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EVIDENCE FROM INDONESIA: IS IT TRUE THAT MUDHARABAH FINANCING AND MICRO BUSINESS FINANCING ARE AT HIGH RISK FOR SHARIA BANKING BUSINESS?

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ABSTRACT

Mudharabah financing is basically a financing instrument proper partnership scheme in an effort to improve the class of micro business toward the small and medium business class. The results of NPF analysis and CAR ratios of sharia public banking from 2014 to 2017 show that the portion of *mudharabah* financing is still smaller than debt-based financing. Consumer financing *murabahah* NPF gives the largest contribution to the increase of total financing NPF. In contrast, *mudharabah* financing NPF has a small contribution to the increase in total financing NPF. In the meantime, based on the use of funds and business groups, working capital financing NPF for MSMEs decreased. In contrast, working capital financing NPF for Non MSME has increased. The amount of NPF of investment financing for non-MSMEs is relatively the same as financing NPF of MSME investment. However, the average non-SME consumption financing NPF is greater than the NPF of working capital and investment financing NPF. So far, differences in business group criteria and the minimum financing ceiling set by sharia banks are an obstacle for micro entrepreneurs to access financing. CAR value of sharia banks until the end of 2017 is still within safe limits, as it is still quite far above 12%. Considering the financial performance as well as considering the resilience of micro businesses that have been tested during the 1997 and 2008 crises. They have important role as the main buffer of the real economy of Indonesia. All of these reasonable that their existence is taken into account and considered by policy makers and sharia public banks in the form of easy access to finance.

KEY WORDS

Sharia public banking, mudharabah financing, micro business, bank.

Hitherto, sharia public banking still sets the prudent principle in disbursing the fund (financing). Ironically, mudharabah financing is considered the most highest-risk financing. Therefore, sharia public banking is not ready to receive financing for this kind of product (Hariyanti, 2016). Associated with mudharabah financing agreement, micro business so far is considered a high risk business group in return of funds or capital. Sharia banking generally considers micro business as a business group that has a high risk potential of failure of business so that impact on continuity of return of capital. The stability and sustainability of business or business run by micro entrepreneurs is a consideration for sharia public banking in disbursing financing. Microenterprises are declared weak in accounting records. Their transparency in reporting the return on business results is still questionable by Islamic banking. In essence, micro business is considered not bankable, weak administration, and profitable small. This negative stigma is still attached to the micro business. Fate is better experienced by small and medium business. The track record of small and medium business is considered better, a major consideration of the national banking of Indonesia (Hadi, 2017). The main weakness of micro business is in capital or financial aspects. They are difficult to expand their business due to limited access to finance. When viewed from its

characteristics, in principle *mudharabah* financing is more precisely directed to the development and empowerment of micro business.

The 1997 crisis should be a precious erudition for the Indonesian government as the ability of micro businesses to maintain its business continuity. During the 1997 crisis, 96% of MSMEs able to survive the storm of the monetary crisis. Most of them are micro businesses. The resilience of micro business was also tested again during the financial crisis of 2008-2009 (LPPI and Bank Indonesia, 2015). Micro businesses can survive because they use local raw materials while their products are exported. Indirectly this micro business also plays a role in maintaining the rupiah exchange rate. In another sense, they also play a role in saving the country's foreign exchange. In addition, the resulting product is generally a basic need of society. So automatically, they also participate in maintaining the stability of inflation staple needs in the community. Thus, micro business is a real key player in driving the real sector economy at the moment, although many medium and large businesses are collapsing. However, up to now sharia public banking in particular, still provides a small portion of *mudharabah* financing to micro business groups. Until now, small, medium and large business are still more prioritized by sharia banking. Because small, medium and large businesses can provide administrative completeness and guarantee that become prerequisite in financing. Based on the explanation from the Ministry of Cooperatives and SMEs that the number of micro businesses currently reaches 59,267,759 units (Warta Ekonomi, co.id, 2017). Their number is about 99 percent of existing MSMEs. The number of MSMEs currently is 60,008,544 units (Warta Ekonomi, co.id, 2017). Until the end of 2016, micro business has a major contribution to the increase of GDP Indonesia, which is about 38.90% (bisnis.com, 2018). Not only that, micro business also contributes to poverty alleviation programs and reduction of unemployment (LPPI and Bank Indonesia, 2015).

