



## SHARIA STARTUP DEVELOPMENT MODEL THROUGH BUSINESS INCUBATORS

Ramadhonni Chandra Utama, Afif Zaerofi, Achmad Mukhlis Yusuf  
Institut Agama Islam Tazkia, Indonesia  
dhonni69@gmail.com

### Abstract

*Startups have an important role in economic development, but they also have a high failure rate. A business incubator is an institution that aims to help startups with services and resources to facilitate their development. However, currently there is no business incubator that specifically specializes in developing sharia startups. This study has objectives to (1) describe the structure of the incubation model in the current business incubator, (2) identify the needs of startups in developing their business from the sharia side and (3) propose the development of an incubation model for the right business incubator for sharia startups. Methods of data analysis in this research using a qualitative study where business incubators and sharia startups are interviewed about the incubation process model and the business needs of sharia startups. The results of this study are (1) the three incubation models of the three business incubators consist of a process that is divided into 3 stages, namely pre-incubation, incubation, and post-incubation, but the three business models are not suitable for developing a sharia startup business. Startups hope to participate in a business incubation program that supports their business in terms of sharia. (2) The results of research on startup needs in developing their business found that 50% of startups need knowledge of sharia muamalah fiqh knowledge principles, 25% of startups need digital branding training according to sharia, 50% of startups need networking and mentoring with mentors who have experience and expertise in the field. sharia sector and the most dominant is 75% startups need access to sharia business funding. (3) Therefore, the results of the last study, the researchers developed an incubation model based on the needs of sharia startups which have differences in the general/conventional incubation model, namely the addition of sharia-based activities at each stage. In the pre-incubation stage, namely the selection process for sharia-based startups, introduction to sharia economics and sharia digital training capabilities. In the incubation stage, namely knowledge of sharia muamalah fiqh, networking and mentoring with mentors who have experience and expertise in the field of sharia and character training of Muslim entrepreneurs. In the post-incubation stage, namely access to sharia business funding and a network of Muslim entrepreneurs.*

**Keywords:** *Startup, Sharia Startup, Business Incubator, Sharia Incubation Model*

### Introduction

Startup refers to a newly founded company that started with a bright idea but is still struggling to survive (Salamzadeh & Kesim, 2015). However, young companies such as

startups have a high failure rate, especially in the first five years. Less than a third of startups go through the early stages and develop into companies (Afriana, 2018). This stage can be said to be the "valley of death" for startups (Hudson & Khazragui, 2013). As a young company, most of the startups are less aware of the gap in their business resources and knowledge or are declared incompetent to survive (van Weele et al., 2017). Lack of managerial skills and business mindset is considered a major contributor to why startups do not perform as desired. Startups exist not only to produce goods, money or serve consumers, but startups exist to learn how to build sustainable businesses (Ries, 2011). In response to the frequent failure rate of startups, business incubators were identified as a strategic tool to help startups develop their businesses from inception to commercialization (Buys & Mbewana, 2007).

The incubation concept tries to connect technology, knowledge and capital in order to increase startup competence and support to develop new startup companies (Grimaldi and Grandi, 2005). However, startup entrepreneurial thinking must be based on norms that are certain to be true, entrepreneurship based on a creative mindset, serious, ready for various challenges, collaborating, and using technology and based on ethics is to be relative to the truth, if it is not based on religion, entrepreneurship like this can present damage (disruptive) in various aspects of life (Jaharuddin and Asmita, 2018).

Head of the Sharia Economics and Finance Department of Bank Indonesia, Anwar Bashori, said that Indonesia also has the potential to become a leader in developing the world sharia economic market. Behind Indonesia's wide-open potential, the transformation of the national sharia economy needs to be accelerated quickly so that Indonesia is not just a target market (Financial Media Magazine, 2021). Head of the Secretariat of the National Sharia Economic and Financial Committee (KNEKS), Suminto explained that there are four main strategies for developing Indonesia's sharia economy and finance. One of them is strengthening the digital economy through startup incubation. (Financial Media Magazine, 2021).

Not all start-up businesses or startups that have carried out business incubation can improve their business performance. Research conducted by Wonglimpiyarat (2017) stated that in several developing countries, it was found that after business incubation activities, many startup business performances were not very satisfactory or stagnant. Researchers such as De Mattos and Salciuviene (2017) who conducted entrepreneurship studies in several university business incubators, found that entrepreneurial interest and orientation stagnated even though students had attended university business incubation activities. This is the cause of the low growth of startup businesses (Yusendra et al., 2002). There is a missing link that must be identified more precisely so that business incubation can improve startup business performance, especially for sharia startups. Many Muslims still pay little attention to Islamic guidelines when developing and managing corporate businesses. This is because on the one hand, many Muslims lack Islamic spirit and on the other hand, there are no clear guidelines in developing entrepreneurship from an Islamic perspective, Chowdhury (2008). In this case, it is an incubator that has a sharia incubation model. Currently there is no business incubator that specifically specializes in developing sharia startups. This makes sharia startups lag

behind in facing the digital world. Suminto and Anwar also stated that something that is no less important to pay attention to is increasing sharia literacy. This is necessary to support the development of sharia economics in Indonesia (Financial Media Magazine, 2021). The community literacy aspect is one of the biggest challenges faced in developing sharia economics. So, should an individual be able to start and manage any kind of business venture within the limits of Islam, because the Qur'an and Sunnah have laid down detailed rules for commerce, industry, interest, debt, contracts, wills and finances. Islam describes the basic principles of economic behavior as consumers, producers (entrepreneurs) and owners of wealth (Al-Mukhtar, 1898).

