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ISLAMIC RURAL BANK: MAIN DRIVERS OF MICRO, SMALL AND MEDIUM ENTERPRISES GROWTH

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ABSTRACT

Limited capital, production techniques, marketing, management, and technology generally trap MSMEs. MSMEs is a business sector that contributes positively to the economy and experiences problems in capital; the Government provides financial institutions that handle the sector, one of which is BPRS. This research covers the role of BPRS in increasing the growth of MSMEs. This research method uses a descriptive qualitative approach with primary data obtained from interviews with BPRS. Islamic rural bank (called as BPRS) is vital in supporting the real sector, especially MSME. Despite focusing on Islamic financing, challenges such as the need for guarantees and strict procedures can be obstacles for MSMEs in obtaining capital. Although BPRS assists such as training and coaching, MSME adoption of these initiatives is often limited. In facing this complexity, strong cooperation between BPRS, the Government, and MSMEs is needed to advance this sector.

Keywords: Islamic Rural Bank, Economy, MSME.

ABSTRAK

UMKM pada umumnya terjebak oleh keterbatasan modal, teknik produksi, pemasaran, manajemen, dan teknologi. UMKM sebagai sektor usaha yang berkontribusi positif terhadap perekonomian dan mengalami permasalahan dalam permodalan, pemerintah menyediakan lembaga keuangan yang menangani sektor tersebut, salah satunya BPRS. Penelitian ini membahas tentang peran BPRS dalam meningkatkan pertumbuhan UMKM. Metode penelitian ini menggunakan pendekatan kualitatif deskriptif dengan data primer yang diperoleh dari hasil wawancara dengan pihak BPRS. Bank pembiayaan rakyat syariah (BPRS), memiliki peran vital dalam mendukung sektor riil khususnya UMKM. Meskipun memiliki fokus pada pembiayaan syariah, tantangan seperti perlunya jaminan dan prosedur yang ketat dapat menjadi kendala bagi UMKM dalam memperoleh modal. BPRS memberikan bantuan seperti pelatihan dan pembinaan, namun adopsi UMKM terhadap inisiatif ini seringkali terbatas. Dalam menghadapi masalah ini, kerja sama yang kuat antara BPRS, pemerintah, dan UMKM sangat diperlukan untuk memajukan sektor ini.

Kata Kunci: Bank Pembiayaan Rakyat Syariah, Ekonomi, UMKM.

I. BACKGROUND

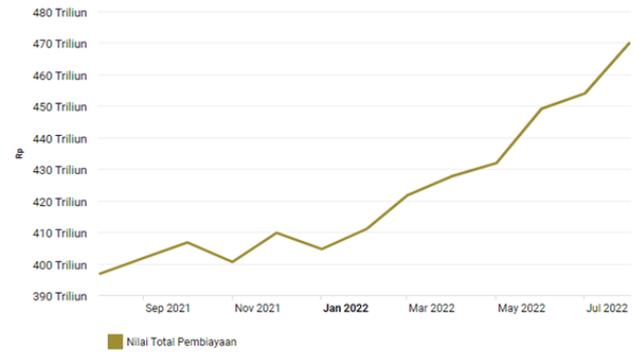
Micro, small, and medium enterprises (MSMEs) are one of the leading real sectors directly affecting national economic growth. MSMEs businesses also function as a tool for community empowerment to optimize crops, especially for people living in rural areas. Produce is sold after some time. Raw, not after processing to increase monetary value, which MSME then sells. Furthermore, MSME is expected to become a business sector that can create new products and marketing strategies (Lis Nur' Aisyah, 2020).

According to Zulkieflimansah (2003), small and medium enterprises, including small-scale industries, contribute positively to a country's economy by creating jobs with low capital, filling inefficient market niches for large companies, and having a pool of skilled and semi-skill workers. MSMEs have another advantage, namely being resistant to crises. Nevertheless, despite the prominent role of MSMEs, so far, MSMEs still have problems that need to be fully solved. These problems include a lack of quality human resources, lack of guidance and guidance from related parties, low technology, lack of capital resources, traditional management, inadequate infrastructure, difficulty obtaining raw materials, difficulty obtaining business licenses or legal entities, difficulty marketing the products produced, and other problems so that these various problems affect the existence of MSME (Amri, n.d.).

