



Analysis of the Influence of Islamic Microfinance in Creating Sustainable Financing Model Innovations for MSMEs in Indonesia

Sheema Haseena Armina ^{a,1}, Niken Baramurti Evieta Enggar Sandy ^{b,2}

^a Department of Islamic Economics, Faculty of Economics and Management, University of Darussalam Gontor, Ponorogo

^b Department of Islamic Economics, Faculty of Economics and Management, University of Darussalam Gontor, Ponorogo

¹ sheemahaseenaarmina@unida.gontor.ac.id

² niken.baramurti.ei@mhs.unida.gontor.ac.id

ARTICLE INFO:

Sejarah Artikel:

Received: 04 February 2023

Revised: 21 March 2023

Published: 28 March 2023

Keywords:

Islamic Microfinance; Financing; MSMEs; Poverty

Kata Kunci:

Islamic Microfinance; Pembiayaan; UMKM; Kemiskinan

ABSTRACT

One of the points of the program of Sustainable Development Goals is no poverty. Indonesia has several programs to alleviate this poverty problem as a country with high poverty. One of them is the development of MSMEs. The realization of MSMEs in Indonesia is not without problems, which in this case, is the problem of financing for business capital. This paper examines the influence of Islamic Microfinance in creating innovative sustainable financing models for MSMEs in Indonesia. The discussion in this paper offers innovations in sustainable financing, and capital models carried out by Islamic Microfinance Institutions for increasing MSMEs in Indonesia. This research uses the descriptive qualitative method. The results of this study indicate that sustainable financing initiated by Islamic Microfinance Institutions has a significant role in increasing MSMEs in Indonesia. This will also help increase state income through MSMEs and helping to alleviate poverty in Indonesia.

ABSTRAK

Salah satu poin dari program tujuan pembangunan berkelanjutan adalah tidak adanya kemiskinan. Sebagai Negara dengan tingkat kemiskinan yang masih tinggi, Indonesia memiliki beberapa program untuk pengentasan masalah kemiskinan ini. Salah satunya dengan pengembangan UMKM. Perwujudan UMKM di Indonesia bukan tanpa masalah, yang dalam hal ini adalah masalah pembiayaan untuk modal usaha. Makalah ini mengkaji peran *Islamic Microfinance* dalam menciptakan inovasi model pembiayaan berkelanjutan untuk UMKM di Indonesia. Pembahasan dalam makalah ini menawarkan inovasi model pembiayaan dan permodalan berkelanjutan yang dilakukan oleh Lembaga Keuangan Mikro Syariah (LKMS) dalam membantu meningkatkan UMKM di Indonesia. Penelitian ini menggunakan metode kualitatif deskriptif. Hasil dari penelitian ini menunjukkan bahwasanya pembiayaan berkelanjutan yang digagas oleh LKMS memiliki peran yang cukup besar terhadap peningkatan UMKM di Indonesia. Dimana, hal ini juga akan membantu meningkatkan pendapatan Negara melalui UMKM dan membantu mengentaskan kemiskinan yang terjadi di Indonesia.



This work is licensed under a [Creative Commons Attribution-NonCommercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

How to cite: Armina, S. H., Sandy, N. B. E. E. (2023). Peran Islamic Microfinance dalam Menciptakan Inovasi Model Pembiayaan Berkelanjutan untuk UMKM di Indonesia. *Iqtishodia: Jurnal Ekonomi Syariah*, 8(1), 09-15. doi:

INTRODUCTION

Poverty is still one of the problems faced by every country today, including Indonesia. The problem of poverty is usually marked by unemployment, lack of income, underdevelopment, and which leads to inequality.(Nurul Tri Wahyuni & Damayanti, 2014). The problem of poverty is also complex and multidimensional so until now, it is still a priority in sustainable development. In this case the Indonesian government has several programs to reduce poverty, one of which is to protect families and groups of the poor in meeting their needs in various fields and provide training to train people to have the ability to make efforts to reduce poverty.(Ferezagia, 2018)