Due to responding to the various facts and problems above, researchers were moved to create and explore a model for improving startup business performance through improving effective incubation models. In developing the incubation model, researchers will create a business incubator development model for sharia startups. This research was conducted to create This research was conducted from the perspective of sharia incubators and startups so as to produce an adequate sharia startup development model and it is hoped that it can be used for all incubators in Indonesia in general and incubators at Muslim universities in particular.

The problem formulation that will be discussed in this research is as follows:

1. What is the current incubation process model in business incubators?
2. What do sharia startups need for business development?
3. What is the right incubation model for developing a business incubator for sharia startups?

### **Literature review**

There are many definitions of entrepreneurship and startup. The two terms have been used interchangeably. In general, entrepreneurship is defined by the act of starting an organization or entrepreneurdiscovery, evaluation and exploitation of opportunities (Gartner, 1988).

An entrepreneur is a person who pursues or has pursued the opportunity to start a startup, who takes considerable risks to own and operate a business, with the goal of earning returns and rewards from the business. The entrepreneur is the most important person who envisions new opportunities, products, techniques and business lines and coordinates all activities to make them real. For example, founders are entrepreneurs who have started startups and they usually hold the origins of ideas. A startup is basically the result of an entrepreneurial act. Entrepreneurship is an important driver of the local, national and global economy. Entrepreneurial minded individuals who start small businesses create jobs and wealth. They lead the sectorindustry through their passion that drives Innovation (Shane and Venkataraman 2000).It is also important to consider intrapreneurship that intrapreneurship influences organizational learning especially as it relates to assessing opportunities or creating and commercializing knowledge.intensively new products, processes or services (Robinson, 2001).

The term startup refers to a new business project characterized by innovation and growth (Bhide, 2000). Startups launch new products or services resulting from brilliant ideas in difficult and risky contexts. A startup company is a new organization in the early years of its life cycle, the initial stage in the life cycle of a company where the entrepreneur moves from the idea stage to securing financing, laying out the basic structure of the business and starting operations or trading (Tidd and Bessant, 2009).

An Islamic entrepreneur is a person who starts and manages a business enterprise following Islamic guidelines. He carefully avoided unwanted hoarding, mistreatment of employees and unfair dealings with customers. Making profits is not the only goal of Islamic entrepreneurship. On the contrary, income from sharing satisfaction, social welfare and protection of national interests are the motivating forces of such entrepreneurship (Chowdhury, 2008). So a sharia startup is a new company that launches a new product or service based on Islamic guidelines.

One example of a startup that carries out its business and operational activities in the sharia sector is sharia fintech. According to the Indonesian Ulema Council, Sharia-Based Information Technology-Based Financing Services (FinTech Syariah) is the provision of sharia principles-based financial services that bring together or connect Financing Providers with Financing Recipients in the framework of carrying out financing contracts through electronic systems using the internet network. Meanwhile, according to Rusdiyana, Sharia FinTech means a technology-based business with innovative financial services or products that use sharia schemes. Sharia FinTech promotes responsible, ethical finance and provides the opportunity to influence all forms of global finance.(Rusydiana, 2019).

The MUI fatwa states that sharia business activities must not conflict with Sharia principles, which include avoiding usury, gharar (unclear contract), maysir (ambiguity of purpose/speculation), tadlis (not transparent), dharar (danger), zhulm (loss of one parties), and unlawful. There are several types of Sharia FinTech schemes that are quite well known, namely Peer to Peer (P2P) and crowdfunding platforms. Sharia Crowdfunding is a Crowd Funding platform designed to comply with sharia principles. Sharia Crowd Funding can be interpreted as a medium for using a number of funds obtained from a large number of individuals or organizations, to fund projects, business or individual loans, and other needs through a web-based online platform that complies with sharia principles.(Ach sien, 2017).

For all service provider activities, several provisions that can be used as a qualitative measure to assess sharia compliance are:

- a. The contracts used for the collection and distribution of financing are in accordance with sharia principles and applicable sharia rules.
- b. All economic transactions and activities are reported fairly in accordance with the applicable sharia accounting standards.
- c. Sharia-compliant work environment and corporate culture.
- d. Business ventures that are financed are not contrary to sharia.

- e. The existence of a Sharia Supervisory Board as a sharia director for all operational activities of service providers.
- f. All and come from legal and halal sources according to sharia.

The aspect of conformity with sharia principles is a fundamental aspect and is the difference between conventional service providers and sharia-based service providers because in sharia it is not only profit-oriented, but also oriented where not only profits are obtained but also victory in this world and in the hereafter is wrong. one to be achieved in service delivery(Trisadini & Shomad, 2015).