Yustika (2005) revealed that MSMEs are always trapped in the problem of limited capital, production techniques, marketing, management, and technology. Hafsah in Yustika (2005) and Koncoro (2009) also revealed the fundamental problems MSMEs face, including lack of coaching, weaknesses in the organization field, less than optimal management guidance, and the quality of human resources that could be better. With the problems that occur in MSME, the Government provides conventional and Sharia economy-based financial institutions that overshadow these fields to help overcome ongoing problems.

In Indonesia, financial institutions based on conventional and Sharia economics are

different. Islamic Financial Institutions (LKS) have developed very well. This is shown by the increase in assets of Islamic financial institutions, namely Islamic banks, every year. The following data on the growth of Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) shows that some assets are used to finance MSMEs. This shows that Islamic banks play a role in the growth of MSMEs (Pramana, 2017).



Graphic 1. Value of Financing for Sharia Commercial Bank and Sharia Business Units in Indonesia (August 2021 – August 2022)

Source: Katadata (Ahdia, 2023)

According to data from the Financial Services Authority (OJK), the total value of financing all types of contracts from Islamic banks and Sharia business units in Indonesia reached IDR 470 trillion in August 2022, growing 18.51% year-on-year (yoy). During the January-August 2022 period, the trend has also consistently increased every month, as seen in the chart above. Sharia Banks and Sharia Business Units have distributed considerable financing funds to MSMEs, but this still needs to be considered more optimal. This happens because of limitations in fulfilling administrative requirements. So, BPRS emerged and intensified its functions with an administration system that is easy to understand and easy to meet the requirements of MSME to carry out financial transactions with BPRS (Indrarini, 2017).

Following the Sharia Banking Law number 21 of 2008, BPRS is a Sharia bank that, in its activities, does not provide services in payment traffic (Indonesia, 2008). From this understanding, BPRS still functions like Islamic banks, a financial intermediation institution. Hence, the products in BPRS are

the same as those in Islamic banks. The funding products available at BPRS are savings and deposits with mudharabah or wadiah contracts, while the financing products available at BPRS are working capital, investment, and consumptive financing with several contracts such as mudharabah, musharakah, murabahah, and salam. With the same function as Islamic banks but easier administration and closer reach to small communities, it is expected that the function of BPRS as a financial intermediation institution can improve public welfare, especially for MSMEs. Based on the above phenomenon, this study will discuss the role of sharia people's financing banks (BPRS) in increasing the growth of micro, small, and medium enterprises (MSMEs).

II. RESEARCH METHODS

This research uses a type of descriptive qualitative approach, namely naturalistic research, that does not use mathematical and statistical models (Kurniawan, 2012). The data used is primary data, namely data obtained directly from the research subject; in this case, the researcher obtains direct information using predetermined provisions. The primary data of this study used interview techniques. The interview technique is carried out because with the interview technique, researchers can be more flexible in taking information so that the results will be more focused and deep (Sugiyono, 2009).

III. RESULTS AND DISCUSSION

The association and distribution of funds is the main business of BPRS. MSMEs that require a relatively small amount of business funds compared to non-MSME business entities in general hope that there are financial institutions that can help. In terms of a small amount of funds, if accompanied by many MSMEs, the possibility of financing MSMEs is an opportunity for BPRS to channel their funds. BPRS has the potential to develop credit. BPRS conducts financing based on the contracts used: musharakah, istishna', mudharabah, and murabahah contracts.

In a mudharabah contract, BPRS, as the bank or shahibul maal, acts to provide funds

in total, and customers from MSMEs act as mudharib (executors/entrepreneurs) who manage funds in business activities. Regarding capital borrowed from BPRS is given in cash or kind. If the financing is in cash, the amount must be stated. Moreover, if it is in kind, it must be valued based on the acquisition price or fair market price. In the mudharabah contract, the profit sharing is carried out by the profit-sharing method. The profit sharing from the fund's management is expressed in the form of an agreed ratio. When there is a loss in business, BPRS, as the owner of the fund, will bear all losses as long as the negligence or fault of the fund manager causes the loss. If caused by the fund manager's negligence, then the fund manager must bear the loss.