Sustainable Development Goals (SDGs) were launched by the United Nations (UN) and aim to design are global action that will be carried out during 2016-2030. This program contains 17 main goals and 169 targets. The overall goals and targets cover three dimensions of sustainable development: economic, social and environmental. Ending poverty in all its forms and everywhere is the first goal of the SDGs. This was carried out by the United Nations, considering that poverty is a severe problem faced by almost all countries in the world, especially developing countries.(SDGs, n.d.) In line with the first point of the SDGs, the Indonesian government has made several efforts and programs to eradicate poverty in Indonesia. Among them are comprehensive social protection, providing and increasing access to essential services, and expanding decent and sustainable livelihoods for the community. Several programs and government efforts in recent years have resulted in something good. Namely, the poverty rate in Indonesia has decreased.(Harianja et al., 2018)

Islamic Microfinance Institutions are one of the instruments that can improve the community's economy. Economic empowerment is still one of the problems currently being faced by Indonesia. According to the Regulation of the Minister of Home Affairs of the Republic of Indonesia (Permendag RI) No 7 of 2007 concerning Community Empowerment Cadres, community empowerment is a strategy for efforts to realize capability and independence in the life of society, nation and state.(Nazarullah, 2021). Islamic Financial Institutions in Indonesia have experienced very significant developments and improvements. This is what helps encourage the progress of the quality of various financial institutions, which is realized by achieving a form that is sufficient for various needs, especially business needs based on Islamic religious law. The development of Islamic banks is also in line with the development of Islamic microfinance institutions, which are inseparable from their role as funds distributors in the Micro, Small and Medium Enterprises (MSMEs) sector. This institution plays a role in meeting the needs of small businesses for capital because most small business actors are people with low incomes.(Sholihat et al., 2015)

MSMEs in Indonesia play an essential role to strengthen the country's economy because MSMEs have the largest share of the business sector in Indonesia.(Oktafia, 2017) Micro, Small and Medium Enterprises (MSMEs) significantly outperform the types of businesses that exist among Indonesian people.(Gina & Effendi, 2015) In 2019, the number of MSMEs registered with the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) reached 65,465,497 units. MSMEs have contributed to the employment absorption of 96.92% of all workers in Indonesia, where 89.04% of this number are workers who work in micro-enterprises.(UKM, 2020) This can be seen in the table below:

Table 1. Data on the number of business units and workforce in Indonesia according to data from the Ministry of Cooperatives and SMEs

| NO | INDICATOR | 2018 | | 2019 | |
|----|---------------------------|-------------|------------|-------------|------------|
| | | AMOUNT | PERCENTAGE | AMOUNT | PERCENTAGE |
| 1 | Micro Business | 63,350,222 | 98.68% | 64,601,352 | 96.67% |
| 2 | Small Business | 783,132 | 1.22% | 798,679 | 1.22% |
| 3 | Medium Business | 60,702 | 0.09% | 65,465 | 0.10% |
| 4 | Big Business | 5,550 | 0.01% | 5,637 | 0.01% |
| 5 | Micro Business Workforce | 107,376,540 | 89.04% | 109,842,384 | 89.04% |
| 6 | Small Business Workforce | 5,831,256 | 4.84% | 5,930,317 | 4.81% |
| 7 | Medium Business Workforce | 3,770,835 | 3.13% | 3,790,142 | 3.07% |

| | | | | | |
|---|------------------------|-----------|-------|-----------|-------|
| 8 | Big Business Workforce | 3,619,507 | 3.00% | 3,805,829 | 3.08% |
|---|------------------------|-----------|-------|-----------|-------|

Source: Website of the Ministry of Cooperatives and SMEs (Data processed by Excel)