In *mudharabah* financing, sharia public banking as *shahibul maal*. Sharia public banking is actually the right cooperation partner for micro business in developing its business. More precisely, micro business as part of MSME expects this *mudharabah* financing. This financing is considered to help develop their business potential. The Indonesian government actually hopes that, in the presence of sharia public banking, the purpose of economic equality through weak economic empowerment forms can be accelerated. This is expected to narrow the gap between big entrepreneurs and small entrepreneurs. Not only that, empowerment is also expected to create new jobs while reducing poverty. However, since these financing are considered to have the highest risk, so far *mudharabah* financing is not a priority financing product for sharia banking.

RESULTS AND DISCUSSION

Mudharabah financing is basically one of Islamic banking financing instruments that can bridge the government's interest in empowering millions of micro businesses in Indonesia. Currently, financing that emphasizes the element of trust is smaller the portion of financing. The report of Islamic Development Bank (IsDB)¹ in March 2014 shows that at the international level in 2011 the proportion of *mudharabah* (profit share) financing is around 100 million US dollars (this is only 3.09% of total financing). By the end of 2012, the proportion of *mudharabah* financing has decreased, which amounted to 50 million US Dollars (1.35% of total financing). Thus the average percentage of *mudharabah* financing in two years is only about 2.2% of total financing. Research (Chong and Liu, 2009; Nagaoka, 2010; Abdullah, 2012; Zulkhibri, 2015) in Malaysia also shows that profit-and-loss-sharing (PLS) *mudharabah* financing practices are only about 0.5% of non-financing PLS Others. It can be interpreted that Islamic banking in Malaysia in practice leads to less risky non-PLS financing. Research (Khan, 2010; Hanif, 2011; Jamal and Sheikh, 2013) shows that the percentage of *mudharabah* financing in Islamic banks in Pakistan is between 2% - 5% only. In addition, Samad's study (2012) shows that out of a total of twenty-eight leading Islamic banks in the world, only eight banks are implementing *mudharabah* financing (based on PLS): BK Islam Abu Dhabi, Bahrain Bank ABC, Al-Baraka Bahrain Islamic Bank, Bank Islam Bahrain, Bank Muamalat Indonesia, Jordan Islamic Bank, BHD Islami Bank Malaysia, Maybank Malaysia, Al

Barak Bank of Tunisia. The portion of *mudharabah* financing from eight banks is only about 3% - 15.11%.

So far in Indonesia itself, debt-based Islamic finance products are still dominant compared to other sharia financing products (OJK, 2017). Until the end of 2017, the highest rating of sharia financing products in Indonesia is *murabahah* financing with a financing amount of Rp 112.163 billion. *Musyarakah* financing with financing of Rp 56,128 billion. Furthermore, *mudharabah* financing is only worth about Rp2, 275 billion. Then, debt financing or *qardh* around Rp4, 409 billion. Followed by *ijarah* financing with a financing value of Rp 2,138 billion. Finally, *istishna* 'finance with the value of financing of Rp 24 billion (OJK, 2017).

Table 1 – Type of Financing Based on the Akad

Year	Financing Akad Murabahah	Financing Akad Musyarakah	Financing Akad Mudharabah	Financing Akad Qardh	Financing Akad Ijarah	Financing Akad Istishna'
2014	91.867 billion	40.278 billion	8.424 billion	5.256 billion	1.916 billion	153 billion
2015	93.642 billion	47.357 billion	7.979 billion	3.308 billion	1.561 billion	120 billion
2016	110.063 billion	54.052 billion	7.577 billion	3.883 billion	1.882 billion	25 billion
2017	112.163 billion	56.128 billion	7.275 billion	4.409 billion	2.138 billion	24 billion

Source: OJK 2017, processed.

Based on statistical data on funding or financing activities, so far sharia public banking is still always trying to maintain debt-based financing which of course the risk is less. This is seen in the dominance of debt-based financing, namely *murabahah* and *qardh* financing.

