

Mosque-Based Islamic Cooperative for Community Economic Development

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— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

This qualitative research aims to propose a model for the establishment of mosque-based Islamic cooperatives for community economic development. The research used primary data collected through in-depth interviews with six informants from various professions such as religious leaders, lecturers, leader of Islamic Cooperative, and mosque caretakers. The data were then analyzed using thematic analysis. The findings suggest that the first basic step which needs to be implemented is changing the mindset of the society through Islamic economics education in mosque lectures and other communication channels or media since generally the Islamic economic concepts are not well-known. This will lead to a higher awareness and stronger support towards Islamic economic movement. These two aspects should be supported by four strong pillars, which include: i) commitment and integrity, ii) consistency and focus, iii) good capability, capacity and professional management, and iv) accountability and transparency. These four pillars will enable mosques to develop community trust to the mosque caretakers. Based on this trust, the economic potential of mosques can be empowered through the establishment of Islamic cooperatives. To allow the implementation of the concept, it is suggested that mosques caretakers organize lectures with topics focusing on basic Islamic economics as a foundation to increase the awareness of the community.

Keywords: mosque, economic development, Islamic cooperatives.

1. INTRODUCTION

Cooperative as a pillar of the nation's economy, as mentioned in Basic Law 1945, is an organization that has particular characteristics shaped by the Indonesian local culture, such as mutual cooperation and kinship. The ideology, concept and character of cooperatives align with the core value of Islamic economics that is the principle of justice for all parties. Justice means a balance between individuals in the community, not equitable distribution. As the founding father of Islamic economics, Chapra (1985: 73) assured that cooperatives run based on Islamic principles which are oriented towards public service. The cooperatives play an important role in achieving goals in the Islamic economics. Islamic cooperatives have showed their ability to improve the welfare of society and alleviate poverty (Riwajanti, 2013; Ahmed, 2002). Currently, Islamic cooperatives have a strong community basis in the form of Islamic Boarding Schools. However, the schools are rarely mosque-based.

Islamic Cooperative, the latest term used by the Ministry of Cooperatives, refers to Savings and Loans Cooperative and Sharia Financing (KSPPS). It is defined as a "cooperative whose business activities include saving and financing according to sharia principles, including managing zakat, alms giving and waqaf" (Minister of Cooperatives and UMKM No. 16 of

2015). In relation to Islamic Cooperatives, Chairman of Indonesian BMT Association, Joelarso, complained that until now there has been no law regulating Islamic Cooperatives, while Law no. 1 in 2013 on Micro Finance Institutions limits the movement of BMT (Kelana, October 27, 2014). Currently, the legal basis used for Islamic Cooperatives is Ministerial Regulation No. 91 of 2004 on Islamic Financial Services Cooperatives and, subsequently, Ministerial Regulation of Cooperatives and MSMEs no. 16 of 2015.

Conventional and Islamic cooperatives have some similarities in terms of their focus on economic empowerment of the community, especially their members. They have social goals and missions to improve lives for the community. The cooperatives also provide additional income for their members, encourage entrepreneurship and have a value that the poor should be involved in entrepreneurial activities. In addition, both are expected to provide wider access to finance to the community and act as institutions capable of maintaining long-term business sustainability supported by efficient systems and transparent reporting, focusing on capacity building integrated with the concept of an authorized microfinance institution (Obaidullah, 2008: 9-10). Dhumale and Sapcanin (1999) also believe that these two types of cooperatives support entrepreneurship and risk-sharing through the provision of free usury financing, and that they also share the same value that poor people should be involved in the activity.

On the other hand, there are three principle differences between conventional cooperative and Islamic Cooperative. First, Islam classifies poverty into two categories: people who are very poor and do not need loans but need help in the form of zakat, and poor people who are able to increase their income if they get loan to run micro business. Secondly, shariah finance does not use a debt-based and interest-based approach. It is based on profit and loss-sharing approach, free of *riba* (usury) and *gharar* (uncertainty). Thirdly, Islamic values aim to empower families, not just empowering women as being practiced by conventional cooperatives (eg Grameen Bank). Thus, the main difference is that Islam emphasizes the provision of financing and non-financing services to develop micro enterprises, operational transparency through social accountability, mutual understanding and cooperation (Obaidullah, 2008: 10-12). The conventional cooperatives and Islamic Cooperatives are both heading towards the same goal but they differ in value and operational instruments where their products are designed. In order to perform well, cooperatives should maintain good leadership supported by the government providing supportive regulation (Hartikayanti and Permadhy, 2015).

