

CHAPTER I

INTRODUCTION

A. Background of Study

Micro, Small and Medium Enterprises (MSMEs) have a significant impact on employment, the formation of gross domestic product (GDP), exports and investment levels. Up to 2017, the number of MSMEs reached 62,922,617 units with a percentage of 99.99%. This amount is more than that of large businesses are only 5,460 units with a percentage of 0.01%. With this number of units, MSMEs was able to absorb 116 million workers at a rate of 97.02%. MSMEs contributed GDP of 7.7 million billion, accounting for 60% of the acquisition of GDP from others sectors¹.

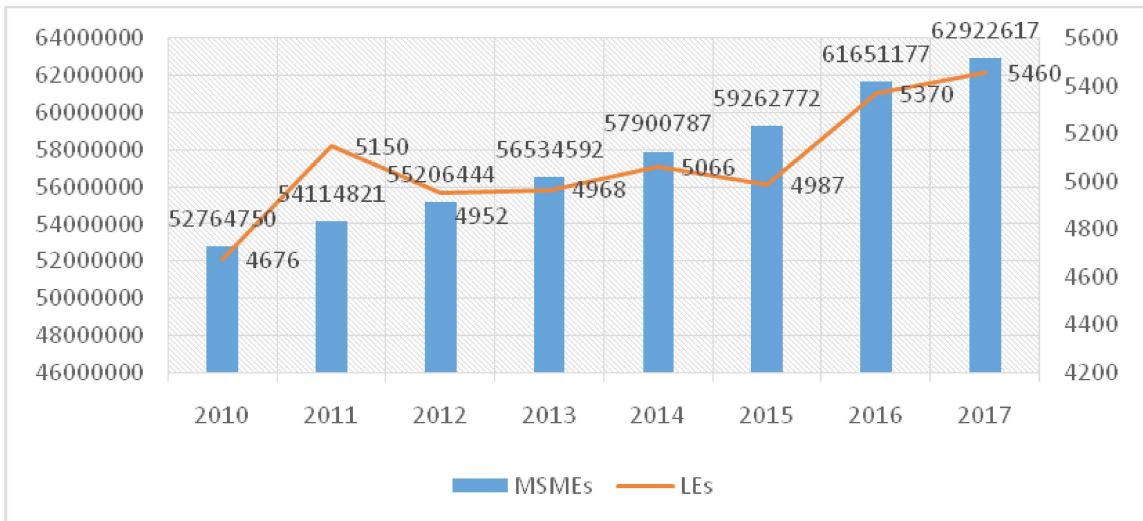


Figure 1.1 Comparison of the Number of MSMEs and Large Enterprises

Source: the ministries of cooperatives and SMEs, data processed by author

Along with the growth of technological advancements and internet users in Indonesia, the community is committed to bring up many technology startups that facilitate mobility of the community. In 2018, referring to the

¹ Lies Maria Hamzah and Devi Agustien, “Pengaruh Perkembangan Usaha Mikro, Kecil dan Menengah Terhadap Pendapatan Nasional pada Sektor UMKM di Indonesia”. *Jurnal Ekonomi Pembangunan*, Vol. 8, No. 2. Juli 2019. p. 216.

2018 Indonesia Startup Mapping and Database compiled by the Indonesia Digital Creative Industry Society, the number of technology startups in Indonesia has reached 992 startups. The majority of start-ups are located in the Jabodetabek area with total 522 developing start-ups. Then the second largest area is the Sumatra region with 115 startups and East Java with 113 startups. The growth of technology startups has resulted in a multiplier effect on most of the Micro, Small and Medium Enterprises (MSMEs) and has had many positive impacts on domestic economic growth with the presence of e-commerce companies and online transportation².

