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Following careful and considered review of the article entitled "**The Role of Islamic Boarding Schools' Microfinance Institutions in Supporting Financial Inclusion in Madura**", Published in the **Proceedings of the 5th International Conference on Islamic Studies** by Harisah, lecturer at the faculty of Sharia, Institut Agama Islam Negeri Madura.

The article has been requested to be retracted from the **Proceedings of the 5th International Conference on Islamic Studies**. The author herself wanted to publish the article with the title above elsewhere. She also agreed with all the consequences from this retraction.

Therefore, the article and its content have been removed from the **Proceedings of the 5th International Conference on Islamic Studies**, and reasonable effort should be made to remove all references to this articles.

The Role of Islamic Boarding Schools' Microfinance Institutions in Supporting Financial Inclusion in Madura

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Abstract

Financial inclusion has been widely utilized as the main focus for developing pro-poor financial policies by eliminating all forms of difficulties faced by the poor. This form of inclusion is becoming one of the instruments implemented by Indonesia to escalate the economy for the wider community, including those in remote villages. Therefore, this study presents a form of inclusion by non-bank financial institutions built by Islamic boarding schools (IBS) to meet the needs of the Micro, Small, and Medium Enterprises (MSMEs) and the millennial generation in Madura. This research applied a qualitative approach to provide data accurately through technical interviews, documentation, and observation. The result revealed that to support Islamic financial inclusion in Madura, some IBSs have opened non-bank financial institutions to fulfill the needs of MSMEs particularly by introducing product innovation that meets the Madurese conditions and conducting distribution channels by involving alumni and community leaders around Islamic microfinance institutions (MFIs).

Keywords: Boarding Schools', Islamic Microfinance Institutions (MFIs), Financial Inclusion.

Introduction

Many data shows that most of Indonesian people are categorized unbankable. It is depicted that Indonesia is vital to have non-bank financial institutions that can serve all the people needs in financial matters. Build upon the research entitled "Fulfilling its Promise - The Future of Southeast Asia's Digital Financial Services", it is accounted that around 92 million adults in Indonesia have not been experiencing financial or banking services. This number indicates more than half of the total adult population of 182 million people. (<https://Databoks.Katadata.Co.Id/Datapublish/2019/10/08/92-Juta-Penduduk-Dewasa-Indonesia-Belum-Tersentuh-Layanan-Finansial>, 2020), therefore, the situation encourages the government to implement financial policies that benefit the poor.

Since the majority of people urgently need a capital aid from financial institutions for the economy purposes, consequently, the situation requires the government and society to give an extra attention on unbanked community especially the remote villagers to develop in Micro, Small, and Medium Enterprises (MSMEs) and the activeness of millennials. However, people still face many obstacles specifically when being categorized as unbankable. Hence, to evenly fulfill the needs of capital or finance, financial inclusion is a must.

Financial inclusion is expected to cover all levels of society without going through the bank, then people can be served financially. This program has been carried out by the government as well as the community to cover the financial needs of different communities, one of the groups of people who need financial inclusion programs is the Madurese community. The financial inclusion in Madura has been carried out by several Islamic boarding schools/IBS (*pesantren*), namely by opening micro-financial institutions (MFIs) such as sharia cooperatives, *ziswaf* institutions, and *Baitul Maal Wattamwil* (BMT). This program is aimed to absorb the needs of the unbankable of Madurese.

Some MFIs built by *pesantrenis* not merely relying on the management position of boarding school or Islamic clerics (*Kiai*). However, this institution also introduces various product innovations adapted to the people to increase micro, small, and medium enterprises (MSMEs), millennials, and to carrying out distribution channels. This strategy also involving around MFIs that were built, because they have a strong role to attract the public to familiarize themselves with sharia-based financial institutions. Due to the

condition of the Madurese people who are categorized as unbankable, they have been served by moneylenders who could not provide maximum benefits to improve MSMEs and the millennial economy.

