 (2020), 2020.

3. On the other side, joining MSMEs into the Equity Crowdfunding platform is a strategy to increase business popularity, but it has the threat of plagiarism of business ideas.

In the study conducted by Estrin, S., Gozman, D., & Khavul, S. (2018)³⁰ entitled "The evolution and adoption of equity crowdfunding: entrepreneur and investor entry into a new market. Small Business Economics" in the journal Nibras Anny Khabibah, Risma Wira Bharata, "Equity Crowdfunding sebagai Opsi Penyelamatan UMKM" said that business profiles and prospectuses uploaded on crowdfunding platforms could increase business popularity and product promotion. If MSME products can be popular, it will increase the number of customers and business value, so it can be said that crowdfunding allows business owners to develop brands, test products, build a stable customer fandom or even turn customers into investors. According to the researcher, it is good if business profiles are uploaded on the platform and can be accessed by anyone to increase popularity. However, with more people knowing, some people intend to plagiarize business ideas or even some business innovations that are displayed. Even if they want to accuse plagiarism, it is undoubtedly tricky because the detailed profile can be seen on the web, so it seems that everyone can do the same strategy. It is about how much of the business profile details can be seen.

Conclusion

This study concludes that the rapid development of Islamic economics is accompanied by the development of Islamic economic instruments, which are also developing significantly. This study has

³⁰ Estrin, Gozman, and Khavul.

found a new alternative for MSMEs to accelerate their business using Islamic capital market instruments such as crowdfunding and sukuk during the pandemic. However, it was also found that since many are still unfamiliar with these instruments, there were a lot of challenges occurred, such as (1) classic problems regarding the lack of public knowledge about crowdfunding and sukuk services, (2) the existence of the Covid-19 pandemic, (3) capital, (4) administrative processes, (5) information technology constraints, and (6) obstacles in managing.

Challenges, of course, can always be balanced with the strategies that can be implemented. The primary strategy, of course, is to use crowdfunding or sukuk services, which will help optimize the business. An example of short-term strategies that can be done is by changing the transaction methods which is from offline to online, or a combination of both. Long-term strategies can also be applied by compiling the business roadmap for future reference, so that MSMEs can refer to how their business can continue to survive and run. As for sukuk, the provider can have it transferred not only to finance the infrastructure builders or other physical projects, but it must also be used for the development of productive activities such as the development of MSMEs. Sukuk issuance can also be expanded into other foreign currencies other than dollar, and is a wise choice to target Middle Eastern investors to provide alternative sharia-compliant investments, which are pretty challenging to find in other countries.

As for OJK, this research suggests them to issue a clear POJK related to crowdfunding services such as profit sharing charts and tighten the legal regulations to prevent security violations. Apart of that, the provision of socialization must also be intensively carried out. In the

same light, this research suggests service providers to develop more sharia-based platform services so that MSMEs do have the choice of choosing the platforms or services, collaborating with related communities or institutions or those already influential in the community as an option so that more people will be interested. Furthermore, the Procurement of Socialization should also be conducted by the organizers of crowd funding / sukuk, instead of just relying on the government, especially for MSMEs on the outskirts of cities/villages, so that knowledge of crowdfunding services will be evenly distributed. Finally, investors or the public must constantly be updated about the development of information to get precise information and not be influenced by fake news so that investors will take a step ahead to start looking or even investing in a new service or instrument.

Limitations of research since there are only two platforms discussed it might lead to uncover several issues discussed. For future study, the additional respondents will enhance the understanding of the challenges and opportunities for SME's for accessing sharia crowd funding and Sukuk.

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