BPRS provides several products, one of which is a funding product, which is a product related to savings or savings issued by BPRS. The second product is a financing product (lending), which is a product of distributing and borrowing funds. Namely the process of borrowing funds carried out by customers. In general, MSMEs use financing products (lending) where business actors carry out loan transactions to related banks, namely BPRS, to support principal and operational capital needs.

In terms of lending, Islamic banking is more dependent on the real sector to meet the community's needs, which requires high public trust. Then, the Government's goal in establishing Islamic banks is to provide Sharia-based banking alternatives for the public and develop the real sector. This is in line with the explanation of Islamic banks, which are financial institutions that function to facilitate mechanisms in the real sector through their business activities, in this case, mudharabah financing based on sharia principles (Rifa'i, 2017). Islamic Rural Banks (BPRS) is one of the arms of Islamic financial institutions that has core business activities in funding and financing real sectors to lift the community's economy. According to Naja, financing at Islamic banks is broadly divided into three categories based on the purpose of their use (Isretno, 2011)

1. Financing transactions aimed at owning goods are carried out on the principle of buying and selling.
2. Financing transactions aimed at obtaining services carried out on the principle of lease.
3. Financing transactions for cooperative businesses aimed at obtaining goods and services at once with the principle of profit sharing.

Based on sectoral contributions, it is undeniable that the agricultural and trade sectors are the backbone of MSME, where these two sectors contribute the most to the formation of the gross domestic product (GDP). The amount of this contribution is quite a reason because when viewed from the characteristics and number of MSMEs in Indonesia, these two sectors are very dominant in the number of MSMEs. Other economic sectors that also make a considerable contribution are the industrial sector. The development of the industrial sector is triggered by the development of the tourism sector so small and medium industries also develop. The demand for MSME handicraft products is increasing in the market both for the domestic and international markets.

Sharia people's financing bank (BPRS) acts as a lending institution in the form of financing to people who need funds either to start or to continue the MSMEs that have been built. To obtain financing that does not conflict with Sharia principles, the community will go through procedures set by the bank, both the requirements that must be met and the financing conditions that are mutually agreed upon. Of course, they need capital to provide financing to MSMEs who want to start or develop their business. Thus, banks as financial intermediation institutions are present to provide capital to MSMEs. However, remember that MSMEs must have guarantees following applicable provisions or regulations in providing capital. However, this is one of the obstacles MSMEs face to obtaining business capital, so banks are unwilling to provide financing without guarantee.

Then, the bank will consider the provision of financing first by conducting a 5C analysis. First, character. In this case, the nature or character of the individual is the debtor. Second, capacity. That is a person's ability to run a business. Third, capital. That is the financial condition of the customer (net income). Fourth, condition. That is external economic conditions that control business. Fifth, Collateral; that is to promise wealth for security (Marthodillah, 2019).

Islamic Rural Banks have yet to be fully maximized in developing MSMEs. The bank can only help provide financing to people who have met the requirements and do not help develop these MSMEs, for example, by providing training so that the community can compete with other MSMEs and improve their skills. However, often, BPRS also conducts coaching for MSMEs to develop their business, such as helping promotions in the form of involving MSMEs in exhibitions, facilitating the existence of business premises, and providing consultations on business development. However, the intention of coaching carried out by BPRS often gets rejected from MSME for reasons of limited time and hassle. This coaching mainly occurs in financial terms because MSMEs prefer bookkeeping that is done independently, even though the bookkeeping is often neglected (Lis Nur' Aisyah, 2020).

IV. CONCLUSION

Islamic rural bank (BPRS) acts as a lending institution in the form of financing to people who need funds either to start or to continue the MSMEs that have been built. Islamic banking, especially the Islamic Rural Bank (BPRS), is vital in supporting the real sector, especially MSME. Despite focusing on Islamic financing, challenges such as the need for guarantees and strict procedures can be obstacles for MSMEs in obtaining capital. Although BPRS assists such as training and coaching, MSME adoption of these initiatives is often limited. In facing this complexity, strong cooperation between BPRS, the Government, and MSME is needed to advance this sector.

V. RECOMMENDATION

The recommendations for the next researcher are expected for those who are interested in conducting the research that has been done; it is hoped that they will not only focus on the role of Sharia people's financing banks (BPRS) in increasing the growth of MSME can explore/trigger BPRS development strategies. In addition, it is recommended to add supporting references from previous research so that the research can be better than previous research.

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