

A Synergistic Model of Retail-Business Development through Sharia Micro-Finance Institution (SMFI) and Business-Incubator Units in Islamic Boarding School Sunan Drajat , Lamongan

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ABSTRACT: Islamic Boarding School Sunan Drajat (PPSD), institutionally and economically, is an independent institution of Islamic education due to the facts that it already has a lot of business units in the form of limited company (PT) and other business form. The re-activation of Koperasi Islamic Boarding School Sunan Drajat (the Islamic Boarding School Sunan Drajat Co-operative Institution-PPSDCI) in 2018 followed by its three business subsidiaries namely retail-business unit, sharia micro-finance institutions (SMFI) and businesses incubator unit has strengthen PPSD's business grasp. This study aims to identify the existing model applied at PPSD. Also, it proposes a model synergistic of business development that can be practiced at PPSDCI. This study uses qualitative approach supported by actions research technique analysis. The results of the study showed that the development of retail-business unit, SMFI and businesses incubator unit have been synergistic developed under the pivotal roles of PPSDCI though have not been optimal due to some problems: 1) lack of human resources expert in the related field, 2) lack of micro-finance products which can potentially developed. The model proposed in this study is entitled *One Service Synergistic Model* which meaning that all transactions in retail-business units directly connected with a single IT system in which SMFI acts as the financial system and the business-incubator as a supervisory unit.

KEYWORDS: *retail business, sharia micro-finance institutions, business incubator*

I. INTRODUCTIONS

Pondok pesantren (Islamic boarding school) has become one of the education institutions stealing spotlight as a result of the success the institute gain. Indonesia stands alone as the only country with the most Islamic boarding schools (IBS) in the world. In the past, IBS was known only as a classic Islamic education institutions, but now many Islamic boarding schools have been managed with modern approaches. Additionally, many IBS' have turned into economy-drivers unit for their students and surrounding community as have been witnessed in PPSDCI. The institution was established in 1977, attended by as many as 12.000 students, occupying an area of 140 hectares (PPSD Profile, 2016). This modern institution manages several business units: PT. Sunan Drajat Lamongan (Sunan Drajat Lamongan limited), CV. Aidrat , printing business unit, department stores, "Sunan" noni plantation, Persada television broadcast, Persada Radio, Sunan Drajat Restaurant, chickens and goats breeding, bookstore laundry, canteens, convection etc. PPSD officially re-activating PPSDCI in 2018 targeting PPSD's students and alumni settling outside PPSD through retail-business unit, sharia micro-finance institutions (SMFI) and businesses incubator unit. The business unit which operates under PPSDCI will be the main focus of this study.

Generally, PPSDCI is promising in three fields. First, economically potential (having many business units that could be utilized as an on-site practical laboratory for students and alumni).Second, institutional potential as business incubator unit has been ready to use. Three,(large) market niche potential as the abundant number of students and alumni. The development of PPSDCI business wings are expected to enlarge its business area, yet the absence of practical and synergic development model has been a perpetuate issue in PPSD. Hence, a model that possibly be used as guidance for business units to operate in synergistic manner is essentially needed. On the other hand, this guidance will put the institution in more independence stance. The purpose of this research is to look at the current system running to develop the retail-business unit, sharia micro-finance institutions (SMFI) and businesses incubator unit. Also, it proposes a synergistic development model that can be applied at PPSDCI. Based on the above research problem formulation, we propose the following questions: first, how the existing development-model of business units that has been being applied

PPSD, second how the proposed synergistic model which can possibly applied to develop the retail-business unit, sharia micro-finance institutions (SMFI) and businesses incubator unit.

II. LITERATURE REVIEW

Retail business is a trade line of modern concept. In Indonesia, this business strand run by several market players, such as: alfamart, indomaret, 212 Mart, Basmalah etc. The development of retail business in Indonesia has been very rapid. The business is not only owned by individuals but also groups or institutions such as Pondok Pesantren (Islamic Boarding Schools / IBS) has been developed this strand of business as one of its objective is to provide students' needs. In IBS of Sidogiri, the institution has established Basmalah Mart, whereas at PPSD has opened Toserba Sunan Drajat (Sunan Drajat All-Products Store). The existence of this business in IBS' need to be fully considered developed and enlarged. There are several ways to raise this business: self-providing goods, utilizing information technology in pursuit for service excellence, training to gain skillful man-power through the businesses incubator, creating capital-network through SMFI.