The early history of the establishment of Islamic Cooperative begins with Syarikat Dagang Islam (SDI) founded by H. Samanhudin in Solo in the 18th century before independence. In its development, SDI no longer emphasized on cooperative activities but it became a political organization. After independence, BMT established Salman Mosque Bandung ITB in 1970. The number of BMT increased rapidly when PINBUK (Small Business Incubation Center) was established in 1995 and successfully initiated the formation of BMT so that the number of BMT reached 700 and the peak number was 5,500 BMT in 2011 (Riwajanti, 2013). After that period, the number of BMT has decreased. The latest data from the Indonesian Ministry of Cooperative show that the number of Sharia co-operative financing units in Indonesia in 2016 was 2,253 KSPPS. This number is 1.5% of the total cooperative business units in Indonesia, with 1.4 million members and managing Rp 968 billion of capital and 3.9 trillion Rupiah outside capital as well as business volume of 5.2 trillion Rupiah (Humas Kemenkop and UKM, 2016). Therefore, the potential of Islamic Cooperatives is still very large, particularly in providing formal financial access for the community based on sharia principles.

Indonesia, as the world most populated Muslim country, has a large number of mosques spreading all over the regions; the number of mosques in Indonesia is around 1,167,753 mosques (Kompas, 7 Juni 2016). Indonesia claims to have the largest number of mosques in the world (Nasional Geographic, May 31st 2015). One of the advantages of the Indonesian

mosques is democracy of mosques management which allows mosques caretakers (*takmir*) to manage mosques operationally without the government intervention. The large number of mosques and the great potential in gathering the *ummah* could be optimized for economic development. This paper aims to examine the potential of mosques for supporting community development, particularly Micro Small Enterprises (MSE), through the establishment of mosque-based Islamic Cooperatives. It proposes a model for developing a mosque-based Islamic Cooperatives which might enable the *ummah* economic development.

2. RESEARCH METHOD

This qualitative research was conducted in Malang, East Java. The primary data were collected through direct in-depth interviews with six informants from various professions such as religious leaders, lecturers, leader of Islamic Cooperatives, and mosques caretakers. The informants were chosen based on their experiences and expertise related to mosque development. The interviews focused on how to improve the role of mosques in economic development through the establishment of mosque-based Islamic Cooperatives. Then, the data were analyzed based on thematic analysis.

3. ANALYSIS

The results of the analysis are presented in the following sections:

3.1. The establishment, management and sustainability of mosque-based Islamic cooperatives

Mr. D as an academician focusing on Islamic economics explained that in Islamic law, the concept that is closely related to cooperatives is *syirkah*, which is a cooperation agreement of several people contributing capital and skills. *Syirkah* inspires people to conduct economic transactions. He also mentioned that Islam teaches *syirkah* as a concept for cooperation in economy. In the legal perspective, Mr. A explained that the establishment of Islamic Cooperatives as well as the establishment of cooperatives in general must be initiated by at least 20 founders because a cooperative is a collection of people. So, it must involve many people, not only two persons. It is not difficult to find twenty people, but the most important thing is to find twenty people with a strong commitment, explained Mr. A who has been the Chairman of Islamic Cooperatives for more than 18 years. Furthermore, legality may be filed with Public Notary. The new regulation stipulates that new cooperatives should apply for a license from the Public Notary to obtain status as a legal entity, not from the Cooperative Office. Only the consultation process will involve the Cooperative Office, as well as coaching after the cooperative runs. Thus, this process is similar to that done to obtain a company's legal entity and foundation. Mr. A said that it is not difficult to establish a cooperative in term of regulations, but the sustainability of cooperative requires pioneers who have strong commitment from the worshipers (*jamaah*). These pioneers must keep motivating and reminding the *takmir* to continue the struggle in mosque-based economic activities.

An important step for cooperatives establishment is learning from other successful cooperatives. It is also important to strengthen the capacity of managers who must be professional in order to increase the public trust. Hence, education for the members becomes very essential so that cooperatives have independence in accumulating internal capital from the members. The next stage is strengthening the network in the form of partnership with suppliers. Strengthening the network should also be built by actively working with associations and forums of Islamic Cooperatives, and retail associations. Thus, these networks can become

collective strength. This is where the concept of *jamaah* is applied. Mr. A explained that if they work in East Java Province which has more than 30 regencies and cities, if they can successfully establish five cooperatives in each city/regency, then there will be 150 Islamic cooperatives. These cooperatives will strengthen the bargaining power to suppliers to get discounted price, as has been practiced by famous retail stores. Therefore, the selling price of Islamic cooperative products and services will be cheaper and more competitive.

