



THE ROLE OF BANK SYARIAH INDONESIA (BSI) IN EMPOWERING MSMEs AS A QUALITY OF LIFE OF COMMUNITIES : CASE STUDY OF BANK SYARIAH INDONESIA (BSI) BENGKALIS BRANCH

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Abstract

Micro, Small and Medium Enterprises (MSMEs) have an important role in a country's economy, such as overcoming several problems, such as unemployment, employment and increased innovation. So that it can provide opportunities for people to open other businesses and provide jobs, that opportunity must be accompanied by effort and cost. However, there are obstacles for micro-entrepreneurs in developing their business and increasing income, one of which is capital. This capital problem applies to all existing MSMEs; the little money experienced by MSMEs impacts operational activities becomes a serious problem and can limit the potential for business expansion and lack of innovation. The purpose of this study is to determine how important the role of Bank Syariah Indonesia is in MSME financing in improving the quality of people's lives. This study uses data collection techniques through literature and interviews. The instrument used in the primary data is interviews with informants from the Bengkalis Branch of the Indonesian Sharia Bank. Respondents revealed that Islamic banking, especially Bank Syariah Indonesia Bengkalis Branch. Play an important role in maintaining the development of SMEs' products by helping distribute government programs, namely KUR (People's Business Credit).

Keywords: Bank Syariah Indonesia, MSMEs, Empowering

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INTRODUCTION

Banking is one of the most important aspects for the community in channelling and collecting funds from the public for the bank so that the public will know the good and bad of the existing banking system (Keuangan, 2010). With this, banking in Indonesia has a great influence on moving the wheels of a country's economy. Banking is an institution engaged in the institutional field that serves the process of managing funds, channelling funds, raising funds, and carrying out all its activities, such as helping customers. Meanwhile, Islamic banks are banks whose activities are based on Islamic Sharia law, meaning that all activities in Islamic banks are based on Islamic laws (Sholikhin et al., 2019).

Islamic banks carry out their banking activities according to sharia principles (Islamic law). These banks collect funds by not providing interest in return, and interest is not collected on loans. The underlying system is the Islamic religious prohibition on collecting or lending at interest, also known as usury. The principles adhered to by Islamic banks in carrying out their objectives include the tenets of murabahah, mudharabah principles, musyarakah principles, wadiah principles, and ijarah principles.

In 1997-1998, Indonesia experienced a monetary crisis, which increased the number of poor people in Indonesia (Hasan et al., 2022). Micro, small, and medium enterprises (MSMEs) have played an important role in overcoming the economic crisis that hit Indonesia. On the other hand, the micro, small, and medium enterprise sector has also been able to drive Indonesia's economic growth. That can happen because MSMEs use domestic resources (both human and raw material) so that they are not dependent on exports (Rizvi et al., 2021). In addition, production results from the MSME sector aim to fulfil the domestic market share (Farida et al., 2020).

Micro, small, and medium enterprises, namely businesses that support the economy of people and are run independently by individuals or legal entities that are not subsidiaries of an industry or industrial agent. The most common problems for MSMEs are difficulty accessing investment, business management that is still conventional, inadequate quality human resources, and ratios and production methods that need to be bigger (Hasan & Azlina, 2022). Therefore, to develop and empower MSMEs, it is necessary to have a financial institution following the wishes and conditions of people's economic actors (MSMEs) so that capital problems can be controlled. Because of this phenomenon, the MSME community has suffered the most from the economic slowdown due to the widespread social restrictions imposed in several cities in Indonesia. In addition, MSMEs that are financed through banks will need help to distribute their obligations.

Developing the potential of MSMEs in Indonesia is inseparable from banking support in channelling financing to MSMEs. The role of Islamic banking in developing community businesses, especially micro-enterprises, is to participate in providing funding to the community to build their businesses (Nasrun Ritonga, 2021).

Banks are intermediary institutions that channel financing to support development implementation, where Islamic banking can collect funds from the public in the form of demand deposits, deposits and savings. Then the funds collected can be channelled back to the community through financing or other documents to improve the people's standard of living (Sibindi, 2016).

At this time, many micro and small businesses need help getting business capital. With their interest devices, traditional banks cannot support the growth of small companies because the amount of returns required differs from the results obtained. Islamic banks with a profit-sharing system can meet the working capital needs of small entrepreneurs (Sholikhin et al., 2019).