Many IBS' have develop financial services by establishing SMFI in which the institution acts as a business entity and owns certain forms financial assets (*Financial assets and non-financial assets*) or real assets which are managed in accordance to the sharia principle called *Baitul Mal Wat Tamwil* (Buchori, 2012; Ahmed, 2012). The main concept of sharia financial institution (SFI) is to provide guidance and funding based on Sharia principles in all economic activities, especially in alleviating middle and lower economy-groups (Rahman, 2007; Riwanjanti, 2013). Based on the above definition, it is reasonably appropriate to adopt SFI's as a driver to encourage pro-creation of business unit. Additionally, SMFI's can collaborate with IBS's businesses incubator to provide a reliable, professional and skilled human resources.

The Islamic Boarding School's business incubator has subtly begun to emerge since the establishment of IBS started. There have been many IBS that have business activities and have been able to provide independence to the host institution i.e IBS. This is possible because, in general, IBS' have played their role as business incubators which support the birth of *entrepreneurs*. Currently, IBS' have successfully become un-official business incubators even though under modest system. IBS is not only an *eco-system of education* but also an *eco-system of economy*, especially its scholarly and entrepreneur roles so that it can also provide independence in the boarding school. Furthermore, so it can be justified if the boarding school can also be said as an incubator institution. However, to optimize its role, official institution of business incubator is necessary in IBS milieu (Adikrishna, 2011; Thahir, 2014; Tan, 2015).

III. RESEARCH METHOD

This research is conducted to obtain an overview of the *existing* model of development model of business unit that has been practiced in PPSD. Subsequent to evaluation and action to resolve the problem, the results then of the action being evaluated and discussed through FGD (Focus Group Discussion) to gain correct model so that it can be proposed for PPSD. To conduct all these stages, the researcher adopts a qualitative research method by using *Action Research* (AR) approach. This method was selected due to its fitness with the research problem identified because the researcher directly involved in on-site observations. As for the data collection, the techniques used are interview, participant observations and focus group discussions.

IV. DISCUSSION

1. Business Development at Sunan Drajat Islamic Boarding School (PPSD)

PPSD is known as an Islamic Boarding School that is already independent to fulfill its economic needs because the institution are already a number of businesses entities which are in the form of PT (limited company) and CV (capital venture). Nonetheless, of all these business units are generally owned directly by IBS caretakers and managed by caregivers' family. Since its first establishment, PPSD principal has known as a driving leader and education initiator; no wonder he was been given an honorable title of doctor of *honoris causa* from an institution in the United States. In November, 2018 PPSD began to develop its business line based on the concept of cooperative institution. This is done by reactivating PPSDCI which was actually had established in 1992 and had not been managed professionally in its infancy up to 2018. By re-instituting this cooperative enterprise, the school board expects the alumni, students and neighborhood community take part and contribute in the development of a business which has been grown and expanded.

2. Sunan Drajat Koppontren Management System

Sunan Drajat Koppontren (PPSDCI) is a business entity under the Sunan Drajat Islamic Boarding School (PPSD) management and the Students and Alumni Association of Islamic Boarding School SunanDrajat (Pessandra). PPSDCI introduces two visions guiding its business operational endeavor: First, to improve the students, alumni and Ummah (a whole community) welfare through business units that are run based on the Sharia principles. Second, preserve business culture embodied in three core values; progressive, trustworthy and independent. Based on the that vision, it is clear that the business orientation

of PPSDCI is more comprehensive compared to the previous one, better management system, run by more professional personnel and supported by the latest information technology system. PPSDCI has managed many business units, among other are as follows:

- a. USPPS BMT Sunan Drajat
- b. Sunan Drajat Mart
- c. Business Incubator
- d. Sunan Drajat Celluler
- e. Sunan Drajat Restaurant
- f. Sundra-Pay