The key success of mosque-based Islamic cooperative lies in the seriousness of mosque caretakers, as Mr. A further argued. They must manage the cooperatives well, become pioneers, and work hard to develop the cooperatives. Some mosques which have successfully develop mosque-based economy can be taken as examples, such as Jogokaryan mosque in Yogyakarta, Al Azhar mosque in Jakarta and Cut Muthia mosque in Menteng, Jakarta. There should be a caretaker in every mosque who focuses on and keeps reminding the *takmir* to continue the struggle in the mosque-based economy.

Mosque-based Islamic cooperative is a good concept to be implemented, according to Mr. B as *takmir* and lecturer. Cooperative with joint ownership is a suitable concept to be applied in mosques so that *jamaah* also have joint cooperative ownership and develop their potential. He also underlined the need to implement different management by having a goal of establishing a cooperative which then might buy a company, not just establishing a mini market which seems to be a small experiment. Therefore, he emphasized the importance of developing a large business and supporting and buying products from the *ummah*. He further explained:

“...ideally, the mosque has economic root, cooperative must be developed and has strong economic roots...then be empowered through many types of business, we can *Insyah Allah*...”

According to Mr. B, it is important to meet the needs of the *jamaah* through the framework of cooperative with various efforts, such as a health clinic. Thus, cooperatives will the activities of mosques, not only becoming a place for ritual activities. He pointed out that Islamic Cooperative products will provide loans to the *jamaah* with the *qardhul hasan* contract. The *jamaah* who experience economic difficulties in managing their business can borrow fund from the cooperative without interest. This also develops Islamic economy. The Prophet PBUH allowed debt, but he never required a certain amount of interest. He mentioned that it is an obligation for the borrowers to repay debt. The cooperative can then have Islamic-based savings and loan products.

There is an emerging phenomenon. Moslems are becoming more aware of the importance of economic movement in strengthening the *ummah*. Mr. B also believed that people have extraordinary power, even though it is still at the level of building the atmosphere, not a culture and fundamental process. For example, stores in mosques are still selling products from China. This store should ideally buy products from Muslim suppliers so that the economic activities can reach the grassroots. A well-known shop in Malang has cooperated with local Muslim suppliers. Therefore, the economic movement is more intact by utilizing and marketing the products of the *ummah*. Furthermore, he wished that in the long run, cooperatives will be able to build Muslim economy by buying big companies whose products are widely used by people, such as noodle companies. This is possible if Muslims are united; a big mosque can buy one big company. This option is cheaper than setting up a new company.

More specifically, discussing the role of the Council of Mosque in economic development, Mr. B described economic activities at mosques at campus/universities. For example, the mosque in a famous campus in Bandung has a *baitul maal* to provide scholarship to poor students so that they can continue their education. This campus mosque also has long been managing a program providing test guidance for Senior High School students and community coaching. A campus mosque in Malang has also run similar activities. He emphasized that the campus mosque should have such a role. A campus mosque in Malang

also did the same activities, but experienced problems in the management of *zakat* institution which made them stop the activities. It is now operating again, but in a smaller size. An important key in maintaining operational sustainability of *zakat* institutions or Islamic Cooperatives lies in the organizer consistency, public trust and transparency through open reporting to the public. Problems will appear if there is no report about the fund received, which might be due to high administration cost. He also pointed out that it is important to have a clear regulation about the fund management and profit sharing to increase public trust, as he further stated:

“...building trust among members is very important, being transparent. In the mosque, it will be easier to do this because mosques apply a management based on the *ummah*. So, people will trust each other. The problem usually appears because when they have public trust, they break the trust”

He emphasized the importance of being consistent (*istiqomah*) in running a business and maintaining public trust through transparent financial information and accountability. The public trust should not be abused as people will no longer believe that the mosque can manage the funds well.

As a retail practitioner and *takmir*, Mr. C explained that he has been a coach for other mosques in setting up a mini market in the mosque environment. The caretaker of the mosques have willingness to learn about retail business management given that he has been a retail practitioner for a very long time. Mr H argued that it is very important for Muslims to have economic power, because Islam also emphasizes the importance of conducting economic activities according to Islamic law. With a strong economic capability, the economic potential of the *ummah* can be used to support religious obligations and related practices, such as *zakat*, *infaq* and *sodaqa*. Good Muslims should practice Islam well in all areas including the economy. Muslims must be strong economically, he asserted. This requires a change of paradigm and mind set, as well as actions and real examples. The spirit of Islamic brotherhood should be embodied in economic activities taking the form of cooperatives.

