



# The Role of Bank Syariah Indonesia Microfinance in Financing Small-Scale Businesses

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*Received:* November 2022; *Accepted:* November 2022; *Published:* December 2022

**Abstract:** This study aims to determine the role of microfinance on the business of MSME customers at Bank Syariah Indonesia at the Sarolangun Branch Office. This is field research with descriptive qualitative in nature. Sources of data used are primary and secondary data sources. Data was collected using interview and documentation techniques. The data from the findings are described descriptively and analyzed using inductive thinking. The results of this study also concluded that the role of micro-financing at Bank Syariah Indonesia Sarolangun Branch Office in MSME business has less effect on increasing customer business income, this can be proven by the absence of an increase in revenue for several customer businesses that have done micro-financing at Bank Syariah Indonesia KCP Sarolangun. Due to the lack of adequate and equitable direction to the customer's business, other factors cause the customer's income not to increase, namely the lack of human resources in financial reporting and lack of marketing knowledge.

**Keywords:** micro financing; shari'ah banking; contemporary interpretation; banking customer; humanitarian problem

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## 1. Introduction

Financial institutions in the community's economy play an important role, namely as a collector of funds from the public in the form of savings and channeling funds to the public in the form of loans (Lisa, 2016). Banks are entities that collect funds from the public in the form of financing or in other words, carry out the intermediary financial function in the banking system in Indonesia; there are two operational banking systems, namely conventional banks and Islamic banks. Following Law no. 21 of 2008 concerning banking Sharia Banks are banks that carry out their business activities based on sharia principles and by type consist of sharia commercial banks and sharia people financing banks (I. B. Indonesia, 2018).

Sharia principles or the principles of Islamic law in Islamic banks are regulated in the fatwa of the Indonesian Ulema Council such as the principles of justice and balance (*'adl wa tawazun*), benefit (*maslahah*), universalism (*alamiyah*), and do not contain *gharar*, *maysir*, usury, unjust and objects which is forbidden, in addition to that, the Islamic banking financial institution is an economic institution that acts as a provider of financial services to support real sector activities and is part of the national banking system which plays an important role in the economy (Rahayu & Hizazi, 2010).

The role of banking is more comprehensive to the broader community because it is directly related to daily economic activities. So that in its development, the role of Islamic financial institutions still shows dominance in influencing the growth of Islamic economics. In addition, the emergence of Islamic banks is usually due to the desire of banks to adhere to Islamic values and principles or to carry out economic activities in general. Sharia also offers products such as savings and finance (Rahayu & Hizazi, 2010).

BRI Syariah Bank is one of the BRI Syariah work units which opened a branch office in October 2002. BRI Syariah will complement the financing with *wadi'ah* current accounts, Mudharabah

Saving Deposits, and Mudharabah Time Deposits. For loan products, banks synonymous with SMEs rely on the main products of *Murabahah* and *Mudharabah*. BRI Syariah also focuses on retail banking. This is in line with the Islamic Bank's mission to emphasize the role of Islamic banks in the SME sector.

February 1, 2021, which coincides with 19 Jumadil Akhir 1442 H, marks the history of joining Bank Syariah Mandiri, BNI Syariah, and BRI Syariah into one entity, namely Bank Syariah Indonesia (BSI). This merger brings together the advantages of the three sharia banks to provide more complete services, more comprehensive coverage, and better capital capacity. Supported by synergies with parent companies (Mandiri, BNI, BRI) as well as the government's commitment through the Ministry of SOEs, Bank Syariah Indonesia is encouraged to be able to compete at the global level.

After the official merger of Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, all customers who use these banks are required to replace their ATM cards and old bank passbooks to become Bank Syariah Indonesia. This service can be done at Bank Syariah Mandiri, BNI Syariah, and BRI Syariah nearest branches.