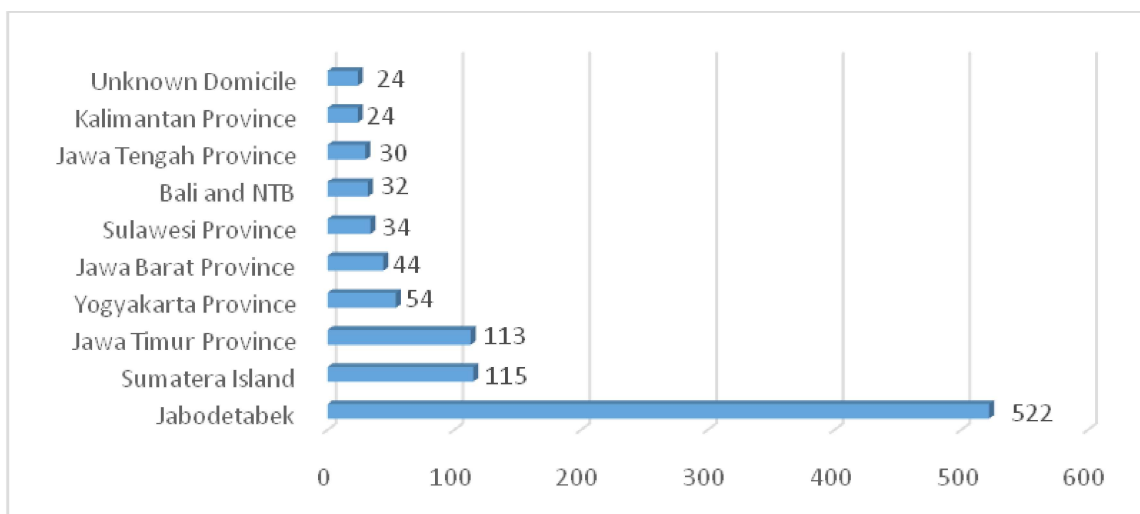


Figure 1.2 Number of Start-Ups in Indonesia 2018

Source: <https://databoks.katadata.co.id/datapublish/2019/01/14/berapa-jumlah-startup-di-indonesia3> modified by author

It has been mentioned that MSMEs and digital startups are growing rapidly in Indonesia. However, several problems faced by many MSMEs and startups are the lack of access to capital and human resources. Based on

² Masyarakat Industri Kreatif Teknologi Informasi dan Komunikasi Indonesia (MIKTI) and Teknopreneur Indonesia, “Mapping & Database *Startup* Indonesia 2018”. *Indonesia Digital Creative Industry Society*. 2018. p. 15.

³ Masyarakat Industri Kreatif Teknologi Informasi dan Komunikasi Indonesia (MIKTI) and Teknopreneur Indonesia, “Berapa Jumlah *Startup* di Indonesia”. *Indonesia Digital Creative Industry Society* accessed September 6, 2019 on 2.27 p.m., at <https://databoks.katadata.co.id/datapublish/2019/01/14/berapa-jumlah-startup-di-indonesia>.

the results of a survey of 992 startups which conducted by the Indonesian Creative Economy Agency (BEKRAF) and the Indonesian Information and Communication Technology Creative Industries Society (MIKTI) in Indonesia Mapping and Database Startup Report 2018, it shows that capital access was still the biggest constraints for start-up in the country, at 38.83%. While the problem of human resources was 29.41%, facilities at 15%, government regulations were 8.82% and market constraints were 7.95%⁴.

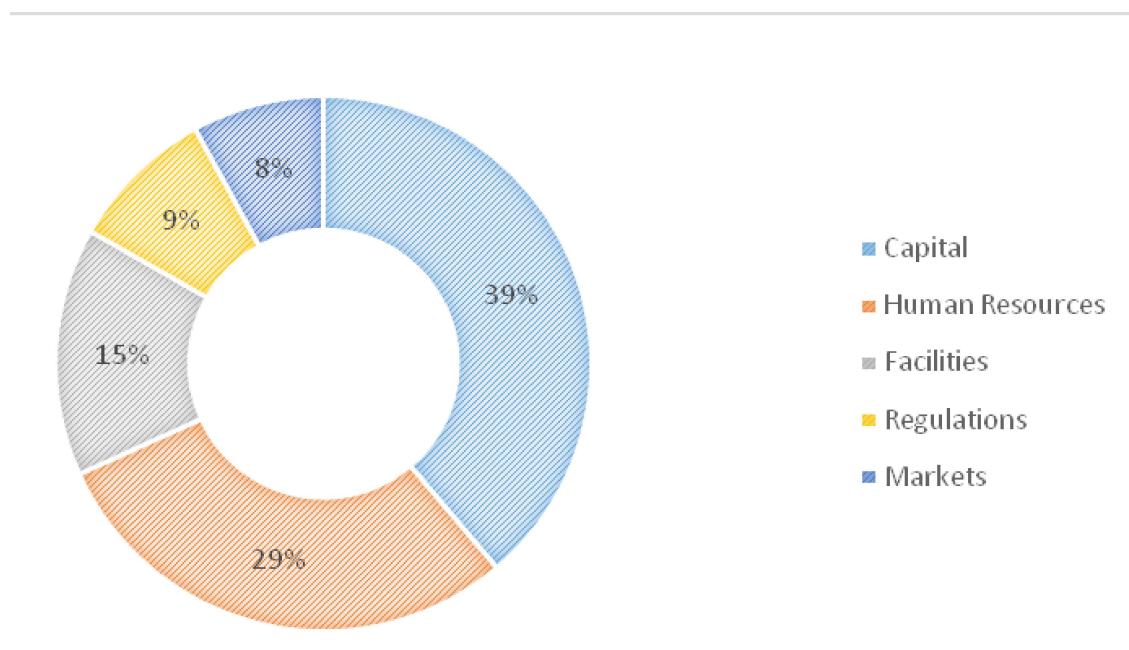


Figure 1.3 Indonesia Start-Up Problems (2018)

Source: <https://databoks.katadata.co.id/datapublish/2019/03/25/permodalan-masih-menjadi-masalah-utama-bagi-startup-indonesia5>, modified by author.