Another challenge faced by mosques in the city area which already has a mini market and has not formed an Islamic Cooperative is the limited access to media to socialize the business. The mosques only use social media. Mr. C explained that not everyone uses social media. So, not everyone can get the information. This information leads to further enthusiasm and commitment. There should be more intensive activities, such as seminars, roadshows etc.. However, the activities will need funding. Mini market in the mosque was founded by the economic section. Each section of the mosque has an institution contributes to the *ummah*. For example, the education section establishes a religious primary school (*Kuttub*). Other than establishing minimarkets, the mosque economic section also has a small tofu factory. The business will be further developed. If the location is not possible to expand the business in the mosque, other locations outside the mosques can be used. If the mosque only relies on the *jamaah*, then the number will be limited. The market should be extended to the general public to attract non-Muslims who are not interested in coming to mosques.

There are four points that Mr. C always explained when talking about the mosque's economic activities (store/mini market); those are place/location of the business/store, items to be sold, sellers and how to sell. The place for selling products was in the mosque environment, in which all sellers must be Muslims and obey the Islamic law. The items sold must be in good condition and in accordance with the Islamic law (*halal*). How they sell the items must be in accordance with Islamic values, such as promotions according to the Islamic law without fraud and *gharar*. The market will initially be limited to the mosque's *jamaah* who frequently visit the mosque to attend mosque activities. Mosques provide flexibility to Muslim entrepreneurs,

as suppliers and producers, in various ways such as consignment, buy breaks with soft payment system and reverse payment, swap system (replacement for expired items), *etc.*

3.2. Challenges

In economic activities, it is common that challenges will emerge. Mr. D explained that the challenges could be related to the difficulties in preparing and finding Muslim producers to supply goods for mini markets. Thus, the store could not necessarily be self-sufficient. The store development process needs to include regular coaching on Muslim suppliers, as has been done by the mosque. The next challenge is to maintain the commitment of the managers of economic activities. Mr. D believed that Muslims' awareness to pay *zakat* and *infaq* has grown incredibly. However, the next challenge is how to increase *takmir's* understanding and capability to manage the fund. The fund is usually used for building physical facilities/assets and other goods, *etc.* The fund should be managed for economic empowerment, as he emphasized:

"Actually... funds can be utilized for empowerment activities/programs, useful for the ummah... however is not easy because the takmir might have different backgrounds, have different understandings...these differences sometimes could also raise conflicts of thinking... "

This difference can also be triggered by different understandings of different information which could relate to personal figures or professions of religious leaders/ulama/teachers; Therefore, the different understandings and backgrounds can result in potential conflicts. Mr. D once again confirmed that the main challenge is the people's understanding of the concept of Islamic brotherhood which should be linked to the economy. He emphasized that:

"...the challenge is to build understanding. So, I think the society's understanding about the concept of Islamic brotherhood is not related to the economy. Actually, the main element of Islamic brotherhood is economy. At the moment, they understand that Islamic brotherhood means we are brothers, although we have different opinions, but we should respect each other. Yet, the main element of Islamic brotherhood in Islam is about economy. The so-called takaful, mutually ease each other, takaful will not be realized if there is no economic aspect. The Prophet built Medina by preparing the concept of Islamic brotherhood directly related to economic problems. The have should help the others. Within the concept of cooperative, the meaning help does not only bear in a consumptive way, it even comes to a higher level by helping Muslim producers who do not have a market... "

The basic challenge is the understanding of the community who consider that Islamic brotherhood is only related to worship, not related to *muamalah* (economic relation between Muslims) and *takaful* (helping each other). He also gave an example when Muslim entrepreneurs experienced problems when their products are rejected by mini/super markets. These entrepreneurs are greatly benefited by the presence of mosque-based mini markets that received their products.

The success of a mosque-based mini market relies on the homogeneous thought and openness of the jamaah to receive *dakwah* which makes it easier to run economic activities even though they have different backgrounds. Currently, there are some traditional Islamic groups, modern group, NU, Muhammadiyah, salafi *etc.* The great mosque which has successfully run economic activities also involved homogeneous *jamaah* who are member of

Nahdatul Ulama. The success of a mosque relies on strong leadership in order to firmly encourage and oversee the success of economic activities run in accordance with the guidance of Islam and to maintain the continuity of business, as Mr. D concluded. The model of community development implemented by some big mosques in Malang in managing Islamic Cooperative (BMT) can be taken as an example for other mosques.