Financing is one of the main functions of Islamic banks, which is to provide facilities to fund the needs of those in need for both commercial and non-commercial purposes or to fund the community positively. The main task of allocating funds is regulated in the Islamic Banking Law No. 21 of 2008 (I. B. Indonesia, 2015).

In Law Number 21 of 2008 it is explained that financing is giving in the form of financing or bills that are equivalent to that:

- a. Profit-sharing transactions in the form of *mudharabah* and *musharakah*;
- b. Lease transaction in the form of *ijarah*, or lease purchase in the form of *ijarah* in the form of *ijarah muntahiya mittamlik*;
- c. Sale and purchase transactions when buying *Murabahah*, *Salam*, *Istithna* claims;
- d. Borrowing in the form of receivables (R. Indonesia, 2008).

Based on agreements or agreements between Islamic Banks or UUS and other parties requiring parties who are financed or given funding facilities to return the funds after a certain period in exchange for *ujrah*, without compensation or profit-sharing (R. Indonesia, 2008). Apart from the banking sector, small and medium microtransaction companies (MSMEs) also play an essential role in the Indonesian economy. This department is certified as a job, and SMEs offer opportunities to develop in society. MSMEs cannot be suspected because they have been proven to have survived after the economic crisis in 1997 and developed economic operations. On the other hand, MSMEs are also a problem, namely functional capital—lack of opportunities for Human Resources and Science and Technology Championships (Hanim, 2015; Kusuma & Rahman, 2018).

BRI Syariah Bank is microfinance, and the goals of microfinance are productive efforts, small and medium enterprises, MSMEs. One effective business unit as a whole is carried out by individual companies or companies in all sectors of the economy (Fajar, n.d.). Funds managed by Islamic Bankers clarify high ethics such as transparency, rights, obligations, customer costs, and risk components. Islamic Bankers need to operate the requirements of moral criteria in marketing and interactions that provide customers with financial and non-financial interests that can take into account respect for Islamic banks and public trust there (I. B. Indonesia, 2018).

Banks play a significant role in collecting funds from the public and using them as business capital to generate economic growth. This shows that financial institutions are essential to the country's economic development. With capital, we can turn useless things into useful things. An example is a vacant land that may not be available. A country can only be productive if it has capital. For example, changing uncultivated land into plantation areas or shopping buildings. The

problem is that it is relatively complex for SMEs and micro-enterprises to access capital for several reasons;

- a. The bank's management system is complicated and requires suitable guarantees for borrowed money.
- b. Small business owners are usually grassroots groups unfamiliar with banking jargon. This is where the role of Islamic financial institutions in the future, the ability to reach the lower class without using mechanisms that are too convoluted or language that is easier to understand (Muheramtohad, 2017).

As an intermediary, the distribution of credit or financing to MSMEs is expected to fulfill the function carried out as an economic stimulus, in which banks can increase national development activities through strengthening MSME activities. Contribution to customer business development. For capital assistance to be disbursed, it is considered successful if it can encourage the activities or development of the client's activities being funded and can bring a commercial value that is different from the situation before receiving financing.

As one of the Provinces in Indonesia, Jambi pioneered to become a trade center and reference for Indonesia's development, Jambi Province has development challenges which include an ever-increasing population and diversity of society in terms of Education, economy, and society. One of the four driving sectors of Jambi Province's economy, especially Sarolangun Regency is the micro, small and medium enterprise sector. SMEs in Jambi Province have great potential and are likely to be developed.

The problems faced by SMEs in Sarolangun Regency, Jambi Province are the same as problems in general, the common problems faced by SMEs are such as: limited working capital to start a business, limited Human Resources (HR) technology itself is also very influential for ongoing development and increased added value an SME. With limited capital so that small and medium entrepreneurs borrow money from moneylenders with high-interest rates to increase their business capital, it is necessary to have microfinance that helps provide capital that is not burdensome for micro, small and medium enterprises.

