

AL-MANIHAH AS AN ALTERNATIVE CONCEPT IN THE DEVELOPMENT OF SME IN INDONESIA

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ABSTRACT

The development of the small and medium enterprises (SMEs) is encouraged in Indonesia because the SMEs were proven to be more sustainable than corporations during the economic crisis in 1997. Such the SMEs are In Islam, it is represented by entrepreneurship that has long been encouraged along with the *Shari'ah*. During the era of caliph Umar Ibn Abdul Aziz, the poverty was eliminated due to the role of Islamic economic welfare system. In development of the economic welfare system, the concept of *Al-Manihah* will play one of the important roles. *Al-Manihah* encourages the establishment of Islamic civilization and development of the SMEs based on *maqasid shari'ah* in the era of *Sahabah* (companions) and Islamic Financial Institution for current era. In addition, *Al-Manihah* is one of the alternatives to overcome the risk in financing SME towards Islamic financial institutions. The concept of *Al-Manihah* for development of SME through SWOT analysis and mix method research design show positive correlation between *Al-Manihah* concept and development of SMEs.

Keywords: *Small and Medium Enterprise (SME), Al-Manihah, Islamic Financial Institution, SWOT analysis, and Mix Method Research Design*

ABSTRAK

Perkembangan Usaha Kecil Menengah (UKM) sangat didorong di Indonesia karena UKM terbukti lebih *sustainable* dari pada perusahaan selama krisis ekonomi pada tahun 1997. UKM dalam Islam diwakili oleh kewirausahaan yang telah lama didorong bersama dengan Syari'at. Selama era Khalifah Umar bin Abdul Aziz, kemiskinan dihapuskan karena peran sistem kesejahteraan ekonomi Islam. Dalam pengembangan sistem kesejahteraan ekonomi, konsep *Al-Manihah* akan memainkan salah satu peran penting. *Al-Manihah*

mendorong pembentukan peradaban Islam dan pengembangan UKM berdasarkan maqasid Syari'at di era Sahabat dan lembaga keuangan Islam untuk era sekarang. Sebagai tambahan, Al-Manihah adalah salah satu alternatif untuk mengatasi risiko dalam pembiayaan UKM terhadap lembaga keuangan Syariah. Konsep Al-Manihah untuk pengembangan UKM melalui SWOT analisis dan campuran desain riset metode menunjukkan korelasi positif antara konsep Al-Manihah dan pengembangan UKM.

Kata Kunci: *Usaha Kecil Menengah (UMK), Al-Manihah, Lembaga Keuangan Islam, Analisis SWOT, dan Metode Penelitian Campuran*

1. INTRODUCTION

The Indonesian economy experienced an economic slowdown in the mid-1970s and mid-1980s. Fortunately, each time the Indonesian economy was able to come out stronger. The crisis had forced the government to undertake the necessary reforms in order to sustain the country economic growth. Sustainable development in Indonesia is not only about economic growth. The strategy of development is one that is growth oriented. However, the crisis of 1997/1998 in Indonesia has led to serious questions that the crisis has hit Indonesia so hard. The crisis caused 80 percent inflation for the first eight months in 1998, unemployment as high as 20 million from about 6 million at the onset of the crisis, and the number of people living under the poverty line is estimated to have risen to 80 million or about 40 percent of the population (Soesastro, H., 2014).

The crisis causes the government to change the policy on economic growth strategies. This situation caused the government to put more attention on micro and small medium enterprise (SME) developments because most corporations collapsed during the crisis except SMEs which remained stable and had steady growth (Rudjito, 2010). During the crisis, large firms reduced their trade volume while SMEs expanded it. As corporations relied heavily on imported materials, they suffered high procurement costs caused by the rupiah's depreciation and increasing amount of debts¹ resulting from the banking crisis. On the other hand, the fall in domestic market and increasing production costs drove some SMEs towards international market. Due to their low dependency on imported materials, SMEs experienced moderate and high growth during the crisis. Several studies highlighted that SMEs suffered less of an impact from the crisis compared to corporations, although a significant portion of SMEs (non - exporters) did experience serious losses (Shinozaki, Shigehiro, 2012).

¹ A debt that is not collectible and therefore worthless to the creditor. This occurs after all attempts are made to collect on the debt. Bad debt is usually a product of the debtor going into bankruptcy or where the additional cost of pursuing the debt is more than the amount the creditor could collect. This debt, once considered to be bad, will be written off by the company as an expense. Investopedia, 2013, "Bad Debt" , [Online] available from <http://www.investopedia.com/terms/b/baddebt.asp>

Even though some SMEs suffered losses, SMEs have a crucial role to play in the country as their potential contribution is not only for employment creation, but also for improvement of income distribution, poverty alleviation, and economic development (Tambunan, Tulus, 2011). Despite SMEs crucial role in the economy, they are facing more challenges. One of the most critical challenges is the difficulty in accessing financial resources (Ali, Abd elrahman Elzahi Saaid, 2013). The lack of financing prevents SMEs from contributing effectively to the economic prosperities due to their lower capital, higher risks, and less competitiveness. Shigehiro Shinozaki's (2012) survey indicated that formal financing may accelerate the growth of SMEs beyond the benefits of corporations. Enhancing formal financial accessibility for SMEs as a policy priority may become an important factor for the government to achieve sustainable economic growth (Shinozaki, Shigehiro, 2012).

Most of the SMEs had relied on their own capital and informal finance for their business operations, rather than using formal finance for growth. A study conducted in 2010 for SMEs, through Indonesian Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) in cooperation with the Ministry of Industry, and Ministry of Cooperatives and SMEs, shows that half of the SME samples had accessed bank for financing while the other half relied on their own capital, informal individual borrowing, and non-banks (Shinozaki, Shigehiro, 2012). Therefore, the enhancement of formal and informal financing are needed in order to overcome the challenge of SMEs.

As the access of funds from formal financial institution is difficult, the informal financial institution could contribute in supporting the SMEs. Since the establishment of Bank Muamalat Indonesia (first Islamic bank in Indonesia), it has been seen that Islamic financial institutions have grown rapidly. Islamic financial institutions consist of commercial banks, rural banks, and microfinance institutions (Rahmi, Esti Martiana, 2013). The Islamic microfinance institutions or Islamic finance cooperatives are part of informal financial sector due to the reasons that they may not be registered with the Ministry of Cooperatives. The Islamic finance cooperatives are categorized into two which are BMT (*Baitul Maal Wat Tamwil*) and BTM (*Baitul Tamwil Muhamadiyah*). BMT has a mixed commercial and social orientation while BTM are more commercially oriented (Seibel, Hans Dieter, and Agung, Wahyu Dwi, 2004).

Since Islamic finance cooperatives are commercially oriented, they tend to require return from the products or services they offer. Hence, this paper will discuss the role of *Al-Manihah* which does not require return for the services but the return on the object of the lending. *Al-Manihah* refers to particular kinds of gifts, most likely productive asset (Munawar, Ahmed, 2002) in which the ownership is retained by the giver and only usufruct rights are given to beneficiary (Claroline, 2003). The role of *Al-Manihah* is to reduce the burden of SMEs since it reduces the risk of the liability of the return and help to build social responsibility in the development of micro, small, and medium enterprise, to show thankfulness to Allah in the possession of wealth as well as encourages Muslims to pursue and persevere in entrepreneurial activities (Al-Natur, S., et al, 1996). This concept may be further developed in utilizing several Islamic financial contracts such as

mudharabah (profit sharing), *musyarakah* (joint venture), and *istisna'* (manufacturing finance).

1.1. Research Objectives

The concept of *Al-Manihah* will support the sustainability of SMEs in Indonesia especially for micro enterprises to assist in developing economy.