Therefore, to avoid the practice of moneylenders with high interest-based loans, it is relevant for the Islamic boarding schools to establish MFIs as a solution for unbanked customers since they are strongly obeying to the *Kiai* program. Madura is an area with a majority Muslim population and strong adherence to key figures such as *Kiai* (Harisah, 2020, p. 36). This obedience is used as one of the powers for Islamic boarding schools to ground the sharia-based economy in Madura. Eventually, Islamic boarding schools can provide financing facilities for the community to develop MSMEs and the millennial economy.

The current increase of MSMEs and millennial economies and the potential of these two economies are very helpful for the state of the country's economy so that various innovations have to be carried out by all financial inclusion to ensure that it can help all levels of society. This way also needs to be practiced by *pesantren*, which are currently becoming the main inclusion in Madura in serving unbanked people. From the notion above, researchers feel the urgency to conduct a research on the role of Islamic microfinance institutions built by Islamic boarding schools in Madura in helping MSMEs and millennials. As a consequence, the results of this study can be used as a reference and education for sharia economic drivers regarding various product innovations made by Islamic boarding schools' microfinance institutions and the distribution channels they do.

Research Methodology

This research applied a type of field research with qualitative methods. Qualitative method is used to make it easier for researchers to obtain argumentative data gathered from informants. The use of this method is because researchers in collecting data required qualitative data to provide a real picture of the data that is studied as well as the need for individuals who provide information about social reality from actors, collect information about labels, stigmas, or arguments. (Afrizal, 2017a, p. 30) This method is suitable for obtaining a variety of in-depth information about the experiences and backgrounds of informants. Since a person's perception of something is highly dependent on the values, culture, and experiences that the individual brings (Imam Gunawan, 2017, p. 105). Thus, researchers urgently need the information provided by the informants regarding this research data with qualitative data.

To obtain valid data, researchers utilized in-depth interview techniques or a technical interview without a list of questions, then interviews were conducted by deepening information from an informant repeatedly. Therefore, the interviewer needs to control the social situation of the in-depth interview to ensure the data is qualified and valid (Afrizal, 2017b, p. 137). Moreover, the online interview techniques were also conducted to obtain data from several informants who could not be met in person. Interviews were conducted with the objects, while the objects were boarding school caretakers, boarding school managers, managers of Islamic microfinance institutions built by Islamic boarding schools, people who are members of financial institutions built by Islamic boarding schools, and the general public who own MSMEs and millennials who benefit from financial institutions which were built by the *pesantren*. Besides, researchers also applied technical field observations by observing and analyzing the condition of the Islamic financial institutions built by the *pesantren*, as well as the people involved or who benefit from these Islamic financial institutions. With some of these techniques, researchers will get valid data to explain the topics desired by this article thoroughly and completely.

Discussion

Madura Island consists of four districts namely Bangkalan, Sampang, Pamekasan, and Sumenep. (SamsulMa'arif, 2015, p. 22). In general, the social strata of the Madurese are arranged into three levels. At the first level are the *priyayi*, the second is *pongghaba* (Madura language) and the third is *orengkene* (Madurese language). The *priyayi* or *parjajias* the top social strata are the aristocrats, namely descendants of the kings of Madura, known by the term of having blue-blood. During the colonial period, government officials were also included in the *priyayi* group, such as regents and sub-district heads. While *Pongghaba* are employees who work at basic institutions. Moreover, *orengkene* is the common people or ordinary people. (SamsulMa'arif, 2015, p. 44)

Besides, the religion-based stratification that has been developed among the Madurese consisted of four levels, namely; *firstly*, the *Kiai* who occupied the top layer, since he is considered a teacher for his students and a father for his community. *Secondly*, the *bindara* or people who have completed their education in Islamic boarding schools and have a lot of religious knowledge but remained under the *kiai* level. *Thirdly*, the students (*santri*) who are still studying at the Islamic boarding school. *Fourthly*, *bannesantre* (Madurese language) are those who never learn with the *kiai* nor stayed in a boarding school. (SamsulMa'arif, 2015, pp. 44–45). Surprisingly, this stratum is remained valid to this day, since Madurese is very respecting what the *kiai* recommends. Additionally, this condition is also based on the formation of a community mindset that was built by the kings in Madura.