To achieve this, regulations regarding sharia financial services regarding sharia compliance are regulated, the authority of which lies with the Indonesian Ulema Council represented through the Sharia Supervisory Board which must be established for every provider of sharia information technology-based credit services. Sharia compliance is the main principle that must be fulfilled while at the same time distinguishing it from other (conventional) financial service providers as a form of preventive legal protection for service users. The real meaning of sharia compliance in Islamic banking is the inconsistent application of the principles of Islamic engagement, sharia and its traditions in relation to finance and other business transactions, and making sharia the framework for systems and providers of Islamic financial services in resource allocation, management,riches(Sutedi, 2009). In other words, sharia compliance in technology-based credit servicesinformation on creating and fulfilling a culture of compliance with sharia principles and applicable laws and regulations. In muamalah (sharia-based FinTech transactions) including moral ethics in every activity(Alwi, 2018).

As explained in the explanation about startups above, one way for startups to grow is by collaborating. Today many startups start a business with grandiose thoughts with a high failure rate. As an illustration, only 1 in 5 startups succeed in running well and many even though they are five years old, have not yet survived (Hubeis, 2019). One way to correct this inequality is through a partnership known as a business incubator. Business incubators seek to effectively link talent, technology, capital, and knowledge sequentially to increase entrepreneurial talent and to accelerate the development of new firms (Smilor & Gill, 1986).

The incubator business idea is similar to the common use of incubators to preserve eggs and protect premature babies from harsh environments as they develop (Lesakova, 2012). Likewise, a business incubator provides a supportive and safe environment for new businesses so that they can survive and grow during this period when they are most vulnerable, until they are able to stand their ground.themselves (Ratino, et al,2010).

Business incubators seek to effectively link talent, technology, capital, and knowledge sequentially to enhance entrepreneurial talent and to accelerate the development of new firms (Smilor & Gill, 1986). A business incubator is an office space with a facility that seeks to provide its incubation (i.e. portfolio- or client or tenant companies) with a strategic value-added intervention system (i.e. business incubation) monitoring and business mentoring

(Hackett & Dilts, 2004). A business incubator is a formal environment designed to stimulate the growth and development of new and early-stage companies by increasing their opportunities to acquire resources devoted to facilitating the development and commercialization of new products, new technologies and new business models. Eshun, 2009).

Business incubator as infrastructure to maintain and develop start-up incubation with various important resources so that it can develop. Business incubation is an organization that supports new business growth, supports orders and new business growth through infrastructure in the form of business tools and equipment, administration, and resources with full resources or taking rental fees (Hausberg & Korreck, 2020). Business incubators can provide assistance with business development services in business practices in the form of assistance and mentoring of business activities (Gozaliet al., 2015).

Business incubators are a very important medium for entrepreneurs, especially for business beginners in developing their business or entrepreneurship. Entrepreneurs who become business incubator tenants will take part in a series of incubation programs that have been prepared and become a program of the business incubator to improve entrepreneurial abilities.

According to Asia Pacific Entrepreneurs, a business incubator is a program or organization that provides sponsorship with the aim of accelerating the growth and success of a startup or business (Powers & Patricia, 2005). This program will help new start-ups in their early stages of development by providing connections to angel investors, governments, economic development coalitions, and other investors so that the businesses to be formed can have sufficient capital to build a business. In fact, it is possible for the business incubator itself to provide business capital loans. Apart from providing assistance in terms of capital, this program also assists startup business actors in terms of work facilities, training and assistance. Business incubators will help guide small-scale companies to be formed with good organizational and financial management. The hope is that the business can run and develop in a sustainable manner and generate the desired profit (Brouwe et al., 2002).

Business incubators usually provide programs for novice entrepreneurs at an early stage or startup, which are designed to foster and accelerate successful business development through a series of capital programs followed by partnership support or coaching other business elements to turn the business into a profitable company, have organizational management and the right finances, as well as being a sustainable company so that it has a positive impact on startups that through incubation or coaching programs are not always successful, survive and run their business well. (Kimet al., 2018).

In several countries, especially developed countries, the background to the establishment of business incubators is based on efforts to find other alternatives in economic development strategies (giving birth to new businesses that are innovative, based on science and technology, survive and be competitive in the global market). 80% of startup companies fail in the first year, there is a joint venture between the government and the private sector (large

private sector initially helps with financing) with a low rate of business failure to create new jobs, and failure is caused by a lack of business skills and experience. It can be said that a business incubator is a way to develop new businesses and is an "incubation" environment to meet the needs of small businesses at critical stages (Hubeis, 2019).

A startup incubator is a program designed to help develop a start-up startup for success. Apart from helping with funding, this program also provides work space, training and consultation (Arifin, 2016). One big incubator that is very popular is Y Combinator. Y combinator is a popular incubator program among startups founded by Paul Graham. The Y combinator program brings startup founders closer to the dream of being successful and having offices in the Silicon Valley area because all startups selected for this program must move to Silicon Valley within 3 months of the program's duration (Ramdhan, 2016).