A similar explanation about this challenge was stated by Mr. B. The real obstacle in developing mosque-based cooperatives is to change the mindset of the society, as explained by Mr. B:

"The real obstacle is, for example, people still cannot throw the mindset of traditional cooperatives applying interest ... well it is necessary to implement Islamic cooperative with interest [riba] free ...the real challenge is to change the mindset... but if we try to apply it Insha Allah that concept will be an alternative solution that gives peace to jamaah "

Therefore, *jamaah* needs to be given explanations and socialization about the concept of *shariah* through discussions, workshops, and lectures in the mosque. This approach can answer their doubts. He criticized that now mosques usually build physical facilities/assets and have not thought seriously about economic empowerment of the *ummah*. A large-scale mosque is expected to help the small mosques around it. The mosque should also develop community maps /databases to identify the number of poor *jamaah* and rich *jamaah* etc. Changing the mindset of *jamaah* must start from changing the mindset of key figures in mosques. If the mosque leaders have the right mindset and understanding about Islamic economy and Islamic Cooperatives, then the *jamaah* will follow. It will be easier to invite the *jamaah* to become members of Islamic Cooperatives in mosques.

In the process of changing the society mindset, the challenges will be enormous. Mr. B gave a real example on the management of interest-based conventional savings and credit cooperatives at *Rukun Warga* (local citizens association) level. He introduced the concept of *riba*-free savings and loans; thus, the borrowers repay without interest because the purpose is to help neighbors. However, it turns out that the women who save the money are satisfied because they want to earn interest from their savings. Thus, eventually they refused to accept *riba* free saving and loan. As an *ulama*, he has actively educated the community in relation to *riba*, although some *jamaah* disagreed. He hoped that in the next five years, people will be actively involved in the economic movement. His hope is based on the belief that Muslims have tremendous potentials, and the potentials will be united if the people are aware of the importance of implementing *sharia* in *muamalah*. Therefore, there is no separating line between economy and religious value. However, giving an understanding that economy and Islamic value are closely related is difficult.

Mr. C, as a retail practitioner and *takmir*, explained the general condition of the people today, which can be summarized in 80:20 formula that is universal and applicable to all communities, populations and locations. In relation to the mosque, he mentioned that from 100% of people who are in the mosque, only 20% understand the Islamic law well. The rest have less understanding. Further, from the 20% who understand the Islamic law, only 20% have IK2 (Integrity, Capability); from the 20% who have IK3 (Integrity, Capability and Capacity), only 20% have IK4 ((Integrity, Capability, Capability and Commitment). Further, he explained:

"... because that commitment is based on prior knowledge ... there are capacity, capability and not all who have that capacity have a commitment. Well... basically someone must have a commitment because the commitment relates to the sense of attachment which leads to concentration. What can we expect from people who do not focus on the society problems. That's it first. So, since all problems are done by human

beings, then they should see the problems from the human side, what is the biggest human problem ... "

Therefore, building the society's economic condition will also be more effective and efficient if it involves people who have IK3. Indeed, this concept seems idealistic, but that does not mean impossible. Realistic, operational and action oriented steps in mobilizing people's economy can start from the mosque. Therefore, it is necessary to approach people who have IK3 in the mosque.

The next related problem is the need for fund; therefore it is important to find people who have IK3 plus capital to become IK4 (Integrity, Capability, Capacity, Commitment, Capital). So, the steps are:

"... so from the beginning, we detected and analyzed the problem, found persons with IK2 characters, increased to IK3, from which IK3 looking for persons who have IK4. Ah, that's concept is so ideal We just talked about the nature of realistic and operational ... supposed we find someone who could be a champion. The general and universal principle is, the formula to be a champion is only 3: master the knowledge, dare to try then practice it often..."

Exercise or practice becomes an important thing to succeed in any field. Someone must have courage to experience the real dynamics of the problem. Having the ability and understanding is not enough, a person must be skilled. Skills can only be acquired through continuous practices.

