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Local Economics Empowerment and Sharia Microfinance in Rural Community Perception

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Abstract

This paper proposes to analyze and gain empirical evidences of the rural community perception on sharia micro finance institution to empower local economics at Margoyoso-Pati District Central Java, Indonesia. The data were gathered with survey method and questionnaire. The analysis technique in use is multiple linear regressions. The findings of the paper shows significant evidences on constructed research hypothesis, namely the products of Sharia Micro Finance Institution and the its services affecting the rural community perception on the sharia one, whereas on parametrically (t statistic test) and simultaneous (F statistic test). It shows better rural community knowledge and understanding on offered products from the Sharia Micro Finance Institution and their services quality; the two variables will simultaneously and parametrically affect rural community perception on Sharia Micro Finance Institution to empower local economics.

Keywords: economic empowerment, service quality, rural community perception, Sharia Micro Finance

Introduction

Baitul Maal wa Tamwil (BMT) phenomenon and *sharia* cooperation is part of the Sharia Micro Finance Institution (LKMS) model. Both institutions provide service for low to middle level people, namely micro (small) scale financing. The BMT problem at the moment is legality. The reality shows BMT existence legality does not have clear legal protection. Expected BMT legal protection, LKMS law plan is not

yet clear. While the Sharia Micro Finance Institution law legalizes, BMT existence could be included in the LKMS law.

The condition shown above shows BMT is not considered as illegal financial institution due to the Law No. 25 1992 on cooperation. Several BMT has operated with legalization of cooperation law, namely registering the operation to Cooperation Office and UKM at Regency and municipality level. The Law No. 25 1992 on cooperation does not consist of sharia aspect comprehensively, operationally or financing model, observation system, competency standard, risk management, and other LKMS related matters which strongly different from conventional saving and loan cooperation. One might say cooperation is “the cloth” and BMT is “the body.”

On April 22nd 2010, on *Republika Online* (ROL), BMT Modal CEO, Soeharto said the Sharia Micro Finance Institution (LKMS) development is getting comprehensively well. At the moment there are 3,900 LKMS or BMT financing about 3 millions Indonesian micro and super micro entrepreneurs. Several of them have more than one service office. BMT condition socialization has massive nature added with high mobility factor calculation of the BMT administrator providing service outside the office “taking initiative”. There is also other LKMS institution such as BPRS. Base on the Bank Indonesia statistics data there are 160 BPRS in September 2013 with 413 BPRS offices all over Indonesia.

Law No. 12013 article 12 explains that the activities of Micro Finance Institution (LKM) relate to financing or loan distribution and saving management by LKM may be operated as sharia principle and conventional. LKM activities in accordance with sharia principle should be carried out with sharia fatwa issued by the Dewan *Syariah Nasional (DSN) - Majelis Ulama Indonesia (MUI)*, therefore the name should be Sharia Micro Finance Institution (LKMS).

The purpose of micro finance institution (LKM and LKMS) is in accordance with Law No. 1 2013 Article 13, namely enhancing micro scale people funding access, helping enhance the economic empowerment and people productivity; and helping enhance people wealth and income especially poor and low income people. In accordance with the LKM/ LKMS purpose, the potential asset of the Sharia Micro Finance Institution was Rp 58.000.000.000,-, belongs to BMT in 2006. The next year asset was Rp 695.000.000.000,- and then in 2008 and 2009 BMT asset has developed into 1.000.000.000.000.- and 1.600.000.000.000,- (*Republika Online*, 2012). The asset added with supporting resources in Indonesia is expected able to reduce geographic gap especially in economics due to state prosperity indicators detected from its economic growth.

The Sharia Micro Finance Institution strategic existence in enhancing low and middle people economic empowerment, especially at rural areas should always be fostered and maintained (Bin Mislán, 2010). Therefore it will become the best alternative to solve micro business problem especially in funding. The empowerment with products utility optimization and other financial services at the Sharia Micro Finance Institution is started with sustainable socialization with media and other ways therefore the LKMS will be known and benefitted by the people (Kasemsap, 2017).

