SHARIA FINANCING MODEL FOR SMALL AND MEDIUM ENTERPRISES IN CREATIVE INDUSTRY

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Abstract

United Nations’ Creative Economy Report 2010 states that creative industries in a number of countries are in the form of small and medium enterprises (SMEs). Like most SMEs in other industries, SMEs in creative industry are facing financing problems. Creative projects are often capital intensive and SMEs in the creative industry often require technology and professional services that need significant costs. However, often SMEs in the creative industry are in a less favorable position to obtain funding because the unique characteristics of creative industry. To solve this problem, the financing instrument that can be applied is sharia financing. Profit sharing scheme in Islamic finance that combines the assets of borrowers and creditors allows lending institutions to lend funds for a longer period of time and to fund high risk projects. Based on that notion, this study seeks to create a conceptual framework for the application of Islamic financing instruments in small and medium enterprises in the creative industry.