At the preliminary-research stage there were only handful business units i.e. USPPS BMT Sunan Drajat, a SMFI, Sunan Drajat mart as retail business unit and Business Incubator as a business quality appraisal of operational as well as evaluator board. By May, 2019 three business units have been established under PPSDCI management namely Sunan Drajat Cellular, Sunan Drajat Restaurant and Sundra-Pay. After some interviews and, it has been found that SMFI had already opened a branch office. The same thing followed by BMT Sunan Drajat, Sunan Drajat Mart, Sunan Drajat Cellular, Sunan Drajat Restaurant and Sundra-Pay by opening one branch office/unit. These business units are valuable become assets for PPSDCI and monitored directly by the board of PPSDCI. For simplicity, we focus on the strengths and weaknesses of the PPSDCI's management:

a. Advantages

There are several advantages that seen in the operational of all business unit under PPSDCI, especially in its struggle to synergize all business units:

- 1) All PPSDCI's members which consist of students, alumni and PPSDCI's enthusiasts are required to put compulsory deposits and principal deposit.
- 2) The vast number of PPSD's alumni and students.
- 3) The board accepts only those who have passed a strict selection process as an officers/employees. The selection process is conducted through several selection steps: interview, written test and psychology test. These tests are designed and adjusted based on field or units the selectee are interested in.
- 4) The Board through institutionalization of businesses incubator set standard operations tailored for each business unit which should be obeyed and followed by all managers.
- 5) Each business unit led by a manager of operation who is accountable to the PPSDCI's board and object of periodic report (daily, monthly and yearly) related to the whole activity done by each branch or unit of a business.
- 6) The board through business incubator unit conducts a monthly audits on the entire business unit i.e. administrative audit, financial audit, human resource audit and information technology audit. The caretakers who are at the same time run the business incubator as a manager, responsible for these auditing activities.
- 7) All the business units have utilized a sufficient information technology system even though they are not yet integrated as a single inter-connected entity.
- 8) BMT Sunan Drajat has become a unit with the most branches due to a better business development plan compared to the other unit. This BMT has already operated its own ATM including BMT mobile-service in which PPOB (Payment Point Online Bank) service is already active.
- 9) Sundra-Pay is the latest business unit compared to the other unit and becomes the first a fin-tech platform owned by PPSD.

Weaknesses

- 1) Lack of human resources resulting in double duty, for instance the manager in business incubator is the same person in the PPSD board.
- 2) The available SOP should be equipped with a better supervision and governance system in term structure. To paraphrase, the periodic report is not only reported to the board but also be submitted to external supervisor.
- 3) Independent supervisor is important and need to be assigned immediately (the ones who do not have a family or alma-mater relationship with PPSD) seeking for neutrality and accountable supervision report.
- 4) Integrated IT system is under process of establishment with the entire business unit This way, the audit process will not only be done manually but will be better run under "audit by system" so that the evaluation process can be carried out effectively.
- 5) special for USPPS BMT Sunan Drajat, although the institutions already has been managed by an IT system but a design of financial product that is integrated with the entire business units is absent. Thus, a more synergistic product is needed.

Based on the above description, it can be concluded that PPSD through PPSDCI are have already carried a synergetic operation among the retail businesses, SMFI and businesses incubator unit. Yet, all the process are still performed manually, and the main issues are as follows:

- 1) Limited available experts
- 2) Limited design of integrated financial product
- 3) Limited integrated IT systems

In general, the synergistic model which have been practiced in PPSD is as follows:

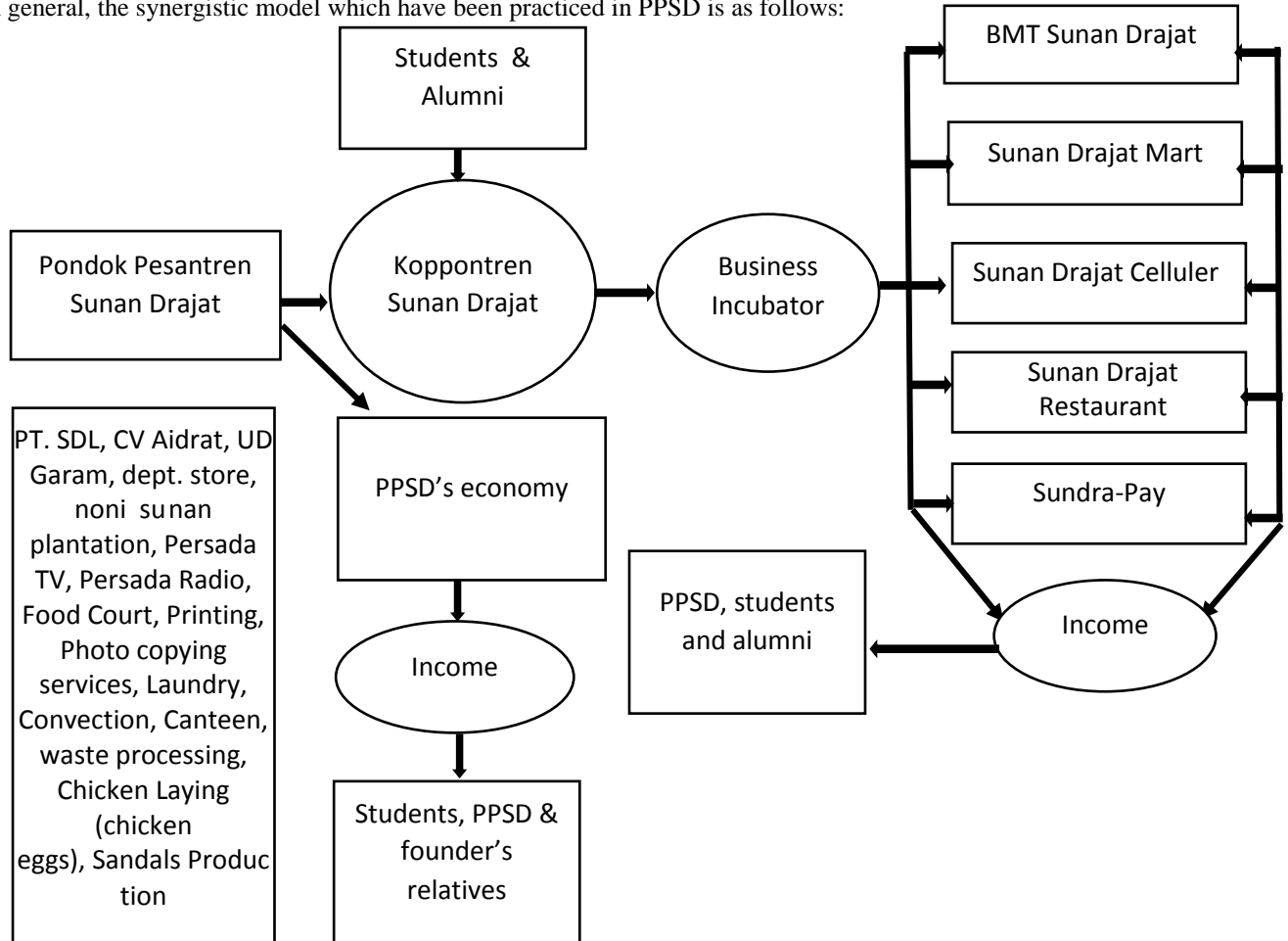


Figure 1.
The Existing Model

Based on the above figure, it is clear that there are two synergistic systems used at PPSD: First through PPSDCI with its several business units i.e. BMT Sunan Drajat, Sunan Drajat Mart, Sunan Drajat Celluler, Sunan Drajat Restaurant, and Sundra Pay, where all units are controlled by business incubator. The profit generated from these business unit is designated to the following groups: 2.5% for alumni and students' saving (principal), 2.5% for cooperative-member saving (mandatory), scholarship and human resources development assigned 2.5%, PPSD development fund (grant) acquired 25% and Pessandra acquired 10%, reserved-fund for PPSDCI development acquired 50%, management, supervisors, the sharia supervisory board and chancellor acquired 2.5% and finally social fund amounted 2.5%. As for the incubator unit, this unit serves as the controlling or monitoring agency of all other the units that run under PPSDCI though with some drawbacks such as human resources and un-integrated IT system. While the next system is in the *Perekonomian Islamic Boarding School Sunan Drajat* (SDIBSE-Sunan Drajat Islamic Boarding School Economy) with its several business units such as: PT. SDL, Aidrat CV, Salt Trade Company, Department Stores, noni plantation, Persada TV broadcaster, Perasada Radio, Food Court, Photo Copying services, Laundry, Convection, Diner, Waste Processing Unit, Laying Chicken (chicken eggs), Sandals Production. All income derived from every business unit under the coordination of PPSD is distributed for the benefit of the institution itself, students and caregivers relatives.

