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Investment in Sharia Fintech to Develop Real Sector of SMEs

Trimulato[1], Samsul[2], and Mila Sartika[3]

[1] Departement Of Sharia Banking, UIN Alauddin Makassar, South Sulawesi

[2] Departement Of Sharia Banking, UIN Alauddin Makassar, South Sulawesi

[3] Departement of Management, Universitas Dian Nuswantoro Semarang, Central Java

trimsiuii@yahoo.co.id, samsulpbs@uin.ac.id, mila.sartika@dsn.dinus.ac.id

Abstract

Islamic finance continues to develop and more people are interested in and using Islamic financial instruments. Indonesia with the largest Moeslim population reaches 87 percent, makes Islamic finance much in demand. Various variations of Islamic financial products are increasing and continue to be developed to meet the needs of the community. Present there is an Islamic financial instrument in the form of Islamic fintech, which is a vehicle for investors. Through fintech sharia investors can invest according to sharia principles. Then Sharia fintech also becomes a vehicle for SMEs entrepreneurs to obtain funds. The purpose of this study is to determine the development of SMEs, as well as to find out the development of SMEs through investment in Islamic fintech. This type of research used in this research is qualitative research literature. Data collection techniques through searching from various media and data that has been presented. The data analysis technique used in this research is descriptive qualitative, which describes the development of SMEs through investments in Islamic fintech. The results of the study showed that there were developments in SMEs in 2018 from three types of businesses. The type of business that experienced the largest was medium business by 3.54 percent, and the largest portion of business was micro business by 9.86 percent. Investment through sharia fintech will provide benefits for investors in the form of investments according to Islamic principles, profits from investment funds, and can encourage the development of SMEs.

Keywords; Investment, Sharia Fintech, and SMEs

Introduction

Islamic economic is defined as a branch of science that helps realize human welfare through the allocation and distribution of scarce resources, which is in line with

Islamic teaching, without limiting individual freedom or creating macro and ecological imbalances. Besides that, Islamic economic as an application of sharia instructions and rules that prevent injustice in obtaining and using material resources to meet human needs and to carry out its obligations to God and society (**Sholahuddin, 2007: 5**). All people are treated equally in obtaining opportunities, there are no differences between individual or groups or classes in society. Every individual must get the same opportunity to live properly, study, work, work, guarantee security, health insurance, and other opportunities for the fulfillment of human right. Welfare and the results of development must be distributed to everyone and not to gather in certain groups (**P3EI UII. 2008: 67**).

Islam formulated an economic system that is completely different from the prevailing system. It has roots in sharia which are the source of worldview as well as its goal and strategie. It is different from the secular systems that dominate the world today, while the goal of Islamic economic (*maqashid ash-sharia*) is not merely material in nature. Instead they are based on their own concepts of human well-being (*falah*) and good life (hayat thayyibah), which give great importance to fraternity and socio-economic justice and lead to a balanced satisfaction, both in the needs material and spiritual of all humanity (**Chapra, 1999: 8**).

Property is everything that can be taken, stored and utilized. Islam does not limit people will in obtaining property as long as such is still carried out in accordance with generally accepted principles of lawful and good. All that humans have and get is the permission of Allah SWT. Therefore, people who are less fortunate have the right to some of the wealth that belong to other lucky people. And wealth or property that we have must revolve and may not be piled up (QS. Al-humazah [104]: 1-3). Property is the property of God, while Allah has given authority over the property to humans, through his permission, the acquisition of a person is the same as the activities carried out by a person to utilize and develop the property, which among others because it becomes his property. As a perfect religion, it is impossible for Islam not to be equipped with economic systems and concept. A system whose outlines have been arranged in the Qur'an and Sunnah. Islamic economic is actually internally a logical consequence of the perfection of Islam itself. Islam must be embraced in a kaffah and comprehensive manner by its people. Islam demands its followers to realize their Islam in all aspects of their lives. For people who have assets in life in this world, then after conducting research that there are only 3 kinds, namely: land, assets obtained through the exchange of goods, and assets obtained by changing their form from one form to another. . From here, something that is commonly used by people to produce wealth or develop it is agriculture, trade, and industry. (***https://www.kompasiana.com***)

One of the efforts to ensure that assets do not only revolve around certain groups, and can be enjoyed by all levels of society through a variety of economic activities, one of which is through strengthening the real sector in Micro, Small and Medium Enterprises (SMEs). It is a growing sector and involves many economic actors. The circulation of assets can be done through various economic activities, including through investment activities. Islamic investment can contribute to economic development, including SMEs. Investment activities will become a path in the distribution of assets.

