



# HASBLE Card: Innovation on Company Funding Using Shari'ah Venture Capital Toward Halal Industry in Indonesia

Rifaldi Majid<sup>a</sup>, Billal Andre Agassi<sup>b</sup>

<sup>a\*,b</sup>Brawijaya University, 65145 Malang, East Java, Indonesia  
\*Corresponding author: rifaldimajid@gmail.com

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## Abstract

The growth of the Muslim population in the world is the main driver of growth for global *halal* products. In Indonesia, Law No.33 of 2014 on the Guarantee of *halal* products provides significant opportunities for the development of innovative products given the potential of huge Indonesian Muslim population. In the process, requirements to use *halal* certification in trade as mandated by the national law brings about a dilemma to the *halal* industry players as well as micro, small, and medium enterprises (SMEs). The problem of capital and funding are the key issues. Stakeholders are faced with the problems of production and sustainability, procurement of equipment and materials production, marketing, and internal reinforcement. This qualitative paper offers a review of the literature. The purpose of this paper is to understand how the model of innovative funding through *Shair'ah* venture capital firms spur the growth and development of the *halal* industry. *Halal* Sustainable (HASBLE) card is an innovative model of *mudharabah* and *musyarakah* transaction, which are realized in a sustainable funding by *Shair'ah* venture capital firms to *halal* industry players. The allocation of the profit-sharing is based on the contract by setting some parts aside in the card as productive deposit. These deposits will be managed as a productive stimulus funds for the maintenance of *halal* certification, training and business assistance, and the balance of HASBLE card itself. HASBLE card is innovative model that has sustainable funding agreement involving several stakeholders in order to improve productivity, growth, and the existence of *halal* products in the global trade arena.

Keywords: *financing, HASBLE card, halal industry, Shar'iah venture capital firms*

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## 1. Introduction

### 1.1 Background

“O mankind, eat from whatever is on earth (that is) lawful and good...” (Al-Baqarah, 2:168)

The dynamics of globalization has had great implication on global trade especially on the proliferation and sustainability of micro, small and middle business enterprises (MSEs). In most studies related to the MSEs however, inadequate financial capability have always been mentioned as a main impediment towards realizing their growth potentials. This financial repression have been linked to a number of voluntary and involuntary factors especially the eligibility criteria for access to financing required by the financial service providers as a reflection of their risk shifting inclination. Islamic finance, on the contrary encourages risk sharing. As such, financial institutions that participate in the capital partnership with the MSEs are demanded to be creative and innovative in creating an easy financial model that is sustainable and ultimately focus on the growth of MSEs. Such financing arrangement is envisaged to promote the development of and trade on *halal* product on both a national and global scale given the huge potential of the *halal* sector as the second largest after Islamic finance in the global Islamic economy.

In the report of *Global Islamic Economy*, it is predicted that the expense for *halal* food and *halal* lifestyle sectors which has been increasing from \$1.8 trillion in 2014 to reach \$2.6 trillion by 2020. Global *halal* product in Southeast Asia area has since reached \$100 million for export and increases 100% from the previous year. In fact, non- Muslims countries use this trend as the opportunity to enter this great

market base of Muslims. For example, Korea starts to export *halal* products such as food, seeds, ginseng extract, dry milk, instant coffee, and other *halal* certified food (khazanah.republika.co.id).

In Indonesia through food, medicines and cosmetics assessment organization of *Majelis Ulama Indonesia* (LPPOM MUI), it is envisaged that Bogor will ultimately become a regional hub for *halal* reference in the world. The commitment to realising this is proven by the establishment *Global Halal Center* in the city (islampos.com). Another achievement of LPPOM MUI is the publication of *Halal Book of Assurance System* and its derivatives that have been adopted by 40 *halal* certification organizations in 23 countries around the world (pusathalal.com). This condition is a great opportunity in optimizing the potential and existing global challenge, particularly to improve the role of Indonesian industry, especially the developed Indonesian *halal* industry.

The gain and great potential of Indonesian *halal* industry go hand in hand with the ratification of Constitution No.33 on October 17<sup>th</sup> 2014 concerning *halal* product guarantee. The constitution firms the law in Chapter 1 article 4 of common rule about “The product that entered, distributed, and traded in Indonesia must be certified as *halal* product”. The rule becomes big opportunity to confirm the arrangement of *halal* certification for the industrialists and the SMEs. However, there are two contradictory conditions related to this issue. From a global point of view, *halal* certification becomes a great opportunity to confirm the demand and consumption of people around the world for *halal* product. On the other hand, from the SMEs point of view, especially those that aspire to transform into *halal* industrialist, such opportunity can have a boomerang implication for their sustainability given some likely issues. The arrangement of *halal* certification targeting to all product’s elements that are distributed without looking at business scale, production capacity, capital level, labor, quality, and different sustainable industrialist may lead to counterproductive effects on the MSEs operational efficiency and sustainability.

According to the data from Central Statistics Bureau (BPS) the contribution of SME to Gross Domestic Product (GDP) in Indonesia in 2011 was 57.94 percent and which is a major contribution to national economy. In 2011, the number of SME was 55.2 million units divided into 54,559,969 micro business units, 602,195 small business units, and 44,280 medium business units. The number makes SMEs account for 99.99 percent majority of the existing business units (Kementerian Perdagangan: 2013). In 2012, SME contribution to GDP is increased to 59.08 percent and account for the employment of 107 million people in Indonesia.

