

# Financing Model to Develop Local Commodity Business of East Java in Maqashid Syariah Perspective

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## Abstract.

In East Java, Indonesia, local commodities are goods produced by people with added value so as to increase per capita income and economic prosperity. This has become a common conversation both from practitioners, businesspeople, academics, and even government. The existence of local commodities needs to be maintained and continue to be the focus of economic revamping, so it needs a development model of local superior commodities that can run continuously based on the values of justice, balance, and efficiency. This study aims to build a modification model which develop local commodity business in maqashid syariah perspective and produce business indicator that developed by maqashid syariah perspective. This research is expected to contribute a concept and application of scholarship which especially focuses on business development model. The research approach used is qualitative descriptive with explanatory analysis. The object of research is local businessmen from cooperative managers and coffee farmers in Puncu village, Kediri Regency. The financing model to develop the local commodities business of East Java lies not only in developing the material only, but also should place human as the subject and main object to be involved in the business development process. The uniqueness of this paper focuses on commodity business that develops based on the perspective of maqashid syariah is the preservation of worldly and ukhrowi masalah.

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## I. Introduction

East Java Province is one of the provinces in Java Island supported by many sectors, such as industry, that has a great valued commodity. This is evidenced by trade, maritime, and education sector. The the stable economic growth of East Java [1], which in existence of economic growth in East Java is 2015 to 2018, the average growth is a range of 6% or clearly an effective stimulant for other provinces 0.5% above the average national economic growth of 5.5%.

Economic growth is also triggered by the growth of companies; therefore companies need financing to be grow and survive [2]. Financing increases productivity [3]. The real productivity is formed by SMEs sector [4]. The economic growth of East Java province is clearly

commodities. Local commodities can be a 'fuel' for SMEs. So, explores the role of SMEs in development of economy and creation of employment [5]. SMEs have major role in term to contributing of GDP, and reserve of national economy recovery [6].

SME's sector has been accepted as the engine of economic growth and poverty eradication in the world [5]. Competitiveness of SME's in the level of innovation, entrepreneurship, human capital, financial resources, potential market and business strategy [7], after all of small and medium enterprises (SMEs) account for 90% of firms and employ 63% of the workforce in the world [8]. Economic growth of East Java province which is the largest in Indonesia with the second largest population growth rate in Indonesia, becomes the opposition as well as opportunities for the people of Indonesia and East Java society, especially in utilizing and maximizing the commodities contained in East Java. Overall commodities produced in East Java province in outline there are three components namely the field of plantation, fishery and livestock. Here's more data. There are three most dominant elements of East Java province income support. The first rank around 89% comes from animal farms that is 14,955,196 tons, then the second around 9% comes from plantation is 1,425,109 ton and the third is a fishery field around 2% or worth to 407,815 tons.

Especially in the field of animal farm, its value does not include the results of chicken and egg farms. The result of chicken farm in East Java produces 283,266,833 tons while the result of chicken breeder in East Java produces eggs as much as 445,792,029 tons.

In addition to the top commodity of East Java, in this case also needs to be submitted the results of plantation commodities in detail released in 2017 by the Central Bureau of Statistics (BPS) of East Java. In connection with research on the development of this local commodity business, it is necessary to examine and classify the commodities produced and marketed by the object of research. The object

of this research took place in Kediri, precisely in the village of Puncu located at the foot of Mount Kelud in Kediri Regency. The area is able to produce coffee and chili in a large amount. Based on the results of plantations in East Java in 2016, coffee is a 'not favorite' commodity, proven in data released by BPS, coffee only amounted to 63,635 tons.

Potential and yield of plantation commodities in East Java is one of the wealth that can be a potential revenue income, both at the district/city level and the province level. The existence of superior commodities found in East Java was still raises many problems in making these commodities worth to use. Which is, to turn the commodity into income, there are several things that need alternative solutions. So that it is required a management with system and concept of integrated management based on Islamic perspective. Especially in liquidity management and cash flow management [9], funding is very critical [10], and need data in cloud [11]. The concept of Islamic management is actually synonymous with the principles of good corporate governance (GCG). In general, the concept of GCG consists of the concept of transparency, independence, accountability, responsibility, and fairness.

The issue of commodity management needs to be found the solution with the concept of Islamic approach management or more specifically by using the maqashid syariah approach. Implementation of the maqashid syariah concept by the Muslims becomes important in the midst of changing times. This is intended to maintain the robustness of a valuable and sustainable system. Especially if there are economic problems including the commodities management, it must be sought solution by studying and practicing the contents of the Qur'an and Al Hadith [12].

The relationship between Islam, management and business development, and the concept of maqashid sharia in business is a profession field recommended in Islam because it can provide many benefits to the wider community. So that method, application, and impact must be guaranteed by syar'i. Therefore, based on the background review presented in the previous section, the researcher is interested to conduct a research entitled *Financing Model to Develop The Local Commodity Business of East Java in Maqashid Syariah Perspective*.

### 1.1. Problem Formulation

Based on the description that has been reviewed in the background section of the problem, the formulation of the problem in this study are:

What is the financing model to develop a local commodity business in East Java that is structured using the maqashid syariah perspective?