The domestic economy is our real economy, there will be no interference from other countries so if there is an economic problem with another country it will not have any impact on this country. It is proven that if there is a world economic crisis, the domestic economy becomes a concern and a solution to overcome it, because it is not affected. So the economy in the real sector, especially the domestic level, must be a common concern, especially for the government. Opportunities remain open from a number of advantages currently in the Indonesian economy, such as the large domestic market, investment opportunities that are still wide open, and a number of superior products in the export market. The existence of government intervention in the Islamic economy of the economy is needed, because the state is a place for the creation of the welfare of humanity. In individual ownership is not absolute, but ownership is limited by several things. In some conditions, the state has the right to intervene in ownership, the right to limit or regulate ownership in the life of the community (**Al-Mishri.2006: 46**).

The ability of SMEs to cope with the current global competition needs to be considered further in order to remain able to survive for the stability of the Indonesian economy. In addition, the human resource factor in it also has its own share. The strategy for developing SMEs to remain viable can be done by increasing competitiveness and developing human resources in order to have value and be able to withstand the ACFTA market, including through channeling credit (KUR), providing access to marketing information, training microfinance institutions through capacity building, and developing information technology. (***www.kemenkeu.go.id***).

Sharia economic consultant and Managing Director at Rasyidin Consulting Wiku Suryomurti said, in recent year sharia banking continues to aggressively channel funds for SMEs. On the one hand, the target of achieving a market share of 5% has not been achieved (only 4.8%), but in the SMEs financing sector, the performance of Islamic banks began to be maximal. In Indonesia, there are around 52 million SMEs that exist today. Unfortunately, their existence has not been accommodated by large banks. Most large banking are still worried about the sustainability of the SMEs. Meanwhile, said Wiku, in this case Islamic banking more accommodates them. Because the sharia banking system is more minimalist level of influence on economic turmoil (*www.bankmuamalat.co.id*).

The Association of Micro, Small and Medium Enterprises (Akumindo) hopes that the new Indonesian government will prioritize the development of SMEs in the country. Akumindo rate, the Islamic economic financial system is more suitable to support the progress of the SMEs industry to expand business. The General Chairman of Akumindo, Ikhsan Ingratubun said that conventional finance applied by bank in general was not suitable for SMEs. Because, said Ikhsan, often the conventional financial system is burdensome for SMEs pioneers when the business is not going well. Conversely, through the Islamic financial system that emphasizes revenue sharing, SMEs are lighter and more flexible in managing business funding. "This is what the government must aim for in the future. Do not continue infrastructure, but populist economic development that is focused on SMEs. the government together with relevant authorities need to support the growth of the Islamic financial industry, both banks and non-banks which will later become part of the SMEs development ecosystem. Ikhsan said, meanwhile, Islamic financial based funding was more provided by the non-bank industry. According to Akumindo, of the approximately 62.9 million SMEs scale business entities, only under 5 percent have reached Islamic finance. Government encouragement is needed so that Islamic finance can further facilitate the existence of SMEs that are currently growing. Especially in the era of the digital economic system that makes it easy for businesses to expand the sales market. He added, the government, if you want to focus and concentrate on the halal industry and sharia economy, must also be consistent with the direction of sharia financial policy. Ikhsan stressed, it must be admitted, conventional financing was felt to be lacking in facilitating the needs of MSMEs at this time. (*https://republika.co.id*)

One of the sharia economic instruments or sharia finance that can be used as an effort to support the real sector, especially for SMEs, is through sharia investment instruments. The development of sharia investment instruments is increasingly diverse, the presence of financial technology (fintech) makes the direction of investment more diverse. Investing through Islamic fintench becomes a new business model in getting profit. And this activity is a way for efforts to equip Islamic financial institutions to support SMEs, as Islamic banks have not provided a large portion of SMEs. The following data is the portion of Islamic bank financing for SMEs.

Table 1

Financing for SMEs in Sharia Banking

No	Financing Product	October 2019	Contribution
1	Consumtion (Not SMEs)	89.638	41 %
2	Investmen a. SMEs b. Not SMEs	 a. 18.345 b. 32.373	 a. 8,4 % b. 14,8 %
3	Capital Working a. SMEs b. Not SMEs	 a. 30.735 b. 47.606	 a. 14 % b. 21,8
4	**TOTAL**	**218.697**	**100**

Source: Financial Services Authority. Sharia Banking Statistics 2019 (Data processed)

The data above shows the portion of financing disbursed by sharia banking on period October 2019. It Shows the largest portion of financing channeled for consumptive activities by 41 percent. The financing with the type of productive financing in the form of investment is given to non-SMEs by 14.8 percent. Likewise in productive financing, the largest working capital is channeled to non-SMEs by 21.8 percent. This shows that the distribution of financing in sharia banking does not make SMEs a priority in financing. SMEs is one of the pillars of the economy, requiring attention in the development process. One problem that is often faced by SMEs is the problem of capital. Access to capital is not equitable and easy to obtain, guarantee constraints are also a problem for SMEs. Present there is Sharia Fintech, which can be used as a means to obtain funds for SMEs.