Although Madura as a region previously cannot be called an Islamic kingdom, the kings of Islam in Madura have a high concern for the spread and institutionalization of Islam, it can be found through the establishment of mosques by *Rato* Madura/Madurese leaders as the center of Islamic activities. (Mohammad Hefni, 2019, p.92) Islamic institution was also carried out through the built of a *pesantren* by non-governmental *ulama* or *kiai*. In this regard, the *kiai* has the position of teacher, leader, as well as the owner of the *pesantren*, thus placing him as a figure who determines the direction of the *pesantren* often depends on the depth of knowledge, charisma, and authority of the *kiai*. The Islamic boarding school is a place for teaching and learning to take place between *kiai* and *santri* in a shared dormitory. The existence of Islamic boarding schools as institutions for the institutionalization of Islam through the study of old books used as references in carrying out various actual religious issues that can not be found in the main Islamic texts, namely the Al-Qur'an and Hadith (Mohammad Hefni, 2019, pp. 98-100) Finally, the *kiai* is positioned as the main leader in the sustainability of the boarding school.

Usually, the *pesantren* is led by a *kiai* specifically in regulating the life of the *pesantren*, he appoints a senior *santri* to organize their younger classmates, in *salaf* (traditional) *pesantren* senior *santri* are commonly called by "*lurah pondok*". Being a *santri* means they have to live far from parents and family which aimed to live independently in addition to improving good relations with *kiai* and Allah. There are several elements of *pesantren* differentiated to other institutions, namely; (1) the boarding house where the students live, (2) the *santri* or students, (3) mosque as a place of worship and a center for *pesantren* activities, (4) a *kiai* as a figure or designation of someone who has advantages in religion and the charisma, (5) the legendary yellow book called *kitab kuning* as the major reference in Islamic studies (Syafe'i, 2017a, p. 65)

A *kiai* is a figure exalted in religious institutions who mastering Islamic knowledge, and is considered as a person who can understand God's great messages, indirectly, he has the capability on providing solutions to every religion matter (Ilahi, 2014, p.147). In community service and compliance with the Madurese, the only way that

survived to this day is the guardian or *kiaiso* that his position remains the first protector that is trusted by the Madurese people. (Ahmad MukriAji et al., 2020, p. 732)

In this modern era, Islamic boarding schools are not only used to answer the challenges of the education world but also, they are required to produce skilled workers such as *santri* who master skills under the sharia economy to provide benefits to the surrounding environment. Since the purpose of *pesantren* education is to form devout human beings who can live independently (Toriquuddin, 2011a, p. 36). The existence of *pesantren* is positioned as a partner for government institutions to jointly improve the quality of existing education as a basis for implementing social transformation through the provision of qualified human resources with good morals. Moreover, the process of social transformation in the era of autonomy requires regions to be more sensitive in exploring the local potential and the needs of their people so that existing capabilities can be optimized (Syafe'i, 2017b, p. 79). Pondok Pesantren seems not only as a religious education institution to create a generation with Islamic behavior, but at the same time it can prove as an economic institution for the welfare of students and the wider community (Ahmady, 2013, p. 9)

Pesantren plays a role as a social institution that can assist the government in disseminating development innovation to the community in addition to a forum for community economic empowerment as well. Thus, the reason why *Pesantren* enters and belongs to a wider social area. This is the result of the ability of *pesantren* to adapt and withstand the various changes that occur and the orientation of the Islamic boarding school to the future which is very much needed by the village community. (Rimbawan, 2012, p. 1183) There are two strategic roles of *pesantren* in the sharia economy: *First*, the role of development science and the socialization of Islamic economics to the community. *Second* is the role of realizing the real practice laboratory of Islamic economic theory in economic activities. This role is also very strategic, considering that people see *pesantren* as examples and role models in their daily activities (Rasyid, 2012, pp. 4–5)