The objectives of this research are:

1. To identify the possibility of implementing concept of *Al-Manihah* in Indonesia
2. To identify the role of *Al-Manihah* in supporting SMEs
3. To identify the strengths of *Al-Manihah* in developing SMEs in Indonesia
4. To identify the weaknesses of *Al-Manihah* in developing SMEs in Indonesia
5. To identify the opportunities of *Al-Manihah* in developing SMEs in Indonesia
6. To identify the threats of *Al-Manihah* in developing SMEs in Indonesia

1.2. Research Questions

The following research questions are developed to achieve the aims of research objectives.

1. Can *Al-Manihah* be implemented in Indonesia?
2. How can *Al-Manihah* be utilized in supporting SMEs?
3. What are the strengths of *Al-Manihah* in supporting SMEs?
4. What are the weaknesses of *Al-Manihah* in supporting SMEs?
5. What are the opportunities of *Al-Manihah* in supporting SMEs?
6. What are the threats of *Al-Manihah* in supporting SMEs?

1.3. Significance of the Study

The importance of the study can be classified into two. Firstly, the study contributes to the discussion on the subject matter of SME in Indonesia, Islamic financial institutions in Indonesia, and *Al-Manihah* concept. It will be an enriching instrument for the Islamic finance and economics in general. Furthermore, in the academic world, the study will provide a clear picture of *Al-Manihah* concept and other concepts that are closely related to *Al-Manihah* concept in supporting the SME in Indonesia. Additionally, it can serve as the solution to develop SMEs in Indonesia.

Secondly, in the Islamic financial institutions field, the study will contribute to the understanding of the application, implementation, operation, and SWOT analysis of *Al-Manihah* concept. It is necessary to implement it due to the bright prospects in utilizing the productive asset and developing the country economy through the development of SMEs.

1.4. Scope and Limitation of The Study

This study explores the concept of *Al-Manihah*, which is not very well known among people. *Al-Manihah* concept is closed to *Temporary Waqf* or *Qardhul Hasan* in the application and implementation to Islamic financial institutions. This research utilizes mixed research method which is composed of qualitative and quantitative methods. In qualitative method, this research uses inductive exploratory method to gain understanding, based on primary research which comprises of conducting interviews with experts in Islamic finance product and Islamic finance institutions on the concept of *Al-Manihah*. It also uses quantitative method for deductive explanatory through questionnaire survey of at least 100 experts and correspondences who are knowledgeable on *Al-Manihah* concept in Islamic financial product and Islamic economic development.

2. LITERATURE REVIEW

2.1. Small and Medium Enterprises

The government of Indonesia defines micro and small enterprises as firms with total asset up to Rp 200 million (US \$ 22,500) excluding land and building. Also, the total annual sales are not more than Rp 1 billion (US \$ 112,700) whereas the medium enterprises are firms with total assets more than Rp 200 million but not exceeding Rp 10 billion (US \$ 1.127 billion) excluding land and buildings (Rudjito, 2010).

Indonesia's small enterprises are regionally dispersed, and are mostly located in the rural areas. Therefore small enterprises have the potential to stimulate economic growth and enhance income distribution at the rural and regional level. In the regional level, the role of medium enterprises are also important in stimulating economic growth due to its natural location is in regional area. Although the majority of these small enterprises operate in the agricultural (including forestry and animal husbandry) sector (53%), small enterprises are also the main players in trading and hospitality (27%), production (6.5%), service (6%), and distribution (5.5%) sectors of the Indonesian economy (Ekopuri, D. S., et al, 2007). These SMEs employed approximately 107.6 million people in 2012 and contribute 63.2% of Indonesia's GDP in 2012. The SMEs contribute 9.9% to the national GDP (Badan Pusat Statistik Republik Indonesia, 2012).

The pro-SME policy advocates argue that SMEs enhance competition and entrepreneurship and hence they have external benefits for economy-wide efficiency, innovation, and aggregate productivity growth. From this perspective, government support for SMEs will help countries to gain the social benefits from greater competition and entrepreneurship (World Bank, 2004). This suggests that government development expenditures have positive effects on the growth of SMEs, and the effects are both indirect (i.e. public services and infrastructure) and direct (e.g. government sponsored special credit schemes and training programs for SMEs) (Tambunan, T., 2008).

Small and medium sized enterprises (SMEs) with their useful socio-economic functions and 'shock-absorbing capacity' form the backbone of most Asian economies. To survive

the economic downturn (1997-1998) and to keep up with business in the age of globalization, the upgrading of management, systems, and operations are deemed to be necessary. Similarly, According to Naisbitt (1995), globalization and increasing competition, new technologies, the knowledge revolution and unexpected economic shocks such as the current economic and financial crisis represent crucial external environmental issues triggering change. In addition, Menkhoff and Kay (2000) state that SMEs are under strong pressure to upgrade the present level of technology and competencies so as to compete in both the local and foreign markets. In order to see the big picture of the development of SME, it is necessary to look back at the Islamic history in order to relate the implementation of *Al-Manihah* concept.

In light of Islamic perspective, previous Muslim scholars said that entrepreneurship (SME in modern term) is one of the best forms of occupation. Muslim scholars like Yusuf Al-Qaradawi (Al-Qaradawi, Y, 1972) and Al-Natur, S., et al (Al-Natur, S., et al, 1996) state that Muslims are called to pursue and persevere in entrepreneurial activities. This form of encouragement is referring to the highest recognition by *shariah* (Islamic law) upon the sincere and honest entrepreneurs.

عن عبد الله بن عمر رضي الله عنه قال: قال رسول الله صلى الله عليه وسلم: «التَّاجِرُ
الْأَمِينُ الصَّدُوقُ الْمُسْلِمُ مَعَ الشُّهَدَاءِ - وفي رواية: مع النبيين و الصديقين و الشهداء - يَوْمَ
الْقِيَامَةِ» رواه ابن ماجه والحاكم والدارقطني وغيرهم

"An honest and sincere businessman will be placed with the prophets, siddiqin and al-syuhada." (Hadith Hasan), (Ibnu Majah, no. 2139), (Al-Hakim, no. 2142), (Ad-Daraqutni no. 17), and other (al-Tirmidhi, no. 1209).²

The *hadith* places the highest recognition on businessman with the Prophets, *Siddiqin* (truthful comrade) and *al-shuhada'* (martyr) during judgment day. However, to be able to reach this level, they need to avoid the negative elements and be honest, truthful, and sincere entrepreneurs. In addition, Yusuf Kamal Muhammad et al (Hamid, S., A. and Sa'ari, C, Z, 2011) state that encouragement on entrepreneurship based on commercial activity is not only allowed by Allah, but is also viewed as jihad for the cause of Allah. Also, entrepreneurial activities are social responsibility. This is due to the fact that life will not prosper without engaging in this responsibility (Abd al-Halim, 1992).

The holistic approach of Islam involves both this life and afterlife dimensions. Thus, the philosophy of Islamic entrepreneurship is based on economic philosophy itself where trade is based on Rabbani and divinity traits. The principle, conditions and rules that have been set, are aimed to ensure the survival of the business (Ahmad, M., 1995) and to gain *rida'* (acceptance) from Allah, The Almighty. There are inverse relationships between the motivation to build a business with the level of risk and uncertainty (Hamid, S., A., 2011).

²The chain (sanad) of that hadith is weak, however, there is another hadith that affirms the above hadith from other scholars. Thus the above hadith is a good (hasan) chain (sanad) by Imam adz-Dzahabi and Syaikh Al-Albani ("Ash-Shahiihah", no. 3453).

Thus, the operational business implementation must be carried out within the guidelines prescribed in Islam. It differs from the capitalist system that offers opportunities to entrepreneurs to gain wealth.

Shariah (Islamic law) is forbidding *riba'* (usury) operation business, non halal business and services such as monopoly, speculation, gambling, uncertainty, and exploitation to the entrepreneur. Also, entrepreneur should pay sufficient salary, measure reasonable prices and be contented with fair profits and gains. The holistic concept of Islam totally refuses secular system of life. Instead Islam suggests cooperation for existence. In social system of welfare, Islam applies zakat in which everyone is obligated to give a percentage of their excess wealth to community through offering charity (Faizal, P., R., M. et al, 2013).