The rapid growth of the financial technology industry bring opportunities for micro, small and medium enterprises (SMEs). The existence of this online loan is expected to encourage the development of the SMEs business sector. «Opportunities for cooperation between fintech players and the financial services industry, including savings and loan cooperatives as well as government institutions or institutions engaged in financing. This cooperation needs to be done so that efficiency in operations can be achieved and can have a lower interest rate on borrowers, especially business actors, «explained Braman Setyo, Managing Director of the Institute for Revolving Funds for Small and Medium Enterprises Cooperatives (LPDB-KUMKM). According to Braman, the government views positively and is open to the rapid development of this fintech. With the development of various online loan services, the capital needs of SMEs, especially those underserved banks are expected to be fulfilled. «Because many finteches are engaged in productive sector financing and this could be potential so that the non-bankable can access the financing of the business sector, including in the future access to financing LPDB through fintech,» explained Braman. On different occasions, the Daily Chair of the Indonesian Joint Funding Fintech Association (AFPI) Kusheryansyah said, the presence of fintech in Indonesia was aimed at encouraging financial inclusion. «The presence of fintech P2P lending, especially to reach people who are not covered by loans is due to not meeting the criteria of banking and finance companies,» he said. In addition, fintech with its technological innovation uses alternative data and credit scoring so that it can expand coverage. «With a credit gap of Rp1,000 trillion per year, the opportunity for fintech growth is very high. Especially now that fintech collaboration with banks and finance companies is increasingly active, «he explained. Kusheryansyah also added, the presence of fintech at this time could boost SMEs. This is not a discourse but it has been proven by the presence of P2P lending fintech that is present in various segments. (*https://finansial.bisnis.com*)

Fintech is growing, and widely accessed by the public. Peer to peer (P2P) lending business is speeding up. Based on data from the Financial Services Authority of August 2019 the account of borrowers who have obtained loans from 127 registered P2P lending entities is 10.64 million accounts. This value grew 190.39% year-to-date (ytd) compared to December 2018 with 4.35 million accounts. Chairperson of the

Indonesian Joint Funding Fintech Association (AFPI) Kuseryansyah said, as many as 60% of P2P lending borrowers were recorded from the small and medium business sector (UKM). He said this productive loan has a diverse ticket size. Starting from hundreds of thousands for the capital of credit seller shops, up to Rp 2 billion for medium businesses with invoice financing schemes. "There are two products targeting SMEs. First, SME loans in the digital ecosystem, for example e-commerce merchants, are fully automated because they exist in the ecosystem.(*https://keuangan.kontan.co.id*)

The constraints of micro, small and medium enterprises (SMEs) from the past until now are capital problems. Oftentimes, businesses initiated by a person must stop in the middle of the road, because they cannot get access to loans from bank. Besides not having assets, players of SMEs often do not have assets that can be mortgaged to obtain capital from bank. Ariani Hadioetomo said, since its establishment in 2016, the company has disbursed loans to around one million SMEs with a total distribution of 10 trillion. According to him, Khoiruddin along with all the small entrepreneurs who got loans from Modalku, including those who received assistance programs, both customer service and the process of monitoring and billing. This was done at the same time as a form of education on financial inclusion of SMEs that had not been reached by banking services. Ariani said, to mitigate risk, the company applies the principle of responsible lending to the borrowers that will provide positive results for all parties. "This principle is the principle of operation in assessing SMEs borrowers and their financial ability to repay loans. We also provide information openly and transparently about fees and interest rates for borrowers," he said.(*https://republika.co.id*)

Existing Fintech consist of conventional fintech, and sharia-based fintech. People who want to make transactions using sharia principles can become sharia fintech as an option. Sharia Fintech also has financing distribution products provided for productive businesses with provisions in accordance with Islamic principles. The existence of sharia fintech is strengthened by the existence of the Islamic Fintech Association in Indonesia, which will oversee the activities of sharia fintench companies. The Indonesian Sharia Fintech Association was initiated in October 2017 or Muharram / Safar 1439 in Jakarta. Standing as a congregation of startup, institutions, academics, communities, and sharia experts engaged in technology-based Islamic financial services. AFSI has been recognized and ratified as a legal entity, through the Decree of the Minister of Law and Human Rights of the Republic of Indonesia Number AHU-0001911.AH.01.07 dated

February 14, 2018. Becomes a vehicle for realizing economic equality and fairness, as well as accelerating the development of Islamic economics through financial innovation technology for the benefit of all Indonesian people. By carrying out the mission of Increasing the penetration of Financial Inclusion through Sharia Fintek in Indonesia. Providing support systems to the Government and Academic Institutions in encouraging Fintech's progress in Indonesia. Encourage Sharia Finance care and education in Indonesia. As well as bringing together synergy with Islamic economic institutions, and international financial technology in developing the potentials of sharia fintech.(*https://fintechsyariah.id*)

Before conducting, researchers try to examine the literature of previous scientific work relating to the title under study in this case about sharia investment, sharia fintech, and SMEs. The results of studies that have been done before need to be presented as material for comparison with research by the author. As for the scientific works that are relevant to the topics raised by researchers, among others:

Harun Santoso and Yudi Siyamto in their research entitled Investment and Economic Growth Encouragement of Islamic Micro Business in Indonesia, concluded that the growth of Islamic Micro Business Economy when viewed from the role of SMEs in Micro Finance Institutions in promoting economic growth in Indonesia has an active role, where most people Small companies need funds to increase business capital. This is driven by growth in the small sector which is very dominant in alleviating poverty because the community can meet their daily needs and can also reduce unemployment. So it is clear that SMEs in Indonesia can be said to have a very important role. The development of sharia-based economy in the country is truly extraordinary, reaching 40 percent every year, far higher than conventional economic growth which only reached 19 percent each year. So that the real contribution of the Islamic economy in the national development process becomes a force to continue to drive the growth of the Islamic economy in Indonesia. By encouraging the development of Islamic economics, we can continue to increase development inclusiveness while accelerating the process of equitable development, reducing inequality between residents and between regions, alleviating poverty and helping the social safety system. (**Harun Santoso and Yudi Siyamto, 2016:101**)

Singgih Muheramtohad in his research entitled The Role of Islamic Financial Institutions in Empowering SMEs in Indonesia. Mention that the characteristics of

SMEs are of relatively low turnover, have modest equipment (traditional), and have a narrower market share. They also need capital to develop a business. This field needs to be filled by sharia financial institutions. Where in Islamic law, the financing sector for real business is practiced directly, both by the Messenger of Allah and by the Companions of the Prophet, including Friends of Umar Ibn Khatab. Provision of financing to SMEs is more effective, because it is allocated directly to the needs of small businesses directly. Another consideration that must be considered by the government is that the philosophical foundation of this country is Pancasila. In this case, the state is based on social justice for all society. (**Singgih. 2017:76**)

Wahid Wachyu Adi Winarto in his research entitled The Role of Fintech in Micro, Small and Medium Enterprises (SMEs) concluded that the role of Fintech in financial literacy of SMEs in Pekalongan, Batang and Pemalang districts. Its can be seen from the average increase in the use of banking product and service, saving and loan cooperatives and other financial institutions by 6.40% from before the development of fintech. Than this is Fintech's role in financial inclusion in SMEs in Pekalongan, Batang and Pemalang districts. It can be seen that many SMEs owners use the application and collaborate with bank and Saving and Loan Cooperatives so as to provide easy access to various types of bank and savings and loan cooperative financial services, now financial institutions are able to reach all SMEs to remote areas, Fintech has opened access to business financing that is easier and faster than banking institutions and savings and loan cooperatives. So finally, the role of Fintech in financial inclusion of SMEs is that Fintech has greatly contributed to the empowerment of SMEs and the local economy. (**Wahid, 2020; 72**)

Aam Slamet Rusydiana, in his research entitled How to Develop Sharia Fintech Industry in Indonesia? The Interpretive Structural Model (ISM) approach, states that As a country with the largest Moeslim population in the world, the prospect of Islamic fintech in Indonesia is very good. This study tries to answer the problems that occur, strategies, and stakeholders involved in the development of Islamic fintech in Indonesia using the Interpretive Structural Model (ISM) approach. The core problem faced in the development of the Islamic financial technology industry is the lack of policy instruments that maintain the fintech work process and the availability of human resources for fintech. The strategy or core foundation needed in the framework of developing Islamic fintech is the ability to manage and analyze data in the era of big data and human resources in digital marketing. For the aspect of ecosystems or actors involved in the development of Islamic fintech in Indonesia, important actors include government or regulators, educational institutions (universities), as well as existing industries (bank and other financial institution). (**Aam.2017; 117**)

Sharia Investment

Investment from English language *investment* from the basic word *invest* which means to plant, or *Istathmara* in Arabic, which means to make fruit, develop and increase in number. In terms of investment, immovable property or property belonging to individual or companies owned in the hope of obtaining periodic income or profit on sales and is generally controlled for a relatively long period. The same definition is expressed by Kasmir and Jakfar, where investment can be interpreted as investing in an activity that has a relatively long period of time in various business field or project that require funds with the aim of making a profit. In the calculation of national income, the definition of investment is expenditure to buy capital goods and production equipment with the aim of replacing and especially adding capital goods in the economy that will be used to produce goods and services in the future. Investment according to Islam is the investment of fund or equity participation in a particular business field whose business activities are not in conflict with Islamic principles, both the object and the process. (Elif.2017; 340)