MSMEs that dominate the absorption of many workers are a good opportunity for national economic development, and efforts to improve welfare. However, in this case, MSMEs also have constraints, including capital, education, or knowledge of business actors. So, in this case, Islamic Microfinance Institutions are here to be a solution to this problem. Islamic Microfinance Institutions provide the capital needed by MSMEs quickly without worrying about interest rates which add to the burden on borrowing because Islamic Microfinance Institutions are social institutions, not just business institutions. The capital provided by this institution is implemented using a profit-sharing system, and there is no interest where profits and losses are shared responsibility, both for the lender or the owner of the capital and the recipient of the loan or those who need capital, in accordance with the agreement of both parties. (Gina & Effendi, 2015)

From the description above, researchers will examine the role of Islamic Microfinance in creating innovative sustainable financing models for MSMEs in Indonesia. This research was conducted to determine the influence of Islamic Microfinance in helping improve MSMEs in Indonesia.

RESEARCH METHOD

In this study, the research method used by researchers is qualitative research with a literature study approach, in which researchers conduct research by reading and studying various existing literature. (Sugiyono, 2014) In qualitative research there must be a consideration, because qualitative methods are more faced with factual or accurate data and a supportive environment to facilitate research. From an understanding of the literature, the purpose of the problem to be solved in this study will also be understood. The following are the steps for implementing the qualitative research method:

- a. Data collection, which in this study was carried out by collecting literature. The first thing to do is to collect books, journals and others to become the primary reference for this research. Then read and understand the contents of these works because the contents of one book and another have a relationship as primary data. Then search other people's work on the same topic as this research as secondary data.
- b. Data analysis is carried out with interpretation or efforts to achieve a correct understanding of the existing data, then coherence or measures so that there is an understanding of the discussion appropriately obtained from books and journals that become references, as well as heuristics or based on new materials and methods that make researchers seek to discover new understandings as well. (Harahap, 2014)

RESULT AND DISCUSSION

THE INFLUENCE OF SHARIA MICROFINANCE INSTITUTIONS IN THE DEVELOPMENT OF MSMEs IN INDONESIA

Islamic microfinance institutions, in this case, are Islamic People's Credit Banks (BPRS), Baitul Maal wa Tamwil (BMT), Sharia Cooperatives, and other Islamic financial institutions regulated in the Financial Services Authority Regulation (OJK) Number 61/POJK.05/2015 concerning Business Licensing and Institutional Microfinance Institutions. (Keuangan, 2016)

This Islamic Microfinance Institution is an institution that is inseparable from the lower middle class or MSME actors who require financing capital which is the main problem that becomes an obstacle for MSME actors in Indonesia who cannot be served in formal financial institutions, such as banks and before the existence of this sharia microfinance institution, the UMKM community depended on informal sources of financing because they were more flexible in terms of requirements, such as loan sharks. Financing through loan sharks attracts several interests, which is not tiny and ultimately makes it difficult for the MSMEs. (Syadiah et al., 2020)

According to the Financial Services Authority (OJK), Microfinance Institutions are financial institutions whose focus is to provide business development services and community empowerment with a loan system or micro-scale venture capital financing to the community. Apart from that, there are deposit management and consulting services for developing the business sector, which is not only for profit. The table below shows that the number of units of Islamic financial institutions in Indonesia that already have official licenses from the

Financial Services Authority is increasing yearly. This number does not include Islamic financial institutions that are not registered with the Financial Services Authority but are still operating in service to the public.(Keuangan, 2017)

Table 2. Data on the number of units of Islamic Microfinance Institutions in Indonesia

| PERIOD | AMOUNT OF INSTITUTIONS | |
|--------|------------------------|------------------------|
| | Full Permission | Conditional Permission |
| 2018 | 543 | 0 |
| 2019 | 815 | 0 |
| 2020 | 919 | 0 |
| 2021 | 976 | 0 |
| 2022 | 488 | 0 |

Source: Financial Services Authority Website (Data processed by Excel)