During the era of caliph Umar Ibn Abdul Aziz (d.720), poverty was eliminated from the community and prosperity reached all individuals including Muslims and non-Muslims by *al-Waqf*. *Al-Waqf* (suspension) itself is a type of charity involving property relating to Islamic economical welfare system and crucial element in building the Islamic civilization. Thus, humans have to act only according to *Shariah* and values predetermined to them, so that they live and behave according to Islamic principles (Hamid, S., A., 2011).

Despite SMEs crucial role in the economy, SMEs are facing more challenges. One of the most critical challenges is the difficulty in accessing financial resources (Ali, Abdelrahman Elzahi Saaid, 2013). The lack of financing prevents SMEs from contributing effectively to the economic prosperities due to their lower capital, higher risks, and less competitiveness. Shigehiro Shinozaki (2012) survey presented that formal finance may accelerate the growth of SMEs beyond the benefits of corporations. Enhancing formal financial accessibility for SMEs as a policy priority may assist the government to achieve sustainable economic growth.

2.2. Islamic Financial Institutions

The purpose of Islamic financial institutions can be traced back to the past history of the establishment of it. The first establishment is from the transaction in different markets within each other that is reinforced by an environment of mutual cooperation which existed among them due to their membership of tribes, guilds, fraternities, and Sufi orders. A number of them acted as merchants as well as agents at the same time, thereby increasing mutual dependence. Such dependence and cooperation created what Ibn Khaldun (d.808 AH) calls as *a'biyyah* (social solidarity) (M. Umer Chapra and Habib Ahmed, 2002).

It assured honesty and fairness in mutual dealings and generated confidence in the system. Anyone who tried to cheat or procrastinate unduly became ostracized. The entire community would refrain from doing business with the guilty party. Social solidarity acted as an informal contract enforcement mechanism and served as a deterrent against cheating and fraud. The climate of trust produced in this manner created a moral community which broke geographical and linguistic barriers and facilitated flows of goods and financial capital. There are arguments on the reason that the conditions in the past and current period now are different. The question is, whether the Islamic financial

institution can operate successfully in the current time. But the more important question is, how to recreate such a climate of trust. It is necessary to create a new environment compatible with current conditions to help minimize the risks and to create a climate of trust and confidence in all the participants in the Islamic financial market. The Islamic financial institutions are exposed to all risks such as fiat money, interest rate and exchange rate fluctuations, loan default, operational failures, natural calamities, managerial, and environmental weaknesses (Karang. A.G., 2014).

It is very important to use better governance and effective prudential regulation in order to have the Islamic financial market environment with reward efficiency, honesty, fairness, and punishment to whom breach the contract. Meanwhile to ensure the confidence of the Islamic financial institutions, it is necessary to have effective internal controls, risk management, accounting and external audit, and transparency as the tools of corporate governance (M. Umer Chapra and Habib Ahmed, 2002).

The internal control system is the safety and awareness of all financial institutions in order to ensure realization of the institutional goals and enhance its long-run profitability. Internal controls are also indispensable for ensuring management oversight and developing a healthy culture within the institution. It is necessary for recognizing and assessing risks, detecting problems within institution, and correcting deficiencies such as the internal audit and external audit. The risk management is also required to manage risks that the institutions face, such as operational risks, liquidity risks, credit risks, and management risks, in order to prevent loss and ensure sustainability of institutions (Vincent, et al, 1994).

Moreover, transparency plays a potential role in improving the functioning of Islamic financial institutions by protecting their sustainability from adequate qualitative and quantitative information about the institutions. It is also to help the board of directors of the institution to know whether the management is doing well or not from the external auditor report. Therefore, transparency is extremely important for all market participants. Transparency itself is provision of the accurate information such as financial performance, financial position, strategies for management and control of risks, risk exposure, accounting policies, and basic business management and corporate governance information (organizational structure and legal entity, M. Umer Chapra and Habib Ahmed, 2002).

The basic principle of Islamic financial institutions is having a business framework which is based on Islamic laws and guidance, free of *riba* (interest), free from prohibited activities, free from *gharar* (uncertainty), having contractual relationship, having the norm of participation and risk sharing, having the Islamic ethics and behavior, contributing to the socio-economic goals of the Islamic society, having accounting standards, having balance sheet, and having *sharia'a* supervisory board (Mohammed Alwosabi, 2014).

The Islamic financial institutions in Indonesia comprise of two types: banking institutions which fall under the banking law and financial cooperatives. The Islamic banking institutions consist of three types, of which two fall into the legal category of commercial

banks which are full-fledged Islamic commercial banks (Bank Umum Syariah – BUS) and Islamic banking units of commercial banks (Unit Usaha Syariah – UUS). While the other is Islamic rural bank (Bank Perkreditan Rakyat Syariah – BPRS). The Indonesian banking law recognizes two types of banking institutions which are commercial banks and rural banks (BPR) with widely differing minimal capital requirements. BUS and UUS are subcategory of the commercial banks, while BPRS is subcategory of the rural banks (BPR) (Seibel, Hans Dieter, and Agung, Wahyu Dwi, 2004).

Islamic financial cooperatives in Indonesia are not part of the formal financial sector. They may or may not be registered with the ministry of cooperatives. They are placed in to either semiformal or the informal financial sector. They are initiated by a group of Muslim intellectuals and are generally referred to as *Baitul Mal wa Tamwil* (BMT). Their development has been favored by the Muslim organizations Nadhatul Ulama and Muhamadiyah, but were not established by them. The Islamic financial cooperatives have been grouped into two categories, BMT and Baitul Tamwil Muhamadiyah (BTM). The difference is that BMT comprises about 95 per cent of Islamic cooperatives affiliated to Nadhatul Ulama (NU), which is the largest Islamic mass organization in Indonesia, consisting of almost 40 million members (Seibel, Hans Dieter, and Agung, Wahyu Dwi, 2004).

On the other hand, BTM comprises only about 5 per cent of Islamic cooperatives by Muhamadiyah which is the second largest Islamic mass organization in Indonesia with 25 million members. BTM has mixed commercial and social orientation while BMT is more commercial oriented (Seibel, Hans Dieter, and Agung, Wahyu Dwi, 2004). The mission of BMT is to help the enterprising poor in the vicinity and to empower them economically. Their target markets are very small micro-entrepreneurs including itinerant traders and food vendors (Pedagang Kaki Lima) (Seibel, Hans Dieter, and Agung, Wahyu Dwi, 2004). The report from ADB (2003) indicated that the majority of BMT customers are urban based and provide services to both poor and non-poor households (Asian Development Bank (ADB), 2003).

In business activity, BMT applies several principles which are profit sharing principle such as *mudharabah*, *musyarakah*, *muzara'ah*, and *musaqah*, buy-sell principle such as *murabahah*, *salam*, *istisna'*, and *bai bithamin ajil*, nonprofit principle such as *qard al hasan*, cooperation principle such as *mudharabah* and *musyarakah*, and financing principle such as *murabahah*, *bai bithamin ajil*, *mudharabah*, and *musyarakah* (Zuhria, A, 2012). In nonprofit principle there is an Islamic product that in the past was used as the alternative to reduce the poverty which is *Al-Manihah* that is similar to *qard al hasan* however, it is specific in asset only.

Since Islamic finance cooperatives are more or less commercial, they tend to acquire the return from the products or services they offer. Due to the existence of *a'biyah* (social solidarity) among Muslims, it is necessary to encourage the development of SME through Islamic concepts such as *Al-Manihah*. This concept was used as one of the measures of redistribution during the time of Prophet Muhammad s.a.w. Hence, this paper will discuss the role of *Al-Manihah*, which does not require the return of the services but

rather the return on the object of the lending. *Al-Manihah* refers to particular kinds of gifts which are most likely productive assets (Munawar, Ahmed, 2002) in which the ownership is retained by the giver and only usufruct rights are given (Claroline, 2003).