Micro unit financing in terms of iB micro-financing products, micro-unit financing at Bank Syariah Indonesia KCP Sarolangun has been established since 2017. Microfinance products available at Bank Syariah Indonesia KCP Sarolangun are micro 25 iB, micro 75 iB, and micro 200 iB.

According to Syarif Hidayat, the micro-unit of Bank Syariah Indonesia KCP Sarolangun is expected to be able to help develop community businesses. The funding limit is estimated at IDR 5 million to IDR 200 million, with terms ranging from 6 months to 60 months. 25iB Microfinance does not use collateral because 25iB Microfinance is a government funding program. However, in the implementation process, 25iB microfinance always uses collateral, because Bank Syariah Indonesia KCP Sarolangun minimizes the risks that may arise if customers do not pay in installments. Meanwhile, the 75iB and 200iB microphones claim warranty (An interview with HS, an employee of Bank Syariah Indonesia Sarolangun Branch Office on January 5, 2021).

In the business of sending money to customers or what is commonly referred to as financing, one of the contracts used for funding is the Murabahah contract. According to SH, a *Murabaha* contract is a contract for selling goods at the original price with additional profits agreed upon between the bank and the customer. In the *murabaha* contract, the seller states that the purchase price is offered so that MSME players who are eligible but cannot afford a bank can access financing from Islamic banks. The company has good business prospects and can repay There are 4 (four) types of Sharia KUR (*Kredit Usaha Rakyat* –People's Enterprise Credit), namely: Micro KUR, Mini KUR, KUR positioning for TKI, and special KUR (An interview with SH, an employee of Bank Syariah Indonesia Sarolangun Branch Office on January 5, 2021).

The research that the researcher will carry out is at Bank Syariah Indonesia KCP Sarolangun, based on my interview with Mr. SA, the Head of the Sub-Branch of the Sharia Bank of the Sarolangun Branch Office that the government disburses funds for financing issued for people's businesses at Bank Syariah Indonesia KCP Sarolangun with a limit amount of 6 billion annually (An interview with SA, an employee of Bank Syariah Indonesia Sarolangun Branch Office on January 5, 2021).

Based on an interview with Mr. SA, Branch Manager of Bank Syariah Sarolangun, the Bank provides financing to customers who apply for funding by attaching documents such as KTP, Family Card, Marriage Certificate, and Regional Business Certificate. Village or subdivision history, business legality (if any), business permits, financial records, etc. Then the Bank conducts a field survey to the customer's place of business. After that, the Shariah Bank evaluates/analyzes the feasibility of the customer's business based on the application for Micro, Small, Medium Enterprises and Cooperatives (UMKMK), for example checking BI checking, BI checking is Historical Individual Debtor Information (IDI) which records smooth or non-performing credit payments (collectability) ). According to the Bank's business, the customer is eligible, the bank approves the financing application, the Bank and the customer as the debtor or recipient of financing funds, will sign the Credit/Financing agreement. After that, the bank makes a disbursement of funds, after issuance, the customer is obliged to pay the obligation to repay Bank BRI Syariah's financing until it is paid off (An interview with SA, an employee of Bank Syariah Indonesia Sarolangun Branch Office on January 5, 2021).

The results of my interview with the customer, Mr. Jhoni Iskandar, a sweet shop seller in the Sarolangun market, the customer said that there was an increase in working capital after financing the Bank Syariah Indonesia KCP Sarolangun; the customer said the role of the bank was very helpful in supporting the customer's business because after funding of the customer can add merchandise.

The results of the following interview the researcher interviewed a chicken farmer, Mr. Ibnu Kalsan, the customer said there was no increase in his business, the customer experienced crop failure after receiving financing, which resulted in no increase in income by the customer (An interview with IJ, an employee of Bank Syariah Indonesia Sarolangun Branch Office on January 5, 2021).

