

CONTRIBUTION OF BANKING FINANCE TO THE DEVELOPMENT OF MICRO, SMALL, AND MEDIUM ENTERPRISES

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Abstrak. Banking institutions play a vital role as financial intermediaries within the economic structure of every country. They mobilize funds from the public and redirect them back to the public, establishing a robust and trustworthy banking system. This research employs a qualitative descriptive approach with the objective of investigating the role of Islamic banking in the development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. The study focuses on the provision of initial capital financing, additional monetary support, and facilitation of MSMEs' access to financing by Bank Syariah Indonesia. The aim is to explore the impact of these initiatives on the community. By providing financing to the micro, small, and medium business community, Bank Syariah Indonesia contributes to economic improvement, resulting in the growth of the community's economy and an increase in income levels. The findings highlight the crucial role played by Bank Syariah Indonesia in promoting MSME development. The provision of initial capital financing, additional monetary support, and facilitation of MSME financing significantly contribute to the growth of the community's economy and enhance overall economic performance. These results underscore the importance of Islamic banking in supporting the development of MSMEs in Indonesia. In conclusion, this research reveals the significant contribution of Islamic banking, specifically Bank Syariah Indonesia, in the development of MSMEs in Indonesia. Through the provision of financing and facilitation of MSME financing, the bank plays a vital role in improving the economy and fostering growth in the community. These findings enhance our understanding of the impact of Islamic banking on MSME development in Indonesia.

Keywords: Financing; Islamic Banking; MSMEs.

INTRODUCTION

Banking institutions are financial intermediaries that have a very vital role in the economic structure of every country. Banks absorb funds from the public and channel these funds back to the public so that each country can create a banking system that is sound, and resilient, and maintains public trust. In its role, banking uses various systems to carry out its operations and it is this system that is then known and practiced until now (Faruk, 2018).

The presence of Islamic banking in Indonesia has encountered critical improvements after the proclamation of Regulation Number 10 of 1998 concerning Alterations to Regulation Number 7 of 1992 concerning Banking which is seriously obliging and gives amazing open doors to the advancement of Islamic banking. The presence of this regulation was additionally fortified by the authorization of Regulation Number 21 of 2008 concerning Islamic Financial which explicitly perceives the presence of Islamic banking and recognizes it from the customary financial framework.

Economic growth is an indication of economic success in a country which can be identified by an increase in national income which for several periods occurred as a result of an increase in the production capacity of an economy. One important factor in economic development or change is the existence of small and medium enterprise activities (MSMEs), which are productive business units that can stand alone and can be carried out by people and business entities in all economic sectors.

Along with the development of a country's economy, the public's demand or

need for funding increases. In this way, the government begins to cooperate with or encourage State-Owned Enterprises not to participate in financing the development of the nation's economic potential. One of these policies is to channel business capital funds to the community to finance the development of micro-entrepreneurs as a tool for the development of a country (Erni, 2022).

Then this aims for development that can be realized, then a balanced development must be carried out from all existing fields. Therefore, the development of micro markets requires adjustments to the process of microfinance services and products. So that financial institutions, especially banks, play a role in adjusting and improvements to the standard procedures for microfinance distribution (Yustiningsih, 2016).

Micro, Small, and Medium Enterprises (MSMEs) are a tool that creates jobs and can stimulate the economy and can create the private sector so the development of MSMEs plays an important role in economic development.

as indicated by Regulation no. 20 of 2008 concerning MSMEs that miniature specialty units are useful organizations claimed by people as well as individual business substances that meet the models for miniature organizations as specified in the law (UU No. 20 of 2008).[3] The models for the miniature business alluded to are: 1) Having a total assets of at most Rp. 50 million, barring area and structures for the business environment, or 2) Having yearly deals consequences of a limit of Rp. 300 million (Artharini, 2023).

MSMEs have an important role as

indicated by the total number of business units as much as 99% of existing businesses based on the results of ministry data and MSMEs in 2018. In developments the number of MSMEs has also increased by 2.02% in 2017-2018. This can explain that MSMEs have the potential for economic development and can still be developed both in terms of existing productivity and competitiveness. However, the development of MSMEs is still experiencing various problems that have not fully met expectations.