The differences between these two systems are on how the profit is being distributed. Income derived from PPSDCI is distributed for both the alumni and the community (who belong to PPSDCI's members/external). While for the *Perekonomian Islamic Boarding School SunanDrajat*, the income is distributed for PPSD's development and welfare (internal). This study focuses on PPSDCI as with expectations that this study will be accepted and applied based on four considerations: First, the institution is newly developed and reactivated. Secondly, the existing business units are appropriate and closely-related with the research problem defined in advance. Third, the existing problem in the targeted unit is not complex and can possibly be repaired. Fourth, sources of power that exist can receive input for betterment and improvement of the system.

3. Synergistic Model to develop retail businesses, Sharia micro-finance institutions and business incubators.

There are several stages to develop the above model which intentionally adapted to the research method. These stages are formulated based on the problems encountered on the field and then design the completion strategy and then tested. This is as direct research-action at the research site. Clearly explained, this stage is as follows:

a. Problem Diagnosis, Action Planning and Action

The diagnosis stage is done to acquire and formulate the main problems faced on the field. While for the action planning, it is carried out in order to build a plan or proposal to solve the problem. Finally, while the actions step is performed by carrying out trainings provided by researchers for the administrators and managers of PPSDCI which described in detail as follows:

1) Limited Human Sources

Human resources in at PPSDCI, especially in business incubators, are still very limited, and many persons are still taking double-jobs for instance the chairman is concurrently in financial audit, secretary and human resources audit, administration, recruitment, guidance and supervision, treasurer and IT including infrastructure-facilities audit. This shows – again, that the existing human resources in PPSDCI are tremendously limited providing the area coverage and the number of business units. This is problematic and must be resolved immediately because in principle one person cannot be in charge with many tasks or responsibilities risking unsatisfying work-performance. To address all of these, there are several stages that need to be carried out by PPSDCI: First, the ideal structure must be raised by assigning one different person for every responsibility or task since every task is very unlikely similar. For example, the office manager reports to the supervisor officers, while the incubator manager is tasked to carry out recruitment, coaching, controlling and direct supervision of operationally and then is obliged to report to PPSDCI's management. Second, PPSD's Business Incubator favorably consists of several divisions i.e. recruitment, guidance, supervision and controlling division. Each division must have at least a number of people who can be assigned specifically in to the existing business units. Third, it is possible that PPSDCI provides scholarships for promising students if there are still difficulties in finding human resources. The funds is likely from PPSD's education and social funds which distributed appropriately based on PPSD's AD/ART (organization statute). The awardees accept the grant once they graduated and then assigned vacant positions in accordance with their respective fields of expertise. Fourth, the existence of the Sunan Drajat Institute near to PPSD can be optimized by opening a study program that has direct links with PPSD's business units. Hence, the business units can automatically absorb all graduates. Furthermore, the authors have provided training for administrators and managers in charge of recruitment, training and basic supervision management.

2) Limited designs of integrated financial-system

The product design that is currently available in USPPS-BMT Sunan Drajat is limited. Meaning, the system has not been available yet to be used by the entire business unit and clients. The current system only supports the "*simpanan wadiah*" services (business unit of deposit-savings). While for financing services was available at beginning of the establishment of the business unit and has not offered yet since then. These condition can be fixed through the following ways: First, each unit which already run the business is not only required to offer *wadiah* saving but also *mudharaba* saving in the form of deposits. Second, preferably all units under PPSDCI are not only given *Qard* funding alone but also other form of financing such as *mudharabah*, hence the economic results obtained by each unit of business will be larger. Third, if possible, the funding scheme is not distributed in the form of hard cash (financing), on the contrary it is recognized as PPSDCI's. In this particular scheme, consequently, PPSDCI as the principal must allocate a recognizable amount of budget for each business unit. Alhifni (2019) formulates some models of financial-product design that can be applied to several business units of at PPSD through saving, financing etc. in order to optimize the existence and SMFI's role to empower communities' economic- wellbeing. In regard to this, the authors have provided training for management and managers related to sharia contract agreements and sharia financial-products development.