Meanwhile, judging from the type of use of funds and categories of business that get funding, it can be seen as follows. Financing working capital in the sector of MSME² in 2014 disbursed funds of about Rp 33,904 billion. By the end of 2015, this has decreased substantially to Rp 26,650 billion. In the meantime, in 2016, working capital finance for MSME sector slightly increased by Rp 28,458 billion. At the end of 2017, this declined slightly to Rp 28,364 billion. On the other hand, working capital financing for non-MSMEs, in 2014 amounted to Rp 28,730 billion. This rose drastically in 2015 to Rp 36,990 billion. In 2016, this increased again to Rp 39,962 billion. This trend continues until 2017, amounting to Rp 40,506 billion.

Table 2 – Type of Financing Based on Business Use and Business Group In Billion (Rp)

Business Use & Business Group	2014	2015	2016	2017
Working Capital:	62.634	63.640	68.420	68.870
• MSME	33.904	26.650	28.458	28.364
NPF	2.446	1.808	1.751	1.692
• Non-MSMEs	28.730	36.990	39.962	40.506
NPF	1.735	2.076	2.239	2.459
Investment:	32.591	40.239	45.768	46.472
• UMKM	16.849	14.228	15.589	15.783
NPF	946	977	1541	1.156
• Non-MSMEs	15.741	26.011	30.178	30.689
NPF	584	1.060	995	1.841
Consumption (Non-MSMEs)	52.720	50.089	63.294	66.900
NPF	1.609	1.534	1.309	1.425
Total Financing	147.944	153.968	177.482	182.242
Total NPF	7.320	7.456	7.834	8.574

Source: OJK 2017, processed.

In the meantime, investment financing for MSME tends to fluctuate. In 2014, investment financing for MSME sector reached Rp16, 849 billion. However, in 2015, this dropped to Rp 14,228 billion. In the year 2016 slightly increased, amounting to Rp 15.589 billion. The end of 2017 has increased slightly to Rp 15,783 billion. In contrast, investment financing for non-MSMEs, from year to year experienced a significant upward trend. Starting in 2014, amounting to Rp 15,741 billion. This jumped dramatically in 2015 to Rp 26,011

billion. This increased significantly again to Rp 30,178 billion in 2016. The end of 2017 increased again to Rp 30,689 billion. In addition, the financing for non-UMKM consumptive purposes, in 2014 amounting to Rp 52.720 billion. This slightly decreased to Rp 50,089 billion in 2015. In 2016, it experienced a significant increase of Rp 63,294 billion. This significant upward trend continues until the end of 2017, amounting to Rp 66,900 billion.

Meanwhile, in terms of financing target, financing for MSME has decreased continuously from 2014 until the end of 2017. On the other hand, financing for non-MSMEs (Large Enterprises) actually experienced a continuous upward trend until the end of 2017. This indicates that non-MSME or big business is considered more bankable and profitable than MSMEs. Indications of sharia banking finance led to more consumptive consumer financing are also shown by steady increases from year to year.

Based on table 2, NPF in working capital financing for MSMEs from 2014 to 2017 experienced a downward trend (LPI 2014, 2015). Conversely, from 2014 to 2017, working capital financing NPF for non-MSMEs has increased significantly. In the meantime, NPF financing for investment in MSME tends to increase from 2014 to 2017. This is triggered by the declining purchasing power of the people due to national economic conditions that are affected by the global economic slowdown and unstable geopolitical situation. Thus, the high NPF is not due to the moral hazard factor of SME actors, but because of global economic conditions affecting the real sector in Indonesia (LPI 2014, 2017). Furthermore, during 2014 to 2017, NPF investment financing for non-MSMEs tends to fluctuate and ultimately increase significantly. On the other hand, for the same few years, consumption financing NPF for non-MSMEs also fluctuated.