The concept of *Al-Manihah* may reduce the burden of SMEs relating to the definition of the concept. It is also reducing the risk of liability of the return and building the social responsibility in the development of micro, small, and medium enterprise. According to Yusuf Al-Qaradawi and Al-Natur, Islam encourages Muslims to pursue and persevere in entrepreneurial activities in order to distribute the wealth and be grateful to Allah (Al-Qaradawi, Y., 1972 and Al-Natur, S. et al, 1996). This concept can be developed in utilizing hybrid contract that combines with other Islamic financial products such as *mudharabah* (profit sharing), *musyarakah* (joint venture), and *istisna'* (manufacturing finance). The development of SMEs is very important, not only for the economy but also as an integral part of worship to Allah in this world and hereafter.

2.3. Al-Manihah Concept

Al-Manihah has been defined as granting of usufruct or benefit of a productive asset to a needy person for a specified time. During the time of Prophet Muhammad s.a.w., this instrument was used as one of the measures of redistribution (Claroline, 2003). *Al-Manihah* relates to the object of *hibah* (charity). *Al-Manihah* is similar to *Al-'Ariyah*, thus the object should be the asset or durable goods (Mubarok, et al, 2013). *Al-Manihah*, in Arabic language, is lending whereas based on term, it consists of several opinions; such as Abu Hanifa An-Nu'man ibn Thabit (d. 767CE) said that it is owning something having benefits that is free of charge, Malik ibn Anas ibn Malik ibn Abi Amir al-Asbahi known as Imam Malik (d. 795CE) said that it is temporarily owning something beneficial without charge, Imam Al-Syafi'i (d. 820CE) said that it is gaining benefit from someone (lender) who is voluntarily lending the asset or anything having benefits for the receiver and then return it to the lender, and Ahmad ibn Hanbal (d. 855CE) said that it is permissible to gain benefit from something (asset) without any charge. Meanwhile, according to majority of the scholars, *Al-Manihah* is the right to gain benefit from an asset which is received from someone without any charge with the provision of undamaged asset to be returned in a period of time (Mubarok, et al, 2013).

Al-Manihah is quite similar to *qordul hasan*. *Qordul hasan* is an interest free loan, where the borrower only repays the principal amount (Amin, et al, 2010). The characteristic of *qordul hasan* is liquid asset (mobile asset) such as money, etc. It differs from *Al-Manihah* characteristic that is based on productive asset which avoids money as the current money is fiat currency that tends to create financial crisis. Moreover, *Al-Manihah* is also relatively similar to temporary waqf. Temporary waqf is the assets that are donated temporarily for the purpose of social benefit (Kahf M, 2003).

However, there are differences between *Al-Manihah* and *temporary waqf*. Imam Maliki only allows the temporary waqf to be restricted for movable asset only. It is similar to government constitutions number 41 issued by central government year 2004 that *waqf* object is movable that can be used in temporary waqf. Hence, the immovable asset, such

as land including the building, only can be used (waqf) by *mu'abbad* (perpetuity³) (Umi Mas'udah, 2013).

In the other hand, Imam Syafi'i opinion is the opposite of that of Imam Maliki where he considers *temporary waqf* is not allowed due to the property *waqf* should be owned by Allah SWT and deliver to Allah SWT. Thus the *waqf* should be *mu'abbad* (perpetuity³). It is in order to optimize the utilization of property *waqf* through neat administration that the property ownership is not changing gradually in order to reduce the cost. Due to the perpetuity, it will avoid the accusation of the heir of the donor *waqf* when the lender of the *waqf* died. By combining both scholars' opinions, it concludes that *temporary waqf* is not allowed for immobile asset such as land, building, or something that is related to land. It is in order to create the effective property *waqf*. In the other hand, *temporary waqf* is allowed only for mobile asset (liquid asset) such as money, obligation paper, and others that are in the area of *shari'ah* (Umi Mas'udah, 2013). The restricted *temporary waqf* in utilizing the immobile asset can be substituted by *Al-Manihah* concept that is productive asset. It is noted that liquid asset cannot be productive asset since money is prohibited to be regarded as a commodity.

2.3.1. The Legal Basis

According to Sayyid Sabiq (d. 2000), *Al-Manihah* is recommended. Hence, Al-Ruyani (d. 502H) quoted by Taqiy Al-Din Al-Maqrizi (d. 1364 - 1442 A.D) said that *Al-Manihah* is obligated in the beginning of Islam (Malik, S., 2012). According to another opinion, it is a kind of aid act which is *mubah* (permissible) as long as it is used based on its criteria and roles according to *Syari'ah*. The legal basis based in the Qur'an is in Al-Maidah (5): 2 which is "And Cooperate in righteousness and piety, but do not cooperate in sin and aggression", Surah An-Nisa (4): 58 which is "Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice", and Surah Al-Ma'un (107): 7 which is "And withhold (simple) assistance".

2.3.2. Types

Regarding the authority of *Al-Manihah*, the contract of *Al-Manihah* in general can be divided into two types. First type is *Al-Manihah Muqayyadah* which is a type of borrowing and lending of asset having characteristics of certain boundary. It is the borrowing and lending of asset which is restricted with place and period of time. If the owner of the asset is restricting the boundary, there is no option for the borrower but to follow it. This type of *Al-Manihah* is normally used for the valuable asset, thus it needs the requirements. This restriction will be invalid if it causes the borrower to be unable to utilize and having the benefit of it. Thus, it is allowed to violate the restriction if there is difficulty in the utilization of the asset. If there is a dispute between *mu'ir* (lender) and *musta'ir* (borrower) regarding the period of borrowing, weight or the value of asset, place and

³The Arabic term for perpetuity is *ta'bid*. It has many different meanings. First, once the declaration of *waqf* is made by the donor, a legally binding *waqf* is automatically effected. Second, *waqf* cannot be constrained by time and temporariness. Third, the subject matter of the *waqf* should remain so forever. [Online] available from http://eprints.walisongo.ac.id/1858/5/092111075_Bab4.pdf

types of the asset, the stronger opinion is that the *mu'ir* (lender) has the right and authority for utilizing the asset (Ziah, 2012).

Other type is *Al-Manihah Mutlaqah* which is borrowing and lending of asset that need not adhere to the restriction requirement. With this contract, the borrower is given the right for utilizing it without any restriction. For example, for the lending of vehicle, in the contract, the purpose, time, and place of using the vehicle is not stated. However, the use of the asset must be in line with the custom of the society. If the utilization of the asset is not based on the habit or norm of the society, and the asset is broken, then the borrower is responsible for it (Ziah, 2012).

2.3.3. Basis Requirement

According to Abu Hanifah (d. 767CE) quoted by his disciples As-Sarkhasi, S. and Muhammad Al-Syaibani in the book of *Al-Mabsut* (المبسوط)⁴, the principle of *Al-Manihah* is based on *ijab* (offer) and *Qabul* (acceptance). There is no obligation to speak but it is enough to give the thing owned to the recipient. Majority of scholars opinions regarding the pillars of *Al-Manihah* are *ijab qabul* (offer and acceptance), *mu'ir* (borrower), *mus'tair* (lender), and *mu'ar* (the borrowing object). The conditions of *mu'ir* and *mus'tair* are that both the borrower and lender should have the capability of doing the benevolence and the contract such as adult, sane, wise in property dealings, consciousness, willingness, and no compulsions. On the other hand, the conditions of the object of borrowing is that it can be utilized without reducing the existence of the object, can be transferred and utilized for the benefits which are not against the religion that is in line with *Shariah* (Nasution, S. and Rahmawati, R., 2013).

2.3.4. The Responsibility of the Borrower

When the borrower receives the object of borrowing, and the object is broken while it is in his or her custody, he or she is responsible for it with the guarantee of the original object, whether it is caused by over use or other reasons. According to Ibn Abbas (d. 619 CE), Aisyah (d. 678 M), Abu Hurairah (d. 681), Syafi'i (d. 820M) and Muhammad ibn Ishaq (d. 767) based on the hadith of Samurah, Rasulullah SAW said, "The one who is responsible must take care of what he or she received until the owner takes it back". Whereas the followers of Imam Al-Hanafi and Maliki schools have the opinion that the borrower is not responsible for the object of borrowing, except due to over use of the object. (Malik, S., 2012).