The business incubator is an important study and an effective model of entrepreneurship education. According to the National Business Incubation Association (NBIA), business incubation is defined as a business support process that accelerates the successful development of startup companies by providing several targeted resources and services to entrepreneurs (Auburn, 2017). These services are usually developed or arranged by the incubator management and offered either in the business incubator itself or through a network owned by the business incubator. Business incubators (BI) are thriving, being set up around the world to acquire new businesses (Bruneet al., 2012).

There are many approaches and methods for business incubators to implement their incubation models in developing startup businesses (Somsuk et al., 2012). The operational model determines how the incubator operates, its structure, the scope of services it provides, its funding opportunities and the level of external alliances.

Several researchers have tried to identify the incubation model, for example the operating model developed by Campbell et al (1985) identified four main value added activities of a business incubator, namely (1) diagnosing business needs, (2) selecting and monitoring the implementation of business services, (3) provision of financing, and (4) access to a network of incubators, all of which imply a suitable incubation process.

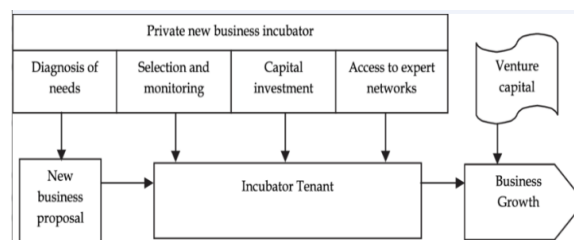


Figure 1. Campbell Incubation Model

Source: Campbell, 1985

Then Smilor, 1987 developed the incubation model in 1987 by improving Campbell's model. He created a structural model by describing critical support systems, incubator affiliations, and key outcomes of the business incubator process. Smilor also views the incubator program as a transformation methodology that helps entrepreneurs build successful businesses by demonstrating four key benefits that business incubators provide to their incubators which include (1) building credibility, (2) shortening the learning curve, (3) faster solutions to problems and (4) access to a wider entrepreneurial network. Smilor (1987) created a structured incubation model by explaining the main incubator affiliations, support systems, and the main description of the results of the incubation process. He sees the incubator as a transformation mechanism that will assist entrepreneurs in building their businesses. Smilor developed the model with the innovation-driven entrepreneur in mind. This model conceptualizes an incubator as a system that offers startups structure and credibility to create new business. It also ensures a set of essential resources for setting up new ventures. The business incubation model as a model that assesses the implementation, performance and efficiency of business innovation goals. Business incubation is a concept that involves many stakeholders, institutions, facilities and infrastructure, as well as various programs designed for entrepreneurship. Business incubation models are examined to define, analyze, design, calibrate, evaluate, and think about business incubation (Smilor et al, 1990) Smilor developed the model with the innovation-driven entrepreneur in mind. This model conceptualizes an incubator as a system that offers startups structure and credibility to create new business. It also ensures a set of essential resources for setting up new ventures. The business incubation model as a model that assesses the implementation, performance and efficiency of business innovation goals. Business incubation is a concept that involves many stakeholders, institutions, facilities and infrastructure, as well as various programs designed for entrepreneurship. Business incubation models are examined to define, analyze, design, calibrate, evaluate, and think about business incubation (Smilor et al, 1990) Smilor developed the model with the innovation-driven entrepreneur in mind. This model conceptualizes an incubator as a system that offers startups structure and credibility to create new business. It also ensures a set of essential resources for setting up new ventures. The business incubation model as a model that assesses the implementation, performance and efficiency of business innovation goals. Business incubation is a concept that involves many stakeholders, institutions, facilities and infrastructure, as well as various programs designed for entrepreneurship. Business incubation models are examined to define, analyze, design, calibrate, evaluate, and think about business incubation (Smilor et al, 1990) This model conceptualizes an incubator as a system that offers startups structure and credibility to create new business. It also ensures a set of essential resources for setting up a new venture. The business incubation model is a model that assesses the implementation, performance and efficiency of business innovation goals. Business incubation is a concept that involves many stakeholders, institutions, facilities and infrastructure, as well as various programs designed for entrepreneurship. Business incubation models are examined to define, analyze, design, calibrate, evaluate, and think about business incubation (Smilor et al, 1990) This model



conceptualizes the incubator as a system that offers startups structure and credibility to create new businesses. It also ensures a set of essential resources for setting up a new venture. The business incubation model is a model that assesses the implementation, performance and efficiency of business innovation goals. Business incubation is a concept that involves many stakeholders, institutions, facilities and infrastructure, as well as various programs designed for entrepreneurship. Business incubation models are examined to define, analyze, design, calibrate, evaluate, and think about business incubation (Smilor et al, 1990) The business incubation model is a model that assesses the implementation, performance and efficiency of business innovation goals. Business incubation is a concept that involves many stakeholders, institutions, facilities and infrastructure, as well as various programs designed for entrepreneurship. Business incubation models are examined to define, analyze, design, calibrate, evaluate, and think about business incubation (Smilor et al, 1990) The business incubation model is a model that assesses the implementation, performance and efficiency of business innovation goals. Business incubation is a concept that involves many stakeholders, institutions, facilities and infrastructure, as well as various programs designed for entrepreneurship. Business incubation models are examined to define, analyze, design, calibrate, evaluate, and think about business incubation (Smilor et al, 1990)