According to Syafi'i Antonio, there is a fundamental difference between investing and lending money in terms of both the definition and the meaning of each term. Investment is a type of business activity that contains risk because it is dealing with an element of uncertainty, so that it affect the return that are uncertain and not fixed. Where the interest of money is a business activity that is less risk because the return of return in the form of interest is relatively fixed and fixed. Therefore, Islam strongly condemn the behavior of interest in money and enter the category of usury. Instead Islam pushes people toward real or productive endeavors by investing. In placing an investment in a company, the condition of the company's management must also be considered. If the management of a company is known to have acted in violation of Islamic principles, the risk of investment in the company is considered to exceed a reasonable limit. In the end the investment returns received will be distributed proportionally to investors. Investment return distributed must be clean from non-halal elements, so a revenue share that contains non-halal element must be separated from income that is believed to be halal (*tafriq al-halal min alharam*). So it is clear that in investing Moeslim should not just put their capital. First seen the company profile, transactions carried out, goods / objects that are transacted, all must follow the principles of Islam in *muamalah*. Therefore, the owner of capital must know the investment obtained by Islamic law. (Sakinah.2014; 258)

Fintech Syariah

Financial Technology now better known as 'fintech' can be defined as a computer program and other technology used to support or activate banking and financial services. Fintech is a business that aims to provide financial services by utilizing modern software and technology. Fintech is a combination of that describes the financial services sector that emerged in the 21st century. Initially, the term applied to technology was applied to the back-end of established consumers and trade financial institution. Since the end of the first decade of the 21st century, this term has been extended to include technological innovations in the financial sector, including innovations in education and financial intelligence, retail banking, investment and even crypto currencies such as bitcoin. Fintech is an economic industry consisting of companies that use technology to make financial services more efficient. It is really difficult to define the concept of fintech, because the definition changes from time to time. Also because traditional banking organizations are hindered to develop due to the legacy of operational systems, the capacity to innovate, agility and technological expertise. Fintech is generally a startup business that was established with the aim of disrupting existing financial systems and companies, but lacking in optimizing and optimizing the use of software technology. (*http://binus.ac.id*) Fintech Indonesia has several types, including payment startups, financial research, retail investment, financing (lending & crowdfunding), financial planning (personal finance), and remittances.

Fintech is an combination for the words '*financial*' and '*technology*' which mean an innovation in the field of financial services. The innovation offered by fintech are very broad and in various segment, from B2B (*Business to Business*) to B2C (*Business to Consumer*). Fintech influence people transaction habits to be more practical and effective. Fintech also help people to more easily get access to financial product and increase financial literacy. The benefits of fintech greatly affect the lifestyle of the economic community. The combination of effectiveness and technology has a positive impact on society at large. There are several benefits of having fintech in the community, the first benefit being that fintech can foster new development in the field of technological startup that is very much. This can help to expand employment opportunities and increase economic growth (*https://www.finansialku.com*).

Sharia fintech is expected to make more families financially literate. slowly enter the Islamic financial system. Seeing this change, of course, customer should learn more about sharia signs in the fintech area, ranging from contract, conditions, harmony, law, tax administration, accounting to audits. In terms of the contract, fintech does not conflict with sharia as long as it follows the legal principles of a contract, as well as fulfilling the term and conditions and applicable laws. Basically, fintech must refer to one of the *muamalah* principle, namely the 'taradhin' or the principle of the willingness of the parties conducting the contract. This principle emphasizes the equal opportunity for the parties to state the process of consent and qabul (**Darsono et al, 2016**). The requirements that must be met are that there must be an object (*'aqid*), a subject (*mu'qud' alayhi*) and a desire to do aqad (*sighat*) and the pillars that must be manifested are price / wages and benefit. The law must also accompany, for example in the form of law, fatwa and halal certification. In the civil code, the principle of willingness is stated in Article 1320, which states that: "In order to have a valid agreement, four conditions must be fulfilled: their binding agreement, the ability to make an agreement, a certain subject matter, a non-prohibited cause" In running a FinTech business, this article is also binding. The development in terms of sharia law can be seen from the recent issuance of sharia certification by the National Sharia Council-Indonesian Ulema Council (DSN-MUI) for "PayTren". This is a new breakthrough in the world of Fintech Sharia in Indonesia which is expected to accelerate the achievement of the PayTren target to reap 10 million users in 2021 and provide many benefits to the wider community. (*https://ekonomi.kompas.com*)

First, Sharia Electronic Money must be registered so that the Know Your Customer principle is met while reducing the risk of misuse. Second, the cardholder's data and the value of his money are stored on the server so that the value is maintained. Other differen that are minor are top-up transaction fees and "on us" cash withdrawals, ie on the publisher's device there are no fees. Whereas "off us" that is on devices not owned by the publisher may be subject to a fee. Islamic electronic money uses a *wadiah* contract which is for safekeeping so that it cannot be used by the issuer except with the permission of the owner of the fund. The amount of float fund, namely deposit fund that have not been used by the fund owner, is limited to the maximum amount. If these fund with the permission of the owner are used by the issuer, a qard agreement will be applied. What is interesting in practice is that there are three parties involved. First, the issuer of Electronic Money as the party who receives a wadiah or qard. Second, the card holder as the owner of the fund that gives *wadiah* or *qard*. Third, the merchant is the seller of goods and services that receive payment from the card holder. So, the publisher is not the same party as the seller of goods and services. In practice this merchant provides discounts or promotions to cardholders, not publishers who provide discounts, promotions or other benefit. With changing times, DSN-MUI as a fatwa authority anticipates with the right and correct sharia provisions by examining in-depth practices that occur. Without understanding the practice correctly, it could be that the fatwa is incorrect even though the argument is correct. (*https://karimconsulting.com*)