The great potential of SMEs as the economic vehicle and contributor to *halal* production and market segment in Indonesia and the world has not been well optimized perhaps due to the lack of robustness of economic fundamentals. Andong (2007) listed SMEs problems in Indonesia to include capital problem, the informal form of a legal corporation, human resource, product development and limited marketing access. The study by Joko and Sri (2006) concludes that the problem of limited capital is severe. On the other hand, as a main actor in the Indonesian economy, the SMEs are expected to be able to face global challenges, to improve their product and service innovation, improve on the development of human resource and technology, and also pursue area expansion for marketing and business (Sudaryanto, 2011). Therefore, sustainable capital input is needed to realise the potentials of SMEs to take the great opportunity in firming national *halal* industry in global area.

Since the development of *Shar’iah* venture capital industry in 2012 and by 2014, SMEs as one of the contributors of equity to real sector has resulted in the establishment of four companies with market penetration about 5 percent in the industry. With that small presentation, this industry has achieved an asset size of Rp 385 billion with the growth level of 31.01 percent on the average (Roadmap IKNB *Shar’iah* 2015-2019: 2015).

Table. 1 The growth of number of businesses and asset growth level of Shari'ah venture capital industry in 2010-2014

	2010	2011	2012	2013	2014
The number of businesses	0	0	4	4	4
Growth level of number of businesses				0%	
Total Assets (in Billion Rupiahs)			225	311	385
The growth of annual asset number				38.22%	23.79%
The growth of total average asset			31.01%		

(Source: Roadmap IKNB *Shari'ah* 2015-2019 OJK: 2015)

According to the summary of financial data from venture capital industry, between January and November 2015 the recorded amount of financing or participation in form of financing profit sharing activities reached Rp 5.184 billion recording the greatest financing allocation compared to investment in shares and convertible bonds. The three main businesses of venture capital companies are in form of direct capital placement in partnership corporation, convertible obligation, and financing profit sharing, so that financing allocation of *Shari'ah* venture capital corporation commonly uses the *mudharabah* agreement whereas the corporation acts as *shahibulmaal* (capital owner) and the company that accepts the financing *mudharib* (capital administrator).

The existence of profit sharing agreement *mudharabah* or *musyarakah* in *Shari'ah* venture company financing is quite high (73.35 percent from the total of financing allocation). The opportunity of profit-sharing agreements has a huge potential to be developed further if it is aimed at creating a sustainable financing innovation model with *mudharabah* or *musyarakah* scheme especially for the *halal* industry. This presumption is made based on the great opportunity of the *halal* industry both at the national and global arena in which case *halal* certification is made the main condition of product distribution in Indonesia in the upcoming years.

This study therefore, derives from the financing problems that MSEs are faced with notwithstanding the great potential development they have in the burgeoning *halal* industry. This therefore presents possible synergy between *Shari'ah* venture capital companies and the *halal* industry in form of arrangement based on risk-sharing and profit-sharing innovation. This paper therefore, recommends the establishment of an innovation financing product and *Shari'ah* equity capital financing for companies that focus on binding and financing sustainably for the SME, *halal* industry, and SME stakeholders that transform the *halal* business and industry. An innovative model, for example, can be in the form of a financing card that is called "*Halal Sustainable (HASBLE) card*".

## 1.2 The Development of Halal Product

The development of Halal product shows the great improvement everyday where almost all level of the society start perceiving this phenomenon as a potential matter to strengthen Indonesia economic development. The chairperson of Trade and Industry Board, Rosan Perkasa Roeslani warns the businessmen attending the E-halal forum that the development of halal product business is currently in the exceptional condition both at the national and international levels.

The development of halal product business shows the significant improvement for both producers and consumers in the regional and also the world markets.

According to Rosan, this development is not only because of the Muslim population growth in the world, but it also lies on the strong tendency of non-Muslims who see the halal product as a safe product that has the undoubted quality both in academic test and recognition. Economic consideration therefore becomes the basic reason why developed and non-Muslim countries, such as: United Kingdom, Netherlands, Japan and United State of America start following and enlivening the competition of halal product market in the world. On top of that, complement offshoot businesses from *halal* products, such as *Shari'ah* travel and *Shari'ah* hotel have progressed in those countries and turned to be a lifestyle trend.

The export of *halal* product from Indonesia is expected to grow along with the increasing of the demand growth in world for *halal* product. It is the time for Indonesia *halal* products to compete with the potential market such as Asia Pacific and Africa.

Acting as The Head of Policy Analysis and Development Agency (or known as BPPK) from Ministry of Foreign Affairs, the Ambassador Salman Al Farisi who refers to the report of Global State of Islamic Economic, says that the demand of world halal product will keep growing by about 9.5 percent in the next six years, that is from US\$ 2 trillion in 2013 to US\$ 3.7 trillion by 2019.

The challenge faced by Indonesia, therefore, lies in the difference of certification standard of *halal* product of which the operational standard has to be set. Then, the lack of population data availability on *halal* industry capacity in Indonesia is also important. Equally important are the data on the potential of *halal* product, the competitor product and the policy standard in the export destination country that are not complete. To achieve this goal; the solution which is recommended by Salam is the optimization function of Indonesia representatives in the whole world by giving the information relating to the potentials of the *halal* product market.