Socialization is significant stage of the LKMS segmentation of low to middle people such as the people at Margoyoso-Pati District. The people at this level are constrained with several matters such as education level, perspective and lack of confidence to compete in business. In the end the micro business operators at this village successfully interact with LKMS. This opens widely the access to cooperate with LKMS to develop the business. Therefore, the local economy empowerment has been able to be enhanced.

Margoyoso is a district at Pati regency, Central Java, province. The Margoyoso district consists of 22 villages. The LKMS amount in these 22 villages is lower compares to the total villages. There are only 4 (four) LKMS at Pati Regency, spread in several district such as BPRS Artha Mas Abadi, BMT Madani, BMT Fastabiq and BMT Yaumi Fatimah (Data Mitra LPDP-KUKM Provinsi Jawa Tengah, 2014). The effort to develop LKMS at Margoyoso-Pati District Central Java and other areas in Indonesia will need hard work from all related parties. The BMT/ LKMS operations should avoid the weaknesses. Those weaknesses are higher revenue sharing incriminating the administrator (*mudharib*), the administrator (*mudharib*) was not notified about the determined margin, and there was force confiscation on conflict solving. These weaknesses will create negative perception and reduce the quality. The perception could be reviewed from external perspective or people evaluation context.

According to Dian (2007), perception is the way human interpreting or sense processed collected information. Human perception is emerged from his/her own experience or other people impression. Accumulation of perception will establish an opinion, assumption or certain conclusion of his/ her experience. LKMS should operate comprehensively, namely in accordance with LKMS operational standard from its contracts, production names, and funding for the people. All of operations should follow sharia principles and also to introduce LKMS products. The LKMS should able to enhance administrator or staff quality (human resources) and enhancing quality service to its member and customers. It will affect LKMS performance and in creating people village positive perception.

This will need consistency, discipline, and cooperation of all related LKMS components. Therefore LKMS role, especially at Margoyoso Pati Village Central Java, on local economic empowerment will be relevant and effective. It is due to internally healthy LKMS practice, including

customers, members, and other stakeholders. It also includes the external parties, namely people village positive perception using and not-using LKMS funding. Those internal and external practices will affect LKMS performance to enhance local economic at Margoyoso-Pati Village Central Java.

Sharia Micro Finance Institutions such as BMT, Sharia Financial Service Cooperation, or BPRS will indirectly enhance their growth due to people real need of those institutions. This need should be in accordance with LKMS better service to the people whereas from its human resources, management, or the efforts to erase BMT negative perception namely complicated and “loaning money to gain big profit.” People positive perception will support people to joint LKMS and becoming member or customer to fulfill business or working modal or other consumptive needs. People are also able to get other financial services from LKMS such as saving or investment with sharia principles (LKMS products).

LKMS development will need people understanding enhancement on LKMS’s products, mechanism, system, and details. LKMS development is depending on people demand on its system. Therefore, socialization activities for the people will be effective with information on motivation, perception, and LKMS customer/ debtor’s decision. This research aims to answer of a question: how is rural community perception on Sharia Micro Finance Institution to empower local economics at Margoyoso-Pati District Central Java? Focus of this research is perception on LKMS using independent variables of LKMS products and services. The author argues that the two variables affect to rural community perception on LKMS to empower local economics.

Sharia Micro Finance and Service Quality

Base on the Decision of Indonesia State Minister of Cooperation and Small to Middle Enterprises No.91/Kep/M.KUKM/IX/2004 on Application Guideline for Cooperation Enterprises Sharia Financial Services (JUKLAK KJKS). It explains the LKMS products and services, namely saving and deposits (*wadia* and *mudharaba* principles), providing funding services such as *mudharaba*, *musharaka*, *murabaha*, *salam*, *istishna*, and *ijara*; and also *maal* activities or budget collecting and distributing's activities of *zakat*, *infaq*, and *shadaqo* (ZIS) including *wakaf*.