Islamic boarding school (*pesantren*) have considerable influence in society, especially in rural areas. Additionally, among the students, solidarity is quite high, tolerance in carrying out their duties, and a sense of sacrifice is quite large for the public interest (Toriquuddin, 2011b, p. 33). The resilience of Islamic boarding schools is due to the high entrepreneurial spirit and spirit, so there are several Islamic boarding schools that teach life skills or entrepreneurship to their students as provisions for their students when they enter society (Chotimah, 2014, p. 117). The position of the *kiai* still survives in many aspects of the life of the Madurese community, including in the aspect of economic development for MSMEs and Millennials through Islamic microfinance institutions (MFIs) built by Islamic boarding schools, in which case the highest leader is the *kiai*.

MFIs are an essential tool to increase the current level of the economy in society. Besides the savings and loan scheme, the implementation and operation of microfinance institutions can also be done with a profit-sharing scheme under the Islamic financial system. Institutions that can play a role as sharia microfinance institutions currently are the Financial Services Cooperative (KJKS) and *Baitul Mal Wat Tamwil* (BMT). (Andri Sumitra, 2009, p. 169) issuance of a decree of the minister of state for cooperatives and small and medium enterprises of the Republic of Indonesia Number 91/Kep/IV/KUKM/IX/2004 concerning guidelines for the implementation of sharia financial services cooperative business activities is a concrete manifestation of the government's role in providing a legal umbrella for the growing reality of the sharia economy in Indonesian society, especially in the environment of cooperatives and small and medium enterprises.

KJKS is a cooperative that provide financing service, investment, and savings according to the profit-sharing (sharia) pattern, while BMT is a micro-financial institution (*LKM*) that operates based on sharia principles. BMT is also an integrated independent business center whose core content is BMT with activities to develop productive businesses and investment in improving the quality of economic activities of small and low-income entrepreneurs by, among other things, encouraging savings activities and supporting the financing of their economic activities. Andri Sumitra, 2009, pp. 469–473)

Moreover, the development of MFIs which in Indonesia is known as *Baitul Mal Wat-Tamwil* (BMT) is rapid. Practically, BMT carries out two types of activities, namely Baitul Tamwil and Baitul Mal. BMT is active in developing productive and investment businesses in improving the quality of the activities of small and medium enterprises by encouraging saving activities and supporting economic financing. Meanwhile, Baitul Mal received zakat, infaq, and shadaqah deposits and carried it out under the regulations and mandates (Nafis, 2015, p. 53)

Currently, microfinance institutions are used as one of the instruments of financial inclusion in Madura, of which the most attractive institutions for the public to use financing are financial institutions built by Islamic boarding schools in Madura. This is suitable to Zainulloh's statement that Madura has many Islamic boarding schools. However, not all Islamic boarding schools have already owned Islamic microfinance institutions. Those *pesantren* which have the MFIs are the WaliSongo Islamic boarding school which possessed a savings and loan cooperative called the WaliSongo Sampan Islamic Cooperative, the KarangDurin Islamic boarding school with its financial institution called Islamic Cooperation of Al-Kautsar KarangDurinJatim, the MiftahulUlumPanyepen Islamic boarding school with its Baitul Maal Wattamwil (BMT) Mawaddah, DarulUlumBanyuanyar Islamic Boarding School with its KSPPS NURI JATIM. (Zainulloh, personal communication, June 17, 2020)

The MFIs built by Islamic boarding schools are very beneficial to communities in remote villages as a form of financial inclusion. The visible benefits for the community by choosing a distribution channel are opening branch offices in remote areas that are considered strategic and urgently needed by the community, as was done by the BanyuanyarPamekasan Islamic boarding school which has KSPPS NURI East Java. This cooperative was originally built with a Madura scale cooperative only. However, with the progress experienced by the cooperative finally changing the scale to the scale of East Java, this cooperative has succeeded in becoming one of the financial inclusions in Madura with several products that benefit MSME and Millennial players (Ryan Suhaimi, personal communication, July 18, 2020). The distribution channels chosen by opening branch offices in remote areas of the village provide their closeness to the community, thereby providing a sense of comfort to the community towards Islamic financial institutions.