Based on the available data, you can see the amount of MSME financing from 2016-2019 in Islamic commercial banks in Indonesia. In this case, it can be seen that the amount of MSME financing has fluctuated, it can be seen from the amount of financing that has decreased and increased. Then in 2018 the amount of MSME financing has decreased quite a lot compared to previous years.

MATERIALS AND METHODS

The approach used in this research is a qualitative descriptive approach.[5] The research focused to discuss the role of Islamic banking in contributing to developing MSMEs in Indonesia. The research is a form of field research in which the data presented are obtained from the results of field research as primary data. Meanwhile, data from the library is used as secondary data and other documentation data.

RESULTS AND DISCUSSION

1. Micro, Small, and Medium Enterprises

Article 1 of regulation number 20 of

2008 concerning MSMEs, characterizes miniature ventures as useful organizations that meet the rules for miniature undertakings as specified in the law. In the interim, private ventures are useful monetary organizations that remain solitary and are completed by people or business elements that are not auxiliaries or not parts of organizations that are possessed, controlled, or become an immediate or backhanded piece of medium-sized organizations or enormous organizations that meet the business standards. little as alluded to in the law (Fadilla, 2019).

As per Article 6 of Regulation No. 20 of 2008 concerning the measures for MSMEs as capital are as per the following:[7]

- a. Micro undertakings are useful organizations claimed by people or individual business substances with complete resources of up to IDR 50 million and pay of up to IDR 300 million every year.
- b. Small business is a useful business that remains solitary and is completed by people who are not auxiliaries or not branch organizations that are claimed, controlled, or become part, either straightforwardly or in a roundabout way of medium or huge organizations with business resources between IDR 500 million with an all out pay of around IDR 300 million to IDR 2.5 billion every year.
- c. Medium organizations are useful organizations that remain solitary, and are completed by people who are not auxiliaries or not parts of

organizations that are claimed, controlled, or become part, either straightforwardly or in a roundabout way of medium or huge organizations whose business resources are between IDR 500 million to IDR 10 billion with all out pay each year going from IDR 2.5 to 50 billion (Sunariani et al., 2017).

The improvement of MSMEs in Indonesia is positively indivisible from different sorts of issues. The issues looked by little and medium business visionaries, for example, restricted working or venture capital, great quality unrefined components that are challenging to get, restricted innovation, great quality HR, market data, and showcasing troubles. In fostering a business, MSMEs should expand their creation limit which obviously requires a great deal of capital. The absence of capital and the low capacity and information on HR (HR) in dealing with a business implies that MSEs have not had the option to stay up with changes in customer tastes and are not yet worldwide serious. This occasionally makes most of MSEs work in a generally brief period, specifically under 10 years (Diana, 2019).

Accessibility

Banking attempts to give a strategy for directing assets, in particular conventional financing as access for MSMEs in applying for formal credit. In any case, the low access of little ventures to formal credit establishments makes a propensity rely upon supporting their business from their capital or different sources like family, family members, go-between brokers, and even predatory lenders. As indicated by Darwin, MSMEs

have restricted admittance to capital, particularly credit from bank monetary foundations. MSMEs, which are most specialty units in Indonesia, just acquire around one-6th of the portion of public credit (Syamsulbahri, 2018).

Service

Administration quality is a significant element for the progress of a bank as a help organization today. Mukaffi, et al in their exploration showed that help quality is the predominant component for the outcome of a bank as a help organization today (Mukaffi et al., 2016). Since these days the issue of consumer loyalty and unwaveringness through the best help quality has turned into a responsibility for banks in maintaining their business.

Accompaniment

Accompaniment is a process, method, or act of accompanying or assisting. The role of social workers in social assistance, namely as a facilitator, broker, mediator, advocate, and protector for the community being assisted. (Adrian & Mulyaningsih, 2017) One of the jobs of coaching as an inspiration is to stir and urge local gatherings to perceive potential and issues and to have the option to foster their capability to tackle the issues they face.

