



Women's empowering through sharia crowdfunding

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Abstract

The contribution of women entrepreneurship in the economy cannot be underestimated, but the bias in funding approvals is still an issue. In addition, Indonesia, with its majority Muslim population, also faces challenges to make a financial platform that does not conflict with Islamic law. Based on these problems, this paper offers a solution for developing a sharia-based financing model that focuses on women empowerment through crowdfunding.

Keywords: women empowerment; Islamic law; crowdfunding

Introduction

Gender equality in financial inclusiveness gets a lot of attention from the public, government, and scholars. A lot of literature indicates that there is discrimination against women entrepreneurs in obtaining financing (Harrison, Leitch, & Mcadam, 2015). This statement is reinforced by World Bank, which reveal that the majority of women in developing countries have obstacles in obtaining funding for formal financial institutions (Grabner & Moers, 2013). According to the research, the business ideas of men tend to be more convincing than those expressed by women (Eveleth, 2014).

In Indonesia only 20 percent of MSMEs that have banking access services (Tambunan, 2015). A recent study in East Java also showed that only 22.5 percent of MSMEs received access to formal financial services, and the rest solely relied on personal capital in building their businesses (Suliswanto & Rofik, 2019). In fact, the majority of MSMEs actors are women². The empirical data indicates that women, especially in Indonesia, are truly marginalized in financing. There are issues related to infrastructure in the aspect of difficult access to bank offices for those living in remote areas. Even though in Indonesia, there is an Initiative Financial Services from the Financial Services Authority of Indonesia, this service still uses conventional banks as agents. It is limited to providing credit referrals to borrow from banks ultimately.

Whereas a study conducted by USAID on perceptions of Indonesian women entrepreneurs, women entrepreneurs were considered to have many advantages as a businessman, including excellent communication skills, focus and detail, and also more discipline in managing finances. The study also claims that women entrepreneurs have a 9.9% contribution to GDP. Another issue that also needs attention to financial inclusion

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in Indonesia is people's perceptions about the prohibition of bank interest by Islamic law. Research in the city of Kendari shows that 100% of bank interest is illegitimate; nevertheless, there is 16.67 percent of respondents whose capital comes from financial institutions that apply attention. The study also revealed that the consistency of perception and application of the understanding of interest rates on Muslim traders reached 83.33 percent (Afandi & Ernawati, 2018).

Based on the data and kinds of literature, women entrepreneurs are potential but not accompanied by adequate financing. Moreover, they take into account the illegal perceptions of interest by Islamic law. This paper focuses on the offer of developing a sharia-based financing model that encourages women empowerment. This study contributes to bringing two essential things, namely, answering funding needs for women and providing solutions to banks' interests that are considered illegal by Islamic law.

Crowdfunding

In the business world, innovative ideas are not enough if they are not accompanied by venture capital. Capital is like a tree root. If the root of the tree is not strong, then the tree cannot stand firm to support the trunk, leaves, and branches. Likewise, with business, without enough capital, then the business feels it will be tough to develop. Due to the conventional financing available, crowdfunding can be a solution.

The advantages and characteristics of crowdfunding include: 1) Competitive interest rates, unlike banks or financial institutions that offer other loan services. The crowdfunding platform provides very competitive interest rates for business people. 2) Easy, Short, and Secure Process, the registration process on crowdfunding sites is indeed very easy, also does not require a long time. In addition, the data attached to the site is guaranteed to be safe so that information regarding capital owners or business people cannot be compromised by anyone. Because basically crowdfunding sites are guaranteed security by the Financial Services Authority; 3) without cash or collateral, crowdfunding platforms provide flexibility for businesses to get capital without having to provide advances or collateral in the form of property to the site itself. As long as business people are able to pay the given capital, the funding process will continue to run smoothly according to the agreement at the beginning (Belleflamme, Lambert, & Schwienbacher, 2014; Mollick, 2014).

Fintech

Judging from its purpose, fintech looks very efficient. But, behind the advantages there are also shortcomings that we need to know. Utilization of technology to facilitate financial services is very helpful for companies and consumers. The service process offered is very cheap, fast and efficient (Lee & Shin, 2018; Philippon & Philippon, 2019). In addition, Fintech also has a very high level of security, so consumers don't need to worry about using this fintech application. From the security sector, Fintech has the latest security methods, so it ensures customer data remains safe. The latest options for security used by Fintech are biometric data, tokenization, and encryption (Kim & Hong, 2016).

Fintech also provides a very fast financial service process. Like the financial documentation process, the loan process, or credit score validation. These processes are faster and very efficient. With the existence of fintech, consumers can enjoy financial services that are more comfortable and efficient. The fintech application really helps in controlling finances. Utilizing this financial technology will get ease in serving consumers (Romanova & Kudinska, 2016). The company only needs to provide cellular connectivity to access all types of services to consumers. While for consumers with the presence of this fintech will get convenience in obtaining financial services. As consumers can access and carry out their own transactions via smartphone or tablet owned. Fintech is very helpful in getting information quickly and cheaply. And this fintech guarantees the security of customers' money, because Fintech limits the exposure of information to others.