The challenge that must be faced is increasing the awareness of people, that it is important to build *ummah* with economic strength. One of them is by forming Islamic Cooperatives. This effort to increase economic awareness requires people who have IK3 (Integrity, Capability, Capacity, Commitment) and even IK4 (Integrity, Capability, Capacity, Commitment, Capital). To mobilize people's economy, knowledge is important. It is interesting that the awareness of the *ummah* seems to have emerged. Although the challenge to achieve this is enormous, he believed that it will work He said that it should start now. Allah SWT will look at the process and effort that we do, not the final result. The main task of humans as the Caliph on earth in accordance with the knowledge owned.

The endeavor in developing the economy of people must be accompanied by consistency (*istiqomah*) in which there are the following principles:

"... in the istiqomah there is a consistent principle, consequent, continuous in doing everything .. be patient, painstaking continuously and so .. the rest we tawakal. It means that the result is God's right ... not the right of man, God judges us from our process and partisanship "

Furthermore, at the implementation level, some mosques have established businesses, such as mini markets, halal marts, cooperatives etc. Although they started from simple / small business, the businesses have run well. Challenges in business operations surely exist, but Mr. C believed that Allah SWT will help, because if you have tried, Allah will provide His guidance in any form. The important thing is to have confidence that Allah SWT is with those who are fighting in His way. Business managers in mosques should also be optimistic, although they might be worried.

According to Mr. E, the challenge faced by management in the community economic development is to find people who have the commitment and time to manage the economic activities, even special employees are needed. He explained the difficulty as follows:

"First, to find someone who is able to manage it. It feels ...he finally has spent all his time there, while he did not get anything ... we need to think about this seriously. I have tried several times to get people to take care of zakat, many abandoned it because he also has another job ... Well if it could be the name of amil which must be paid well"

He explained that the salary could be taken from zakat. One-eighth of the zakat is still allowed. If the salary needed is more than the fund, it must be financed from non-zakat funds. The mosque or community managers should be responsible for supporting this, because the state will not provide funds for these needs.

The second challenge according to Mr.E is the need for education/socialization (*dakwah*) with topics related to the *ummah* economic development. It is important to attract people to be interested in this kind of study, because studies concerning Islamic economy are still rare. In addition, the number of *ustadz* who master the topic of Islamic economics is still limited. He also admitted that he still has not fully mastered this knowledge. He further explained that the *Bulughul Umarah* Jurisprudence book on Chapter three also discusses in detail and lengths about *ijarah*. However, the discussion of jurisprudence in the mosque still deals with the problem of *thoharah* (purification). Thus, it still discusses old topics, not discussing trade (Islamic economic). The study of economics should be delivered in an interesting way, so that people understand and implement it. For example, there are many people who think that *riba* is allowed, but *riba* gives severe consequences. Mr. E believed that in this case, education about *riba* cannot be done instantly because it will shock the public. *Ulama* who really understand the topic are needed to deliver it. He explained that the loan sharks in his village still exist although the number is decreasing. Poor people who need funds also still think that loan sharks are quick solutions when they need funds. In this case, BMT or Islamic Cooperative can provide solutions for the community. Although the moneylenders will resist the idea.

3.3. Mosque based Islamic cooperative in the village

Comparing mosque-based cooperatives in villages and towns, the informants agreed that the concept was more likely to be run in the city than in the village. Mr. D explained that in the villages, there are many groups that empower the community. State Islamic University (UIN) Malang has a mosque-based power post program as part of Research and Community Service (P2M) activities. He explained that:

"Then from this mosque they continue to houses...giving coaching and counseling. Sometimes it is also [giving counselling] in the mosque...the mosque then invite them, buy not yet move into a cooperative ... Although there were also mosque giving training as well. If I see that in the village indeed there many groups dealing with economic activities"

The mosque-based power program in this remote area has been run by UIN Malang in cooperation with the Indonesian Mosque Council, NU, Muhammadiyah etc., involving 10 students and 4 lecturers as part of the integrative Field Work Practices program. The mosque serves as a base camp, but sometimes activities are done at home. The mosque is used as a venue to conduct activities related to education and economics, but the program is actually focused on aspects of economic development. They also create a map about the condition of the people around the mosque, including the poverty map. Based on the map, programs are designed to be offered to the community by considering local potentials. For example, in areas that produce sugar, communities are trained to make candy home industry from sugarcane. This program lasted for one full month. It produced the embryo of community organization, for example cooperative and local Islamic boarding school (*pesantren*). Furthermore, the boarding school collaborated with Community Service Board in the University. The program is intensified because it is driven by alumni in that location. It can be concluded that there is a long process for pioneering and giving understanding to produce an institutional embryo in the economic field, emphasized by Mr. D. The mosque-based empowerment is mostly driven by non-government institutions and higher education institutions, not by local governments,

except in some areas such as West Nusa Tenggara. The coaching is managed by Syafii Antonio who conducts the training as conducted by STIE Tazkia.