Financing

Banks that have the title as a help organization as well as the fundamental results of the financial area which are gathering pledges, diverting assets, and banking administrations/administrations. The circulation of assets to Islamic banks comprises of trading (tjjaroh), the trading component is done utilizing an exchange of property design, and the bank's benefit still

up in the air toward the start and turns into the selling cost of merchandise. The standard of trading was formed into a type of murabahah funding (bank as dealer and client as a purchaser), bai as-salam supporting (deal and acquisition of products that don't yet exist), bai al-Istishna' supporting (assembling and development supporting). The lease (ijarah) difference between buying and selling operational mechanism of ijarah lies in the transaction object as a service. Profit sharing (syirkah) consists of musyarakah and mudharabah (Noviyanti, 2018).

2. The Role of Islamic Banking in Participating in Developing Micro, Small and Medium Enterprises

Based on the results of field research, it is known that the role of Islamic Banks has been carried out properly by procedures, namely by the vision and mission of Bank Syariah Indonesia. The role of Islamic banking as a financial institution in participating in developing small entrepreneurs is as follows:

3. Providing Business Capital for MSMEs

Miniature, Little, and Medium Endeavors Funding, or what is known as MSME supporting is funding gave to business entertainers who meet the standards of Miniature, Little, and Medium Undertakings.

The micro-business financing products can be seen in the following figure:

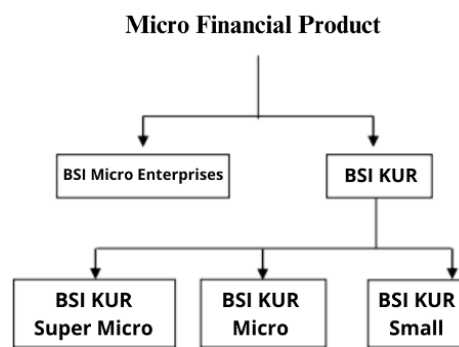


Figure. 1

The amount of financing provided by

BSI can be seen from the following table:

Table 1
Microfinance ceiling

Categories	Ceiling
BSI Micro Business/ KUM	Rp. 1.000.000 - Rp. 2.000.000
KUR Super Micro	Rp. 1.000.000 - Rp. 10.000.000
Micro KUR	Rp. 11.000.000 - Rp. 50.000.000
Small KUR	Rp. 50.000.000 – Rp. 500.000.000

From the table above it can be seen that the ceiling amount for BSI Micro Enterprises or KUM is Rp. 1,000,000 to Rp. 200,000,000, for Super Micro KUR it is Rp. 1,000,000 to Rp. 10,000,000 while for Micro KUR it is Rp. 11,000,000 to Rp. 50,000,000 and for Small KUR Rp. 50,000,000 to Rp. 500,000,000.

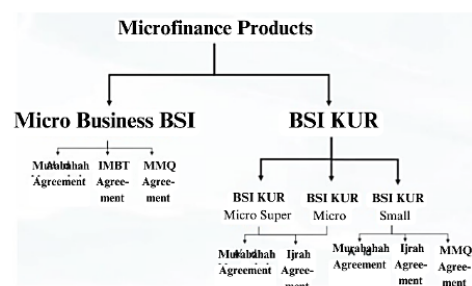


Figure 2

BSI Financing Agreement

The use of contracts is adjusted to sharia principles, at BSI for KUR products, the contracts used are usually Murabahah contracts, Ijarah contracts, and Musyarakah Mutanaqisah (MMQ) contracts.

- a. Murabaha contract is defined as a sale and purchase contract for an item with a product at a higher price as profit. In a murabaha contract, when the customer proposes financing for additional capital and investment. Through this agreement, the owners of capital will provide loans to customers for business capital needs concerning time.
- b. An Ijarah contract is an agreement by moving the utilization freedoms or advantages of a thing or administration in light of a rent exchange, without being trailed by an exchange of responsibility for thing itself.
- c. Musyarkah Mutanaqisah (MMQ) contract is a contract in which one party's ownership of assets (goods) or capital (syarik) decreases due to gradual purchases by the other party. MMQ objects can be land, buildings, motorbikes, or cars.