3) Limited integrated IT systems

IT Systems currently on duty is a system operated independently from one from another. Each managerial function, ranging from management, reporting and monitoring functions, has not run in integrated (manual). This also hinders supervision unit to do its tasks since the business units scattered in large area and fairly far separated. To make it worse, the number of human sources is not sufficient. Strategies that can be applied: First, create application which can be accessed by the entire clients or customers of all business units under PPSDCI. Second, go and utilize any social-media platforms available i.e. whatsapp (to report daily or monthly transaction operations). Third, apply barcode system which can be utilized by the entire business unit so that it can be integrated under one umbrella. In this issue, authors have already provided training for administrators and managers, especially to synergize financial-statement reporting system.

b. Evaluation of Action that has been done

There are several stages of evaluation conducted after giving training in PPSDCI. The stages are adapted to issues faced by the management. The mentioned evaluation system can be explained as follows:

1) Basic Training of recruitment procedures, employee training and supervision.

This training that is done in three chapters: First, procedure of recruitment ranging from making online advertisement for employee and manager. Second, training of employee coaching designed specifically to each business unit and anyone who likely need for completing other tasks. Third, training on management supervision which is specially designed to focus on object and techniques of supervision. Furthermore, authors also conducted mentoring session to encourage trainee practicing the gained knowledge back at the business unit. After the training, it can be seen that the trainee has practiced the knowledge acquired in the training in systematic online recruitment procedure and published the vacancy advertisement in several social media platform. Not only that, the managers has conducted several tests to get qualified employees i.e. writing test, psychology test, interviews, medical & health checking. However, for systematic mentoring and coaching program, PPSDCI has routinely held these activities at least once a month which gives essential knowledge on sharia, management, administration as well as IT. Although supervision tasks has not been optimal yet, several auditing function have been designed i.e. financial audit, administration audit, human resource audit and IT audit. This is due to double-functioned role run by some administrator in HR department. Authors have provided an auditing template can be used easily. The template is a manual aid, yet it is adjustable to online system and PPSDCI needs.

2) Training on sharia-based contract and design of BMT product-development

The training was carried out in five stages:

1. Introduction of Islamic economics Stage

At this stage authors provide training that focuses on the sharia economy knowledge and the differences to other economic system. The purpose of this training is to provide basic philosophical-knowledge for the entire employees about sharia economy. So, they can understand the matters precisely and completely. On this stage, the authors also shared the results of his work in the form of a book about BMT that can be used as an operational guide.

2. Contract Recognition Stage

On this stage, the authors give an introduction knowledge of contract, the terms and the pillars of the contract, especially *Muamalah Maliyah* contract as well as the sharia legal-grounding either in the form of *verses*, *hadiths*, *ijma'* or *qiyas*. Also, this stage is used to introduce basic *fiqh* (Islamic jurisprudence) rules which relate directly to the *muamalah* contract agreement. The purpose of this training is to provide knowledge regarding the sharia contract for the whole employees at PPSDCI, hence they can differentiate between contract agreement that appropriate to sharia and that are not.

3. Introduction of sharia financial products

At the stage the authors provide an introduction to several types of sharia products that exist in BMT including the usual applied at BMT including its contract form, how to design product brand, promotion techniques, product introduction and product evaluation.

4. Profit-sharing calculation stage

On this stage the authors provides explanation related to some calculations that can be applied with purpose that BMT can choose the most appropriate and precise calculation with the conditions that exist in the BMT. The calculation should be sharia compliance as well as to keep into account the existing competitors.

5. Product-development Design stage

On this stage the authors provides explanation and technical training related to the product design, its preliminary analysis, product feasibility, contracts, cost analysis, products application analysis, products

promotion technique, products evaluation. After the training, the authors expect that BMT can design an innovative product and able to compete with other institutions. Furthermore, BMT will be able to create more fulfilling products which meet the market needs and easily accessed by the public.

3) Training on The importance of IT in the industrial era 4.0

In this training the researchers only provide training through seminars on the importance of IT in the industrial era 4.0. The training put more stress on the IT integration among business units. Achieving this, there are several approaches that can be done: 1) IT development for management system, 2) IT application for Human Resource (HR) management system, 3) IT implementation to aid marketing product, 4) IT application for evaluation and controlling system. When all these IT approaches already completed, the management will reap convenience and efficiency in terms of time span, cost expenditure and human resource utilization to run the entire managerial and operational activities.