All developed products and services of sharia micro financial institution are innovative and contributing low to middle people, for example funding in the form of working funding for small and middle entrepreneurs with profit sharing offering highly helpful in the business. The entrepreneurs do not need to pay in constant amount the interest to the investor; they only need to pay the profit sharing in accordance to the profit they get.

Service is evaluation or comprehensive attitude relate to the result of comparison between customer expectation and perception on previous service performance (Ariani, 2007). In order to fulfill customer satisfaction the service industry company such as banks, LKMS, hospitals and others need to manage good and qualified service. According to Tjiptono (2008) service quality definition is expected excellence level and excellence control to fulfill customer expectation. There are five service quality dimensions defined by Tjiptono (2008) namely SERVQUAL (Service Quality), namely Tangibles (physical evidence), Reliability (excellence), Responsiveness (responsiveness), Assurance (guarantee), and Empathy.

In order to operate Sharia Micro Financial Institution (LKMS) need to focus on their service quality to the people. Service quality is able to find with the comparison of consumer perception between the experienced

service and the perceived service on LKMS service attributes. Whereas the customer of Sharia Micro Financial Institution (LKMS) considered their experienced service and perceived service is as expected therefore the service quality perception is good and satisfactory. The experienced service and perceived service is more than the expectation therefore the service quality perception is really good and satisfactory. In contrary whereas the experienced service and perceived service is less than the expectation therefore the service quality perception is bad.

Perception Affecting Theories and Factors

Personal perception emerges from the experiences from self or impression from other people. Perception accumulation will create opinion, assumption, or conclusion of the things experienced. Kotler (2000) stated that perception as personal process to select, manage, and interpret information inputs and creating meaningful comprehensive description. According to Simamora (2002), perception is how we see the world around us; for example there is an object, Matahari Store. The object, in fancy language, gives us stimulant. The stimulant provides as projection of Matahari Store therefore we may say, "I say the Matahari Store is exist and so on so forth."

The opinion shows perception as sensing process and accepted stimulants by a person with individual sensor then interpreted therefore able to be understood. The stimulant interpretation process is usually affected by individual learning process. The perception establishment process in a person is affected by various factors. Robbins (2001) stated the affecting factors of a person's perception establishment are at the perceiver side, the object, or the perceived target; or in the context whereas the perception is carried out. Those three factors are affecting of that one. The first factor is perception operator/ preceptor. A person sees an object and

tries to interpret what he/ she saw. The interpretation will highly affected by personal characteristic of the perception operator.

The second is perception object/ target. Observed target's characteristics will affect object's perception. New thing, movement, sound, size, and other attributes of target will affect the way we observe it. The third is situation consists of time, situation or workplace, and social condition will affect our perception. As mentioned by Walgito (2002), the environment and special situation behind the stimulant will also affect perception, especially human as perception object. The explanation above shows the perception affecting factors is located in the perception creator, inside the meant object or target; or in the situation context whereas the perception was created.

People Economic Empowerment

People empowerment is economic development concept summarizing social values. This concept describe new development paradigm with the nature of people-centered, participatory, empowering, and sustainable (Zubaedi, 2013). People economic empowering is strengthening production ownership factors, strengthening distributing and marketing authority; strengthening people to gain proper salary or wages; and strengthening people to gain information, knowledge, and skill which should be done in multiple aspects in people aspect and policy aspect (Mardi, 2000). Therefore, the economic strategic issue has specific local nature and specific problem. People economic empowerment operational could not be formulated generally.

Formulating concept, approach, and the form of people economic empowerment operational in general is an important effort, however understanding the people powerlessness in economic sharing is much more important. It is due to clear understanding will make formulating

concept, approach, and people economic empowerment operation form in accordance with local problem characteristic (Reisman, 2017). Local problem of the low level people is modal access. Financial business is always pushing people village; farmer, laborer, micro entrepreneur, small entrepreneur, and middle entrepreneur to increase their saving, whereas their need the funding from financial institution treats them discriminately.

It shows the modal flow is from lower level people to higher level people. Financial institution position is the mediator (Cervello-Royo, 2017). It is sharing the risk with borrowers, sharing information with borrower, and providing liquidity. The fact shows there are discriminative treatment to the lower level people and small entrepreneur on these three matters. The people do not have bargaining power on the injustice treatment on financial institution.