LITERATURE REVIEW

The financial system in every country will be connected to the existence of commercial banking. It isn't easy to imagine a country without banking managing a very complex payment system. People who have excess funds can save or place their funds in banks. Security factors and convenience in payment transactions are common reasons for putting funds in a bank. Bank customers can be individuals, private business entities, state-owned enterprises, or government institutions. These customers will become partners for banks in increasing third-party funds or channelling funds. The distribution of these funds is then expected to help the community's economy so that the integration of consumption, production, and distribution can run properly and optimally (Mawardi et al., 2022).

Islamic banks, also known as Islamic banks, operate without relying on interest. An Islamic bank, also known as an interest-free bank, is a banking institution whose operations follow Islamic products (Sudarwati & Yani, 2021). Roles cannot be separated from the functions and position of a bank institution, among which the parts of Islamic banks are (Biasmara et al., 2021); purify sharia banking operations to increase public trust, increasing sharia awareness among Muslims to expand the segment and market share of Islamic banking, and undergoing cooperation with the clergy because the role of the umma, especially in Indonesia, is dominant for the Muslim community there.

Islamic banking is also called Islamic banking, which is different from conventional banking. Sharia banks are bound by the provisions contained in the Al-Quran and Al-Hadith. Transactions in Islamic banking must be protected from interest (usury) and contacts that have uncertainty (*gharar* and *maysir*), emphasize the principle of profit and risk sharing, prioritize investment in the halal economic sector and must be based on real transactions (assets-based) (Firdaus, 2019).

Bank Syariah Indonesia has the task of holding the intermediary function. The purpose of intermediation here means that Bank Syariah Indonesia is an intermediary between parties experiencing a surplus of funds and those experiencing a deficit of funds. Sharia banking, in its activities, carries out directly the provision of needed customer needs and follows the rules of *muamalah* with profit-sharing creditors (Pertiwi et al., n.d.). And the goals of Islamic banking in Indonesia must follow the requirements of Islamic law and the situation in Indonesia, both in the economic, social, cultural, legal and political fields. The objectives of Bank Syariah Indonesia are as follows (Noor & Rahmasari, 2018). First, improving the quality of social life of the Indonesian people so that economic disparities will be reduced due to non-Islamic economic activity practices. Second, increasing public participation in the development process, especially in financial economics, where public participation needs to be improved in banking institutions due to doubts about bank interest laws. Third, develop banking institutions and a sound banking system based on efficiency and fairness to increase community participation and boost the community's economy by expanding banking networks to remote rural areas. Lastly, educate and guide the community to think economically and apply business and improve the quality of life of the community.

MSMEs are businesses managed by business entities or individuals that refer to productive economic companies following the criteria stipulated by Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. The law explains that a company classified as an MSME is owned and managed by a person or owned by a small group of people with a certain amount of wealth and income (Rizvi et al., 2021).

MSMEs are the most common type of business in Indonesia and can employ many people. The MSME development process requires substantial funding, so many MSMEs obtain financing through private and state-owned bank loans. MSMEs play an important role

in economic growth and the equal distribution of employment, as well as in the distribution of national income. The principles of micro, small, and medium enterprises are as follows (Firdaus et al., 2022):

- a. Growing independence, togetherness, and entrepreneurship for micro, small, and medium enterprises to work on their own initiative;
- b. Improving independence, togetherness, and entrepreneurship by implementing transparent, accountable, and fair public policies by micro, small, and medium enterprises on their own initiative;
- c. Regional potential-based and market-oriented business development is in line with the competence of micro, small, and medium enterprises;
- d. increasing the competitiveness of micro, small, and medium enterprises;
- e. Put implementation plans into action and ensure integrated control.

The following are the objectives of micro, small, and medium enterprises Simbolon, 2020):

- a. Creating a just, balanced, and developing national economic structure
- b. Strengthen and develop the capacity of micro, small, and medium enterprises to become strong and independent businesses. The ability of micro, small, and medium enterprises to become strong and independent businesses
- c. Expanding the role of micro, small, and medium enterprises in regional development, job creation, income distribution, economic growth, and poverty alleviation.