The role of Islamic Microfinance Institutions in providing financing to MSMEs cannot be doubted. Even though in terms of capital and assets, Microfinance Institutions and Islamic Microfinance Institutions are limited, these institutions are committed to empowering and channelling capital or financing to MSMEs in Indonesia.(Hidayat, 2021) Financing carried out by Islamic Microfinance Institutions is an attempt to overcome the lack of capital needed by business actors. This is done to improve the development of MSMEs, which is measured by increasing the amount of profit, the number of goods sold, and others within a certain period. The financing carried out by Islamic Microfinance Institutions is expected to solve the capital problem, which is the main problem for MSME actors. So that the higher the amount of financing provided, the more MSMEs in Indonesia will increase.(Syadiah et al., 2020)

Table 3. Data on the financial position of Islamic Microfinance Institutions in Indonesia

| PERIOD | FINANCIAL POSITION OF SHARIA MICROFINANCE INSTITUTIONS |
|--------|--|
| 2018 | Rp247,340,000,000 |
| 2019 | Rp402,880,000,000 |
| 2020 | Rp488,750,000,000 |
| 2021 | Rp538,660,000,000 |
| 2022 | Rp555,310,000,000 |

Source: Financial Services Authority Website (Data processed by Excel)

The table above is a table of the financial position of Islamic Microfinance Institutions for the last five years.(Keuangan, 2017) It can be seen that the financial status of Islamic Microfinance Institutions has increased significantly every year. From the table above, it can also be seen that that much is the amount of financing that all Islamic Microfinance Institutions in Indonesia has carried out to help increase MSMEs. Both through musyarakah, mudharabah, murabahah financing, and others.

In the economic activities by MSMEs, the existence of Islamic Microfinance Institutions is very much needed. MSME actors, who can be called business actors who are not bankable, really need financing offered by Islamic Microfinance Institutions because of the easy access to capital carried out without interest which can be an additional burden for business actors.(Wahiddudin, 2019)

The role of Islamic Microfinance Institutions in helping to improve MSMEs in Indonesia is through an innovative model of sustainable financing. This financing can be paid with a buy-sell or special capital agreement.(Majid, 2021) Among the cooperation contracts in the business sector that Islamic Microfinance Institutions often implement are:

a. Murabahah

Murabahah is a sale and purchase agreement carried out by two parties, namely the seller and the buyer, where the agreed selling price is the sum of the original price of the goods plus a margin. The type of

murabahah that is often used in practice at Islamic Microfinance Institutions is the *Murabahah Lil Aamir Bis Syira'* type or the murabahah type, where the customer submits a written request to purchase goods with certain specifications, which the Islamic Microfinance Institution buys the intended item from the supplier and sells it to customers with an already added amount of margin. What distinguishes murabahah in general from this type of murabahah is that payments made by the customer can be paid in instalments according to the agreement between the parties. (Afrida, 2016)

b. Mudharabah

Mudharabah is a form of cooperation between capital from the capital owner (shahibul maal) and the fund manager (mudharib). Profits derived from the capital provided are divided equally according to what has been agreed by both parties. Losses not caused by the manager's negligence and the manager's actions that exceed the limits will be entirely borne by the owner of the capital. However, the manager will also experience a loss for the time, effort, and thought that was put into this business. (Nandaningsih & Anugrah, 2021)

c. Musyarakah

Musyarakah is a cooperation between two or more parties in combining assets, labour and dependents, which are their obligations to establish a business and obtain profits. Profits earned will be shared according to a mutual agreement, while losses will be shared according to each party's paid-up capital. (Dongoran & Fahrurissa, 2018)

The characteristics of sharia microfinance institutions are the existing market share in micro-communities and the provision of financial access for the middle and lower classes and financial services for small communities who do not have access to banking. To achieve the goal of welfare that all levels of society can feel. In addition, the purpose of this Islamic Microfinance Institution is to provide access to equity in financial sector services for the lower middle class by providing the means to do business. (Trimulato & Nuringsih, 2019)