Hypothesis Development

The LKMS offers products in accordance with Islamic sharia principles, namely without interest and with profit sharing and buying selling. The profit sharing principle is the solution for the people, especially low to middle economic level people with significantly small modal. This principle will be more flexible due to no loss for each party, whereas profit will be share accordingly base on the *nisbah*, and whereas there is loss it also will be share accordingly.

Socialization program to the people would be significant in providing understanding on LKMS products. The products consist of guidance and operation, and also Operational and Procedure Standard (SOP) to carry out saving or funding activities and also other activities in accordance to sharia principle with more profit and merit than conventional LKM.

More innovative, and more profitable LKMS products to the rural community has been better than conventional Micro Financial Institution (LKM), the rural community are expected give positive response on LKMS. Therefore, LKMS products will affect rural community perception of LKMS to empower local economy. Base on those matters the hypotheses are: H1: LKMS products have significant effect on rural community perception on Sharia Micro Financial Institution (LKMS).

The developing Sharia Micro Financial Institution (LKMS) needs to focus on service aspect to customer; over more LKMS is financial institution selling financial service products. The rapid and good (prime) service for customers or the people will make them satisfied. According to Tjiptono (2008) service quality definition is expected excellence level and control over the excellence level to fulfill customer expectation

Whereas there are customers of rural community satisfy with LKMS service, they are expected to provide positive response to LKMS. Therefore, LKMS services are able to affect the rural community perspective on Sharia Micro Financial Institution (LKMS) to empower local economy. Base on the right this hypothesis is arranged H₂: LKMS services have significant effect on rural community perception on Sharia Micro Financial Institution (LKMS).

Providing perspective or understanding and knowledge to rural community on LKMS products by offering them to rural community; and providing perspective or understanding and knowledge to rural community on services quality given by LKMS have similar purpose namely affect the rural community to response positively or give good perception to LKMS. Good or positive rural community perception will make whoever have budget surplus to save and manage it at LKMS in accordance with sharia principle.

Rural community who needs fund or modal could directly visit LKMS and ask for funding with easier requirement and cheaper cost. They only have to pay the sharing profit from the profit they earned. Therefore the economics circle in the area is always moving with local economic empowerment due to production strengthening factor with the example modal easier access (Pianta, 2017).

Ariani (2007) shows that there is significant effect on significant and positive relation between service variable and community in general to Sharia Bank in Medan. She said the biggest contribution to perception on Sharia Bank in Medan is service variable. Suparno (2009) also shows average students 79.8% know the sharia banking products. The result shows economic faculty students of Syiah Kuala University have positive perception on sharia bank as sharia financial institution.

The explanation and the research founding will make this research testing LKMS products and services on rural community perception on Sharia Micro Financial Institution (LKMS) to empower local economy especially at Margoyoso-Pati District, Jawa Tengah. The hypothesis in this research is: H_3 : LKMS products and services will simultaneously and significantly affect rural community perception on Sharia Micro Financial Institution (LKMS)

This research is carried out with survey. The data were primary data is the questionnaire answers from the respondents. The research design is explanatory research due to its explanation causal relation of the variables with hypothesis test (Adrianto, 2008). The causality design purpose is testing LKMS products and services effect on rural community perception on Sharia Micro Financial Institution (LKMS) to empower local economy.

The research is only limited with the problems of LKMS products and services in affecting rural community perception on Sharia Micro Financial Institution (LKMS) to empower local economy. The research

population is the whole rural community around Margoyoso-Pati District Jawa Tengah consists of farmer, fishermen, entrepreneurs, and traders who have ever relation with LKMS and becoming LKMS member or customer, active or non-active. The sampling technique in used is sampling probability method. The sampling technique is carried out with simple random sampling.