Based on Law Number 20 of 2008 concerning micro, small, and medium enterprises (MSMEs), there are several criteria used, namely as follows (Number & Of, 2008):

- a. Micro-Enterprises: productive businesses owned by individuals or individual business entities that meet the micro-business criteria regulated by law
- b. Small businesses are productive economic businesses that stand alone and are carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become part of either directly or indirectly.
- c. Medium Enterprises: Productive economic enterprises that stand alone and are carried out by individuals or business entities.

Empowerment is an effort or process of making people aware of a weakness or potential that impacts the emergence and increases self-confidence to get out of various problems, solve problems, and carry out self-development. That is briefly explained as moving from a helpless condition into an empowered shape (Herindar & Rusydiana, 2021).

Empowerment has a program to help individuals and citizens become more independent. This independence consists of thinking, acting, and controlling what is carried out by them. The group approach means something other than demanding the formation of a new group within the community (Shaikh et al., 2018).

The role is related to the activities carried out by individuals to do something within groups of citizens. If an individual does not do something for a group, he does not fulfil the rights and responsibilities of a group member within the organization. Etymologically the word role comes from the word "role", which means comedian and performer. The term "role" is given the ending "an" to become a role word, meaning something that is in charge / because of a thing/event (Mangani et al., 2019).

Meanwhile, according to Plano, the word "role" is defined as a set of actors expected of individuals who occupy certain positions within a social group. The role can also be interpreted as a process of activity carried out consciously by humans, which includes souls and property, to support the implementation of a certain action (directly or indirectly) to achieve a predetermined goal (Sibindi, 2016).

RESEARCH METHODS

This study used qualitative research methods suitable for those determined by researchers who examine the role of Islamic banks in empowering MSMEs. As for the informants in this study, namely employees from Bank Syariah Indonesia and financing customers at Bank Syariah Indonesia Bengkalis Branch.

This study is a form of field research where 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 document data. In obtaining field data, it is used by: Observation is a data collection technique done directly, both to the research location in general and to the respondent's condition. And the documentation method is a way of collecting data that produces important records (Prihastono, 2012).

In this study, researchers collected information by reading, interviewing, quoting, and compiling based on the data that had been obtained. The data obtained in this study are in the form of primary and secondary data (Mangani et al., 2019).

RESULTS AND DISCUSSION

Islamic banking, as a manifestation of the Islamic economic movement, encourages the emergence of ethical, economic behaviour among Indonesians. Islamic economics is an economy that stands for truth and justice and rejects all forms of bad financial behaviour, such as usury, speculation, and uncertainty. Substantially, Islamic banking has an intermediary function. To activate and carry out this function effectively and efficiently, two bank activities must be optimized in their operations, namely raising funds from the public, functioning as third-party funds, and channelling those funds back in the form of Financing. It aims to have an impact on two sides: the first side is the stable level of Islamic banking soundness, and the second side is the positive impact of the activities carried out by Islamic banking on the economy through the distribution of Financing to the public.

UMKM (Micro, Small and Medium Enterprises) is a microeconomic sector that has direct contact with the economic practices of the community, especially people in the middle to lower economic scale. The Covid-19 pandemic has made people aware that MSMEs are one of the solutions to fulfilling their daily needs because they do not involve the industrial sector or cooperation with foreign countries. It would not be wrong if MSMEs became one of the great hopes in recovering the community's economic system or even the economic system in Indonesia. Financial institutions are urgently needed in various places because they are not only a place to keep their own money but also place where capital is collected and accessed. A conventional financing system that applies an interesting approach results in MSMEs facing difficulties in business financing. The tendency to increase bank interest rates causes MSME businesses, particularly people with limited economic capacity, to be no longer able to pay off their debts to the bank, and in the end. The bank will confiscate their assets to pay off their debts because it won't want to harm them.