Islamic Finance Principle

Prohibition of Riba. Riba (in Arabic) is defined as "excess" over something due to sales or loans. Riba been banned without differences of opinion among Jurists. Usury is a violation of the social justice system, equality and the right to property. This is a logical consequence of usury violations which determine the outcome for the investor in advance (Ahmad & Hassan, 2007; Kamla & Alsoufi, 2015).

In industrial and trade societies that are developing today (conventional), the function of money is not only as a medium of exchange, but also as a commodity (limited livelihoods) and as potential capital. In its function as a commodity, money is seen in the same position as the goods which are used as objects of transactions for profit. Prohibition of speculative activities. This is the same as a ban on transactions that have a very high level of uncertainty, gambling and transactions that have a very large risk. Chastity of a Contract, because Islam considers the agreement as a high value so that all obligations and disclosures related to the contract must be done. This will reduce the risk and infor asymmetric information and the emergence of moral hazard.

Business activities must be in accordance with sharia. All of these activities must be permissible according to sharia. Thus, businesses such as liquor, gambling, and illegal pig farming must not be carried out. So, the principle of Islamic finance refers to the principle of being willing to be willing, nobody is wronging and being wronged, business results come with costs, and profits arise with risks. Through risk sharing, the sharing of results will be carried out behind the amount depending on the results obtained (Houston, Lin, Lin, & Ma, 2010).

A model offer

Based on studies on crowdfunding, fintech, Islamic finance principles and taking into account the potential and challenges faced by women in funding, we offer a financing model with a fintech-based crowdfunding scheme based on Islamic law. We then give this model the name "Amina.id". More clearly the model of Aminah can be seen in Fig. 1. We believe that based on Islamic law, the majority of Indonesia's Muslim population will not hesitate either as investors or borrowers. This will certainly have an impact on the wider market potential. This model offers the following advantages:

Online submission, funding with a crowdfunding system is online, where the user didn't need to go to great lengths to contact potential investors to fund the business. With the business proposal that has been attached to the crowdfunding site, it is certain that the business will be funded soon, especially if you have promising prospects in the future. The online mechanism certainly saves manpower, time, and cost so that it is believed to be the most effective method to get capital when running or developing a business (Rahman & Dewantara, 2017), Beside that, crowdfunding platforms provide very competitive interest rates for business people. The interest rate is generally lower which is flat, where the interest paid every year will always be the same (Schwienbacher & Larralde, 2012).

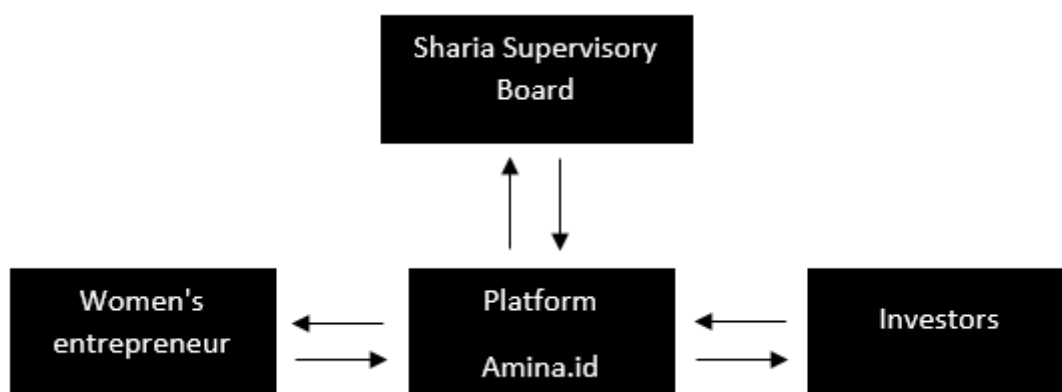


Fig. 1. Model of fintech-based crowdfunding scheme based on Islamic law

Easy and safe, the registration process on the crowdfunding site is indeed very easy, also does not require a long time. In addition, the data attached to the site is guaranteed to be safe because crowdfunding sites in Indonesia are guaranteed security by the Financial Services Authority. Furthermore, the crowdfunding platform gives businesses the freedom to raise capital without having to provide advances or collateral in the form of property to the site itself. As long as a user is able to pay the given capital, the funding process will continue to run smoothly according to the agreement at the beginning (Mollick, 2014).

Conclusion

This paper strengthens the position of women with all the potential that women should be equal in getting funding. This paper also offers a proposal that the problem of the financing for women in Indonesia theoretically can be resolved through a funding mechanism based on sharia crowdfunding.

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