2.3.5. Lending and Leasing the Object to Third Party

In *Sunan Al-Daruqutni*, Ali ibn Umar Abu A-Hasan Al-Daruqutni Al-Bagdadi (1966) mentions that Abu Hanifah (d. 767CE) and Imam Malik (d. 795CE) have the opinion that the borrower can lend the objects of the borrowing to other people, even though the (first) owner of the object is not giving the permission to use the object for other purpose

⁴As-Sarkhasi, S. and Muhammad Al-Syaibani, "Kitab Al-Mabsuth Jus 1-2", Darul Kitab Al-Ilmiyah, Beirut Libanon.

especially lending it to others. According to Ahmad ibn Hanbal (d. 855), the borrower can utilize the object of borrowing or replace the borrower with another person, as long as it is in the range of the borrowing period. It is *haram* (forbidden), according to Ahmad ibn Hanbal (d. 855), to lend the borrowing object without the permission of the owner. If the borrower lends the object to a third party, and there is damage occurred by the second borrower, then the owner of the object can claim the guarantee of the object to either one of the borrowers. In this situation, it is better to charge the guarantee to the second borrower as the damage occurred in his or her responsibility (Nasution, S. and Rahmawati, R., 2013).

2.3.6. The benefits

The benefits of *Al-Manihah* to the borrower are to fulfill his needs through building of trust, confidence, and responsibility to utilize the object. Whereas for the lender, it is a kind of obedience to Allah SWT. By helping the needy person, reducing the burden of others and fulfilling social responsibility (Nasution, S. and Rahmawati, R., 2013). Especially in the context of the SMEs, the benefit of *Al-'Ariyah* in the narrow scale is providing the financial support for the sustainability of SMEs, particularly for the micro enterprise and support the activities of production and productivity. While on large scale, when the SMEs are growing fast and are sustainable, the production output of the SME will impact the growth of economy.

3. RESEARCH METHODOLOGY

3.1. Research Design

This research uses a mixed method research design. Mixed method research design is a process of collecting, analyzing and mixing both quantitative and qualitative data within a single study in order to understand a research more completely (Creswell, 2012). The purpose of the mixed method research is that neither quantitative nor qualitative methods are sufficient to capture the trends and details of the situation. The combination of quantitative and qualitative methods complement each other and identifies more complete analysis (Greene, J. C., et al, 1989). The quantitative method depends on numerical data and post positivist claims for developing knowledge such as cause and effect thinking, hypotheses, questions, use of measurement and observation and test of theories (Charles and Mertler, 2002). Alternatively, qualitative method is an inquiry process of understanding where the researcher develops a complex, holistic picture, analyzes words, reports detailed views of informants and conducts the study in a natural setting (Creswell, J. W., 1998).

The quantitative and qualitative methods are combined at the beginning of the qualitative phase while selecting the participants for case study analysis and developing the interview questions. The results of the two phases (quantitative and qualitative) will be integrated during the discussion of the outcome of the whole study.

3.2. Variables in The Quantitative Analysis

The variables of the quantitative method are based on the factors in research questions and the literature review and are presented in Table 3.1.

Table 3.1. Predictor Variables in Quantitative Analysis

Factors	Predictor Variables	Survey Items
Implementation of <i>Al-Manihah</i>	Implementation of concept	Q 4-5
<i>Al-Manihah</i> for SME	Supporting SME	Q 6-9
Strengths of <i>Al-Manihah</i>	Strengths of concept	Q 10-15
Weaknesses of <i>Al-Manihah</i>	Weaknesses of concept	Q 16-17
Opportunities of <i>Al-Manihah</i>	Opportunities of concept	Q 18-21
Threats of <i>Al-Manihah</i>	Threats of concept	Q 22-23
External	Demographic and Significant other	Q 1-3 & 24

These variables will be measured on a continuous 7-point likert-type scale in the questionnaire. Demographic characteristics such as gender, age, and occupation are external variables that indicate the significant correspondents. The variables affect the direction and strength of the relation between an independent and a dependent variable and the interaction effect between independent and dependent variables at appropriate condition for its operation (Baron R. M., and Kenny, D. A., 1986).

3.3. Target Population and Sample

The target population in this research will be experts and correspondences who are knowledgeable about the *Al-Manihah* concept in Islamic financial institutions, Islamic economic and financial lecturers, and Islamic financial and economic post graduates in Java Indonesia. For the quantitative phase of the research method, the suitable sample will be selected which are by the experts and correspondences (at least 100) who are knowledgeable of *Al-Manihah* concept in Islamic financial institutions in java Indonesia. The minimum sample size recommendation for most common quantitative and qualitative research designs are:

Table 3.2. Minimum Sample Size

Research Design / Method	Minimum Sample Size Suggestion
Research Design	
Correlational	64 participants for one-tailed hypotheses, 82 participants for two-tailed hypotheses (Onwuegbuzie et al, 2004)

Causal-Comparative	51 participants per group for one-tailed hypotheses, 64 participants for two-tailed hypotheses (Onwuegbuzie et al, 2004)
Experimental	21 participants per group for one-tailed hypotheses (Onwuegbuzie et al, 2004)
Case Study	3-5 participants (Creswell, 2002)
Phenomenological	≤ 10 interviews (Creswell, 2002), ≥ 6 (Morse, 1994)
Grounded Theory	15-20 (Creswell, 2002), 20-30 (Creswell, 2007)
Ethnography	1 cultural group (Creswell, 2002), 30-50 interviews (Morse, 1994)
Ethological	100-200 units of observation (Morse, 1994)
Sampling Design	
Subgroup Sampling Design	≥ 3 participants per subgroup (Onwuegbuzie & Leech, 2007c)
Nested Sampling Design	≥ 3 participants per subgroup (Onwuegbuzie & Leech, 2007c)
Data Collection Procedure	
Interview	12 participants (Guest, Bunce, & Johnson, 2006)
Focus Group	6-9 participants (Krueger, 2000), 6-10 participants (Longford, Schoenfeld & Izzo, 2002, Morgan, 1997), 6-12 participants (Bernard, 1995), 8-12 Participants (Baumgartner, Strong & Hensley, 2002) 3 to 6 focus group (Krueger, 1994, Morgan 1997, Onwuegbuzie, Dickinson, Leech & Zoran 2007)

Source: Onwuegbuzie A., J., & Collins, K., M., T., 2007

Relating to the table above, the quantitative sample size is minimum 64 participants for one-tailed hypothesis. According to Smith S (Smith, S., 2014), the necessary sample size is equal to $((Z\text{-Score})^2 - \sigma) \times (1 - \sigma) / (\text{Margin of error})^2$. The Z-Scores for the most common confidence level are: 90% - Z score = 1.645, 95% - Z score = 1.96, and 99% - Z score = 2.326. Inputting the z-score, standard of deviation, and confidence interval into the equation of necessary sample size with confidence level of 90%, 0.5 standard deviation, and a margin of error (confidence interval) of +/- 10% $(Z\alpha)^2 \times \frac{1}{2} \sigma / (\alpha)^2$ gives $((1.645)^2 \times 0.5(0.5)) / (0.1)^2 = 67.65$. Thus, the minimum sample consists of 68 respondents. However, for the qualitative sample size, the minimum will be 6 participants as it is a focus group consisting of experts and knowledgeable people from Islamic financial institutions.