The technique method in used in hypothesis test is multiple regressions. The analysis in used to test LKMS products and services effect on rural community perception on Sharia Micro Financial Institution (LKMS) to empower local economy is data analysis model shown below:

First, testing LKMS products with significant effect on rural community perception on Sharia Micro Financial Institution (LKMS) (hypothesis 1)

$$\text{Equation: } Y = \beta_0 + \beta_1 X_1 + e$$

Second, testing LKMS services with significant effect on rural community perception on Sharia Micro Financial Institution (LKMS) (hypothesis 2).

$$\text{Equation: } Y = \beta_0 + \beta_2 X_2 + e$$

Third, testing LKMS products and services with significant and simultaneous effect on rural community perception on Sharia Micro Financial Institution (LKMS) (hypothesis 3).

$$\text{Equation: } Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Explanation:

Y	=	Rural Community Perception on LKMS
X ₁	=	LKMS Products
X ₂	=	LKMS Services
β ₀	=	Constance / Intercept
β ₁₋₄	=	Regression Coefficient
e	=	Error Standard

The hypothesis test truth evidence is gained with statistic testing on the output of regression equation. The statistic testing in used are R² Test (determinant coefficient) to measure the model ability in explaining independent variable variation, Individual Parameter Significant Test (T Statistic Test) with significant level in used 5% or 0.05 (Two Sides Test), Simultaneous Significant Test (F Statistic Test) with Significant level in used 5% or 0.05 (Two Sides Test).

Validity test in used is Pearson Correlation Test, namely score correlating test earned of each question item with total scores of each construct (Ghozali, 2005). The test is using two sides test with significant level 0.05. The test criteria, with $r_{\text{calculation}} > r_{\text{table}}$ (2 sides test with sig. 0.05) therefore the instrument or question items have significant correlation on total score (considered valid). However with $r_{\text{calculation}} < r_{\text{table}}$ (2 sides test with sig. 0.05) therefore the instrument or question items do not have significant correlation on total score (considered not valid). The researcher was carried the reliability test using Cronbach's Alpha of each instrument in the variable. The instrument in used is considered reliable whereas Cronbach's Alpha is bigger than 0.60 (Ghozali, 2005). The researcher was testing classic assumption consists of normal test, multicollinearity, and heteroscedasticity before testing the hypothesis with multiple regression analysis.

General Sample Description

This research was carried out at Margoyoso District area consists of 22 villages. The area was chosen due to its population majority is farmer, fisherman, traders/ entrepreneur, and laborer; and also its lack of Sharia Micro Financial Institution (LKMS). The area needs LKMS development and enhancement to empower local economy for example the empowerment in farming, plantation, fishery, and crafting.

The field survey by the researcher in August 2015 shows from 22 villages there were 5 Sharia Micro Financial Institution (LKMS) operated. Those are PT. BPRS Artha Mas Abadi, Jl. Raya Pati Tayu KM. 19, Waturoyo, Margoyoso-Pati; Koperasi Jasa Keuangan Syariah (KJKS) BMT Madani, Jl. Ronggo Kusumo, Ngemplak Kidul Rt 06/04, Margoyoso – Pati; Koperasi Jasa Keuangan Syariah (KJKS) BMT Fastabiq Cabang Mragoyoso, Jl. Raya Juwana-Tayu, Margoyoso - Pati; Koperasi Simpan Pinjam Syariah (KSPS) BMT Usaha Syariah Bersama Jl. Raya Pati Tayu KM 20, Purworejo, Margoyoso – Pati; and BMT Yaummi Fatimah Cabang Margoyoso, Jl. Ampera No. 03 Bulumanis, Margoyoso - Pati.

The respondents of this research consist of the whole rural community around Margoyoso area who has ever related to LKMS as member or customer, active or non-active.

Table 1
Research Data Sample

No	Explanation	Amount	Percentage
1	Delivered questionnaires	150	100 %
2	Unreturned questionnaires	8	5,3 %
3	Unprocessed questionnaires	6	4,0 %
4	Processed questionnaires	136	90,7 %

Source: Processed primary data

There are 150 questionnaires delivered to the respondents. The returned questionnaires are 136 or 90.7%. The unreturned ones are 8 or 5.3% due to missing or un-responded. The unprocessed questionnaires are due to incompletely filled by respondents are 6 or 4%. Validity test result shows the instruments of LKMS products, services, and rural community perception have valid criteria on question item with significant value smaller than 0.05 and $r_{\text{calculation}}$ value bigger than r_{tabel} (two sides test with sig. 0.05).

