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MICRO FINANCE IN SHARIA RURAL BANKS IN INDONESIA: A CASE STUDY*

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Abstract. This paper aimed to identify the implementation of micro finance in sharia rural banks in West Java province, Indonesia. Furthermore, this study attempted to investigate issues found and the solution to them. Six out of 13 sharia rural banks in West Java, Indonesia were selected to be the subjects of the study. The selected banks were claimed to be able to represent urban and rural areas of the bank location. In addition, several experts and practitioners in related fields were also invited to be interviewed and attend a Focus Group Discussion (FGD). Based on the results of the study, it was found that the sharia rural banks found funding resource to be their ultimate issues in dealing with micro finance causing the shift in selecting customers from all people from low social class to those with fixed income. In addition, sharia rural banks also faced a tough competition with conventional banks, sharia banks, and sharia business units in having micro finance activities. There have been several efforts made to increase the quality of implementation of the micro finance yet the support from the government is still low. It is expected that the government creates such an effective system so that micro finance run by the sharia rural banks can be more effective.

Keywords: micro finance; Sharia Rural Bank; entrepreneurship; welfare

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