### 1.3 Access Matter and Financial Advice for UMKM

The problem faced by the agent of the micro, small and medium business (or known as UMKM) is not only about finance. It is also related to the other urgent bigger factors, such as capital access and limited resources. The minimum level of financial literacy creates a problem for financial institution to have a low access toward UMKM sector. Besides, the agent of UMKM tends to have a lack of understanding about some financial products offered by financial institution. By this, it forces the agent of UMKM to only depend on the manual and conventional banking funding.

In the current digital era, the digital financial solution becomes a necessity. The former Director of Mandiri Central Bank (BMRI) does not deny the role of UMKM in term of driving the economic growth. Sixty percent of the economic matters and 97 percent of the availability of jobs are contributed by UMKM sector. Capital becomes one of the classic problem faced by the micro, small and medium businessmen (UMKM) in Indonesia as well as other countries around Southeast Asia (ASEAN).

The finance of micro, small and medium business in Indonesia has just reached one-fifth or approximately 20 percent from the credit distributed by the bank. The finance of micro, small and medium business (UMKM) through banking credit has become a problem for some developing countries, including Indonesia. The finance of UMKM in Indonesia that has just reached one-fifth or approximately 20 percent of the credit distributed by the bank has a total of 640 trillion rupiahs by February, 2016. Whereas, Central Bureau of Statistic shows that there are 50 million UMKM around Indonesia.

Most, about 99 percent of the UMKM in Indonesia are micro-businesses in the informal sector, and mostly uses local raw materials obtained from the local market. Therefore, the direct impact of global crisis is minimal on the Indonesia MSEs. The report of the *World Economic Forum* (WEF) 2010 places the Indonesia market in the 15th place. It shows that Indonesia is a potential market for other countries. This potential matter has not been used yet by UMKM to a maximum level. This is because the development of UMKM in Indonesia is still faced with various matters. The main problems faced by UMKM are the limited infrastructure and government access regarding the permit and bureaucracy as well as the high charge level. These problems impede the significant potency of UMKM. Even though UMKM says they can survive from external shocks like the global crisis, they also have to deal with the domestic problems which are not solved yet, such as salary labor matter, employment and extortion, corruption and etc.

### 1.4 The Role of Shari'ah Venture Capital Company

#### 1.4.1 Venture Capital Definition

A venture capital company is a business entity which runs their financial activity by having investment in a joint-venture or an investee company (or known as PPU) for a certain period. The funding done by venture capital company (MV) is considered an investment funding in term of partnership investment for developing business using the holistic approach.

#### 1.4.2 Venture Capital from Shari'ah Perspective

From the *Shari'ah* perspective, venture capital has some requirements as follows:

1. Shariah scholars generally are agree that the funding of venture capital in the early stage of life from one investee is a classic design of the *musharakah* and *mudharabah* funding.

2. From the point of view of Sharia, the use of equity financing in term of share and limited participation with revenue sharing is an application of *mudharabah* agreement, *musyarakah 'inan* or *musyarakah 'inan al-mutanaqisha*.
3. The close relationship between the funding provider and the funding user, should be started from determining clause related to the funding usage up to the adding value, monitoring and revenue sharing as well as the risk based on the *musyarakah* spirit.
4. Although the venture capital investment has suited with the *Shari'ah* principle, there are some aspects related to the funding structure and its investment which are not well-suited with the *Shari'ah*.
5. Those aspects can be easily modified without much hassle.

#### 1.4.3 The Concept of Shari'ah Venture Capital Company

The concepts of sharia venture capital company can be seen as follows:

1. The funding mechanism in Venture Capital can be done in a form of enclosing the capital.
2. The methods of taking the profit in Venture Capital are done through revenue sharing based on the profit earned by the business activity funded
3. The product of Venture Capital funding is released by the financial institution such as Venture Capital funding company rather than formal financial institutions such as banks.
4. The guarantee in a Venture Capital funding is not necessary, because the nature of its funding tends to be in a form of investment.
5. The resource of Venture Capital funding can come from the Venture Capital company itself and also from some other parties.
6. The settlement effort when there is a tort during the Venture Capital funding, whether it is done by the venture capital company or joint-venture company, can be taken through: peace effort, court and arbitration institution.

### 1.5 Mudharabah and Musyarakah Agreement

#### 1.5.1 Mudharabah

In a glance, the trade (*mudharabah*) resembles usury, because each money owners of these two transactions give the money to other people, and then receiving more money in a refund. Yet, the law is very different, *mudharabah* is *halal*, meanwhile usury is *haram*.

قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا. البقرة: 275

“They say, selling is like usury, and Allah has permitted trading and forbidden usury” (QS. al-Baqarah: 275).

In general, *mudharabah* can be classified into two different types: *mudharabah muthlaqah* and *mudharabah muqayyadah*.

##### a. Mudharabah Muthlaqah

This transaction is a cooperation based between *shahibul maal*(capital owner) and *mudharib* (capital organizer) which has the widen scope and unlimited specification on business type, time and area.

##### b. Mudharabah Muqayyadah

This transaction is the reverse of *mudharabah muthlaqah* transaction. The *mudharib* is limited by the specification of business type, time or area. This limitation often reflects the common tendency of the *shahibul maal* to meddle in such a business type.