The influence of Islamic Microfinance Institutions is enormous, especially in collecting and distributing public funds, which will then be used as business capital to create economic growth. This shows that the role of Islamic Microfinance Institutions is significant in the country's economic development. With the capital provided by the Islamic Microfinance Institution, MSMEs actors can change something that is not of value into something of value and change something that has no benefits into something that has benefits through business activities. (Harisah & Romaji, 2021)

In other studies, it was also stated that the role of Islamic financial institutions is needed in achieving the goals of Sustainable Development Goals (SDGs) to reach society as a whole, even at the lowest level of society. Financing and business capital to improve the economic level of society carried out by Islamic Microfinance Institutions is a form of role in achieving the SDGs. (Trimulato & Nuringsih, 2019)

CONCLUSION

The first goal and which is the main point of the SDGs is no poverty or no poverty, which means eradicating poverty in various forms and types throughout the world. In this case, Islamic Microfinance or Sharia Microfinance Institutions have a sizable role in helping realize the main points of the SDGs. This influence includes the financing and capital needed by MSMEs players who need capital or lack capital; as has been explained that MSMEs in Indonesia also play a significant role in increasing state revenues and achieving prosperity.

From this study, researchers suggest all parties can do poverty alleviation without exception, as well as Islamic Microfinance Institutions. The influence of this Islamic Microfinance Institution will be influential if all small communities or MSMEs actors realize that there is an institution that can help improve community businesses without being burdened with the interest earned. The financing system in Islamic Microfinance Institutions is based on Islamic law by implementing a profit-sharing system without interest.

REFERENCES

- Afrida, Y. (2016). Analisis Pembiayaan Murabahah Di Perbankan Syariah. *Jebi (Jurnal Ekonomi Dan Bisnis Islam)*, Vol. 1(No. 2), 155–166. <http://journal.febi.uinib.ac.id/index.php/jebi/article/view/32>
- Dongoran, F. R., & Fahrnunissa, F. (2018). Analisis Sistem Pembiayaan Musyarakah pada PT Bank Sumut Syariah. *Liabilities (Jurnal Pendidikan Akuntansi)*, Vol. 1(No. 3), 207–216. <https://doi.org/10.30596/liabilities.v1i3.2413>
- Ferezagia, D. V. (2018). Analisis Tingkat Kemiskinan di Indonesia. *Jurnal Sosial Humaniora Terapan*, 1(1), 2–10.
- Gina, W., & Effendi, J. (2015). Program Pembiayaan Lembaga Keuangan Mikro Syariah (LKMS) dalam Peningkatan Kesejahteraan Pelaku Usaha Mikro (Studi Kasus BMT Baitul Karim Bekasi). *Jurnal Al-Muzara'ah*, Vol. 3(No. 1).
- Harahap, S. (2014). *Metodologi Studi Tokoh dan Biografi dan Penulisan Biografi*. Prenadamedia Group.
- Harianja, Y., Sahara, & Findi, M. (2018). Tingkat Kemiskinan di Pulau Papua Tahun 2011-2017. *Jurnal Ekonomi Dan Kebijakan Pembangunan*, 7(2), 189–200.
- Harisah, & Romaji. (2021). Peran Lembaga Keuangan Mikro Syariah Ditengah Pandemi Covid-19 di Indonesia dalam Merangkul Usaha Mikro Kecil Mengengah (UMKM). *Madani Syari'ah*, 4(1).
- Hidayat, A. (2021). Model Praktik Lembaga Keuangan Mikro Syariah Dalam Pemberdayaan UMKM di Masa Pandemi Covid-19. *Al-Tasyeree: Jurnal Bisnis, Keuangan Dan Ekonomi Syariah*, 1(1), 21–32.
- Kuangan, O. J. (2016). *POJK Nomor 61/POJK.05/2015*. Ojk.Go.Id. <https://www.ojk.go.id/id/kanal/iknb/regulasi/lembaga-keuangan-mikro/peraturan-ojk/Pages/Peraturan-OJK-63.aspx>
- Kuangan, O. J. (2017). *Informasi Umum Lembaga Keuangan Mikro*. Ojk.Go.Id. <https://www.ojk.go.id/id/kanal/iknb/Pages/Lembaga-Keuangan-Micro.aspx>
- Majid, R.-. (2021). Mudharabah Linked Waqf: Inovasi Model Pembiayaan Berkelanjutan untuk UMKM. *Al-Kharaj: Jurnal Ekonomi, Keuangan & Bisnis Syariah*, Vol. 3(No. 1). <https://doi.org/10.47467/alkharaj.v3i1.267>
- Nandaningsih, N., & Anugrah, Y. D. Y. (2021). Konsep Pembiayaan Mudharabah dalam Perbankan Syariah. *Muhasabatuna: Jurnal Akuntansi Syariah*, 3(1), 61. <https://doi.org/10.54471/muhasabatuna.v3i1.1095>
- Nazarullah, N. (2021). Pemberdayaan Lembaga Keuangan Mikro Syariah. *Wadiah*, 5(1), 118–144. <https://doi.org/10.30762/wadiah.v5i1.3179>
- Nurul Tri Wahyuni, R., & Damayanti, A. (2014). Faktor-Faktor yang Menyebabkan Kemiskinan di Provinsi Papua : Analisis Spatial Heterogeneity. *Jurnal Ekonomi Dan Pembangunan Indonesia*, 14(2), 128–144.
- Oktafia, R. (2017). Percepatan Pertumbuhan Usaha Mikro, Kecil, dan Menengah (UMKM) Melalui Perkuatan Lembaga Keuangan Mikro Syariah (LKMS) di Jawa Timur. *Proceeding ANCOMS 2017*.
- SDGs, S. (n.d.). *Apa Itu SDGs?* Sdgsindonesia.or.Id. Retrieved July 23, 2022, from <http://sdgsindonesia.or.id/>
- Sholihat, S., Tanjung, H., & Gustiawati, S. (2015). Analisis Efektivitas Pembiayaan Lembaga