The reliability test result shows the reliable result for three research variables use in this research:

Table 2
Reliability Test Result

Variable	Cronbach's Alpha	Explanation
LKMS Rural Community Perception	0,772	Reliable
LKMS Products	0,757	Reliable
LKMS Services	0,749	Reliable

Source: processed primary data

Table 2 shows Cronbach's Alpha value on rural community perception variable on LKMS is 0.772, on LKMS products is 0.757, and LKMS services is 0.749. The conclusion is the statement on the questionnaire is reliable due the Cronbach's Alpha value bigger than 0.6. It shows each question item in used will provide consistent data, meaning whereas the question asked again the answer will be relatively similar.

Classical Assumption Test Result

The normal test result using One Simple Kolmogorov-Smirnov method shows asymp.sig.(2-tailed) value is 0.518 bigger than 0.005. It means the residual are distributed normally (Ghozali, 2005). The normality test result shows on Table 3.

Table 3
Normal Statistic Test Result

One-Sample Kolmogorov-Smirnov Test		Un-standardized Residual
N		136
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	2.76633910
Most Extreme Differences	Absolute	.070
	Positive	.070
	Negative	-.036
Kolmogorov-Smirnov Z		.817
Asymp. Sig. (2-tailed)		.518

a. Test distribution is Normal.

b. Calculated from data.

Source: Processed Primary Data

The result is consistence with P-Plot Graphic and Histogram Graphic previously tested. The P-Plot Graphic output shows the spreading dots around diagonal line and the spreading following diagonal line. The Histogram output shows the created tabulation is following diagonal line. The curve line expands to the same side on the left and right of the histogram. It means the data distribution is normal. Therefore the normal test result shows regression model fulfilled the normal assumption.

Table 4
Multicollinearity Test Result
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
¹ (Constant)	-2.629	2.990		-.879	.381		
LKMS Products	.823	.089	.590	9.211	.000	.964	1.038
LKMS Services	.346	.085	.262	4.087	.000	.964	1.038

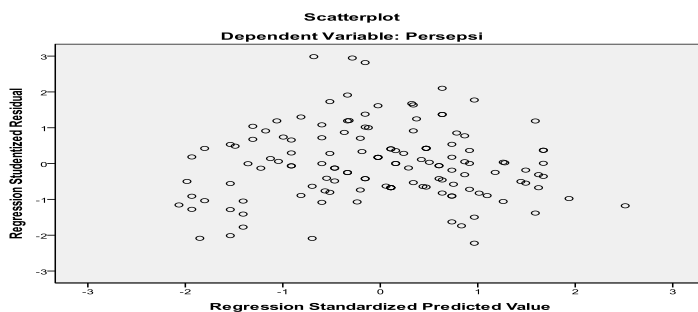
a. Dependent Variable: Rural community perception LKMS

Source: Processed Primary Data

The table 4 shows each variable has tolerance value is < 0.10 variance inflation factor (VIF) value > 10 . The multicollinearity test result shows VIF value of LKMS products and services is 1.038 each. The tolerance value for the variables of LKSM products and services is 0.964 each. The test result indicates there is no multicollinearity problem between independent variables on the regression model used in this research.

The heteroscedasticity test result shows the dots spread randomly and does not create certain pattern, above and below the 0 number of Y axle. It shows there is no heteroscedasticity on regression model. It means

regression model is not proper to predicts rural community perception on LKMS base on the affecting factors, namely the LKMS products and services. The heteroscedasticity is shown on picture 1:



Picture 1: Heteroscedasticity Test Result

Source: Processed primary data

Hypothetical Test

The first hypothesis was testing LKMS products (X_1) significant effect on rural community perception on Sharia Micro Financial Institution (LKMS). The test is carried out using simple linear regression with determinant coefficient test and t statistic test. The R value test result, base on table 5, is 0.639 correlation number meaning the relation of variables independent and dependent is strong. The positive correlation shows one way relation, meaning the better rural community understanding on LKMS products, the better their perception on LKMS. The R Square (R^2) value on table 5 shows LKMS products variable are able to explain rural community perception variable on LKMS. The rest 59.1% is explained by other things outside the models.