In the meantime, fund-raising products have achieved significant growth. In 2014, wadiah savings accounts in the form of demand deposits and savings are approximately 22,705 billion. This has increased again in 2015 by approximately 24.915 billion. The year 2016 has increased significantly by Rp 29,470 billion. By the end of 2017, the wadiah savings fund will rise again by Rp 31.740 billion. In the meantime, for third party deposits that are not in the form of profit sharing in 2014, the collected funds amounted to Rp 146.901 billion. This continues to increase in 2015, which is about Rp 148.896 billion. In 2016, third party deposits increased significantly by Rp 176,937 billion. This continues until 2017, which is around Rp 191.416 billion. Furthermore, for the third- party profit sharing, while newly held from 2014 to 2015, each of Rp 1,117 billion and Rp 1,083 billion (OJK, 2017).

Mudharabah Financing NPF. NPF is a standard warning or cue to measure risk due to the financing activities provided by sharia commercial banks. NPF is higher than the risk of stalled financing is also higher. The lower the NPF value, the less the risk of loss. This NPF is related to 'productive asset quality' owned by sharia public banking (PJOK Number 31 / PJOK 05/2014 on Sharia Financing). The NPF is primarily concerned with the ability of sharia bank customers to settle their obligations (collectible). It mentioned that the collectible is 'Current' if the payment of profit sharing by the customer is on time or there is a delay of up to 30 days. 'Specific Attention' Collectability if there is any delay in sharing customer profits between 30 days to 90 days. In case of delays in customer revenue sharing in the range of 90 days to 120 days, it included in the 'Substandard' collectible category. The 'Doubtful' Collectability if the delay is between 120 days and 180 days. It is said the collectively of 'Lost' if the late payment for the results has exceeded 180 days.

Non-performing finance (NPF) is one of the important indicators to measure the soundness of sharia banking. In other words, this indicator is a reflection of how many problems of financing activities faced by sharia banking. The higher the value the more unhealthy condition of sharia public banking. This NPF is calculated by comparing troubled financing with total financing. Components included in non-performing financing are financing substandard, doubtful, and loss.

$$NPF = \left(\frac{\text{Troubled Financing}}{\text{Total Financing}} \right) \times 100\%$$

While on another occasion, Deden Firman, Director of Islamic Banking OJK stated that sharia banking is still healthy, despite, its 7% NPF. Therefore, OJK has different assessment criteria between sharia banking NPF and conventional banking. Conventional banking is not healthy, if the NPF value is above 5% (Suryowati, 2017). In general, in the table can be seen that the average value of Islamic banking NPF for four years well below the NPF value set by OJK. NPF is 4.95% in 2014. By 2015 the value of NPF is 4.84%. Furthermore, in 2016 the value of NPF is 4.42%. By 2017, the value of NPF is 4.71%.

Table 3 – Troubled Financing (NPF) Based on *Aqad*

Year	<i>Mudharabah</i> Financing NPF	Ratio to NPF Total I(%)	<i>Murabahah</i> Financing NPF	Ratio to NPF Total (%)	NPF Total	NPF Total (%)
2014	383 billion	5	4.040 billion	55	7.230 billion	4,95
2015	179 billion	2,4	4.397 billion	59	7.456 billion	4,84
2016	197 billion	2,5	5.173 billion	66	7.834 billion	4,42
2017	161 billion	1,9	5.595 billion	65,2	8.584 billion	4,71

Source: OJK 2017, processed.

Meanwhile, from NPF based on the *aqad*, the NPF of *mudharabah* financing in 2014 is Rp 383 billion. In 2015, the NPF of *mudharabah* financing decreased significantly to Rp 179 billion. Meanwhile, in 2016 it increased slightly to Rp 197 billion. By the end of 2017, the NPF of *mudharabah* financing has decreased to Rp 161 billion. This shows that the financing of bad debts on *mudharabah* financing is relatively well managed. This means that profit-sharing financing has a positive performance in the control of non-performing financing. In contrast, the development of NPF for debt-based financing, in this case *murabahah* financing has increased and the value is very large. In early 2014, the value of NPF for *murabahah* financing was Rp 4,040 billion. This has increased the surge to Rp 4,397 billion in 2015. This condition continues until 2016 to Rp 5,173 billion. Furthermore, by the end of 2017, the NPF has increased significantly to Rp 5,595 billion.