Bank Syariah Indonesia in providing very easy and general requirements in applying for financing for people who want to get financing.

From the results of the Library, BSI financing requires the following requirements:

- a. The business has been running for at least 2 years
- b. Minimum age 21 years or married and maximum 55 years until paid off Documents that must be completed:

- 1) Copy of KTP Husband/Wife/Guarantor
- 2) Copy of Family Card and Marriage Certificate
- 3) Original Business Certificate from the Lurah
- 4) Passport photo of husband/wife size 3x4
- 5) Copy of NPWP (for loans > Rp. 50 Million)
- 6) Copy of the Passbook for the last 3 months (For loans > IDR 50 Million)
- 7) Copy of SHM & IMB/BPKP of Motorized Vehicles + STNK
- 8) Copy of PBB 9) Copy of PLN & PAM43

4. Obstacles to Islamic Banking Financing in MSME Development

Albeit Islamic banks enjoy different benefits and burdens in driving the speed of the economy, in particular the MSME area, it ought to be noticed that the impact of Islamic banks on public monetary development is just 0.23% or under 1%. As per an examination from Bank Indonesia, new Islamic banks will actually want to impact the public economy and even influence expansion on the off chance that the job of Islamic banks in public financial development is between 10% - 20%.

While in the MSME area (which is a monetary trigger) the job of sharia supporting is right now likewise viewed as not ideal. As recently made sense of, right now the dissemination of supporting to the MSME area is as yet overwhelmed by traditional banks.

The reasons that impede sharia funding in upgrading its part in the MSME area in Makassar City are as per the following:

- a. The accessibility of HR who comprehend both fiqh and monetary

- angles in Indonesia is still extremely restricted (less qualified HR). The thriving advancement of Islamic banks in Indonesia isn't matched by satisfactory assets. The majority of the assets in Islamic banks, particularly traditional banks that open sharia branches (Islamic windows) know quite a bit about customary financial matters so the speed increase of the use of Islamic regulation in financial practice isn't quickly enough to be obliged in the financial framework so the capacity to foster Islamic banks is slow (Afrianty et al., 2020).
- b. Lack of socialization about Islamic banks, particularly to the lower classes of society as holders of a significant job in the MSME area. Socialization isn't simply acquainting Islamic saves money with people in general yet more critically presenting systems, Islamic bank items, and monetary instruments, including supporting for the MSME area.
 - c. Less dynamic Islamic banks in the funding,
 - d. The complexity of data innovation is as yet slacking when contrasted with traditional banks
 - e. The government's approach towards the advancement of Islamic banks is viewed as faltering since self-government is still for ordinary banking in light of the fact that the presence of regular banks has up until this point impacted the public economy and the public authority's absence of information about Islamic banks themselves.
 - f. There is uneven data or one-way data between Islamic banks and clients so there is no synchronization in completing their exercises
 - g. There is a misappropriation of duties by the Islamic bank itself because the human resources empowered in the Islamic bank come from conventional banks or because the knowledge they have is limited to that.
 - h. The job of Islamic banks as accomplices in the MSME area is viewed as fragmented, implying that Islamic banks just help with supporting assets yet don't take part in assisting with progressing MSMEs in expanding their pay.
 - i. The limited number of Islamic banks is a significant obstacle because most of the MSME sector is located in rural areas.
- It is the hindrances referenced over that have hampered the improvement of Islamic banks despite the fact that hypothetically Islamic banks enjoy a serious benefit in the public economy. Thusly, there is a requirement for participation between the public authority as a strategy creator, Islamic banks, and the local area. Like that, sharia supporting will actually want to rival traditional banks and can at last impact public monetary development through development in the genuine area.
- Little and medium endeavors in the ongoing economy have a vital position, in light of their commitment to work and Net Territorial Homegrown Item (Gross domestic product) for the City of Makassar, as well as their adaptability and versatility in confronting a drawn out financial
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emergency. This makes MSMEs the primary expect the foundation of local and public financial improvement later on. Be that as it may, a significant part of the improvement of MSMEs is as yet restricted to capital so there is a requirement for funding to help this turn of events. Many credit offices are offered, both from customary banks, microfinance, and Islamic banks are no special case. In any case, of the relative multitude of enticing proposals of credit plans, just around 60% can address the issues of MSMEs in light of the fact that they have not had the option to appropriately exploit these offers. This is caused by several limitations of MSMEs in obtaining Islamic bank financing, one of which is the Collateral or collateral they have.