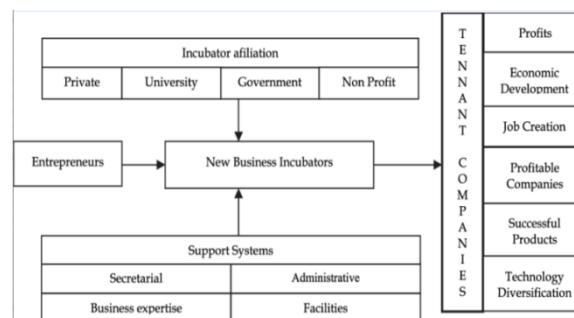


Figure 2. Smilor Incubation Model

Source: Campbell, 1990

Next, Hackett and Dilts, 2004 suggest a business incubator process starting from selecting an incubator to providing business support and mediation to passing the incubation process. The main value added features of incubators are the institutionalized processes and norms that carefully structure and channel knowledge across a network of incubators to create conditions that facilitate the development of incubations and their commercialization (Hackett & Dilts, 2004). According to the researchers, this incubation model is the most relevant because the main elements of the incubation process are clearly divided into several stages, namely the process of incubatee selection, resource infusion and monitoring and assistance. This process is depicted in Figure 3. Briefly, the model suggests that incubates are selected

from a pool of candidate incubators, infused with resources, and monitored and assisted as they undergo early stage development. Outcome refers to the survival or failure of the incubator at the time of exit from the incubator (Hackett & Dilts, 2004). According to the model, the only way to generate innovative and profitable ventures is to feed the incubator with the right ingredients. This increases the startup's chances of survival. the only way to produce an innovative and profitable venture is to feed the incubator with the right ingredients. This increases the startup's chances of survival. the only way to produce an innovative and profitable venture is to feed the incubator with the right ingredients. This increases the startup's chances of survival.

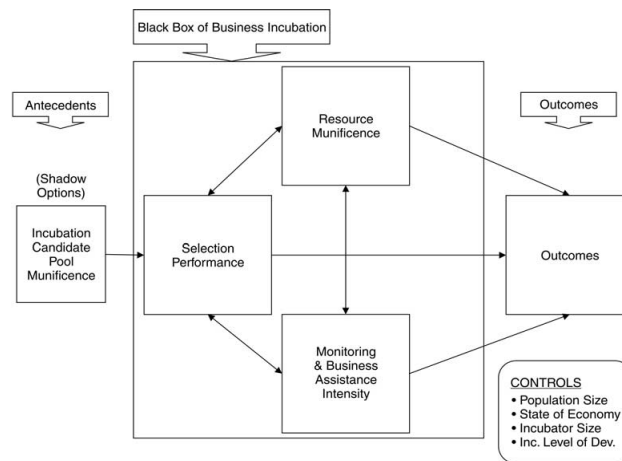


Figure 3. Hackett & Dilts Incubation Model  
Source: Hackett & Dilts, 2004

Researchers used several literature reviews related to research. Among them is research conducted by Hackett and Dilts (2004) which provides real reasoning for developing business incubation theory. This theory seeks to predict and explain how business incubators and business incubation processes increase the likelihood that new ventures will survive in the early stages of development. The theory challenges the idea that most new ventures must fail, and expands the understanding of the behavior driven by options theory in the early-stage new venture setting. From the perspective of options theory, incubators can be said to function as a laboratory for small and medium scale entrepreneurial adventures which are always maintained with rationally minimal investment costs.

Next, research conducted by Afriana (2018) focused on the impact of business incubation on startup performance. There is a positive impact of business incubation programs, especially the use of business incubation services and facilities, on the performance of startups in Indonesia. It can be concluded that the more startups that participate in a business incubation program, the stronger the impact on startup performance because startups are new companies, improving their performance will be beneficial not only in the short term

but also in the long term as it will help them survive longer in the market. Therefore, to improve startup performance, the business incubation program perspective must be improved by having more useful services for startups.

Research conducted by Lose (2019) provides an overview for developing a framework for the creation of business incubators. Most business incubators face a number of challenges to grow and develop. Although a number of studies have been conducted on business incubators in general, there is little information about frameworks for the creation of business incubators. The incubation model framework was developed based on theoretical foundations and literature on incubation effectiveness models. The conceptual framework of incubation consists of pre-incubation, incubation and acceleration phases. Each phase provides activities to support the start-up. In the incubation process, there are several factors that support the success of a start-up, namely administrative support, training and coaching, business advice, mentors, and networking.

Based on the three similar studies mentioned above, the overall focus is on the topic, namely operating a business incubator more effectively for startup business development. One perspective that has not been explored is how the sharia-based business incubator development model is right for startups. Meanwhile, the research that will be discussed by researchers does not only raise the incubator's point of view from the startup business development perspective, but also from a Sharia point of view.