## **2. Method**

The researchers chose a qualitative study and provided in-depth and specific data (Denzin Yvonna S., 2009). It is observed. This study describes research in text form that aims to investigate and find a lot of information from phenomena that describe the objective condition of the research object (Surmiak, 2018). The research data analysis method uses descriptive data analysis techniques, namely research that aims to examine and find as much information as possible from a phenomenon that describes the objective condition of the research object, then describes it as a sentence based on the basis or its sub-subjects (Rochadi, 2021; Rosavina et al., 2019). Interview data with Bank Syariah Indonesia KCP Sarolangun and microfinance customers. The analysis describes the accuracy of microfinance for the business growth of MSME clients at Bank Syariah Indonesia KCP Sarolangun (Chant, 2016; Hidayah et al., 2019).

## **3. Results and Discussion**

### **3.1 Bank Shari'ah**

#### **a. Bank Shari'ah in Indonesia**

Banks are entities that collect funds from the public in the form of financing or carry out the intermediary financial function in the banking system in Indonesia; there are two operational banking systems, namely conventional banks and Islamic banks. Following Law no. 21 of 2008 concerning banking Sharia Banks are banks that carry out business activities based on sharia principles or Islamic legal principles regulated in the fatwa of the Indonesian Ulema Council, such as the principles of justice

and balance (*'adl wa tawazun*), benefit (*maslahah*), universalism (*alamiyah*), and does not contain *gharar*, *maysir*, usury, unjust and unlawful objects.

In addition, the Sharia Banking Law mandates Islamic banks to carry out social functions by carrying out procedures such as *baitul mal* institutions, namely receiving funds from *zakat*, *infaq*, *alms*, *grants*, or other social funds and channeling them to *waqf* managers (*nazir*) as desired. *waqf* giver (*wakif*). Islamic Banks are state financial institutions that provide financing and other services in payment traffic and money circulation that operate using *sharia* or Islamic principles. (Andrianto & Firmansyah, 2019).

Islamic banks are banks whose activities refer to Islamic law and do not charge interest or pay interest to customers (Ismail, 2017). *Sharia* banks and *sharia* business units include institutions, business activities and methods and processes in carrying out their business activities based on *sharia* principles and by type consist of *Sharia Commercial Banks (BUS)*, *Sharia Business Units (UUS)*, and *Sharia People's Financing Banks (BPRS)* (R. Indonesia, 2008).

Banks as intermediaries for channeling funds from surplus units to deficit units seek to support the implementation of development by collecting funds or deposits from the public in the form of demand deposits, deposits, and savings. Then the funds that the bank has collected are channeled back to the community in the form of financing or other structures to improve the standard of living of the people at large by Law no. 10 of 1998 article 1 point 2 concerning banking (Kasmir, 2018).

## **b. Basic Legal Basis of Syariah Banking**

The legal basis of Islamic banking is inseparable from the development of Islamic banking in Indonesia. The development of Islamic banks in Indonesia has gone through several stages (Firdaus et al., 2017):

### 1) The period before 1992

Before 1992, Islamic Commercial Banks were established in Indonesia as *Sharia BPRS*, namely *BPRS Mardhatillah*, *BPRS Berkah Amal Sejahtera*, *Al Mukaromah*. He is a graduate of ITB or *Masjid Salman* (the mosque on the Bandung ITB campus). This is where there are no provisions for Islamic banks, except that *BPRS* were established based on the Banking Law (conventional banking) that was in effect at that time and could not yet be invited to carry out *sharia* transactions. *BPRS Syariah* is dying slowly.

### 2) Period 1992 to 1998

During this period dozens of Islamic rural banks and one Islamic commercial bank were born, namely *Bank Muamalat Indonesia*. Regarding Islamic banks, there are only 6 letters of article m and article 13 letter c regulates the operations of Islamic banks, in particular:

#### a) Commercial bank business: "Providing financing to customers based on the principle of profit sharing following the provisions stipulated in the state constitution" (article 6 letter m).