Table 5
Hypothesis 1 Determinant Coefficient Test Result
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.639 ^a	.409	.404	2.946

a. Predictors: (Constant), LKMS Products

b. Dependent Variable: Rural community perception on LKMS

Source: Processed primary data

Table 6 shows $t_{\text{calculation}}$ result is 9.627 at significant level 0.000 meaning smaller than 0.05. It means the t test LKMS products individually have significant effect on rural community perception on LKMS. It shows support for H_{a1} statement LKMS products (X_1) has significant effect on rural community perception on Sharia Micro Financial Institution (LKMS) and rejecting H_{01} . The research result is in consistency with the BMT is good and has real effect on local economy business function with contract (products) funding to develop the business.

Table 6
Hypothesis 1 t Statistic Test Result
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.876	2.269		2.590	.011
	LKMS Products	.893	.093	.639	9.627	.000

a. Dependent Variable: Rural community perception on LKMS

Source: Processed primary data

The second hypothesis tested LKMS services (X_2) have significant effect on rural community perception on Sharia Micro Financial Institution (LKMS). The test was using simple linear regression with determinant

coefficient test and statistic test. The R value calculation base on table 7 shows correlation number of 0.374 meaning the relation of independent and dependent variables are low. Positive correlation shows one way relation meaning the better rural community understanding on LKMS services, the better their perception on LKMS.

Table 7
Hypothesis 2 Determinant Coefficient Test Result
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.374 ^a	.140	.133	3.554

a. Predictors: (Constant), Services

b. Dependent Variable: Rural community perception on LKMS

Source: Processed Primary Data

The R Square (R_2) value table 7 shows budget arrangement participation variable is able to explain 14.0% LKMS services variable. The rest 89.0 is caused by other things outside model.

Table 8
Hypothesis 2 t Statistic Test Result
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.007	3.138		4.146	.000
	LKMS Services	.495	.106	.374	4.667	.000

a. Dependent Variable: Rural community perception on LKMS

Source: Processed primary data

The $t_{\text{calculation}}$ value result of table 8 on LKMS services variable is 4.667 at significant level of 0.000, smaller than 0.05. The t test shows LKMS services individually have significant effect on rural community perception on LKMS. The result was supporting $H_{a,2}$ statement LKMS services have significant effect on rural community perception on Sharia Micro Financial Institution (LKMS) and rejecting $H_{0,2}$. The research is at consistency with the research of Dian Ariani (2007) stated service variable was providing the biggest contribution on general community perception on sharia financial community (sharia banking).

The third hypothesis is LKMS products and services have simultaneous and significant effect on rural community perception on Sharia Micro Financial Institution (LKMS). The third hypothesis was carried out with multiple linear regression with determinant coefficient test and F statistic test (Anova) and t statistic test. Table 9,10, and 11 shows Determinant Coefficient Test, F Statistic Test (Anova), and hypothesis 3 t Statistic Test are:

Table 9
Hypothesis 3 Determinant Coefficient Test Result
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.689 ^a	.475	.467	2.787	1.218

a. Predictors: (Constant), LKMS Services, LKMS Products

b. Dependent Variable: Rural community perception on LKMS

Source: Processed primary data

R value result base on table 9 is correlation number of 0.689 meaning the relation of dependent and independent variables is strong. The positive correlation shows one way relation meaning the better rural community understanding on LKMS products and products quality, the

better their perception on LKMS. The Adjusted R Square (Adjusted R²) on table 9 shows LKMS products and services variables explaining 46.7% variable of rural community perception on LKMS. The rest 53.3% are explained by other things outside the model.