## **Research methods**

### **Research design**

In this study, researchers will develop an incubation model for sharia startups. To fulfill the objectives of this study, new insights are needed about the implementation of sharia-based business incubators so that this study is exploratory in nature. Exploratory studies are conducted when not much is known about possible situations, or when no information is available about how the research problem or problems might be solved. There are many studies on business incubators but not in the context of sharia, especially on the sharia incubation process model. Therefore, an exploratory approach is deemed appropriate and necessary. Next, a qualitative research approach was chosen. Knowledge is abstract in nature, and the processes of its transfer and acquisition are complex and to serve the purpose of the insights that can be generated,

### **Data and Data Sources**

The data sources needed to support case study and field research type information are sources obtained from:

#### **a. Primary Data Source**

Primary data sources were obtained directly by researchers from informants in the field. This data source was obtained by collecting data through observation or observations in the field and interviews. The primary data sources in this study are business incubators and sharia startups. Startups are randomly selected, namely those that can provide the

necessary insight, it must be ensured that the respondents are actively involved in the incubation program. In addition, only respondents who co-founded startups were considered relevant because they were considered able to provide a comprehensive picture of all the processes experienced by these startups. The selection resulted in three respondents representing startups to be interviewed as the basis for research findings. Further information about respondents and interviews is presented in Tables 1 and 2.

#### b. Secondary Data Sources

Secondary data sources are additional data sources as a complement to research data to support information obtained from primary data. This data source was obtained from documentation, library materials, books, literature as well as print and internet media.

#### Data collection technique

To obtain data that is useful for analysis, this research uses data collection through interviews. Semi-structured interviews were chosen as the most suitable and useful method for understanding respondents' reasoning regarding complex problems and gaining insight into the everyday problems they face. The semi-structured interview is based on an interview guide consisting of predetermined themes and questions taken from a theoretical framework. Questions are open because they allow respondents to answer freely, creating more dialogue between the interviewer and the respondent. Additionally, open-ended questions are useful because they allow for asking follow-up questions that allow for deeper insights. Because we are currently still in a pandemic, interviews were conducted by telephone.

### **Results and Discussion**

#### Business Incubation Model

Researchers found that the important incubation process is divided into 3 stages. In the three incubators, these stages have their own names, but have almost the same work program. Researchers classify the stages of incubation activities into three phases, namely: pre-incubation, incubation, and post-incubation. Based on interviews with 3 incubators, before heading to the incubation stage, startups must present ideas or technologies that suit market needs through a selection committee.

*“...the selection process is a key element for us to find out what the start-ups need or what knowledge they lack, so that we can provide appropriate resources and training to the start-up team...” (Incubator A, August 2022)*

The next equation is at the pre-incubation stage. The pre-incubation stage is defining the idea into a business plan. There is a first stage of the startup team to develop individual ideas with idea pooling, screening, prototype development and market testing. Pre-incubation moves from the definition of an innovation idea to a business plan. In the process, the business incubator must review the innovation ideas made by the committee of experts in related fields so that the business idea becomes clearer. Further support will be provided in innovative ideas.

*“...the pre-incubation phase makes the concept or idea more solid. In this phase, the right technology to support start-up ideas and clarify their business models can be found...” (Incubator B, August 2022)*

The incubation phase is the product to market phase using the tangible and intangible assets provided by the incubation. It usually takes about one to three years depending on startup readiness. This phase will take the idea to a business plan with specialized services suited to individual startups such as advanced training and coaching, legal and administrative support, help with business and marketing basics, business development, mentoring and networking.

*“...the incubation phase will focus on building the product and testing the market. The start-up must be ready with an incubation plan for the incubation committee, the incubation plan is an incubation tool to monitor and track the progress of the start-up's work. This stage emphasizes advanced business training, collaborating with networks, personal mentors, and business advice...” (Incubator C, August 2022)*

High potential startups looking to improve their product by offering specific programs to achieve their goals. It provides relevant activities in supporting start-ups that are mature and ready to expand in new markets. Its main activity is connecting to the global network and finding investors willing to invest in companies.

*“In the accelerated phase, it is necessary to expand their market knowledge and raise funds, so that we can support them by coordinating with our network of affiliates such as alumni, government agencies....” (Incubator B, August 2022)*

The three incubators carry out the preparation of business plans or future roadmaps and entrepreneurial knowledge. In the post-incubation stage, the three incubators access investment or funding. From the results of interviews with the three business incubators, the current incubation model cannot be used for startup sharia because there are still many shortcomings in the incubation process they provide and it is still general. Researchers found that most of the activities in incubation help create ideas to meet market needs. However, based on the description of the incubation process above, the three incubators are not suitable/suitable for startup business sharia.