*BPR* business: "providing financing to customers based on the principle of profit sharing by the provisions stipulated in Government Regulations" (Article 13, letter c).

Under the provisions of Law no. 7 concerned In 1992, the Government issued two *sharia* banking provisions, viz:

#### a) Government Regulation Number 72 of 1992 concerning Banks Based on Profit Sharing. Whereas Law Number 7 of 1992 concerning Banking and Government Regulations is the legal basis for the establishment of Islamic Commercial Banks.

#### b) Government Regulation Number 73 of 1992 concerning Rural Banks based on profit sharing. Therefore, Law Number 7 of 1992 concerning Banking and Government Regulations has been the legal basis for the establishment of RBs so far.

During this period there were no other provisions other than those mentioned above, such as Bank Indonesia Regulations, accounting provisions and others. During this period, each Sharia Supervisory Board issued its own standards so that the Sharia provisions at BPR Syariah differed from those issued by Bank Muamalat Indonesia's Sharia Supervisory Board. During this period, Islamic banks carried out business activities in the field of sharia following their respective capacities, based on each respective sharia supervisory board of the bank concerned (Berakon et al., 2021).

### 3. The period from 1998 to 2008

From experience and research that has been done, it is evident that Islamic banks have different characteristics from ordinary banks, so law number 7 relating to banking activities is strengthened by law number 10 of 1998 amendment to law number 7 concerning Banking. In Law no. 10 of 1998 discussed the provisions of Islamic banking, among others (Juhandi et al., 2019):

- a. In article 1 number 13 it is stated that "sharia principles are rules of agreement based on Islamic law between banks and other parties regarding depository or financing of business activities". under sharia, including financing based on the principle of profit sharing (*mudharabah*), financing based on the principle of equity participation (*musharakah*), the principle of buying and selling goods with a profit (*murabahah*), or marang financing. capital based on the principle of pure lease without choice (*ijarah*), or with the ability of the bank to transfer ownership of the goods leased to the bank for another party (*ijarah wa iqtina*)
- b. Financing or Other Activities Based on Sharia Principles in accordance with the Provisions Stipulated by Bank Indonesia" The description accompanying this article is "Provisions Stipulated by Bank Indonesia" specifically:
  - 1) Business activities and bank products based on sharia principles
  - 2) Formation and obligations of the Sharia Commission
  - 3) Requirements for opening a Conventional branch establishment of business activities for Sharia business activities is carried out
- c. Many other articles regulate Islamic banking (Firdaus et al., 2017).

### 4. Period after 2008

Since 2008, Islamic Commercial Banks in Indonesia have had their law, namely Law Number 21 of 2008 concerning Islamic Commercial Banks. This law is complete as described in the appendix to this book. Of course, Islamic banks have been established or operating since 2008 based on Law no. 21 and all applicable laws and regulations. The provisions stipulated in Law Number 10 of 1998 and the implementing limitations will remain in effect as long as they do not conflict with the provisions of Law Number 21 of 2008. This follows the provisions of Article 69 of the Law, namely the Banking Act Number 7 of 1992 (Supplement to the 1992 State Bulletin of the Republic of Indonesia Number 31 and the State Gazette of the Republic of Indonesia Number 3472). According to Law Number 10 of 1998 (Supplement to the State Gazette of the Republic of Indonesia of 1998 Number 182 and the Official Gazette of the Republic of Indonesia Number 3790), it remains in force along with its implementing regulations as long as they do not conflict with this law (Berakon et al., 2021).