The accessibility of guarantee is a snag for MSMEs today in applying for supporting in light of the fact that most MSMEs don't have adequate security to meet the necessities for applying for funding. What's more, banks are hesitant to give supporting to individuals who have restricted insurance.

The second explanation that MSMEs experience issues getting supporting from Islamic banks is the absence of MSME availability in regards to the absence of legitimacy and organization. Most MSMEs don't have standard organization and many even experience issues with their income. They imagine that the benefit sharing framework presented by Islamic banks is excessively muddled, on the grounds that consistently they should work out which level of benefit should be saved to the bank, while MSME proprietors need to do numerous things thinking about that

most MSMEs are just dealt with by one individual. Rather than customary banks that apply a premium framework. It is not difficult for them to recalculate the amount of profit sharing that must be paid each month, because the amount of instalments they pay has been determined at the beginning of the debt agreement with a fixed amount each month.

Moreover, the absence of equivalent appropriation of Islamic bank supporting to all locales and the absence of public information with respect to the Islamic financial framework are additionally factors restraining the availability of MSMEs to Islamic banks. For instance, in unassuming communities, a couple of nearby individuals are familiar the framework and the benefits of Islamic bank supporting. The vast majority of them just realize that Islamic banks are just banks that save at the mailing station and don't ponder applying for funding. This is indistinguishable from the predetermined number of Islamic banks nearby. So most MSMEs are still focused on conventional financing using the interest system.

In addition, the price setting for Islamic bank products, which is sometimes even higher than conventional banks, also limits the public from accessing Islamic bank products, because these prices are relatively burdensome for customers, especially for customers such as MSMEs who have limited incomes. Meanwhile, many conventional banks now offer small-interest loans to MSMEs. It is indivisible from the mastery of ordinary banks thinking about that as far as age regular banks are preferable known by people in general over Islamic banks.

Subsequently, an answer is expected to work with MSME admittance to Islamic bank supporting. All gatherings ought to assume a part in this, both the public authority, Islamic banks, and MSMEs themselves. Islamic banks are supposed to have the option to additionally extend their entrance and have the option to associate about their benefits appropriately so Islamic banks can become fortifications and allies for creating MSMEs. Meanwhile, the government can provide management training facilities for MSMEs so that competency regarding managing business administration can increase.

CONCLUSIONS

Economic growth is an indication of economic success in a country which can be identified by an increase in national income which for several periods occurred as a result of an increase in the production capacity of an economy. One important factor in economic development or change is the existence of small and medium enterprise activities (MSMEs), which are productive business units that can stand alone and can be carried out by people and business entities in all economic sectors.

Providing initial capital financing and additional capital financing as well as facilitating and facilitating MSMEs in obtaining MSME financing by Bank Syariah Indonesia plays an important role in the community. With the provision of financing provided by banks to the micro, small, and medium business community, Bank Syariah Indonesia can improve the economy, and the community's economy is growing and experiencing an increase in income.

In closing in this study, it is suggested to Bank Syariah Indonesia continue to provide financing to the community, especially for micro, small, and medium enterprises (MSMEs). It is hoped that Bank Syariah Indonesia will continue to contribute to providing financing to small and medium entrepreneurs so that small entrepreneurs, can develop their businesses and get ease in running their business.

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