*"This incubation model is still for startups or students in general, not for sharia startups" (Incubator B, August 2022)*

*"This incubation model is not a sharia incubation model but for suitability with sharia business, our incubation model at the mindset building stage has included a spiritual belt where sharia values and Islamic business ethics are included and also in mentoring we add values according to sharia principles. (Incubator C, August 2022)*

Sharia Startup Development Needs

The results of analysis through structured interviews with sharia startups found several business development needs in their startups which include:

- Related to the sharia principles of muamalah fiqh science
- Digital branding training such as sharia-compliant marketing strategies and development of sharia financial technology
- Networking and mentoring with mentors who have experience and expertise in the sharia field
- Access to sharia business funding

*"Business incubators that can help us provide the latest technological information in the development of Islamic financial technology. Assisting with sharia-compliant marketing & branding strategies..." (Startup A, August 2022)*

*"Give muamalah detailed guidance on business jurisprudence..." (Startup B, August 2022)*

*"We need networking and mentoring with sharia experts..." (Startup C, August 2022)*

*"... Capital solutions are also needed that are in accordance with the correct principles of Islamic law" (Startup A, August 2022)*

#### Incubation Development Model for Sharia Startups

The results of research using structured interviews conducted with business and startup incubators provide guidance for developing the required incubation model. The proposed incubation model was created based on a theoretical basis, several previous studies related to previous research and references to previous incubation models that researchers obtained through interviews with incubators, then strengthened and adapted to the business development needs obtained by researchers through interviews with startup sharia. The results of research using structured interviews conducted with business and startup incubators provide guidance for developing the required incubation model. The proposed incubation model is related to the previous incubation model reference that researchers obtained from the incubator and then strengthened and adapted to the needs of sharia business development. Then the proposed incubation model based on the results of research conducted by incubators and startups is as follows



Figure 4. Proposed Incubation Model

Source: Researcher's Ideas

The difference in the development model proposed by the researchers is the addition of activities related to the development needs of sharia startups. In the pre-incubation stage, namely: There is a sharia-based startup selection process, introduction to sharia economics, sharia digital capability training. At the incubation stage, related to the principles of sharia muamalah fiqh, networking and mentoring with mentors who have experience and expertise in the field of sharia, character training for Muslim entrepreneurs. In the post-incubation stage, namely access to sharia business funding, a network of Muslim entrepreneurs.

## **Conclusions and recommendations**

### **Conclusion**

In business, an important guideline for beginners is monotheism because monotheism is the foundation for running a business. Orientation in business will lead solely to worshiping Allah.

However, they still need a lot of things related to developing their business, especially in the sharia field. The startups hope to be able to take part in business incubation programs that support their business in terms of sharia, including business incubators that can create a detailed framework as a basis for policy making which includes setting goals and targets, formulating strategies, implementing programs and focusing activities as well as steps. Steps or implementations that must be carried out by every sharia startup include that 50% of startups need principles knowledge of sharia muamalah fiqh, 25% of startups need digital branding training such as sharia-compliant marketing strategies and sharia financial technology development, 50% of startups need *networking* and assistance with mentors who have experience and expertise in the field of sharia and the most dominant is 75% of startups need access to sharia business funding (funding)

The researcher developed an incubation model framework based on the needs of sharia startups so that it can become a basis for carrying out business activities to combine the Islamic economy and finances of the people as well as the distribution of prosperity of the people so that the business undertaken is not only to seek profit but also hopes for Allah's blessings and blessings as a means to achieve Jannah. Like the hadith of the prophet "Traders who are honest and trustworthy will be with the prophets and honest people (in heaven)".

### **Recommendations**

It is hoped that this research can provide input and considerations for business incubators in educational institutions, both public and private. Researchers hope that the development model that has been created can be used as the basis for the incubation curriculum. Researchers hope that in the future this research can be developed from an incubator that has a larger scope so that it is possible to have different results and conclusions when carried out for different objects. Future research can also use different research methods such as quantitative methods to obtain higher quality data.

Based on the most findings in this study, it was found that the majority of startups, as much as 75%, needed access to sharia funding. For this reason, in the future the researcher hopes for the active participation of future researchers to research other aspects that influence the development of sharia startups in terms of funding. Access to sharia funding can be in the form of Security Crowd Funding (SCF), Venture Capital, or Peer to Peer (P2P). Technically, funding exerts a greater influence on innovation. Although developing innovation also requires opportunities for market openness, in the context of financing, funding is a strong pillar by which innovation can be accelerated so that it can develop to increase the success of most startups. With the presence of the right investors and according to sharia,