3.4. Phase I Qualitative

3.4.1. Data Collection

The qualitative phase in this research will focus on explaining the results of interview conducted to focus groups of Islamic financial institutions such as Yayasan Yatim Mandiri Surabaya (orphan Mandiri Foundation) (Agus E., S., 2014), Badan Wakaf Indonesia (Indonesian Endowment Institution) (Razi, K., 2014), Badan Zakat Nasional (National Zakat Institution) (Nursechafia, K., 2014), Bank Muamalat Indonesia (Wardana, W., 2014),

Ghozali Center Foundation (Ghozali, A., 2014), and Baitul Mal wa Tamwil (BMT) (Haris, 2014). The interview protocol will include seven open-ended questions. The questions will focus on conceptual aspects, the implementation of the concept of *Al-Manihah* in Islamic Financial Institutions in Indonesia, the operation of the concept *Al-Manihah*, strengths, weaknesses, opportunities, and threats of the concept *Al-Manihah*. The correspondents will receive the interview questions prior to the scheduled time and the information will be transcribed verbatim.

3.4.2. Data Analysis

In the qualitative phase, the text and image data are obtained through the interview. During the analysis, the researcher will describe and draw the channel of the concept *Al-Manihah* implemented in Islamic Financial Institutions in Indonesia.

3.4.3. Reliability and Validity

The criteria for judging a qualitative research is in qualitative design from instrumental utility and trustworthiness through the process of verification (Eisner, E.W., 1991). The information received is verified from the original source which comprises of respondents who are experts in the field of Islamic financial product.

3.5. Phase II Quantitative

3.5.1. Data Collection

The quantitative phase of the research will focus on identifying internal and external factors of implementation of *Al-Manihah* to support SMEs. The data for the cross sectional survey design is collected gradually through internet using google docs (Ivankova, N.V., 2002). The primary technique for collecting the quantitative data is through a self-developed questionnaire, consisting of different formats which are multiple choice, asking either for one option or all that apply, self-assessment measured on the Likert scale, dichotomous answer like "Yes" and "No", and open-ended questions. The questionnaire consists of 24 questions which are organized into seven sections or scales.

The first section of the research asks questions related to the implementation of *Al-Manihah*. It includes questions related to the implementation of *Al-Manihah* in Islamic Financial product and distribution sector. It is measured in multiple choice and options. The second section measures effectiveness and efficiency of *Al-Manihah*, period of borrowing in the concept, development of concept, and supporting the SMEs. It is also measured in multiple choice and options. The third section measures the strengths of concept using Likert scale from "Strongly disagree" to "Strongly agree". The fourth section measures the weaknesses of concept using Likert scale from "Strongly disagree" to "Strongly agree". The fifth section measures opportunities of concept using Likert scale from "Strongly disagree" to "Strongly agree". The sixth section measures threats of concept using Likert scale from "Strongly disagree" to "Strongly agree" and also open ended question. The seventh section that comprises of demographic questions is the final section of the questionnaire and provides information regarding the correspondences' age, gender, and occupation.

3.5.2. Data Analysis

Before the analysis of quantitative research results is done, the screening of the data is conducted on the factor analysis. Data screening identifies potential multicollinearity in the correlation data. Data screening includes the descriptive statistics for all the variables, information about reliable and compact the variables in Kaiser-Meyer-Olkin Measure (KMO). Descriptive statistics for the survey are summarized in the text and reported in tabular form. The results of the analysis are reported in the form of the discussion. All statistical analysis of the quantitative results are conducted using Statistical Package for Social Sciences Software (SPSS) version 21.0.

3.5.3. Reliability and Validity

In quantitative research, reliability and validity of the instrument is very important for decreasing errors that arise from measurement problems in the research study. Reliability refers to accuracy and precision of a measurement procedure (Thorndike, R.M., 1997). The validity of the instrument refers to the degree to which the research accurately reflects the specific concept that the researcher is attempting to measure (Thorndike, R.M., 1997). To achieve construct validity, factor analysis of the Likert scale survey and Cronbach alpha coefficient test are performed.

4. RESULT AND DISCUSSION

4.1. Findings

The findings of the interviews among the six focus groups of Islamic financial institutions in seven aspects are below.

Firstly, on the conceptual aspect, all six focus groups of Islamic financial institutions agree on the definition of *Al-Manihah* concept which is granting of usufruct or benefit of a productive asset to a needy person for a specified time. Also, they understand the concept from its application. However, some of them such as BWI, BZN, BMI, and BMT are not familiar with the term of *Al-Manihah*. It is due to the fact that *Al-Manihah* is not used in the field of the Islamic financial product.

Secondly, on the application and implementation aspects, all six focus groups of the Islamic financial institutions agree that the *Al-Manihah* concept can be applied in the Islamic financial institutions, since the characteristics of the concept may fall under other products such as *Qordul hasan* and *temporary waqf*. However, in the implementation of the concept currently, only half of the focus groups of Islamic financial institutions apply the concept, even though it's not the exact concept. It is due to the nature of the Islamic financial institutions that currently, the concept is not suitable to be implemented as BMT and BMI are commercial oriented. Thus, in order to sustain and develop their institutions, they need high return from the Islamic financial product that they offer. Also, there are no institutions that willingly implement the concept due to either lack of socialization of the concept or lack of the Islamic product applied in the Islamic financial institutions with

the legal constitutions such as fatwa and other legal law. The *Al-Manihah* concept can be implemented when the infrastructure of Islamic financial institutions is strong and also when the social solidarity and responsibility of the people is strong. Currently, Islamic financial institutions are still building the infrastructure and also developing the social solidarity community and responsibility of the people.

Thirdly, on the operational aspects, YYM and GCF apply the concept of the *Al-Manihah* by following the *temporary waqf* concept. However, the *temporary waqf* applied by them is on the social aspect and not yet for the business aspect as they are still developing that concept. Hence in BWI, the *temporary waqf* applies for both social and business sectors. But the concept applies the incentive which is different from the concept of *Al-Manihah*. To tackle that, the operation of *Al-Manihah* concept can be implemented by using hybrid contract in order to develop the Islamic financial institutions. This is clearly displayed in Figure 4.2 comparing the concept of temporary waqf in Figure 4.1. Other Islamic financial institutions such as BMT, BMI, and BZN are using *Qordul hasan* for the operation of the *Al-Manihah* concept. The fourth, fifth, sixth and seventh aspects can be summarized as in the table below;