The above statement is supported by the results of the research which states that the role of BMT Sidogiri Islamic boarding school in increasing the empowerment of small and medium enterprises (SMEs) is real, because the initial motivation of the initiation and establishment of BMT in the middle of the Islamic boarding school and the surrounding community, has a close communication relationship. close and mutually beneficial. This situation begins with the concern of the boarding school caregivers for the economy of the surrounding community which is related to non-sharia economic institutions which tend to apply high-interest rates so that it is very burdensome. for the small community, because it gives a sense of help between financial institutions and small communities. Hence, the existence of *pesantren* is one of the answers to the needs of the small community for the business capital needed by the community. This is the superior value

of the microfinance institutions built by Islamic boarding schools so that they become the main financial inclusion in small communities.

Financial inclusion makes it easier for business actors to access existing financial institutions, so that MSMEs can increase capital from financial institutions due to the ease of access to these financial institutions (NURJANNAH & FARADIS, n.d., p. 68). The current financial system, in terms of funding, can be used as a saving instrument, but only some of them can give a funding service. Because not everyone is bankable, or has collateral, and so on. Therefore, in terms of funding and financing, there is an imbalance. This inequality is getting higher so that it even raises socio-political problems. It is fully realized that there are still many micro-businesses that find it difficult to obtain banking credit services due to various obstacles both on the micro-business side and on the banking side itself. (Marlina & Rahmat, 2018, p. 130) This obstacle was then answered by the micro-financial institutions built by the Islamic boarding school.

The above notion is the same as Zainulloh's statement mentioned that there are only some people who have access to banking, so there is a need for concern from certain parties to provide access for the small community to get financing or additional to solve the unbanked people issues. The condition of *pesantren* with *ta'awun* motivation can build financial inclusion by opening micro-financial institutions with various products that support people's businesses (Zainulloh, personal communication, June 17, 2020). Products that are popular with the Madurese community in business development are micro-business products, these products are given to all members of the community both for members or non-members of the cooperative. However, the non-member only has three months of opportunity to get financing from the cooperative, after three months, he is obliged to become a member. If he could not become a member, the cooperative has a micro-chain product which intended for people can not join as cooperative members by grouping cooperative members, with the meaning then non-member should have a guarantee from one of the members and a recommendation, which is then given to the member concerned. (M. Dari, personal communication, June 12, 2020).

To become one of the State instruments as financial inclusion, Islamic boarding schools have formed micro sharia financial institutions such as KSA JATIM (Islamic cooperative al-Kautsar Karang Durin East Java), access to loans, or financing is greatly facilitated by cooperatives to MSMEs who want to develop their businesses. To provide maximum service, KSA JATIM encourages the public to become members so that they get funding from KSA JATIM for the development of MSMEs and Millennials (Sahrul Sidik, personal communication, August 2020).

The values in Islamic economics have been applied by Islamic boarding school (IBS) to *santri* starting with its financial practices. Financial management at the *Pondok Pesantren* level can be interpreted as the management of educational activities related to efforts to obtain the funds needed by education and efforts to use these funds effectively and efficiently (Priandhika & HR, 2016, p. 276). The learning that is carried out is easy to understand and practice by all students because the implementation of financial management is applied every day. Thus, IBS has a role in developing the sharia economy and is also played by several IBS in Madura. This is consistent with Mansur's statement that *Pondok Pesantren Miftahul Ulum Panyeppe Pamekasan* has regular studies to instill sharia economic values in students, by examining the yellow books about *muamalah* chapters which are discussed by the boarding school caretakers and usually carried out in mosques or at Madrasahs. This study aims to understand the students' understanding of the study of laws regarding economics according to sharia, the students are expected to have the potential to convey this legal study to their families because it is not uncommon in Madura to have conflicts caused by overlapping economies. (mansur interview)