In the meantime, the proportion of *mudharabah* financing NPF to total NPF in 2014 is 5%. In contrast, the proportion of *murabahah* financing NPF to total NPF in 2014 was 55%. By 2015, the proportion of *mudharabah* financing NPF to total NPF is 2.4%. In contrast, in the same year the proportion of NPF financing *murabahah* NPF to total NPF was 59%. Furthermore, by 2016 the proportion of NPF *mudharabah* financing to total NPF by 2016 is 2.5%. In contrast, the proportion of *murabahah* financing to total NPF is 66%. By the end of 2017 the proportion of *mudharabah* financing to total NPF is 1.9%. In contrast, the proportion of *murabahah* NPF financing to total NPF was 65.2%. Based on the above data it can be seen that the percentage of NPF of *mudharabah* financing from year to year has decreased significantly. In contrast, the percentage of *Murabahah* NPF financing has increased dramatically from year to year.

Further, proportion of *mudharabah* financing NPF for total NPF is small. Meanwhile, the proportion of *murabahah* financing NPF to total NPF is high. Thus, the cause of NPF is high in sharia banking is not caused by *mudharabah* financing, but because of high NPF or financing problem that occurs in *murabahah* financing. In the sense that the largest contribution to the financing of bad loans in the sharia public banking in Indonesia to date, in fact many occur on debt-based financing or in this *murabahah* is a very consumptive financing. Based on the sample quality asset report from two leading Islamic banks in Indonesia, namely Bank Muamalat and Bank Syariah Mandiri. Bad financing occurs mostly in debt-based and *Ijarah* based. Each worth Rp 1.182033 billion of total non-performing financing of Rp 3,085.379 billion in Bank Muamalat and Rp 826.905 billion from total non performing financing of Rp 906.78 billion that occurred in Bank Syariah Mandiri (Consolidated Financial Statements 2016 Bank Muamalat and Bank Syariah Mandiri Report of Quarter IV 2017). This shows a systematic misperception that the main cause of bad financing is dominantly derived from *mudharabah* financing.

Worse yet, it has formed a negative stigma. That the cause of high *mudharabah* financing NPF is a factor *mudharib* dishonesty in running a cooperation contract with

shahibul maal as described in the agency theory ((Dewi, 2007; Ontar, 2008; Soaduan, 2009; Susana and Prasetyanti, 2011, Karim, 2014). However, by looking at statistical data and two bank samples, all these negative perceptions are not proven. Thus, the greatest risk of NPF occurrence is actually caused by debt-based murabahah financing, not mudharabah financing. Director of Islamic Banking of OJK, Deden Firman, said that the high condition of murabahah financing NPF was caused by the stalled really economic condition. That is the slowing of mining and commodity sectors. This ultimately affected the mining-related service sectors financed by murabahah financing (Suryowati, 2017). Regarding the assumption that mudharib (micro business actors as one of the main parts) are not honest when running a cooperation contract with shahibul maal (sharia bank). In contrast, the figure of National Historian and Humanist, KH Drs Ng Agus Sunyoto, proclaimed loudly that the MSME actors were honest. It is precisely that behave dishonestly it is a big business actors (private interview, November 30, 2017). The 1997 crisis experience proves that one of the causes of the monetary crisis is the mismanagement of the banking world itself. The banking used foreign loans and community funds channeled to its own business group and to the investment sector that does not generate foreign exchange (Tarmidi, 1999). So here is not due to morale hazard factor of MSME actors (mudharib).

Differences Criteria for Micro Business Groups and the Minimum Limits of Credit for Micro Business. The 'trust' of investors and depositors or savers for sharia public banking is key to the continuity of permanent capital injection and temporary capital. Such 'trust' will be lost if the sharia banks are unable or fail to invest their funds in a profitable business sector. In addition, it is equally important that sharia public banking in determining the criteria of amount of the minimum limits of credit or financing ceiling of business group. There is different from the criteria of business group proposed by cooperative and SME ministries, as stated in Law No. 2 on MSMEs. Under the law, the so-called micro business is the sole proprietorship of individuals or individual entities with gross assets of Rp 50 million. This is beyond the value of land and building assets.