Following is an example of the proposed accounting treatment for Mudharabah fintech in the initial stages of the transaction. The investor (*Shahibul Maal*) approves and provides investment capital financing *Mudharabah* to Managers (*Mudharib*) through a startup campaign with an estimated profit sharing ratio already displayed. The contract between the investor and the startup uses wakalah bil ujroh. When an Investor agrees to capital grants, the funds are transferred through an escrow / virtual account, and the investor recognizes it as a *Mudharabah Investment Fund*. The journals recorded by investors are: Mudharabah Investment Funds in Cash and from the startup side the funds are recognized as safekeeping by the Cash journal in the Safekeeping Funds. Likewise on the Mudharib side, when receiving funds from investors through startup, the journal is the Temporary Syirkah Fund on the credit side. One of the proposed accounting treatments for the Fintech *Waqf* is as follow. Waqif (the person who has charity) agrees to distribute the waqaf funds to Nadzir through startup, then the contract between Waqif and startup is the time of *ujroh*. When *Waqif* distributes waqf funds through safekeeping / escrow / virtual accounts accounts, Waqif acknowledge the distribution of waqf fund. On the startup side, they are recognized as Dana Waqf deposit until the funds are transferred to Nadzir.

On Nadzir's side, when receiving waqf fund, it is recognized as *Cash on Waqaf Fund Receipts*, where Waqf Fund Receipts are reported in a separate report specifically on the Waqaf Fund Receipt and Distribution Report. Audit. In the case of audits, the role of electronic audit (Electronic Data Process - EDP) will be increasingly important when digitization in business processes becomes more dominant. Financial Services Otority requires the implementation of fintech to provide an audit trail for all its activities in an electronic technology-based electronic system. Audit track records are useful for supervision, law enforcement, dispute resolution, verification, testing and other examinations. (*https://www.republika.co.id*)

Micro small and Medium Enterprise (SMEs)

Micro business is a business that is managed by an individual or family or several people who do not have a complete business license. (**Nizarul, 2014: 14**) In Law No. 20 of 2008 concerning SMEs that a micro business unit is a productive business owned by individuals and / or an individual business entity that meets the micro business criteria as stipulated in the law (**Law of SMEs**). Meanwhile, according to Musa Hubeis, small businesses that are truly small and micro can be grouped on the basis of: 1) Independent small businesses, that is, without using other labor; 2) Small businesses that use their own family member; and 3) Small businesses that have permanent wage labor. Small businesses with the categories in question are often seen as businesses that face a lot of difficulties, especially those related to weak managerial capabilities, technology, and limited capital, human resources, marketing, and product quality. External factor in small businesses are difficult obstacles to overcome, namely an unhealthy market structure and the development of foreign companies that produce similar product for the same market segment. (**Moses.2009; 18**)

Another understanding was expressed by Warkum Sumitro, micro and small businesses are businesses carried out by a company with a workforce that does not exceed 50 people. (**Warkum.2004; 168**) According to Suharto Prawirokusumo, the characteristics of small businesses: (**Soeharto, 2000: 48**)

1. Small businesses are managed by their owners so they are called owner-managers who usually act as leader who provide direction to a few staff who are not too many and do not specialize in running the business. They are called management teams that usually come from family member, relative, or friend.

2. Small businesses usually only have a single product line not diversified business, the volume of business is relatively small.
3. The person responsible for making decisions is usually held by one person and does not give authority to others (very little or no delegation of authority).
4. The relationship between management and employees is very close (close management-employee relationship).
5. Usually business organizations without functional specialization (have few or sometimes no functional specialists, such as a full time accountant or a personal manager).
6. In the reporting system is also not multilevel (has no more than two tiers of management reporting).
7. Lack of long term planning.
8. Usually don't go public.
9. More oriented towards survival to maintain own equity's equity rather than provit maximization.
10. Not dominant in the market.

From the description above, the authors feel the need to examine more deeply the role of sharia investment instruments that are increasingly developing and varied. Investment can be made through Islamic fintech facilities. One product that is fintech sharia can be distributed to support SMEs products. In this study aims to determine the development of SMEs, then efforts to develop Islamic fintech as an investment instrument to support SMEs.