#### 1.5.2 Musyarakah

In Arabic, *Musyarakah* originated from the word *syaraka* which means mingling or participating of two or more people in a certain business, with some capitals decided based on an agreement to run the business together as well as sharing the profit and the loss in a portion which has been determined. The *syar'i* basis regarding this agreement is:

وَإِنَّ كَثِيرًا مِّنَ الْخُلَطَاءِ لَيَبْغِي بَعْضُهُمْ عَلَىٰ بَعْضٍ إِلَّا الَّذِينَ ءَامَنُوا وَعَمِلُوا الصَّالِحَاتِ

“And indeed, many associated people oppress one another, except for those who believe and do righteous deeds”(Q.S. Shaad: 24)

From Abu Hurairah, Prophet Muhammad (PBUH) says, “Allah says, ‘I am the third party of two associated people if one of them does not betray the other.’”(HR. Abu Dawud no. 2936, in Al-Buyu book and Hakim).

*Musyarakah* can also be interpreted as a cooperation agreement between two or more parties in some certain businesses where each party can give their funding or expertise contribution by dealing that the profit and the loss are carried together. There are some types of *musyarakah* which are explained as follows:

1. *Syirkah al-Inan* is where two or more people give its capital attachment with the different portion, profit revenue sharing determined together as well as the loss suffered are suited based on the amount of each capital portion.
2. *Syirkah al-mufawadah* is such that every partner has to give the same amount of capital, gets the profit as well as the loss shared together based on the amount of the capital.
3. *Syirkah A'maal* involves a cooperation contract between two people of the same profession who receive the jobs and share the profit of the jobs together.
4. *Syirkah Wujuh* is a contract between two or more people who has a good reputation and prestige as well as being an expert in a business.

## 2. RESEARCH METHOD

This research is a descriptive research and as such adopts the qualitative approach (Moloeng, 1990:5). According to Sugiyono (2005:21) descriptive method is used to describe or analyze a research focusing on the problems that are discussed but not used to make a wider conclusion. Whitney (1960:160) states descriptive method entails ensuring the right interpretation in finding the facts from an analyzed object.

The data used in this research are basically secondary in nature. Secondary data is that obtained indirectly by a researched from an existing data base or sources (Sugiono: 2008, 402). This technique involve literary studies, that looks for the development of science to the conclusion and generalization that are previously made (Nazir: 2005, 93).

Data analysis method used in this research is back and forth and interactive. The analyses consist of a few steps: (1) Data collection that is, gathering all data that are relevant to the issue. (2) Data reduction by ensuring data that has gathered is selected according to the problems and ideas to ease the direction of discussion plot. Data reduction in the context of this paper consists of discussion, brainstorming with people who have competence in *Shari'ah* and financial banking. In this process the intuition and subjectivity of the writer is also involved. (3) Data display implies the data that have been selected and reduced are presented in form of written text or picture. In this case, the existing data will help the writer by giving direction figure and work scheme idea that are offered. (4) Conclusion drawing and verification means the data are presented by showing the clear and detailed solution related to the discussed issue. The writing process is done by understanding, diving, and exploring some data especially the comparison data from year to year that consist the numbers and also descriptive data.

## 3. FINDING AND DISCUSSION

### 3.1 Halal Sustainable (HASBLE) Card Concept

*Halal Sustainable (HASBLE) Card* is an innovative model of capital for sustainable financing in which the management is controlled by *Shari'ah* venture capital Company. HASBLE Card is a financial derivation through optimization of profit and loss sharing arrangement via *mudharabah* and *musyarakah* to finance SME and *halal* industry. This card is an instrument that is used to bind financial object through usage intensity improvement of *mudharabah* and *musyarakah*. This card is used to ease the categorization

of financing object of *Shari'ah* venture capital company and also to specializ the financing for specific profession within the SME and *halal* industry. The financing is done in form of capital inclusion or direct financing to fulfil the needs of capitals, production, and the sustainability of production capacity improvement. The specific purpose is to be used as financing facilitation to arrange *halal* certification for SME in transforming into business and *halal* industry.

HASBLE card is continuous. That is even though the payment due date is reached; a similar payment potential with *mudharabah/musyarakah* agreement can still go on. The model of payment allocation is be arranged in order to make the investor to keep using the financial service of *Shari'ah* capital venture company, even though there is a time gap from the first payment. It is the continuity that becomes the main characteristic of HASBLE card among other production-sharing payment models.

The innovativeness of the model of HASBLE card is in the levy separation of the production-sharing which is agreed upon in the beginning. After the sharing according to the ratio based on the previous agreement, the object of payment requires to separate 10 percent of the amount involved as a levy. This levy will be managed as a deposit which will be allocated for the managing of *halal* certification or as a stimuli fund to re-enact production-sharing agreement. The balance of this levy will be accumulated in HASBLE card.

HASBLE card is obtained through cooperation agreement which is done by doing a set of continuous education and socialization by the cooperation of some important parties. The targets of HASBLE card are specifically SME businessmen and *halal* industries. There are two categories of possible customers in the distribution of this card, these are:

1. The SME businessmen and *Halal* Industries who customers of the *Shari'ah* venture capital company. The object of payment that has been registered as a customer of *Shari'ah* venture capital company will automatically be directed through the cooperation contract of the usage of HASBLE card for future payment. It is needed to make a card application without waiting for the appropriate payment object.
2. The SME businessmen and *Halal* industries who are just recently becoming the customer of *Shari'ah* venture capital company.