Most micro businesses require credit ranging from 5 million to 50 million (www.bi.go.id). With the credit limit or financing of at least Rp 100 million, this will make it difficult for millions of micro businesses that will apply for credit that is far from the minimum credit value. This will automatically be followed by a guarantee that should be provided by a micro entrepreneur of at least 80% of the loan or financing value of Rp 100 million. So, the guarantee that must be provided by micro entrepreneurs is Rp 80 million. This if referring to the provisions set forth in the terms of lending (www.bankmuamalat.co.id). Not to mention other requirements such as NPWP, TDP and so forth. All of this will further complicate the micro business in proposing *mudharabah* financing to sharia banking.

Sharia banking, whose business mostly focuses on fund-raising and limited funds with minimal risk, indirectly sharia banks declare themselves as 'commercial banks' rather than 'investments'. This position will certainly equate the character of Islamic banking itself is the same as conventional banking. Where the conventional banking is more dominant or focus on a profitable commercial sector. This condition is certainly not profitable for micro businesses in the early phases of business and development phase. In contrast, to small businesses whose condition is relatively more established and complete than micro business, when viewed from the financial aspects and completeness of administration and bookkeeping.

Small businesses are slightly able to adjust themselves to the provisions established by sharia banking. Not so with many micro businesses spread across the archipelago. For sharia public banking, micro business is considered a business group that has a high potential risk of business failure (Kementerian PPN/BAPPENAS, 2016). In addition, micro businesses tend to fail to refund financing funds used. The stability and continuity of business or business run by micro entrepreneurs is also a consideration for sharia public banking in disbursing financing.

Capital Adequacy Ratio of Sharia Banking. CAR can be considered as a measure of the ability of sharia banking to offset unanticipated losses. Some even say that CAR is a measure to know the size of the wealth of sharia banks.

$$CAR = \left(\frac{Capital}{ATMR} \right) \times 100\%$$

The CAR value is derived from the comparison between the value of capital and risk-weighted assets (RWA). In the meantime, capital consists of core capital and complementary capital. ATMR for sharia banks consists of assets financed using their own capital and assets financed by profit-sharing accounts. Up to now CAR is a key measure of public trust. A high CAR will lead to a high-level of public confidence. Conversely, low CAR will cause the level of public confidence in sharia banking is also low. Finally, this condition will affect the level of profitability of sharia banks.

Table 4 – Capital Adequacy Ratio (CAR) of Sharia Banking

Information	2014	2015	2016	2017
Capital	19.585	23.409	27.153	25.947
ATMR	124.405	155.894	163.306	154.409
CAR	15,74	15,02	16,63	15,41

Source: OJK 2017, processed.

Meanwhile, until the end of 2017, it is known that the CAR position or capital adequacy ratio of sharia banks is above the minimum limit of 12% sets by Bank Indonesia. Capital adequacy ratio in 2014 is 15.74%. Furthermore, by 2015 the capital adequacy ratio is 15.02%. Then, in 2016 the capital adequacy ratio is 16.63%. The last capital adequacy ratio in 2017 was 15.41. The capital adequacy ratio for four periods that reaches a positive value above the minimum average. It should be rational reason for sharia banks to be more intense and courageous in financing the micro business sector. Keep in mind that the micro business sector requires working capital is not as big as small, medium, and large businesses. In addition, the tenor of financing for micro business is generally not more than one year. The research results of Dini Vientiany (2011) show that the one-year financing period has no contribution to NPL (NPF) financing.

CONCLUSION AND SUGGESTIONS

Mudharabah financing has a positive NPF ratio. For four consecutive years, the trend of NPF decreased, which is below 3% average. This proves the advantages of a profit-sharing system, where this financing when directed to business groups and the right business sector, will be able to reduce the level of problem financing. In contrast, debt-based financing such as murabahah financing have a negative NPF trend, which for four consecutive years experienced an upward trend in the NPF ratio above 60% on average. Murabahah financing has the largest contribution to the increase in non-performing financing (the highest NPF value).