Methodology

This type of research used in this paper is to use literature studies obtained from several sources. This research is descriptive qualitative, which means describing a research subject. In this case it is about sharia investment, development of sharia fintech and SMEs in Indonesia. The contribution of the development of Islamic fintech to real sector of SMEs and then outlines the role of investment products through Islamic fintech to the SMEs

The type of data used in this paper is qualitative, *library reserch* data sourced from primary data and secondary data. Primary data in the form of data sources that directly provide data to researchers or data obtained directly from the research object, while secondary data is data sources that do not directly provide data to data collectors (researchers) or data taken by researchers as supporting research scientific, namely by conducting library studies (searching through books, articles, journals, magazines, internet and other sources). (**Farizal, 2010; 66**)

The data used by the author include:

1. Theories that researcher take from various literature.
2. Taking data from the results that have been presented from an institution including the Financial Services Authority.

Data collection techniques needed in this paper are to use several method, namely:

1. Literature Study, this method is used to explore the theoretical foundations related to SMEs, sharia investment and fintech, related to Islamic economic, related to the development of SMEs, and the role of sharia banking productive financing product on the real sector of SMEs.
2. Observation

   Every data obtained from various sources is observed and analyzed in relation to the condition of investment products through Islamic fintech to SMEs and the growth of SMEs.

Data analysis method used is to use a descriptive qualitative approach that is by describing the development of SMEs and investment product through sharia fintech, as well as the development of SMEs, investment through sharia fintech for the real sector of SMEs. Then the role of economic activities and Islamic financial institutions for the real sector of SMEs. As well as a description of the contribution of the Islamic finance section to the development of the real sector of SMEs.

Qualitative research is a research procedure that produces descriptive data in the form of written or oral words from people and observed conditions. Qualitative research is a research method used to examine natural object condition (as opposed to experiments) where the researcher is a key instrument, data collection techniques are carried out triangulated (*combined*), data analysis is inductive and the results of qualitative research are more meaningful rather than generalizing. (**Farizal, 2010; 67**)

Results and Discussion

The Development of Micro, Small and Medium Enterprises (SMEs)

Table 2

The Development of SMEs in Indonesia 2017-2018

No	Type of SMEs	Amount 2017	Amount 2018	Growth	Contribution
1	Micro Bussiness	62.106.900	63.350.222	2,00	98,685
2	Small Business	757.090	783.132	3,44	1,219
3	Medium Business	58.627	60.702	3,54	0,096
4	TOTAL	62.922.617	64.194.056	2,02	100
5	Average	20.974.205,67	21.398.018,67	-	-

Source: Ministry of Cooperatives and Small and Medium Enterprises compiled from Statistics Indonesia (BPS) *(Data processed)*

From the data above shows the development of Micro, Small and Medium Enterprises (SMEs) in the period 2017 to 2018, showing that all types of SMEs experienced growth reaching more than 3 percent. The largest growth in the type of SMEs medium-sized businesses that grew 3.54 percent, then small businesses amounted to 3.54. While the largest number of SMEs was in the type of micro business with a share of 98.655 percent with a total of 63,350,222 businesses. the average number of SMEs businesses in 2018 will reach 21,398,018.67 business unit.

The Development of SMEs through Investment in Sharia Fintech

The Financial Services Authority has issued a list of fintech companies, which can be used as investment facilities for the community. Various types of businesses can be used as a means of investing online in the type of fintech lending, investors can make investment without meeting directly with businesses that are investment containers. Data from the Financial Services Authority presented in the Fintech Lending statistical report for December 2019 shows that there are 164 registered fintech companies, consisting of 152 conventional Fintech companies and 12 sharia fintech companies. A total of 139 were included in the registered category and 25 companies were in the licensed category. Fintech experienced growth for lender accounts increased by

192.01 percent, in December 2019 605,953 entities, the number of borrower accounts increased 325.95 percent, the number of borrower accounts in December 2019 was 18,569,123, and the amount of loans increased by 258.56 percent with the amount of loans in December 2019 amounting to Rp 81.50 trillion.

From 164 fintech companies registered / licensed in OJK, there are 12 sharia fintech companies or 7.89 percent, with assets from sharia fintechs of Rp. 50,618,571,149. There are 12 registered / licensed fintech sharia companies, namely;

1. PT Ammana Fintek Syariah
2. PT Dana Syariah Indonesia
3. PT Danakoo Mitra Artha
4. PT Alami Fintek Sharia
5. PT Syarfi Teknologi Finansial
6. PT Duha Madani Syariah
7. PT Qazwa Mitra Hasanah
8. PT Maslahat Indonesia Mandiri
9. PT Ethis Fintek Indonesia
10. PT Kapital Boost Indonesia
11. PT Piranti Alphabet Perkasa
12. PT Berkah Finteck Syariah

From the 12 sharia fintech companies, some of them focus on channeling financing services for SMEs segment. There are 5 sharia fintech companies that focus on distributing SMEs financing, namely PT. Berkah Finteck Syariah, PT. Qazwa, PT. Kapital Boost, PT. Alami Sharia, and PT. Ammana.