The launching of this card, with its various concepts and innovation models, is to attract possible payment objects to become the customer of *Shari'ah* venture capital company. The treatment that is given is done by educating and socializing the usage of HASBLE card for payment so that it will be able to become an asset, interest, and market share increasing media in long term for *Shari'ah* capital venture company.

### **3.2 HASBLE Card Grand Design in Increasing the SME and National *Halal* Industry Productivity**

The shaping and distribution of HASBLE card for attracting the SME businessmen and *Halal* Industry needs steps and synergic scheme with many involved parties. The first step is educating and socializing as well as synergic integration between involved organizations in order to launch this payment card. HASBLE card is targeted at SME businessmen who are about to start new business, patch the capital in production, add new raw materials and production instruments, expand the business which will be operated with contiguous business program. Even though this card is used for all of the things mentioned above; it acts as a stimulus to make the SME businessmen independent, for example to manage the *halal* certification later on. Below is the image of the shaping and distribution grand design of HASBLE card as an innov ative solution of *mudharabah/musyarakah* payment agreement of *Shari'ah* venture capital company.

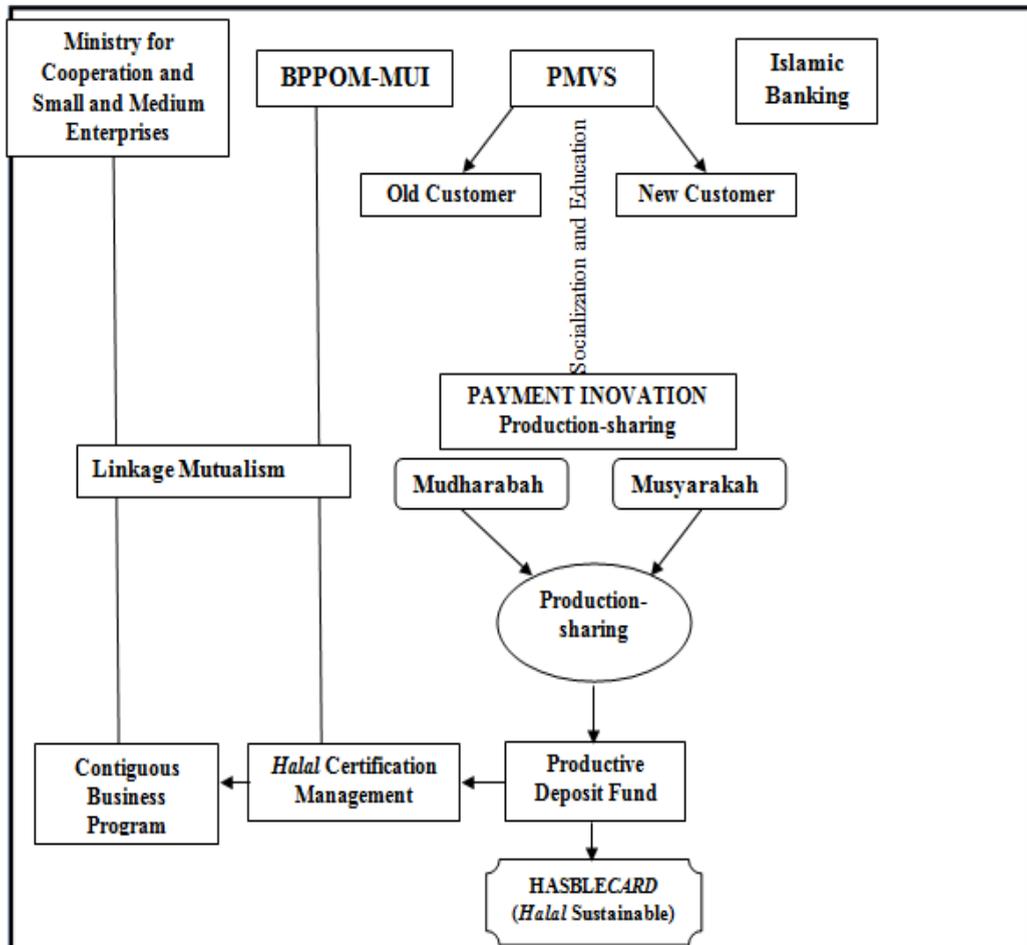


Figure 1. The Scheme of Forming and Grand Design of HASBLE card (Source: Authors' Illustration)

The above scheme is the image of the forming of HASBLE card as a special payment card. In the scheme, there are several parties that are linked to the *Shari'ah* venture capital company each with its own function and role, such as:

### 1. Islamic Banking Institutions

This party acts as the payment fund contributor through its link with the *Shari'ah* venture capital company. *Mudharabah* and *musyarakah* payment allocation of *Shari'ah* banking can directly be distributed for the payment of *Shari'ah* venture capital company in order for them to provide funds to the SME businessmen and the *halal* industry. By doing so, the fund allocation can directly be distributed in the profit-sharing agreement for the productive payment. Indirectly, this capitalization linkage adds the intensity of the usage of *mudharabah* and *musyarakah* agreement by the banks and also increases the allocation of productive payment. In long term, if this linkage is continuously used, the current popular agreement which is dominated by *murabahah* agreement (78.5 percent) can be substituted with the increasing usage of the *mudharabah* agreement allocation (2.8 percent) and *musyarakah* (11.0 percent) in the *Shari'ah* banking payment.