### c. Function Activities and Roles of Islamic Banks

According to article 19 paragraph 1 of RI Law No. 21 of 2008 concerning Islamic Banking, the functions and activities of Islamic Commercial Banks include the following actions (R. Indonesia, 2008):

- 1) Collecting funds in the form of demand deposits, savings, or other equivalent forms of savings based on a *wadi'ah* contract or other contracts that do not violate Sharia principles;
- 2) Raising funds for investment in the form of deposits, savings, or other equivalent forms based on Mudharabah contracts or other aliases that do not violate Sharia principles;

- 3) Distribution of profit-sharing funds based on *mudharabah* contracts, musyarakah contracts, or other contracts that follow sharia principles;
- 4) Distribution of funds based on *murabahah* contracts, salam contracts, istishna contracts, or other contracts that are by sharia principles;
- 5) Distributing funds based on Akadqard or other Akads that do not violate Sharia principles;
- 6) Distribution of funds for the transfer or rental of movable property based on an Ijarah Agreement or for the purchase of a lease in the form of *ijarah muntahiya bittamlk* or other agreement that does not violate Sharia principles;
- 7) Taking on debt based on the Hawala Agreement or other agreements that do not violate Sharia principles;
- 8) Doing business to trade debit or financial cards based on Sharia principles;
- 9) Buy, sell, or at your own risk any third-party securities issued based on actual transactions based on Sharia principles, including but not limited to contracts with Ijarah, Musyarakah, Mudharabah, Murabahah, Kafalah, or Hawalah;
- 10) Purchasing securities based on Sharia principles issued by the Government and Bank Indonesia;
- 11) Receiving payments from securities bills and performing calculations with or between third parties based on sharia principles;
- 12) Custody for the benefit of other parties under an Akad under Sharia principles;
- 13) Provide a place to store goods and securities based on sharia principles;
- 14) Transfer of funds for self-interest or the benefit of clients, based on Sharia principles;
- 15) Act as trustee based on the *wakalah* Agreement;
- 16) Providing a letter of credit or bank guarantee facilities based on sharia principles; and
- 17) Carry out other activities commonly carried out in the banking and social sectors, as long as they do not violate sharia principles and comply with statutory provisions.

In addition to carrying out these business activities, sharia commercial banks can also:

- 1) Forex trading is carried out based on Sharia principles;
- 2) Invest in commercial banks or Islamic financial institutions that operate based on Sharia principles;
- 3) Carrying out temporary investment activities with the condition that the participation must be withdrawn to overcome the consequences of failure of funding based on sharia principles;
- 4) As the founder and manager of a pension fund, we will act according to Sharia principles;
- 5) Operate in the capital market as long as it does not conflict with sharia principles and laws and regulations in the capital market sector;
- 6) Regulate banking transactions or goods based on sharia principles by using electronic means;
- 7) Issuance, provision, and trading of short-term securities directly or indirectly through the money market based on Sharia principles;
- 8) Issuance, offering, and trading of long-term securities based on Sharia principles, either directly or indirectly through the capital market; and
- 9) Providing products or conducting other Sharia Commercial Bank business activities based on Sharia principles.<sup>6</sup>

In addition to functions and operations, Islamic banks also have a role. The existence of Islamic banks will contribute to the economic growth of society through the financial resources issued by Islamic banks. Through this financing, Islamic banks can become partners with customers so that the relationship between Islamic banks and customers is no longer a creditor and debtor but a partnership. In addition to collecting cash and transferring funds based on murabaha contracts or other contracts that do not conflict with sharia principles, sharia banks also play an important role in economic development (Sari, 2016).

In particular, the role of Islamic banks can be realized in the following aspects:

- 1) Become a new segment of nationalism, which means Islamic banks can become a society that actively supports forming a people's economic network. Furthermore, Islamic banks must emulate the success of Islamic institutions and then build on their current success (nationalist, democratic, religious, and economic).
- 2) Strengthen the national economy and ensure transparency.
- 3) Provides better returns. That is, investing in Islamic banks does not give explicit promises of profit to investors. Therefore, Islamic banks must generate better returns than traditional banks.
- 4) Encouraging the reduction of speculation in financial markets.
- 5) Promotion of income distribution. Islamic banks can collect funds from third parties and Zakat, Infaq and Sedekah (ZIS).
- 6) Financing efficiency has improved.
- 7) Application of *Uswah hasanah* (good example) morals in banking business performance.
- 8) One of the reasons for the appearance of the crisis is corruption, collusion and nepotism.