Sharia banking *murabahah* financing distribution is prioritized and focused on MSME actors because it recognizes the role and function of MSME in national economic growth and

reduces the amount of poverty circulating in society. The existence of Islamic banks in the financial system in the banking sector in Indonesia is a commercial bank that operates based on sharia principles. Meanwhile, sharia principles are rules of Islamic law, and agreements between banks and parties (customers) who deposit funds, finance other businesses and comply with sharia teachings. So various activities in Islamic banking include:

- a. Financing based on the principle of profit sharing (*Mudharabah*)
- b. Financing based on the principle of capital withdrawal (*Musyarakah*)
- c. The principle of buying and selling goods by obtaining profit (*Murabaha*)
- d. Financing of capital goods based on the leasing principle (*Ijarah*)

MSME financing is Financing provided by business-based Islamic financial institutions, meaning that capital is rolled out for working capital. Islamic bank financing for MSMEs reflects concern for increasing financial inclusion through Islamic finance. One of these financing products is KUR (People's Business Credit), a government program given to MSME (Micro, Small and Medium Enterprises) actors engaged in productive business sectors such as agriculture, fisheries, marine, industry, forestry, and financial services. Savings and loans to finance working capital and investment. Mentioned that microfinance can help micro-entrepreneurs to improve their business. Among them:

- a. Product of the government KUR program intended for micro, small and medium enterprises that have viable and productive businesses according to sharia principles with the Murabahah, Ijarah and MMQ schemes. The ceiling is up to IDR 500 million.
- b. Products are intended for micro, small and medium enterprises with viable and productive businesses under the Murabahah, IMBT and MMQ schemes. The ceiling is up to IDR 200 million.

There are two features of Bank Syariah Indonesia (BSI) Financing Products in microbusiness financing:

- a. Unsecured Micro Enterprises
 1. Ceiling: Rs. 5 million; Rs. 25 million
 2. Sale-Purchase Agreement (Murabahah)
 3. 24 months of business
 4. Without Collateral Purpose: Working Capital, Investment, Consumptive
 5. Tenor, six months–60 months
- b. collateralized micro enterprises
 1. Ceiling > IDR 25-200 million
 2. Murabahah, IMBT, and MMQ contracts
 3. The length of the business is 12 months.
 4. Purpose: Working capital, investment, consumptive
 5. With collateral (BPKB, SHM, SHGB, AJB/Letter C, Cash Collateral)
 6. Tenor, six months–60 months

Several factors increase the risk of financing at the Bank Syariah Indonesia Bengkalis Branch, including:

- a. The customer needs to pay instalments due to decreased customer turnover.
- b. Characteristics of uncooperative customers: having costs to pay in instalments, but these costs are not paid to the bank but are to meet consumptive needs such as shopping and others.

- c. For customers who provide their trade debts to other people, when those other people are late paying customers, the customer automatically becomes late in paying instalments to the bank.

The handling methods carried out by the Bank Syariah Indonesia Bengkalis Branch in addressing the financing risks include:

- a. Always communicate every month with customers to ask whether their business has decreased or progressed. Suppose the customer experiences a decrease in business turnover and cannot pay instalments. In that case, the bank provides a solution by using the balance in the customer's account to pay instalments.
- b. One week before the due date of the instalment payment, the bank reminds the customer to fulfil the obligation to pay instalments.
- c. The bank provides a debt notification for customers who have been reminded but still need to pay instalments. After one week, the debt notice was given to the customer, but there was no response, so the bank gave the customer one warning letter (SP). The bank issued SP 2 one week after SP 1, but the customer still did not pay the instalments. One week later, there was still no response from the customer, so the bank gave SP three, and finally, the bank executed the customer's collateral auction.

CONCLUSION

The role of Bank Syariah Indonesia Bengkalis Branch in improving the community's economy brings about a change in the natural resource economy paradigm to the human resource economy. They support the Bengkalis Regency Government in taking steps to empower MSMEs because they are considered to provide opportunities to reduce the number of unemployed and increase the creativity of the people of the Bengkalis Regency. According to law 20 of 2008 concerning micro, small, and medium enterprises, the definition of MSME is a productive economic business that stands alone and is carried out by individuals or business entities. Directly from medium-sized or large enterprises that meet the criteria for small enterprises as referred to in this law.

However, despite their existence, MSMEs need help accessing capital from financial institutions. Based on the explanation above, the role of Bank Syariah Indonesia in the Bengkalis branch towards MSMEs is urgently required in supporting the activities of the Bengkalis community's MSMEs through financing, whether carried out directly or indirectly. The role of Bank Syariah Indonesia Bengkalis Branch that MSMEs expect is not only through products but also through development programs so that Islamic banking products can be introduced through development programs. However, in providing capital, it must be balanced with quite strict procedures, such as for MSMEs, which must be able to provide financial reports so that the bank can channel financing with a balanced prudential value.

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