Apart from the above statement, the *pesantren* also has its way according to the character of the Madurese, namely by wearing Islamic clothes such as a *sarong* and *kopiah*. When conducting distribution channels, cooperatives sometimes are obliged to wear uniforms and wear trousers. However, many MFIs in Madura that were built by *pesantren* do not require this or employee uniforms are sufficient to wear neat clothes using a *sarong* and *kopiah*. So that this strategy becomes one of the reliable instruments in collecting debt because the public is not afraid of the arrival of cooperative employees (Hermanto, personal communication, August 2020).

As for the products developed by MFIs by Islamic boarding schools apart from those mentioned above, both specifically for MSMEs and Millennials are very diverse, such as that carried out by BMT Mawaddah to innovate products with a qard contract given to MSMEs in the market or millennials. very wisely. This contract is not a new contract, but the innovation lies in the size of the loan given to the community, namely from one million to ten million. So that the community is greatly helped to carry out business development because the qard-hasan contract can provide high loans (Zainulloh, personal communication, June 17, 2020).

There are special millennial products, namely educational financing products with less profit. As a result, students who want to buy necessities are greatly helped by product innovations carried out by the *pesantren*. Another thing that needs to be studied in sharia cooperatives is that alumni who wish to become employees do not need to be graduates of Bachelor Degree (S1), this situation is certainly very helpful for the community, especially alumni in getting the opportunity to work without distinguishing salary from the high education sector. (Hermanto, personal communication, August 2020). The development of economic capital for millennials requires contribution from various parties to enhance the local economy

Some of the superior products owned by IBS provide maximum benefits for capital in developing community businesses because economic capital is very urgent capital for developing businesses and the survival of the community. Economic capital is productive ownership, such as money and material things that can be used to produce goods. Economic capital is a type of capital that is relatively independent. This means that if other capital is more tied to certain domains, then economic capital is more freely transferred between domains (Mohammad Hefni, 2019, p. 22). Community business development with capital assistance carried out by KSPPS NURI with one of the social programs in providing access to capital for community business development, namely having Baitul Mall NURI (BMN) products, one of which is a waqf program that is given to poor people.

Furthermore, in addition to various product innovations carried out by microfinance institutions in Madura, there are distribution channels which are also an important instrument to increase the benefits of Islamic microfinance institutions/MFIs (LKMS) built by Islamic boarding schools, the *kiai* use distribution channels as a strategy to become an instrument of financial inclusion. The main distribution channel used by *pesantren* is alumni because alumni have a very strong role in recognizing people who need the role of LKMS. Apart from alumni, the *pesantren* also uses community leaders such as *kiailangger* (Madura language) means that *kiai* who do not have Islamic boarding schools, and village heads who are around LKMS. (Abd Wahid, personal communication, July 13, 2020)

Distribution channels are carried out to accelerate public access to financial institution products. The main principle in the concept of distribution in the Islamic perspective is the increase and distribution of the results of wealth so that the circulation of wealth can be increased. Thus, the existing wealth can be abundant evenly and not only circulate among certain groups. (Abdul Aziz, 2013, p. 177) The Islamic economic system

prioritizes legal and ethical aspects, namely the necessity to apply Islamic legal principles and business ethics, including the principles of worship (*at-tauhid*), equality (*al-musawwat*), freedom (*al-hurriyah*), justice (*al-'adl*), helping each other (*at-ta'awun*), and tolerance (*at-tasamuh*). (Abdul Aziz, 2013, p. 13) These principles are carried out by Madurese *kiaias* the founder of LKMS.