Based on the statement above, the role of Islamic banks for MSMEs is needed to support MSME activities through funding. The part of Islamic banks from MSMEs is not only to continue the product but also through development programs Islamic bank products are known.

### 3.2. Microfinance

#### a. Definition of Microfinance

Financing is one of the main functions of Islamic banks, providing facilities or funding to raise funds to meet the needs of parties who need funds for both commercial and non-commercial purposes. The main task of allocating funds is regulated in the Islamic Banking Law No. 21 of 2008 (I. B. Indonesia, 2014).

In Law Number 21 of 2008 it is explained that financing is giving in the form of financing or bills that are equivalent to that (R. Indonesia, 2008):

- 1) Profit sharing transactions in the form of *mudharabah* and *musharakah*;
- 2) Lease transactions in the form of *Ijarah* or purchase leases in the form of *ijarah muntahiya mittamlik*;
- 3) Sale and purchase transactions when buying *Murabahah*, *Salam*, *Istishna* claims;
- 4) Borrowing in the form of receivables; and
- 5) *Ijarah*-style service leasing transactions for multi-service transactions.

Based on agreements between Islamic Commercial Banks or UUS and other parties, financed parties or those who receive funding facilities will contact *Ujrah* without compensation or profit sharing. We ask that the funds be returned after a specified period (R. Indonesia, 2008).

#### b. Legal Foundation

Islamic law permits claims. Also, because of their large thighs, people who give credit or loans to needy people are more liked and praised. The legal basis for explaining the terms of the claim is as follows.

مَنْذَالَّذِي يُقْرِضُ اللّٰهَ قَرْضًا حَسَنًا فَيُضَعِّفْهَا لَهَا ضِعْفًا كَثِيرًا وَ اللّٰهُ يَفْضِلُ مَن يَبْصُرُ  
وَ اَلَيْهِنَّ رُجْعُونَ

Translation: "Who will lend to Allah a good loan which Allah will multiply many times over? It is Allah 'alone' who decreases and increases 'wealth'. And to Him you will 'all' be returned" (QS.AL-Baqarah : 245).



Islam teaches fellow Muslim entrepreneurs who are given ample sustenance to be able to develop various businesses to help others in meeting economic needs. God's word inside

وَإِذَا رَأَوْا تِجَارَةً أَوْ لَهْوًا انفَضُّوا إِلَيْهَا وَتَرَكُوكَ قَائِمًا قُلْ مَا عِنْدَ اللَّهِ خَيْرٌ مِّنَ اللَّهْوِ  
وَمِنَ التِّجَارَةِ وَاللَّهُ خَيْرُ الرَّازِقِينَ

Artinya: "Whatever is in the heavens and whatever is on the earth 'constantly' glorifies Allah—the King, the Most Holy, the Almighty, the All-Wise" (QS. Al-Jumu'ah: 11).

### c. Types of Financing

Based on the nature of its use, funding can be divided into two, namely:

- 1) Financing for production, especially financing to broadly meet production needs, namely increasing production, trade, and investment activities.
- 2) Consumer financing, namely financing used to meet consumer needs, will be used to meet requirements.

Based on demand, production financing is divided into two, namely:

- 1) Working capital financing, namely financing to meet the need for increased output, both quantitatively (production volume), qualitatively (production improvement or quality) or for commercial purposes.
- 2) Investment financing is financing to meet capital and equipment needs closely related to production capital (Antonio, 2001).

The 25 iB microfinance product is financing for micro-scale traders or entrepreneurs who are aimed at productive businesses. Their businesses follow sharia principles, with a ceiling (loan) starting at Rp. 5.000.000 to Rp. 25.000.000; this type of financing does not require collateral or collateral.