How are the commodity business indicators been developed based on the perspective of maqashid sharia?

### 1.2. Research Objectives

Based on the formulation of problem then the purpose of this study are to:

Build a modification model to develop local commodity business in maqashid syariah perspective;

Build a growing business indicator based on maqashid syariah perspective.

### 1.3. Research Benefits

Based on the background, problem formulation, and research objectives, it is hoped that this research can contribute in the form of:

The concepts and application of scholarship which focuses mainly on the business development model;

Scientific contribution related to marketing management, sales management, and Islamic financial management, so that it can be used as reference for writing and activities related to business development management.

## II. Discussion

The local community still has relatively low value technology. This is considered fair, as young people and local communities prefer to find employment and income in big cities, for example in Surabaya, Surakarta / Solo, Jakarta and other cities. They are less aware that there is a lot of potential that can be an additional revenue generator of great value.

There are interesting findings in the field that there are residents who come from Jombang who work as vegetable traders in the market, deliberately visited the village to rent a patch of land for planting chili and tomato. The plant does have a high level of demand in the market. Stable prices, high demand, and few competitors are some of the conditions that become more points to rent village land, which majority is land in the plateau (2000 meters under sea level). The economic value of planting chili and tomato obtained was also quite large. If the average selling rate on the market is 200,000 - 300,000, while doing the rice planting and until harvest time, the yield is 25,000,000 - 30,000,000/harvest time. This is a stimulant for local communities to be more productive in utilizing local commodities.

There is another natural potential, which can be utilized in the area is clean water. Clean water after being examined by several state campuses that the result was water in the foot area of

Kelud Puncu Kediri Mountains have a level of clarity and mineral content of metal that exceeds mineral water content of mineral with famous brands. It was also confirmed by local community leaders who had interacted directly with the researchers. Eyewitness business is an opportunity, because it takes some help both physical and non-physical. Physical assistance is the packaging of drinking water and sealer (tool packs) as well as physical assistance is monitoring and training of Islamic marketing.

The presence of abundant water reserves will be a local asset that certainly can increase the income of local communities, because at least if the water has been processed and packed properly, it can be marketed in the region of Kediri and surrounding areas. The need for water for various family events and larger-scale events is a potential market for puncu rural communities if they can utilize the water in an economical way.

There is an institution as a third party involved in developing local potentials, is an amil zakat institution (LAZ) which is then tasked to assist in supporting local communities in the provision of additional skills. Assistance such as providing coffee roasting training, grind, pack up to market coffee. Training and skill is done until the final target is until the local community (farmers) manage the process independently.

Along with the growing productivity of local people will be processed coffee products. There is also a lot of help from outside parties in the form of milling tools, packaging and assistance in the marketing aspect. But when the coffee is ready for consumption and ready to sell not infrequently people market and sell it directly to consumers, which incidentally is the local village communities and neighboring villages, as well as tourists who come to the village.

The presence of local potential and the willingness of the people who with determination and hard work motivate others to initiate formation of financial institutions in the form of cooperatives. Cooperatives are assessed in accordance with various conditions in the area of Puncu village. This cooperative is more precisely in the form of Sharia Financing Savings and Loan Cooperatives (KSPPS), because the problems faced by the local community are funding problems in the development of their business.

The cooperative is established in the respective working area of Kediri Regency, so administrative requirements such as principal savings, deposit proof of capital ownership to be deposited to the Government Bank, and aspects of registration of the Cooperative Legal Entity, all of them can be completed in Kediri Regency.

After the authorized financial institution operates, the next step is supervision and assistance in a sustainable manner. This requires the synergy of several elements, starting from the local community, of course, the Village Management Board, the Cooperative Office, the Industry and Trade Office, and from the academic circles. Coordinative Systems interwoven between these institutions, agencies, and local communities can continue and result in far greater benefits both in the same field and in other areas. Based on its review, it can be assessed that SMEs had become a business incubators for local commodities which need government assistance to develop marketing networks and access to financial institutions, which also adds education about fair and transparent economics as well as knowledge carried out in financial institutions with an Islamic perspective.

### III. Conclusion

Based on the formulation of the problem, research objectives, research methodology and results and discussions that have been reviewed in the previous section, it can be concluded related to the financing model to develop local commodity business maqashid syariah perspective. The conclusions are:

The financing model to develop the local commodities business in east java is not only to develop the material part, but also to place the human as the subject and its main object to be involved in the business development process.

A commodity business indicator that develops based on the perspective of maqashid syariah is the preservation of worldly and *ukhrowi maslahah*.

*Ukhowi maslahah* is the preservation of the need to carry out religious duties, and the sustainability of business life, while the worldly maslahah is the existence of the assets of assets used for business activities and able to maintain the continuity of business activities so avoid the poverty and misery.

Based on the conclusion it can be suggest that cooperation is required partners willing to provide assistance access to capital and marketing, besides the government is demanded more active in networking with partners. Also, by the existence of education or understanding efforts about the products of Islamic financial institutions, it can be supporting the business to develop.

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