### 2. The Ministry for Cooperation and Small and Medium Business

Mutual linkage with *Shari'ah* venture capital company will be done here. The ministry which will handle the policy, condition, and the SME development will be synchronized with the role of *Shari'ah* venture capital company. Second, this party can initiate the contiguous business program and business training.

The number of the fund allocated for this program is 30 percent from the total production-sharing levy that is separated.

### 3. BPPOM-MUI

The cooperation here is in term of the preparation and the process of managing the *Halal* certification which is a requirement for all goods distribution (according to the Law) done by SME party and *Halal* industry. From the fund received by the payment object, there will be a fund separation in the form of productive deposit. It is the total amount of this deposit which will be allocated to manage the *Halal* certification. The amount of fund for the process of managing the *Halal* certification is 30 percent from the total production-sharing levy that is separated.

This management policy can increase the quantity and transformation existence of the SME businessmen to do *Shari'ah* business. Hopefully, with this fund allocation, the payment object can focus on the business development as well as managing the *Halal* certification with *Badan Pengawas Obatdan Makanan – Majelis Ulama Indonesia (BPPOM-MUI)*.

### 3.3 Socialization and Education: HASBLE Card Payment Scheme

The main thing in this grand design is the continuous education and socialization for both the old and potential customer. This is because HASBLE card will only be given to the customer who has done a payment transaction from the *Shari'ah* capital venture company. The old customer will be directly led to use HASBLE card, so does the new customer. The following are the steps that are needed in distributing the payment of HASBLE card to the SME businessmen and *Halal* industry.

#### 1. Educational Socialization Step

In this step, the focus is mainly on the socialization to the old customer which is the SME businessmen and *Halal* industry that have been defrayed before. The socialization is about the basic understanding of the agreement with the HASBLE card, the production-sharing mechanism, the advantages of using HASBLE card, and the mechanism of the continuous payment that is proposed. The profit allocation, which is in the form of productive deposit, will be used to manage the *Halal* certification and contiguous business program through the mutual linkage with BPPOM-MUI and the Ministry for Cooperation and Small and Medium Business. In this step, the *Shari'ah* capital venture company will also act as the main promoter in the linkage scheme which includes all parties above.

#### 2. Execution Step 1

This step is that for grouping the possible customers according to their background of interaction with *Shari'ah* venture capital company. It is done to tie the old customer so that they retain their customer status but shifted to use HASBLE card. The beginning consequence that must be obeyed is that this card will only be given to the SME businessmen and *Halal* industry that has been or is currently defrayed by the company. However, the selective process will be applied in order to group the payment object according to their company ability to pay, existence and other financial analysis. In effect, the given treatment is in accordance to the company condition, especially in the matter of business contiguousness and priority scale of company payment, also including the matter of managing *Halal* certification.

### 3.4 HASBLE Card Continuous Payment Scheme

After the SME businessmen and the *Halal* industry agree and understand the pattern of HASBLE card continuous payment, the next step is the execution step. In this step, every payment object will be given one HASBLE card. This card is operated with *mudharabah* or *musyarakah* production-sharing agreement, depending on the financial state of the payment object.

In the HASBLE innovative payment scheme, the fund accumulation of this card will always increase. The more production-sharing agreement that is done, the more fund that will be separated into this card. The balance in this card is put as the payment stimuli to pay the needs of SME businessmen and *Halal* industry, including the management of *Halal* certification. However, if the balance in HASBLE card is not enough to pay the next payment, the solution is by applying a previous agreement about the reuse of *mudharabah* and *musyarakah* agreements.

There are several steps in the payment fund release allocation by HASBLE card, which are:

### 1. The Usage step

Using HASBLE card for some period, there will be some production-sharing value that will be distributed to both the *Shari'ah* venture capital company and the payment object. Exactly 10 percent of that balance will be separated to be used as productive deposit. In one year of using this card, the total amount of HASBLE balance will be for instance, Rp. 3,000,000. This balance will be divided into three main posts, which are productive deposit in the form of *wadiah-yad-dhamaanah*, business contiguous program, and the management of *Halal* certification. The productive deposit fund will be allocated for the continuous payment when the SME businessmen and *Halal* industry need money to pay for the additional material, business expansion, and production continuity again. Meanwhile, the contiguous business program allocation and the management of *Halal* certification allocation are obviously used to facilitate the completeness and continuity of the payment object.

### 2. The Continuous Fund Release Step

The fund release process is based on the need and the state of the payment object. There are three allocation opportunities that will be conducted, according to the above division which are 30 percent for contiguous business program and the management of *halal* certification, and the rest 40 percent is in the form of productive deposit for the continuous payment based on the financial state of the company.

The fund allocation for contiguous business program is done along with the collection and distribution of fund periodically for every three months (*trivulan*). So does the fund allocation for the management of *Halal* certification, which will be inputted and used when the total fund is enough. Meanwhile, the fund release from productive deposit (with *mudharabah* and *musyarakah* agreement) tends to be more flexible, used only when needed.