75 iB microfinance is financing intended for micro-scale traders or entrepreneurs aimed at productive businesses and businesses following sharia principles, with loan ceilings starting from Rp. 25.000.000 – Rp. 75.000.000; this type of financing requires collateral or collateral.

200 iB microfinance is financing intended for micro-scale traders or entrepreneurs aimed at productive businesses and businesses following sharia principles, with loan ceilings starting from Rp. 75.000.000 – Rp. 200.000.000, this type of financing requires collateral or collateral. The contract used in the iB microfinance product is a *Murabaha* financing contract, a complementary contract using a *wakalah* contract, and a *qard* contract (if any) (An interview with HS, an employee of Bank Syariah Indonesia Sarolangun Branch Office on January 5, 2021).

### 3.3. Micro, Small, and Medium Enterprises (MSMEs)

#### a. Definition of MSMEs

MSMEs stands for Micro, Small and Medium Enterprises. Depending on their size, MSMEs consists of three types of businesses, including micro and small, and medium enterprises. The following are three legal meanings (Muheramtohad, 2017);

- 1) Micro business is a productive business owned by an individual or a business unit that meets the micro business standards regulated in this Law. Wealth standard: up to 50 million, sales standard: up to 300 million rupiahs.
- 2) Small Business is an independent, productive economic enterprise run by an individual or entity that is not a subsidiary or branch of UKM and is a standard in the meaning of this Law. Wealth standard: 50,500 million, sales standard: IDR 325 billion.
- 3) Medium Enterprises are autonomous and operating business entities that are not subsidiaries or branches of a company that indirectly owns, manages, or directly owns all of the net worth

of a large company or a productive economic company. Partial or annual sales are regulated in this law. Wealth is 510 billion, sales standard is > 2.55 trillion rupiahs (UU No. 20 of 2008).

Micro-enterprises are business actors characterized by the intensity that micro-entrepreneurs are considered not to exist as legal businesses. They have little access to legal protection or government services in the business. The consequences of criminal cases include avoiding monitoring government officials, which can disrupt operations and increase transaction and operating costs, thereby reducing their access to customers (Kara, 2013).

Micro, small and medium enterprises (MSMEs) are among the leading driving forces in economic development (World Bank, 2005). SMEs play a significant role in the economy. The intended contribution is mainly to employment absorption. In 2005, MSMEs in Indonesia could absorb 77,678.498 thousand people or 96.77% of the total workforce that small, medium, and large-scale businesses could absorb (Sri Susilo, 2007a). In terms of the number of business units and the force that can be absorbed, MSMEs are much larger than large businesses. On the other hand, in terms of creating added value for the Gross Domestic Product (GDP), large enterprises (UB) are much larger than MSMEs (Susilo, 2010).

#### 4. Conclusion

The role of BSI KCP Sarolangun's microfinance products in assisting in developing and increasing customer business income and increasing SME businesses in Sarolangun so that they continue to run, namely as many as 10 customers who apply for microfinance. The financing provided by the bank indeed helped customers, but these businesses did not experience development or increase in income, one of the reasons being the Covid-19 pandemic. Although there were also customers who experienced an increase in revenue. In addition to assisting in financing or additional capital for customers, BSI KCP Sarolangun rarely provides direction to customers in developing a better business. So that the financing provided or borrowed by the customer is not fully used effectively due to a lack of direction from the bank. Microfinance also has a role in the Indonesian economy, one of which is that microfinance is not solely motivated by economics but also social motives, intended for micro, small and medium enterprises or SMEs. Micro, small and medium communities or MSMEs feel greatly helped by this financing because it will keep people away from moneylender motives. In addition, the conditions needed are straightforward, and this financing will save Muslims from the practice of usury, which is very clearly unlawful in the Qur'an and al-Hadith.

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