Mudharabah Funding is people business funding that provides access to funding to the public as user of the Blessing Fintek Syariah both recipients of funding and provider for livestock (productive) business capital, small and medium industrial business capital (IKM) and business capital (productive), Business Small and Medium Enterprises (SMEs) in accordance with Islamic principles. In this case the recipient of the funding can apply for business capital (productive) to the Blessing Fintek Syariah, as well as representatives through the contract agreement (contract) *wakalah bi al Ujrah*. As a representative, Blessing Fintek Sharia will connect the recipient of funding to the funding giver, who previously also represented the Blessing Fintek Sharia through the contract of *wakalah bi al Ujrah*. Furthermore, the Blessing of Fintek Sharia bring the recipient of funding to the funding provider, both of them agreeing to each other by signing a *mudharabah* agreement for productive business funding by showing the principal and adding the ratio (*profit sharing*) as a profit which is entitled to the donor. (*https: // www .finteksyariah.co.id*)

Qazwa is filled by a team that has a passion for spreading the Islamic economy. Through technology development and financial access, we are working hard to bring about an Islamic economy that benefit everyone. Qazwa is a sharia-based investment media that aims to make it easier for SMEs to get access to capital to develop their business. Qazwa is present as a pioneer of leading sharia-based financial technology in Indonesia which has a mission of creating inclusive financial access and freeing SMEs from the trap of usury. (*https://qazwa.id*)

Kapital Boost is a peer-to-peer sharia finance platform for SMEs. Established in 2016, we have assisted various SMEs in Singapore, Indonesia and Malaysia to obtain working capital from global lender. Peer-to-Peer sharia finance Kapital Boost emphasizes simplicity, fairness and transparency for all user. (*https://kapitalboost.co.id*)

ALAMI is a sharia peer-to-peer financing in Indonesia that brings SMEs and financier together. Our technology analyzes hundreds of data to produce financing that has good quality and credibility. Making the parties more efficient, accurate, and transparent in the process of Islamic financing. Founded by young professionals who are passionate about advancing the Islamic finance industry. Since its inception, ALAMI has complied with regulatory provisions in force by recording aggregator business models and also P2P business model registrations. We also made a correspondence from the start with the National Sharia Council - Indonesian Ulema Council. ALAMI is also registered with the Ministry of Communication and Information. (*https://p2p.alamisharia.co.id*)

Ammana is present with digitally become a collaborative funding bridge between lenders and borrowers with a spirit of mutual benefit, so as to create a unique genre of community and unlimited space and demographic lines. Ammana is an embodiment of the latest solution to strengthen economic *ukhuwah* to ensure that SMEs entrepreneurs become superior business actors who are more advanced, successful, blessed and able to be key players in supporting the halal industry in Indonesia. It is an honor to be able to support the progress of one of the pillars of Indonesia's microeconomics, namely by supporting the progress of SMEs (Micro, Small and Medium Enterprises) through the expansion of the benefits of fintech technology and productive and halal joint funding. Through joint funding with the support of digital technology, you are part of the chain of goodness in improving the economic well-being of SMEs while freeing them from the threat of ribawi capital. (*https://ammana.id/)*

Investment activities are one of the economic activities that can encourage the development of the real sector. Through investment will increase the movement of the economy which can be a source for increasing various productive businesses. Sharia investment is an investment container that can be used as investment advice operating according to sharia principles, which are free from prohibited transactions. Sharia investment can be a medium to encourage the development of SMEs. The presence of fintech with sharia principles is an alternative choice of investing according to sharia principles and provides easy access. Sharia fintech becomes a media for investor who wish to obtain profits from their investment funds which are channeled to MSMEs. There are several benefits gained when investing through sharia fintech, investor benefit from investment fund, investor invest according to sharia principles, and investor contribute in encouraging the development of SMEs.

Conclusion

The Micro, Small, and Medium Enterprises experienced growth in 2018, types of micro businesses grew by 2.00 percent. Small businesses grew by 3.44 percent, and medium businesses grew by 3.54 percent. The biggest portion of business type is micro business by 98.68 percent, then 1.22, and medium businesses by 0.10 percent. SMEs need support from various parties so that they can continue to grow and develop and contribute to the economy. Islamic financial instruments can be one of the media that can develop SMEs.

In 2019, Fintech experienced good growth, particularly in the type of lending peer to peer (P2P) fintech. Growth for lender account increased by 192.01 percent, in December 2019 605,953 entities, the number of borrower accounts increased 325.95 percent, the number of borrower accounts in December 2019 was 18,569,123, and the number of loans increased by 258.56 percent with the number of loans in December 2019 amounting to Rp 81.50 trillion. The number of registered and licensed fintech companies is 164. Consists of 152 conventional fintech companies and 12 sharia fintech companies. The total assets of Islamic fintech is Rp. 50,618,571,149. From 12 sharia fintech companies, there are 5 sharia fintech companies which focus on Islamic fintech which focuses on distributing SMEs financing. Investment through Islamic fintech can provide some benefits for investors. Investors who invest according to Islamic principles, investor will get benefit from investment fund, and investor will encourage the development of SMEs.

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