Based on the NPF value of the use of funds and business groups, NPF working capital financing for MSME experienced a positive trend of decline for four consecutive years. In contrast, NPF working capital financing for non-MSMEs (or large companies) experienced negative trends for four consecutive years. This shows that large companies contribute greatly to the increase in NPF working capital financing in sharia banking. Meanwhile, the NPF of investment financing for MSME experienced a fluctuating trend. This is partly due to export-oriented small and medium business. As it is known that for four years world economic conditions are slowing down. So indirectly UMKM export products slightly affected. On the other hand, NPF financing of investment for large businesses (MSMEs) experienced a significant upward trend. Unlike working capital financing and investment financing, consumer financing NPF values are the highest average and over four years fluctuate.

Heretofore, the performance of fund-raising activities (withdrawal from the public) of sharia banking is still more dominant than the performance of financing activities. It is clear that fund-raising activities are the primary choice for sharia banking, as fund-raising activities are less risky than funding activities. Nevertheless, the President Jokowi has reminded and instructed the national banking and sharia public banking as one part, to be more willing to

take risks by increasing its funding activities. If not, then the market potential of this large Indonesian population will be entered by the banking from outside.

In addition, there must be a match between the criteria of micro business version of the government with the criteria of micro business version of sharia banking. If there is a conformity the criteria between the two parties. It is expected that the minimum financing ceiling for micro business determined by sharia banking will adjust to the government's provisions. This is one way to facilitate micro business in accessing financing offered by sharia banking.

The average value of Islamic banking CAR for four years were 15.7%. This shows that the CAR value of sharia banking is quite far above the minimum limit of CAR set by Otoritas Jasa Keuangan.

Taking into account NPF ratio trends of both types of financing, the government as the policymaker and sharia public banking as the policy implementer should prioritizing mudharabah financing. Mudharabah financing NPF risk is smaller than debt-based financing (in this case murabahah financing). Murabahah financing is more consumptive and unproductive. This financing is vulnerable to currency fluctuations and commodity-related prices. Conversely, mudharabah financing tends to be productive. The financing this partnership pattern is more directed to the real business development of community. This partnership financing is less affected by currency volatility and the global economy.

Considering its services and roles as a buffer of the national economy and its proven reliability during the 1997 and 2008 monetary crisis, micro-business should be the primary target for sharia banking in their financing policies. This group will not be as big as a small business or a medium business, without strong attention from sharia banking. Furthermore, taking into account the average trend of NPF (well below seven percent) and good CAR (well above 12 percent) in sharia banking and the appeal of President Jokowi. It is appropriate that sharia banks as one of the intermediary institutions finance. It more attentions to this micro business to be given easy access financing in the form of partnership pattern characteristic of empowerment.

The most important thing to be concerned about is the weakening economic conditions of export destination countries and global geo-political conditions is one example of external factors. This will definitely have implications on the risks of all business-related businesses. Meanwhile, external factors are conditions that cannot be controlled by the government and the exporter (force majeure condition). Thus, the emergence of business risk is not due to the negligence factor of micro business actors as one of them. All parties certainly do not know and are not aware of the risks of this business. Potential business risks caused by forcing majeure factors certainly not expected by anyone, whether it is sharia banking and micro business actors. However, it must be realized that this risk must always exist, only that it can happen in the unexpected future. So it is necessary to understand deeply that business losses due to deliberate omission by micro business actors (risk character) and business risk beyond the ability of micro business actors or due to force majeure (business risk), are two different things in terms of factors causing it.

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¹ IsDB is the Islamic Development Bank which aims to develop humanity thoroughly in developing countries. IsDB focuses on reducing poverty, improving health, promoting education, improving governance and community welfare. The main shareholders of IsDB are Saudi Arabia (24% of the votes), followed by Libya, Iran, Nigeria, United Arab Emirates, Qatar, Egypt, Turkey and Kuwait (IsDB, 2014).

² This sector consists of micro, small and medium business. Thus, micro business is part of MSMEs. However, the characteristics of micro business differ from small and medium business. In addition, the number of micro business in Indonesia is more dominant than small and medium business.