Distribution in Islam is divided into two types, namely; first, distribution of goods and services in the form of distribution or delivery of goods or services from producers to consumers and users. Second, the distribution of some assets to people in need as a form of social solidarity. Second, this type of distribution has differences, namely profit-taking and non-profit taking (Idri, 2015, p. 133) as for the distribution carried out by Islamic financial institutions, namely by the two types of distribution. For goods and services, financial institutions distribute to the public in various financing products in the form of goods such as purchasing motorbikes, handphones, household appliances, and so on. (M. Dari, personal communication, June 12, 2020)

The distribution channel is carried out by the WaliSongoSampang Sharia-Cooperative with many things, for example building marketing by utilizing the role of alumni, because it cannot be denied that students in Madura still have a strong sense of obedience to *kiai*, so that *kiai* becomes the main benchmark for the Madurese community in carrying out various activities. especially in promoting all pesantren activities. In addition to product innovation, the services provided are very maximal. Until now, the character of the Madurese people feel ashamed if the surrounding community knows that they are being visited to collect debts, then the proper distribution channels are carried out by the pesantren's financial institutions to appoint local alumni to become employees or partners of cooperatives so that people feel comfortable with the servants provided by the pesantren. (UzlifatilJannah, personal communication, August 2020) Sharia financial institutions (LKS) are institutions that offer and display Islamic values in financial products and services to the public. Pesantren as non-formal education has contributed to the development of Islamic economic teaching through the means and efforts they have at the micro-level. Pesantren graduates have more moral foundation and knowledge of Islamic economics through the curriculum compared to education in general (Piliyanti, 2016, p. 239)

Likewise, the distribution channels carried out by KSA JATIM to channel money or funds for permanent cooperatives through cooperatives by including alumni acting as partners of KSA JATIM, while alumni of Islamic boarding schools have joined organizations formed by pesantren, namely the KarangDurin Alumni Association (HIMAKA), alumni function as Partners are realized to attract members, to find productive places to open cooperative branches. The goal of building partnerships with alumni is to provide maximum access to finance and encourage the progress of cooperatives. To provide easy access for the public in financial transactions, KSA JATIM has provided inter-branch transfer services (SahrulSidik, personal communication, August 2020)

The distribution channel strategy for Islamic microfinance institutions built by pesantren in opening branches by occupying remote communities aims to become a reference for sharia cooperatives in various regions and to increase the income of members and the community, build public awareness of the life of working together in carrying out business activities, creating Muslim entrepreneurs who tough in remote or urban communities and increasing economic empowerment programs, especially among members through the sharia system (Halimi, personal communication, August 2020)

In addition to opening branches in remote villages, cooperatives or BMTs also have cooperation with community leaders, especially religious leaders, as well as forms of cooperation with every educational institution around the cooperative, the form of

cooperation carried out is the provision of funding for educational institutions and providing student assistance to students who cannot afford it. These products are the distribution channels chosen by cooperatives or BMTs to make it easy for managers of educational institutions to meet their needs (M. Dari, personal communication, June 12, 2020)

Furthermore, Islamic boarding schools in marketing Islamic financial institutions also have very good grant products, such as what is done by the East Java NURI Cooperative, namely having home renovation products by utilizing grant funds given to poor people who are members. This program is carried out of course to equalize the distribution of cooperative income so that poor people who are members of the cooperative have the opportunity to get home renovation products, this program is 100% free and given to elected members every year. Surely, this has become a very strong marketing tool to introduce sharia-based financial institutions and become a powerful distribution channel tool in financial inclusion (Fauzan, personal communication, August 2020)

The cooperative built by the pesantren is very helpful for the small community because it has been able to become financial inclusion in Madura, by involving the role of alumni, alumni here function as maximum marketing because most branch offices are opened with alumni guidance because they become a power in the development of pesantren cooperatives. The majority of alumni are more trustworthy because in Madura, until now, the students or alumni are still highly adhering to the *kiai*, so that the role of alumni is very maximal and the majority of alumni do not pursue material only as a form of devotion to the pesantren, so that the development of Islamic financial institutions built by the pesantren will be much faster to develop than Islamic financial institutions built by individuals because the power of alumni is highly trusted by the Madurese community. This is because the Madurese people are very obedient to the role of the santri by seeing the *kiaias* the main religious figure in society. (Ryan Suhaimi, personal communication, July 18, 2020)