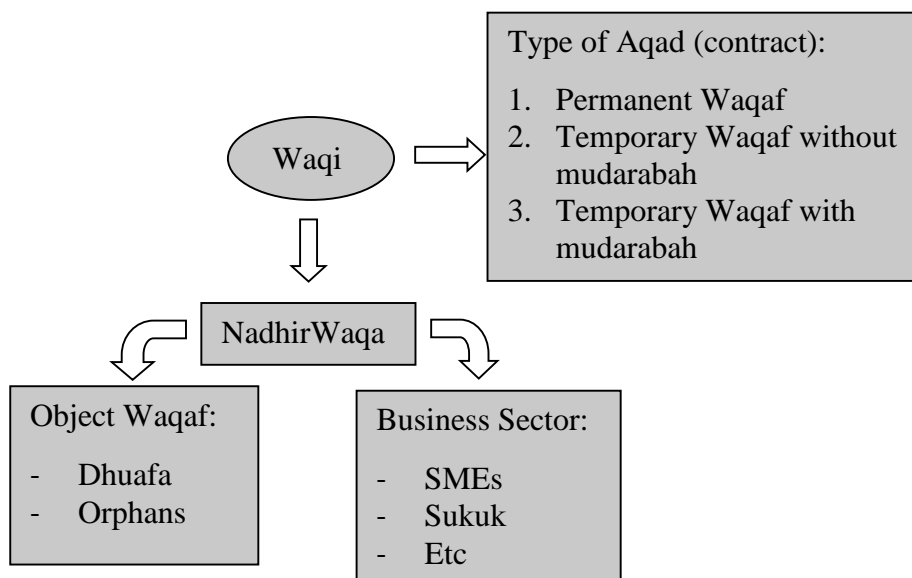


Figure 4.1. Waqaf Concept

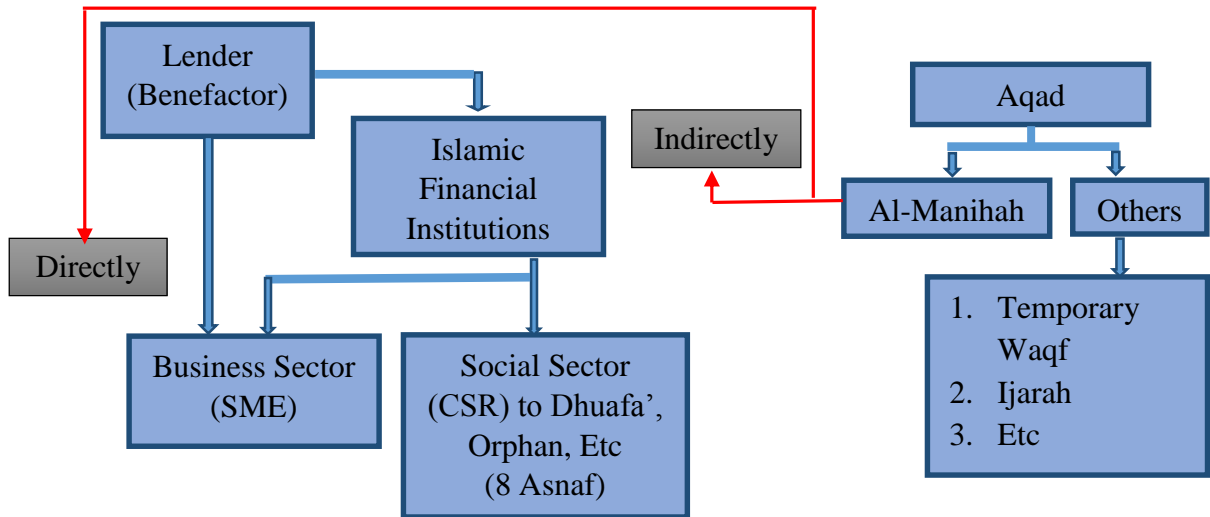


Figure 4.2. Concept of Al-Manihah

Table 4.1. SWOT

No	Strengths	No	Weaknesses
1	Increase productive asset	1	Lack of responsibility
2	Moral value and responsibility	2	Misuse and damage of asset
3	Fulfil the borrower (social or business) needs	3	Difficult to find suitable borrower
4	Building trust and confidence	4	More monitoring and control
5	Visible and openness	5	Socialization cost
6	Developing the Islamic financial institutions	6	Time constraint for legal concepts
7	Stimulate positive economic growth	7	Limitation of human resources
8	Prevent from non-shari'ah activities (money)		
No	Opportunities	No	Threats
1	Developing the Islamic product	1	Crisis or economic recession
2	Prosperity	2	Natural disasters
3	Reducing unemployment	3	Human errors
4	Economic growth		

4.2. Reliability Analysis

The measurement of the reliability was determined by means of Cronbach alpha coefficient tests. The result indicated acceptable internal consistency ranging from 0.70 to 0.80 and between 0.90 and 0.95 (Nunnally, 1978).

Table 4.2. Coefficients^a

Model	Collinearity Statistics		1-Tolerance
	Tolerance	VIF	
IFP	.903	1.107	0.10
DPA	.817	1.225	0.18
OA	.820	1.220	0.18
F	.336	2.974	0.66
T	.293	3.412	0.71
M	.280	3.565	0.72
DI	.517	1.933	0.48
EG	.337	2.966	0.66
PNS	.454	2.202	0.55
LOP	.438	2.284	0.56
MD	.365	2.739	0.64
DII	.428	2.335	0.57
P	.371	2.697	0.63
O	.361	2.768	0.64
U	.438	2.281	0.56
C	.602	1.662	0.4
ND	.498	2.008	0.5

a. Dependent Variable: SS

Table 4.3. Cronbach Alpha Values

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.907	.883	19

Based on Table 4.3, the cronbach alpha test indicates that the variables of *Al-Manihah* concept are reliable. The value of the cronbach alpha is 0.907, which lies between the ranges of acceptable internal consistency.

Looking at the output, if any of the 1-Tolerance are one (1), then singularity is present. If any of the 1-Tolerance are very large (e.g. 0.9 above), then multicollinearity is present (Tabachnick, B. G., & Fidell, L. S., 2007). The output shows that the value of 1-Tolerance is between 0.1 and 0.72. The value is not reaching 0.9 and 1. Thus, the variables are not singular or multicollinear.

4.3. Correlation and Regression

Correlation and regression are statistical methods that are used in the literature to compare two or more variables. Correlation measures the association between quantitative variables and the strength of their relationship. Regression uses the existing data to define a mathematical equation which can be used to predict the value of one variable based on the value of one or more variables and can be used to extrapolate between the existing data (Heron, E, 2009). The correlation among variables are presented in Table 4.4 below:

Table 4.4. Pearson Correlation

	SS	IFP	DPA	OA	F	T	M	DI	EG
SS	1.00	-.12	-.17	.16	-.06	-.14	.03	-.17	-.17
	PNS	LOP	MD	DII	P	O	U	C	ND
SS	-.01	.09	.09	-.14	-.17	-.003	-.1	-.03	-.07

The variables in the model are SS (*Al-Manihah* concept supports SMEs), IFP (Islamic Financial Product), DPA (Distribution of Productive Asset), OA (Utilizing Asset by Other Aqad), F (*Al-Manihah* Concept Fulfils the Borrower Needs), T (*Al-Manihah* Concept Building Trust and Confidence), M (*Al-Manihah* Concept Building Moral Value and Responsibility), DI (*Al-Manihah* Concept Develop Islamic Financial Institutions), EG (*Al-Manihah* Stimulates Economic Growth), PNS (*Al-Manihah* Prevents non Shariah Activities), LOP (Lack of Responsibility May Occur in Process of *Al-Manihah* Concept), MD (Misuse and Damage of the Asset May Occur in Process of Implementing *Al-Manihah*), DII (*Al-Manihah* Concept Develops Islamic Financial Product), P (*Al-Manihah* Concept Brings Prosperity), O (*Al-Manihah* Concept Stimulates the Openness and Accountability), U (*Al-Manihah* Concept Reduces Unemployment), C (Crisis and Economic Recession May Pose Threat to *Al-Manihah* Concept), ND (Natural Disaster May Pose Threat to *Al-Manihah* Concept).

It indicates that the dependent variable (SS) has negative correlation (-0.12) with IFP, (-0.17) with DPA, (-0.06) with F, (-0.14) with T, (-0.17) with DI, EG, and P, (-0.01) with PNS, (-0.14) with DII, (-0.003) with OA, (-0.1) with U, (-0.03) with C, and (-0.07) with ND. Also SS has positive correlation (0.16) with OA, (0.03) with M, and (0.09) with LOP and MD.

Tabel 4.5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.467 ^a	.218	.146	.11208

Table 4.5 displays the R (Multiple Correlation value representing the correlation between the actual scores of the dependent variable and the scores for the dependent variable predicted by the regression equation) which is 46.7 percent. The table also displays the R squared (the multiple squared correlation value that if multiplied by 100 can be interpreted as a percentage to indicate that the independent variables account for 21.8 percent of the variability in the scores of the dependent variable). The regression of this model is significant.

On the other hand, the equation of the Least Squares Regression Line is $SS = 1.12 - 0.31 IFP - 0.02 DPA + 0.008 OA + 0.008 F - 0.04 T + 0.054 M - 0.005 DI - 0.051 EG + 0.017 PNS + 0.014 LOP + 0.011 MD - 0.020 DII - 0.017 P + 0.036 O - 0.004 U + 0.003 C - 0.006 ND$.