## References

- Achsien, I. H. (2017). FinTech Syariah di Indonesia. *Materi Seminar Indonesia Shariah Economic Festival Surabaya 10-November*, 18.
- Afriana, L. (2018). *Assessing The Impact of Business Incubation To Startup Performances In Indonesia*. Belanda: Delft University of Technology.
- Al-Mukhtar. (1898). Necessary industries are among the fard al-Kifaya. In I. b. Shami, *Ala-al-durr* (pp. 32-46). Egypt: Matba Maimana.
- Alwi, A. (2018). Pembiayaan Berbasis Teknologi Informasi (FinTech) yang Berdasarkan Syariah. *Jurnal Pemikiran dan Pembaharuan Hukum Islam*, 21(2), 255-271.
- Arifin, H., & Admojo, T. (2016). *Mendirikan Startup yang Diburu Angel Investor & Big Fund*. Yogyakarta: Media Pressindo.
- Auburn, C. (2017). Incubator Business Plan: The Dream Center. USA: <https://www.ipzauburn.com/wp-content/uploads/2020/01/IPZ-Incubator-Business-Plan.pdf>.
- Bhide, A. (2000). *The Origin and Evolution of New Businesses*. New York: Oxford University Press.
- Brouwer, M., Weber, Schumpeter, & Knight. (2002). Entrepreneurship and Economic Development. *Journal of Evolutionary Economics*, 83-105.
- Bruneel, J., Ratinho, T., Clarysse, B., & Groen, A. (2012). Technovation The Evolution of Business Incubators : Comparing demand and supply of business incubation services across different incubator generations. *Technovation*, 110-121.
- Buys, A., & Mbewana, P. N. (2007). Key success factors for business incubation in South Africa: The Godisa case study. *South African Journal of Science*, 356-358.
- Campbell, C., Kendrick, R., & Samuelson, D. (1985). Stalking the latent entrepreneur. *Economic Development Review*, 43-48.
- Chowdhury, A. (2008). Towards an Islamic model of entrepreneurship. *Management Islamic Perspective*, 6-19.



- Eshun, J. (2009). Business incubation as strategy. *Business Strategy Series*, 156-166.
- Gartner, W. (1988). Who is an entrepreneur is the wrong question. *American Journal of Small Business*.
- Gozali, L., Masrom, M., Haron, H. N., & Zagloel, Y. M. (2015). A Framework of Successful E-Business Incubator for Indonesian Public Universities. *The Asian Journal of Technology Management*, 118-131.
- Grimaldi, R., & Grandi, A. (2005). Business incubators and new venture creation: an assessment of incubating model. *Technovation*, vol. 25, 111-121.
- Hackett, S. M., & Dilts, D. (2004). A Real Options-Driven Theory of Business Incubation. *The Journal of Technology Transfer*, 41-54. Retrieved from <https://www.researchgate.net/publication/5152743>.
- Hausberg, J., & Korreck, S. (2020). Analysis-based, systematic literature review. *The Journal of Technology Transfer*, 151-176.
- Hubeis, M. (2009). *Prospek Usaha Kecil dalam Wadah Inkubator Bisnis*. Jakarta: Ghalia Indonesia.
- Jaharuddin, & Asmita, B. (2018). Menggagas Inkubator Bisnis Islami. *Sinar Sang Surya vol.1 No. 2*, 2.
- Kemenkeu. (2021, 4 2). Majalah Media Keuangan. *Mengolah Potensi Ekonomi Syariah*, p. 166.
- Kim, B., Kim, H., & Jeon, Y. (2018). Critical Success Factors of a Design Startup Business. *Sustainability*, 1-15.
- Lesakova, L. (2012). The Role of Business Incubators in Supporting the SME Start-Up. *Open Journal of Business and Management*, 85-95.
- Lose, T. (2019). *A Framework for Effective Creation of Business Incubators in South Africa*. Afrika Selatan: Vaal University of Technology.
- Powers, J., & McDougall, P. P. (2005). University Startup Information and Technology Licensing with Firm that Go Public : a Resource-Based View of Academic Entrepreneurship. *Journal of Business Venturing No. 20*, 291-311.
- Ramdhan, H. E. (2016). *Startuppreneur: Menjadi Entrepreneur Startup*. Jakarta: Penebar Plus.
- Ratino, T., & Henriques, E. (2010). The role of science parks and business incubators in converging countries: Evidence from Portugal. *Technovation*, 278-290.
- Ries, E. (2011). *The Lean Startup*. United States: Crown Business.
- Robinson, M. (2001). The ten commandments of intrapreneurs. *NewZealand Management*, 95-97.

- Salamzadeh, A., & Kesim, H. (2012). Startup Companies: Life Cycle and Challenges. *Proceedings of the 4th International Conference on Employment, Education and Entrepreneurship*.
- Shane, S., & Venkataraman, N. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 217-226.
- Smilor, R. (1987). Managing the Incubator System: Critical Success Factors to Accelerate New Company Development. *IEEE Transaction on Engineering Management*, 146-156.
- Smilor, R., & Gill, M. (1986). *The new business incubator: linking talent, technology, capital, and know-how*. Lexington: Lexington Mass: Lexington Books.
- Somsuk, N., Wonglimpiyarat, J., & Laosirihongthong, T. (2012). Technology Business Incubators and Industrial Development: Resource Based View. *Industrial Management*.
- Sutedi, A. (2009). *Perbankan Syariah: Tinjauan dan Beberapa Segi Hukum*. Jakarta: Ghalia.
- Tidd, J., & Bessant, J. (2019). *Managing Innovation: Integrating, Technological, Market and Organizational Change. 4th Edition*. London: John Wiley & Sons Limited.
- Trisadini, U., & Shomad, A. (2015). *Hukum Perbankan*. Surabaya: FH-Universita Airlangga dan Lutfansah Media.
- Van Weele, M., van Rijnsoever, F. J., & Nauta, F. (2017). You can't always get what you want: How entrepreneur's perceived resource needs affect the incubator's assertiveness. *Technovation*, 18-33.