To meet the capital of the microfinance institution itself, there are many channels of capital, such as cooperation with banks in the capital network. This statement is in line with MohAbdianul's statement in supporting the Sharia Cooperative and BMT Bank Rakyat Indonesia Syariah (BRIS) Pamekasan Branch that has issued a special product, namely Linkage, this product is a connection, so banks provide capital assistance to cooperatives and BMT to be reconnected to all members, because of the position of microfinance institutions in Madura as financial inclusion. So that people who have not been touched by the banking sector, then basically they can also get bank financing through cooperatives and BMT. (MohAbdianulHidayatullah, personal communication, August 2020)

Several microfinance institutions have collaborated with BRIS, namely KSPPS NURI JATIM, a microfinance institution founded by the MambaulUlumBanyuanyarPamekasan Islamic Boarding School, BMT Mawaddah which was founded by the MiftahulUlumPanyeppenPamekasan Islamic Boarding School, and the WaliSongoSampang Sharia Cooperative which was established by the WaliSongo Sampan Islamic boarding school in the collaboration process with BRIS Pamekasan. (MohAbdianulHidayatullah, personal communication, August 2020) this form of cooperation was carried out to make cooperatives and BMTs financial inclusion in Madura so that the Madurese community can be served as a whole.

In addition to the forms of cooperation carried out with cooperatives and BMT banks built by Islamic boarding schools, they can provide transfer services so that the existence of this microfinance institution has functioned like banking, so that distribution channels have been supported by the use of financial technology services (Fintech) that

are fulfilling sharia. This notion is in tone with Matnin's statement that the *walisongo* sampan sharia cooperative, KSPPS NURI JATIM has used Aulia software for financial management, this system is also equipped with transfer services and Debit cards for all members, as well as the availability of an ATM. Thus, members of cooperatives and BMTs and the wider community can easily get banking-like facilities (Matnin, personal communication, June 15, 2020). The same thing was also stated by Rahmadi that Aulia software has been widely used by cooperatives and BMTs in Madura, especially those managed by members of the pesantren, this system is equipped with a complete application to meet the needs of the community. For example, ATM-machine, debit cards, and transfer services, the most important is financial recording according to sharia (Rahmadi, personal communication, July 23, 2020). Several collaborations are carried out by cooperatives and BMTs in Madura to meet the needs of the community and as financial inclusion in Indonesia.

Conclusion

Islamic microfinance institutions built by Islamic boarding schools in Madura are in the form of sharia cooperatives and Baitul Maal Wat Tamwil (BMT), these two forms of institutions have become one of the financial inclusions in Madura to fulfill the needs of Micro, Small and Medium Enterprises (MSMEs) and millennials. Also, to reach this goal, the two institutions innovate products and use distribution channels. The forms of product innovation include; opening special MSME and Millennial products with chain financing, waqf products for the development of people's businesses, Qard financing accounted for one million to 10 million, and procurement of capital goods for MSMEs and Millennials. While the distribution channels used comprise of; opening branch offices in various parts of the village, maximizing the role of alumni, using ATM, as well as collaborating with leaders and educational institutions. As for the fulfillment of Cooperative and BMT capital to meet the needs of members and the general public, this institution has access to cooperation with Islamic banking, namely in the form of linkage or additional capital by banks to be reconnected to all members and communities who are not bankable. Supplementary to this, cooperatives and BMTs in Madura have used financial technology to add facilities to meet community needs.

Recommendation

Financial inclusion is highly needed by all levels of Indonesian society, including in Madura island. Thus, government support and aid for the existence of microfinance institutions is expected which aimed to improve the economy of MSME players and millennials. The support can be in the form of access to capital, financing, provision of goods and services through Islamic cooperative institutions and micro, small, and medium-sized BMTs for MSMEs and Millennials. Apart from the ease of financial transactions, this can also provide fintech services, which are easy to be accessed by all levels of society.

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