Similar opinions were stated by Mr. B who also argued that the development of mosque-based cooperatives is more likely to be in the city than in the village because people in the city are more open minded and have more access to information due to their higher education than people living in the village. Therefore, it is easier for them to accept new concepts quickly. The awareness for *riba* free activities also has been growing in cities while people in the village still accept *riba* as normal activities. He further asserts:

"...So people living in city are ready due to their better economic condition. They have future oriented thought ... then they go mosque as a necessity. City people are thinking ahead, so the mosque must be developed to provide the needs of the people. If village mosque is only used as a ritual framework only, pray only. Well ... it is a challenge...when mosque cooperative, they will think this cooperatives will compete with village co-operatives... competition between village cooperative ... it not just occur in village, even in city every Rukun Warga has cooperative"

Mr. C, as a *takmir*, also has the same arguments that city mosques have more potentials to develop the people's economy than village mosques. He revealed the reason, that Muslims who have IK3 and IK4 live in the city because they have better education. Mr H explained:

"... It is hard to establish economic activities in village ...because they have very simple philosophy. First, they don't have knowledge, does not know yet, do not understand. Second, whoever become leader is not really a matter...as long as they can buy food and clothing in cheap price. So, they are very simple ... so that if we give idealist concept...is still very hard ... it also influenced by their understanding that mosque only for ritual worship"

Once again, Mr. C emphasized that what really matters is the understanding of the people, based on which they can practice and become skilled. There are still many people who think that the mosque is only for ritual worship (praying), not only in the village, but also in cities where people have better knowledge. Furthermore, Mr H explained that this misunderstanding does not only exist in villages but also in cities. He divided Muslims in three categories: those who are romantic Muslim, realistic Muslim and selfish Muslim, and gave explanations as follows:

"...Selfish Muslim are those who only focus on his family with good economic condition, praying five time a day is enough, and thinking that going to mosque is not important. When they come to mosque they just show of their umroh performance; that's all. But when [they are] invited to commit to a movement... still there are disparities, there is still disorientation even consider it extreme movement and so on. Is it necessary [to commit to economic development]? should be the Islamic teachings? ...and so forth. [There are] many challenges, extraordinary. But it should be started [to educate people]. Starting from a small, starting from yourself and starting right now. Is that so... "

The above explanation highlights the challenge to awaken the people to the movement, to care about the economic development. This is not easy since many Muslims do not have awareness. They are only oriented to meeting their needs and families.

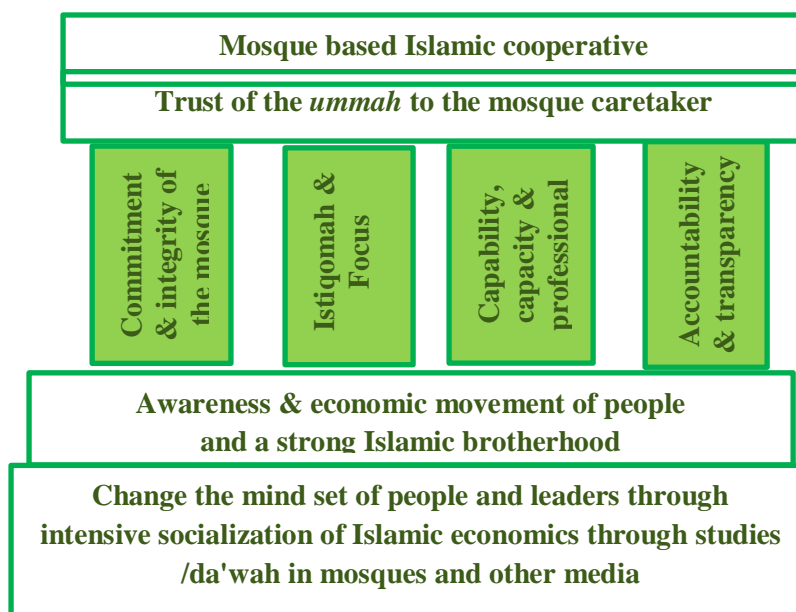
Considering the role of the Ministry of Cooperative, according to Mr. A, the ministry very concerned towards the mosque-based cooperative and support cooperative could run well because high number successful cooperatives will be the achievement of the Ministry of Cooperatives. Currently, the problem is there are a large number of cooperatives without economic activities, never conduct Annual Member Meeting, and so on. Therefore, they must be disciplined. Furthermore Mr. A explained the Ministry is very concerned about that cooperative growth. However, based on the past experiences there are many cooperative which

applied for establishment permits failed to maintained their operation. Therefore, now it is more difficult to get the permit. But it is not a problem because the permit is actually now it is not served by the cooperative, but in the Public Notary.