Keuangan Mikro Syariah Terhadap Perkembangan Usaha Nasabah di Sektor Riil (Usaha Mikro, Kecil, dan Menengah). *Al-Infaq : Jurnal Ekonomi Islam*, 6(1).

Sugiyono. (2014). *Metode Penelitian Bisnis*. Alfabeta.

Syadiah, N. D., Rosiana, R., & Said, S. (2020). Pembiayaan Lembaga Keuangan Mikro Syariah dan Dampaknya Bagi Perkembangan Usaha Serta Peningkatan Kesejahteraan Usaha Mikro di Kota Serang. *Sy'ar Iqtishadi : Journal of Islamic Economics, Finance and Banking*, 4(1), 14. <https://doi.org/10.35448/jiec.v4i1.8178>

Trimulato, & Nuringsih. (2019). Keterkaitan Lembaga Keuangan Mikro Syariah Dengan Agenda Sustainable Development Goals (SDGs). *Al-Mashrafiyyah : Jurnal Ekonomi, Keuangan, Dan Perbankan Syariah*, 3(2), 159–174. <https://doi.org/https://dx.doi.org/10.24252/al-mashrafiyah.v3i2.9869>

UKM, K. (2020). *Data UMKM*. Kemenkopukm.Go.Id. https://kemenkopukm.go.id/uploads/laporan/1650868533_SANDINGAN_DATA_UMKM_2018-2019=.pdf

Wahiddudin, M. (2019). Pembiayaan dan Usaha Mikro, Kecil, dan Menengah (UMKM) terhadap Lembaga Keuangan Mikro Syariah (LKMS). *Al-Urban: Jurnal Ekonomi Syariah Dan Filantropfi Islam*, 3(1).