Based on the explanations and the evaluation above, the authors' analysis and FGD result have resulted in a model that is illustrated below:

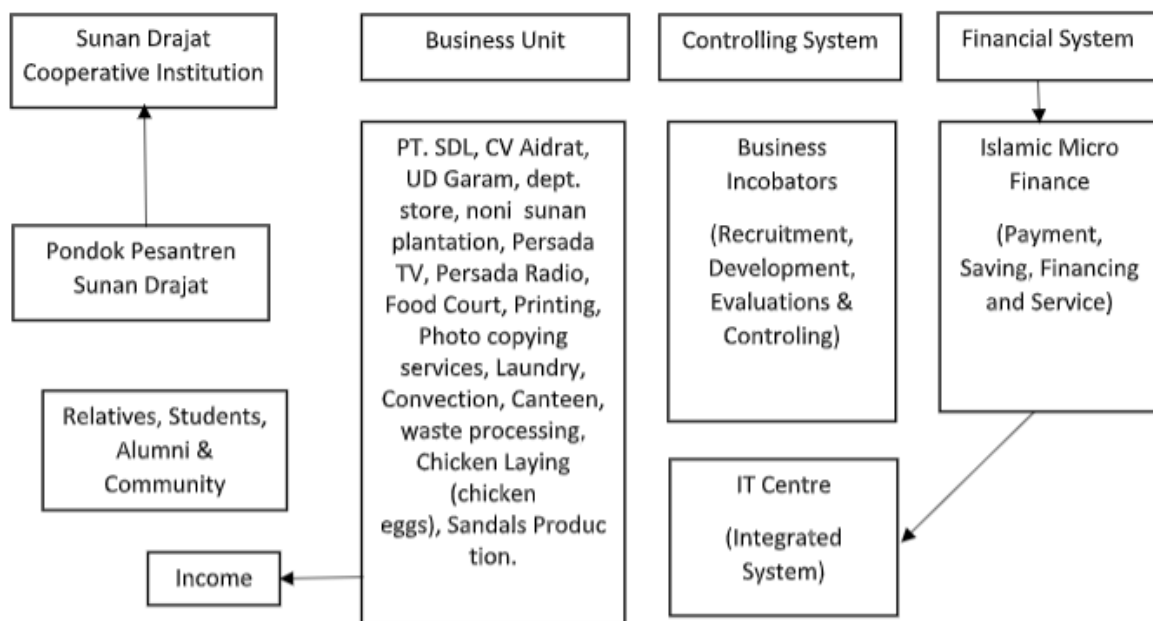


Figure 1.2
Synergistic Central Model

Based on the image above, it can be explained that the proposed model above is called *One Service Synergistic* meaning that all transactions done by all retail business unit is directly connected to SMFI, business incubator units and other businesses units. This is possible because the IT system is already inter-connected among each other. Additionally, all business units are centralized under Koppondren (PPSDCI) coordination. This model makes possible a system design through the business incubator in which some managerial activities executed such as recruitment, development, evaluations and controlling. To facilitate and ease the run of financial system, a centralized system is established in the form of financial system. The business unit income is expected to rise as long as every plan goes as prepared due the system centralization which in turn fixes the operational and cost efficiency as well as controlling or supervision. Having done all things mentioned previously, PPSD will be easier to manage and pull of benefit mentioned for the wellness and greatness of not only the PPSD, PPSD's family, alumni but also the whole community in general.

V. CONCLUSION

1. There are two types of *synergistic model* that have been implemented by PPSD: First, through PPSDCI with its several business units namely BMT Sunan Drajat, Sunan Drajat Mart, Sunan Drajat Celluler, Sunan Drajat Restaurant and Sundra Pay where all units are controlled by the business incubator. As for the incubator, it serves as a controlling or monitoring agency of all the business units under PPSDCI, although the function has not run optimally yet due to limited available expert, limited design of integrated financial products and limited integrated IT system. Second, through the PPSD Economy Program with its several business units such as PT SDL (SDL limited company), CV Aidrat (Aidrat Limited Partnership),

- UD Garam (Salt Trading Company), Department Stores, noni plantation, Persada TV Broadcast, "Perasada" Radio, Food Court, Photo Copying service, Laundry, Convection, Diner, Waste Processing, Chicken Laying (chicken eggs), Sandals Production. All income derived from these units is used for the benefit of PPSD, PPSD's students and caretakers & managements' relative.
2. This study resulted in a proposed model which is called *One Service Synergetic* meaning all transactions carried out retail business unit is directly connected to SMFI, business incubator unit and other business unit through an integrated and online IT system, so that the expected results are more optimal and beneficial.

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