3.4. Proposed model for mosque based Islamic Cooperative

Based on the above analysis, the following model is proposed to enable the establishment of mosque based Islamic Cooperative:

Figure 1. Model of mosque- based Islamic Cooperative development



The basic foundation of mosque-based Islamic cooperative establishment is to change the mindset of both Islamic leaders and *ummah* that the Islamic law not only regulate vertical relations with Allah SWT, but also include *muamalah*, especially in the economic field. This previous understanding that Islam is just limited to the five pillars alone can be reduced. Knowledge of the Islamic economic will awaken the awareness that it is important to have an economic power that is done in unity based on strong Islamiyah brotherhood. When this condition has been realized, *takmir* and mosque business management must have four important pillars include commitment and integrity, consistency (*istiqomah*) and focus on capturing business opportunity, capability/capacity and professionalism management, and accountability and transparency in activity management. Furthermore, the beliefs of the *ummah* will be awakened and will be easy to raise funds and managed in the form of Islamic Cooperatives with various businesses. Ultimately, the long-term goal of creating a prosperous and independent people will be achieved.

4. CONCLUSION AND PROPOSED RECOMMENDATION

Comparing mosques located in cities and villages, the implementation of economic development activities are more likely to be implemented in cities. This is caused by the emergence of urban community awareness to return to the mosque in meeting their spiritual needs, the number of activities studies in the city mosque, etc. *Jamaah* in cities are also more open in accepting new information.

Economic activities can be done by establishing mosque-based Islamic Cooperatives, which has been taught by Islamic law (*syirkah*) or cooperation in economy by including capital or expertise. Steps that need to be taken in establishing mosque-based Islamic cooperative are learning from other cooperatives that have been successful, strengthening the capacity of managers, continuing education to *jamaah* about the Islamic economic concept, internal capital collection, network strengthening and partnerships. The key to success lies in some important aspects; those are the commitment of the *takmir*, focus in carrying out economic activities, maintaining *istiqomah* attitude in holding trust of the *ummah* with accountability and transparency. It also should be underline that all informants agree that having economic power for the *ummah* is very important. However, realizing this goals face some challenges such as changing the mind set of people and community leaders on the importance to pay attention in economic empowerment based on Islamic law, lack of access/ownership of the *ummah* to media corporation to provide broad information to the *ummah*, lack of Muslim producers to supply products, difficulty to maintain managerial commitments, diversity and confusing information presented by different scholars, the differences and lack of *ummah* understanding which might potentially create conflict among *jamaah*, lack of ability in managing conflicts with communicating to avoid miscommunication.

Based on the above analysis and considering the magnitude of mosque potential in developing economy development of the *ummah*, especially through Islamic Cooperative, the following recommendations are proposed to related parties as follows:

- Recommendations for the Ministry of Cooperatives and SMEs:
 - Islamic Cooperatives need the same attention with conventional cooperatives from the Ministry of Cooperatives in the form of coaching and training in various fields, therefore the Ministry of Cooperatives and SMEs should not provide different treatment between Islamic and conventional cooperatives,
 - The Ministry of Cooperative should further improve its performance in advancing Islamic Cooperatives through regulations that support Islamic Cooperatives, intensification of coaching and training.
- Recommendations for Indonesian Mosque Council:
 - The council should further intensify coordination and cooperation with *takmir* of all mosques both in cities and villages to build the mosque-based economic movement
 - The economic movement of the people should be done in cooperation with mosques and Islamic Cooperatives that have been successful as a model model.
- Recommendations for mosque *takmir*:
 - The *takmir* of the mosque should organize Islamic studies on a broader topic, not only vertical but also horizontal worship, which includes muamalah and Islamic economics.
 - The *takmir* should spread the information about Islamic economy through thought lectures and other communicational channel/media since generally the knowledge are not well-known.
 - The *takmir* should organize lectures with the topic of basic Islamic economy as a foundation to increase the awareness of the community.

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