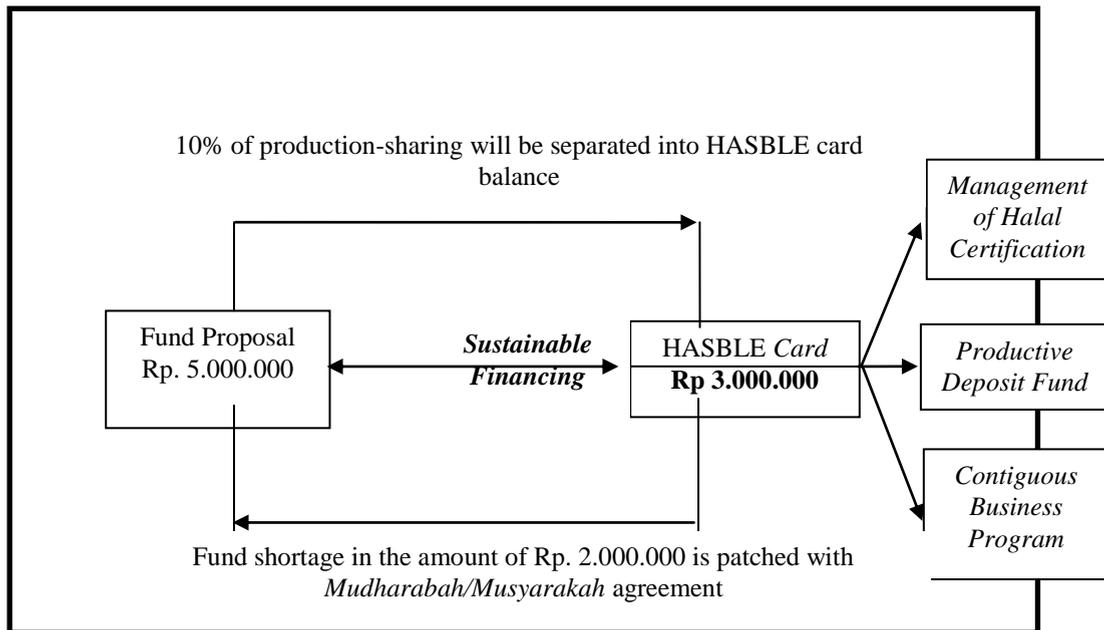


Figure 2. The Distribution of Continuous Payment of HASBLE Card Illustration Model  
(Source: Authors' Illustration)

As an example, if HASBLE Card balance for productive deposit is Rp. 3.000.000 (as in above picture), it means that there is a Rp. 5.000.000 payment demand from the pair company at the same time. It means that there is a Rp. 2.000.000 capital shortage that needs to be patched. Rp. 3.000.000 HASBLE card balance is directly allocated to the mentioned payment. However, if the payment object wished to divide again the deposit balance, the Rp. 3.000.000 amount will not wholly used to cover the payment. The continuous payment model still can be done. In relation to this case, the *Shari'ah* venture capital company compares and considers these following things:

1. Discern the company financial condition of business partner (funding object), which contract is more appropriate to use, funding by *mudharabah* or capital attaching by *musyarakah*.
2. If it use *mudharabah* contract, total additional funds needed Rp. 2.000.000 will be allocated by funding scheme of HASBLE card. It means that it will be profit sharing when there is a profit corresponding to ratio. Thus, based on the agreement and direction in the beginning, there will be 10 percent deduction from profit sharing nominal received by business partner. This nominal 10 percent will be input to HASBLE card balance of business partner. Therefore, HASBLE card balance will be continuously filled by fund elimination dues in form productive saving. Thus, business partner can patch the deficiency with via *mudharabah* contract, and on the other hand there would be a continuous increase in company's HASBLE card balance.
3. If it used *musyarakah* contract the flow is similar with the description above. The venture capital company, Ventura *Shari'ah* will directly attach the capital to the investment/company productive activity. Profits generated is divided based on ratio corresponding to capital portion or the agreement. Then there will be nominal 10 percent deduction from profit sharing total received by business partner. This nominal percentage will be input to client's HASBLE card balance.

Thus, continuous funding condition in the use of *mudharabah* and *musyarakah* contract will keep going on, so that it will increase business partner's HASBLE card balance. More intense funding request means the use of *mudharabah* and *musyarakah* contract will also be more intense, that means the potential of client's HASBLE card balance enhancement will be bigger. If it keeps going on, the sustainability of business and production of SME and halal industry will be wide-open, because completion of halal certification and business associated management keep running and profit sharing fund's flow eliminated by productive dues (with *wadiahyad-dhamanah* contract).

### 3.5 Function and Purpose of HASBLE card Funding

HASBLE card funding scheme have different function and purpose compared to other funding scheme. HASBLE card is specially created to fund the client and applicant who are involved in SME, *halal* industry, especially those SMEs that will be transformed into *halal* business in Indonesia. Funding scheme being the core HASBLE card is continuous productive funding scheme by optimization of *mudharabah* and *musyarakah* contract in a venture capital company *Shari'ah* funding.