The variables in the model are SS (*Al-Manihah* concept supports SMEs), IFP (Islamic Financial Product), DPA (Distribution of Productive Asset), OA (Utilizing Asset by Other *Aqad*), F (*Al-Manihah* Concept Fulfills the Borrower Needs), T (*Al-Manihah* Concept Building Trust and Confidence), M (*Al-Manihah* Concept Building Moral Value and Responsibility), DI (*Al-Manihah* Concept Develop Islamic Financial Institutions), EG (*Al-Manihah* Stimulates Economic Growth), PNS (*Al-Manihah* Prevents *non Shariah* Activities), LOP (Lack of Responsibility May Occur in Process of *Al-Manihah* Concept), MD (Misuse and Damage of the Asset May Occur in Process of Implementing *Al-Manihah*), DII (*Al-Manihah* Concept Develops Islamic Financial Product), P (*Al-Manihah* Concept Brings Prosperity), O (*Al-Manihah* Concept Stimulates the Openness and Accountability), U (*Al-Manihah* Concept Reduces Unemployment), C (Crisis and Economic Recession May Pose Threat to *Al-Manihah* Concept), ND (Natural Disaster May Pose Threat to *Al-Manihah* Concept).

5. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

This study is aimed at evaluating the opinion among focus groups from six Islamic financial institutions in identifying the implementation of *Al-Manihah* concept as an alternative to develop SMEs in Indonesia. Basically, the concept is *Shariah* based which is supported by jurists such as Abu Hanifah (d. 767CE), Imam Malik (d. 795CE), Imam Al-Syafi'i (d. 820M), Ahmad ibn Hanbal (d. 855), and Sayyid Sabiq (d. 2000) (Ali ibn Umar Abu A-Hasan Al-Darulqutni Al-Bagdadi, 1966). The concept plays a supporting role in the development of society and business especially for SMEs. As SMEs play an important role in building the prosperity to the society and developing the economy of Indonesia, it is necessary to help the enhancement of SMEs. Thus, the *Al Manihah* concept can be implemented for the development of SMEs.

In order to meet the objectives of the study, the mix method was employed which comprises of qualitative and quantitative approach. The qualitative technique used is the interview with the focus groups from six Islamic financial institutions which are Yayasan Yatim Mandiri Surabaya (orphan Mandiri Foundation), Badan Wakaf Indonesia

(Indonesian Endowment Institution), Badan Zakat Nasional (National Zakat Institution), Bank Muamalat Indonesia, Ghozali Center Foundation, and *Baitul Mal wa Tamwil* (BMT). Their valuable opinions and arguments are reported to identify the implementation of *Al-Manihah* concept in Islamic financial institutions relating to the development of SMEs in Indonesia.

On the other hand, the quantitative technique comprises of the questionnaire which was distributed to the experts and correspondence people who are knowledgeable of *Al-Manihah* concept in Islamic financial institutions, and academic institutions in Java Indonesia. The result of this study shows that, the focus groups from six Islamic financial institutions agreed that the concept is applicable for the development of SMEs in Indonesia. However, the implementation of the concept in Islamic financial institutions can only be done for the nonprofit or non-commercial institutions. It is due to the fact that commercial institutions face strong competition from conventional institutions. Also, commercial institutions are currently developing and building the infrastructure and educating the people to adopt Islamic products.

The concept is currently applied by the non-commercial institutions such as Ghozali Center Foundation in social aspects. It has not been implemented in the business sector. Even if the other concept such as *temporary waqf* which is close concept to *Al-Manihah* concept is not yet applied, in the other hand, Yayasan Yatim Mandiri and Badan Waqaf Indonesia have applied it. Hence, the implementation of *Al-Manihah* concept faces many difficulties such as the concept needs to be legalized by the Council of Indonesian *Ulama'* (MUI), through Fatwa or state of law. It is necessary to legalize the concept in order to implement the concept and avoid the penalty from the Council of Indonesian *Ulama'* related to the use of Islamic financial product in Indonesia.

Furthermore, in interviewing focus groups from six Islamic financial institutions, the findings of strengths, weaknesses, opportunities, and threats (SWOT) of the concept have been accumulated. It is summarized in table 4.1. In the quantitative technique which is based on the questionnaire, there are seven factors that predict the relationship between the dependent variable and independent variable. Since there is no theory to build this concept, it needs to be built by designing a model consisting of variables taken from six factors that compose of eighteen variables. In order to get a significant model, it needs to undergo cronbach alpha test to determine the reliability of the variables. The result of cronbach alpha test is 0.907 for 19 variables. It indicates that the 19 variables are reliable.

However, it needs further tests like factor analysis to determine the compactness and reliability of the variables by reducing the redundant and unnecessary variables. Hence, from a total of 19 variables, it is reduced by two to 17 variables as some of the variables had lower Kaiser-Meyer-Olkin Measure (KMO) that reduces the value of the factor. The KMO value of the first factor is 0.5, second factor is 0.5, third factor is 0.894, fourth factor is 0.5, fifth factor is 0.82, and the sixth factor is 0.5. After that, the multicollinearity and singularity of the variables was tested. Looking at Table 4.2, the value of 1- Tolerance for each variable is not one (1) or close to one (0.9). If the value is one (1), it has singularity problem. And if the value is close to one (0.9), it has multicollinearity problem. Since the

value of each variable is from 0.10 to 0.72, it doesn't have the multicollinearity or singularity problem.

Finally, to achieve a significant model, correlation and regression study of the variables needs to be done. Table 4.4 shows the correlation between the dependent variable which is the idea that the concept supports SMEs (SS) to independent variables which are IFP, DPA, OA, F, T, DI, EG, PNS, DII, P, O, U, C, ND (negative correlation) and M, LOP, MD (positive correlation). Then, the overall model is 21.8 percent explained by the variables looking at table 4.18 from R squared. And the equation of the Least Squares Regression Line is $SS = 1.12 - 0.31 IFP - 0.02 DPA + 0.008 OA + 0.008 F - 0.04 T + 0.054 M - 0.005 DI - 0.051 EG + 0.017 PNS + 0.014 LOP + 0.011 MD - 0.020 DII - 0.017 P + 0.036 O - 0.004 U + 0.003 C - 0.006 ND$.

5.2. Contribution and Recommendation of The Study

The study contributes to the body of Islamic finance knowledge and economy in several ways. The research also offers a methodological contribution by using the mixed method. This is carried out by combining the analysis of interviews from the focus groups from Islamic finance institutions and questionnaires filled by experts and respondents who are knowledgeable of *Al-Manihah* concept. The findings of the interview from the x focus groups from Islamic financial institutions was useful in understanding and digging information related to the implementation of the *Al Manihah* and other similar concepts in Islamic financial institutions in Java Indonesia.

This research also contributes by involving people in many fields such as individuals, Islamic financial institutions, entrepreneurs, SMEs and researchers due to the uniqueness of the statistical model employed in this research. The recommendation of this study is classified into two. First is concerned with the practice of Islamic financial institutions and second is the concept development in creating the Islamic finance product development. With regards to the findings, the researcher has some recommendation for the practice of Islamic financial institutions. There are core aspects that should be incorporated in Islamic financial institutions practice. Those are the legal aspects of *Al-Manihah* concept as well as developing the concept to business sectors besides the social sector. Socialization of the concept to Islamic financial institutions, society, and law legal institutions such as the Council of Indonesian *Ulama'* (MUI) helps to establish the fatwa relating to the concept in order to legally implement it in social and Islamic financial institutions so as to develop the SMEs in Indonesia.

5.3. Suggestion for Further Research

The focus of the study is to identify the implementation of *Al-Manihah* concept in Indonesia. It is pertinent to assess the application and implementation into Islamic financial institutions. During the investigation, this research did not enlarge the sample and population of the study due to time constraints and unfamiliarity of the concept to the correspondents of the research. Another limitation is that this study needs further correspondents in order to increase the confidence level and attain significant result. Also, it is recommended to input more significant variables to build a stronger model. Basically,

this study is still in preliminary stage, especially on the application of the *Al-Manihah* concept in developing the SMEs in Indonesia. It has many aspects that can be discussed for the future research.

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