Table 10
Hypothesis 3 F Statistic Test Result
ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	934.005	2	467.002	60.121	.000 ^a
	Residual	1033.105	133	7.768		
	Total	1967.110	135			

a. Predictors: (Constant), LKMS Services, LKMS Products

b. Dependent Variable: Rural community perception on LKMS

Source: Processed primary data

F test result on the table is 4.27 meaning the significance value (probability) 0.0000 smaller than 0.05. It indicates Hypothesis 3 (Ha₃) is accepted. The LKMS products and services are simultaneously and significantly have significant effect on rural community perception on Sharia Micro Financial Institution (LKMS) proven real meaning this research is rejecting H₀₃.

The t statistic test for LKMS products variable (X₁) dan LKMS services (X₂) effect on rural community perception on Sharia Micro Financial Institution (LKMS) (Y).

Table 11
Hypothesis 3 t Statistic Test Result
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.629	2.990		-.879	.000

LKMS Products	.823	.089	.590	9.211	.000
LKMS Services	.346	.085	.262	4.087	

The table 11 shows $t_{\text{calculation}}$ value result on LKMS products variable is 9.211 at significant level 0.000 smaller than 0.05. The conclusion of t test is LKMS products individually have significant effect rural community perception on LKMS. The $t_{\text{calculation}}$ value on LKMS services variable is 4.087 at significant level 0.000 meaning significant due to its smaller value than 0.05. The t test result conclusion is LKMS services have significant effect on rural community perception of LKMS.

The research result is supporting Hypothesis H_{a_3} stated LKMS products and services have simultaneous and significant effect on rural community perception on Sharia Micro Financial Institution (LKMS) and rejecting H_{0_3} . It means LKMS products and services variables individually is the combination of two good independent variables and able to enhance rural community perception on LKMS.

The research result is in consistency with previous research by Eka Adi Nugroho (2013) and Suparno (2009) mentioning Sharia Financial Institution (BMT/ Sharia Bank) products have good (positive) perception on Sharia Financial Institution (BMT/ Sharia Bank). It was also applied on LKMS services according to Dian Arini (2009) stated the services of sharia financial institution (sharia bank) has provided biggest contribution to the sharia financial institution (sharia bank).

The explanation above shows there are rural community good and positive perceptions on rural community. Therefore the rural community with surplus budget could entrust it to be saved and managed at the LKMS in accordance with sharia principles. It is likewise for the rural community need fund or modal they could go directly to LKMS to gain funding with

easier requirement and cheaper cost, they only have to pay profit sharing in accordance to the earned profit.

The economical wheel at certain area will always move with local economy empowerment with production strengthening factor such as modal easy access. Modal at present time is significant problem to the low (small) economy level people due to the access on the modal. The rural community of famer, laborer, micro traders, small trader, and middle trader, in money business, are always supported to enhance their saving. Whereas they need modal they are treated discriminatively by financial institution due many requirements to be fulfilled. Therefore the LKMS was emerged to fulfill the rural community need in order to empower local economy of the rural economy with sharia system as mentioned by the LKMS purposes at JUKLAK KJKS 2004 Article 2.

Conclusion

This research supports the first hypothesis $H_{a,1}$ and rejecting $H_{0,1}$ stated LKMS products have significant effect on rural community perception on Sharia Micro Financial Institution (LKMS). It means the better rural community understanding and knowledge on LKMS products, the better their perception on LKMS to empower local economics. This research also supports the first hypothesis $H_{a,2}$ and rejecting $H_{0,2}$ stated LKMS services have significant effect on rural community perception on Sharia Micro Financial Institution (LKMS). It means the better rural community understanding and knowledge on LKMS services quality, the better their perception on LKMS to empower local economics.

This research supports the first hypothesis $H_{a,3}$ and rejects $H_{0,3}$ stated LKMS products and services have significant and simultaneous effect on rural community perception on Sharia Micro Financial Institution (LKMS). It means the better rural community understanding

and knowledge on LKMS offered products and quality services; these two variables able to affect rural community perception on LKMS to empower local economics.

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