HASBLE card generally function as stimulus fund for help, treat, and patch production issue, capital, and sustainability UMKM and *halal* industry including *halal* certification. The fund produced by *mudharabah* and *musyarakah* scheme will be distinct as productive saving after it is divided by profit sharing received. This saving fund will be managed for business mentoring, *halal* certification, and alternative fund that is ready to use for next funding when needed. The purpose of HASBLE card funding are:

1. Branding Target. HASBLE card is meant to offer media for increased bargaining position of SME and *Halal* Industry. This is answered by continuous funding model that corresponds with focus from the *Shari'ah* venture capital company to SME.
2. Development Target. HASBLE card promotes funding from *Shari'ah* venture capital company to business partner. This is expected to stake with core halal industry that corresponds with the funding pattern of a *Shari'ah* venture capital company. In addition, in the long term, a HASBLE card can affect the *halal* industry and global market development, and upgrade the asset, profit and *Shari'ah* venture capital company market share in Indonesia.
3. Sustainable Target. Specifically, HASBLE card purpose is to make it productive based on *Shari'ah* venture capital funding use of intensity. By product innovation with saving and eliminated productive fund allocation, so that HASBLE card is a solution of continuous SME development and Indonesian *halal* industry. Indirectly, this will bind business partner by funding provided. This management model is also supported by *Shari'ah* bank company, BPJPH MUI, and The Ministry for Cooperation and Small and Medium Business.

### 3.6 SWOT Analysis on Halal Card Funding Scheme Application

In applying funding scheme of *Halal* card to all SME and *halal* industry, this paper uses SWOT (Strength, Weakness, Opportunity, Threat) analysis. This analysis tries to visualize how the scheme will be when it is applied. There are many factors that affected how *Halal* card is formed such as mentality, mindset, and

the condition of the SME and *halal* industry, linkage between institutes, and professional fund management and right distribution. All those factors affect each other, but because of the scheme built is to get profit for every party, those factors can still be compressed and decreased.

Table 2. SWOT Analysis of Halal Card Usage

Analysis	Condition
<i>Strength</i>	<ol style="list-style-type: none"> <li>1. The funding scheme is more unique and special, and focused on <i>Halal</i> Industry development in Indonesia.</li> <li>2. Using funding instrument with profit sharing concept with <i>mudharabah</i> and <i>musyarakah</i> contract.</li> <li>3. Empowering the client for productive (SME and Halal Industry) things.</li> <li>4. Continuous funding with concern about supervising aspect.</li> <li>5. Continuous productive fund management model.</li> </ol>
<i>Weakness</i>	<ol style="list-style-type: none"> <li>1. Continuous supervising and periodic evaluation needed.</li> <li>2. Continuous synergy and communication with related part, mainly on <i>halal</i> certification and business mentoring program.</li> </ol>
<i>Opportunity</i>	<ol style="list-style-type: none"> <li>1. Good prospect for Micro, Small, and Medium Enterprise (SME) and <i>Halal</i> Industry in global business reality.</li> <li>2. Profit sharing funding from <i>Shari'ah</i> venture capital companies that have high proportion on funding allocation.</li> <li>3. Mutualism synergy with vision, mission, and purpose from The Ministry for Cooperation and Small and Medium Business.</li> <li>4. Government support by Constitution No. 33 2014 about <i>Halal</i> Product Guarantee in Indonesia ratification.</li> <li>5. Increase the portion of profit sharing contract, real sector funding, and SME and Halal Industry productive activity.</li> </ol>
<i>Threat</i>	<ol style="list-style-type: none"> <li>1. Linkage between <i>syar'i</i> bank and National Amil Organization of Tithe (BAZNAS) has to be improved, mainly on a Tithe, Infaq, Alms (ZIS) fund distribution.</li> <li>2. Funding with interest that practiced by profit oriented finance institute and loan shark.</li> <li>3. Product socialization is not massive and the funding type is profit oriented (the interest high or low).</li> </ol>

## 4. Conclusion and Suggestions

### 4.1 Conclusion

*Halal* Sustainable (HASBLE) card is a continuous funding innovation model managed by a *Shari'ah* venture capital company. HASBLE card is a funding derivation by profit sharing contract optimization based on *mudharabah* and *musyarakah* for funding SME and halal industry. HASBLE card innovation model is the dues elimination based on profit sharing called productive saving fund. This allocation fund will be input to HASBLE card balance for *halal* certification, training, and business mentoring, and as a constant fund in funding card that can be used anytime for production need and industry equipment stock.

HASBLE card involve some related part like *Shari'ah* banking, cooperation and SME ministry, and BPPOM MUI to achieve continuous purpose and innovation on a funding model. In fund allocation there are two main steps that have to be considered vis. the use of HASBLE card step and continuous fund allocation. HASBLE card have three main funding purpose that is branding target, development target, and sustainable target.

Funding by HASBLE card scheme is expected to be one innovative solution in order to provide a *Shari'ah* venture capital funding model setting. Considering the potential world Muslim population growth with some policy that support the use of *halal* certification by constitution, so continuous funding is needed by every business that intends to tap into the market. By HASBLE card those opportunities and potentials are managed productively in order to upgrade the competitiveness and halal product existence on global trade.

### 4.2 Suggestions

Through this paper, the authors wants to bring to the fore, a contract innovation model for funding SMEs through the *Shari'ah* venture capital company. This *Shari'ah* financial product innovation model is envisaged to enhance the competitiveness of the SMEs in the halal industry at both the national and world

level. Yet, in arranging this paper the authors realize there are some weaknesses. The author hopes that there will further researches with same theme and with more detailed discussion. The author also hopes that this paper will be refined with using special data and case study. Hopefully this paper will be helpful for *Shari'ah* financial practitioners and regulators in Indonesia, especially relating to profit sharing funding model from a *Shari'ah* venture capital company.

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