Financial Technology (fintech) is a technology-based financial service innovation that can be used by the public that can be used by the public for

⁴ Masyarakat Industri Kreatif Teknologi Informasi dan Komunikasi Indonesia (MIKTI) and Teknopreneur Indonesia, "Mapping & Database *Startup* Indonesia 2018". Indonesia Digital Creative Industry Society. 2018. p. 21.

⁵ Masyarakat Industri Kreatif Teknologi Informasi dan Komunikasi Indonesia (MIKTI) and Teknopreneur Indonesia, "Permodalan Masih Menjadi Masalah Utama bagi *Startup* Indonesia". Indonesia Digital Creative Industry Society accessed September 6, 2019 on 2.30p.m., at <https://databoks.katadata.co.id/datapublish/2019/03/25/permodalan-masih-menjadi-masalah-utama-bagi-startup-indonesia>.

faster, cheaper and more efficient access to financial services. Fintech has great potential because it can provide solutions that cannot be provided by traditional financial institutions. It has been stated that most of the problems of MSMEs entrepreneurs and startups are capital constraints. It can be said that MSMEs and startup entrepreneurs have not met the requirements if they want capital from traditional financial institutions because they do not have guaranteed income stability and adequate assets as collateral for returns. The development of fintech in Indonesia is based on the needs of consumers, customers and merchants, especially with the penetration of the internet and technology, the size for increasing this industry is getting bigger⁶.

In recent years, crowdfunding has emerged as one of the early-stage financing alternatives that many start-up businesses have chosen. As the name implies, crowdfunding means fundraising by a group of people to take advantage of it. Many creative business players are unable to obtain financing from banks due to the high risk of start-ups. The bank considered that they would not be able to return the funds due to the uncertain level of returns on business capital and the adequacy of their assets⁷. Crowdfunding has several types, donation-based crowdfunding, sponsoring crowdfunding, pre-selling crowdfunding, loan-based crowdfunding and equity-based crowdfunding. Each of these types has a different understanding and purpose⁸.

Equity-based Crowdfunding is a crowdfunding platform that uses a stock purchasing system. This platform is suitable for the use of start-up companies to gain access to capital market financing. This funding system helps start-up entrepreneurs stay afloat in developing their businesses while maintaining sufficient capital⁹. Some examples of equity crowdfunding

⁶ Aam Slamet Rusydiana, "How to Develop Sharia Fintech Industry in Indonesia? Interpretive Structural Model Approach". *Jurnal Al-Muzara'ah*, Vol. 6. No. 2, 2018. p. 118.

⁷ Homuf, Lars; Schmit, Mathias, "Success and failure in Equity Crowdfunding". *CESifo DICE Report*, Vol. 14, Issue. 2. p. 16.

⁸ Indah Piliyanti, "Fintech Achieving Sustainable Development the side Perspective of Crowdfunding Platform". *Jurnal of Economics and Business*, Vol. 3. No. 2, August 2018. p. 226.

⁹ Sentot Imam Wahjono, Anna Marina, Widayat, "Islamic Crowdfunding:

platforms in Indonesia that have been licensed by the Financial Services Authority are Santara as an equity crowdfunding platform engaged in MSME funding, Bizhare as a platform engaged in funding the franchise business and Crowddana as a platform engaged in funding property assets.

Among the development of these funding platforms, questions have arisen by Muslim funders (investors) who wish to provide funding to the business sector in accordance with sharia principles. It is therefore, possible that the Sharia Equity Crowdfunding platform maybe developed on the basis of the issuance of sharia securities, of course, with the object of sharia business activities and the establishment of a Sharia Supervisory Board. With this Sharia Equity Crowdfunding can play a role in improving the financial condition of the company by selling Islamic securities with all the possibilities and written rules. In view of this potential, the author would like to examine about **the Development Strategy of Sharia Equity Crowdfunding in Indonesia** using the **Interpretative Structural Modeling (ISM)** approach.

B. Problem Formulation

This research discusses the Development of Sharia Equity Crowdfunding in Indonesia, in order to evaluate the following specific research:

1. What is the problem in the developing of Sharia Equity Crowdfunding in Indonesia?
2. What is the strategy for developing Sharia Equity Crowdfunding in Indonesia?

C. Purpose of Study

With the formulation of the problem above, the purpose of this study is to analyze:

1. Problems that cause difficulties in developing Sharia Equity

Crowdfunding in Indonesia.

2. Strategies in developing Sharia Equity Crowdfunding in Indonesia.

D. Research Benefits

1. For the Academic Community

This research is expect to be able to contribute an increased understanding of and development of Islamic Equity Crowdfunding and may be an additional reference for further research.

2. For Practitioners

This research is expect to be complement by relevant stakeholders and regulators in the field of conventional finance as well as sharia.

3. For Readers

This research is expect to make a contribution that can provide benefits to develop scholarship in the field of Islamic economics and in the future that can be used as a reference for research of its kind.