

The Role of Sharia Microfinance Institutions in Strengthening the Community Economy through MSMEs (Case Study on KSPPS BMT PETA Jombang Branch)

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ABSTRACT

This study aims to determine the role of Islamic microfinance institutions in strengthening the economy of micro, small and medium-sized communities in Jombang Regency through KSPPS BMT Peta Jombang Branch. This research method uses a qualitative approach, qualitative approach qualitative research is a type of research whose findings are not obtained through statistical procedures or other forms of calculation and seeks to understand and interpret the meaning of an event of human behavior interaction in a particular situation according to the researcher's own perspective (Sa'adah, 2022). The data sources of this research are primary data and secondary data. The primary data used in this study were collected through a list of questions to the sources, namely the KSPPS BMT Peta and the Tambak Rejo community who obtained loans and micro-scale business financing at BMT Peta. Secondary data obtained by reading literature such as literature books, internet websites, journals related to the subject of research. The object of research is the party of the Branch Head of KSPPS BMT Peta Jombang and 5 customers as informants. The results of this study indicate that KSPPS BMT Peta plays a positive role in strengthening the economy of micro, small and medium enterprises in the form of raising funds, channeling funds (financing), and business development assistance.

Keywords: Shari'ah Microfinance Institution, BMT, UMKM.

INTRODUCTION

The development of the country's economy is an important concern after predictions about the threat of a recession in 2023 have encouraged the government to improve the country's economy, as policy makers, the private sector (banking financial institutions) or the community directly who are the driving force as barns of business activity (Putri, 2021). One of the efforts made by the government is to support Micro, Small and Medium Enterprises (MSMEs) to upgrade and become part of the Global Value Chain by providing business activities, capital and digital platforms (Priyono, 2021).

Sharia Microfinance Institutions (MFIs) are financial institutions that are specifically present in the midst of small communities on the initiative of the community itself (Firdaus, 2020), formed by the community, and are expected to provide maximum benefits to the people who are its members (Darmawan, 2020). One of the financial institutions included in LKMS is Baitul al-Maal wa at-Tamwil (BMT) where activities are carried out based on sharia with the principle of profit sharing (Amalia, 2016).

Strengthening the community's economy through Islamic microfinance institutions is an innovative approach to economic development based on Islamic principles (Yunus, 2019), Islamic microfinance institutions provide easier access to financing, develop small and medium enterprises, and encourage community economic growth (Tarigan, 2022). Islamic Microfinance Institutions can play an important role in reducing economic inequality and improving the community's economy in a sustainable manner, with the existence of Islamic microfinance institutions it is hoped that they can provide good benefits for the lower middle class to be able to develop their business without being burdened with excessive interest and burdening small entrepreneurs (Jenita, 2017).

METHOD

In this study using qualitative research methods. Qualitative analysis emphasizes more on meaning (Sugiyono, 2018), qualitative research is a type of research whose findings are not obtained through statistical procedures but interpret certain situations according to the researcher's own perspective (Sa'adah, 2022). Data collection techniques are an important step in research (Sugiyono, 2016), data collection techniques in this study are observation, interviews, and documentation. The interview

technique is semi-structured, so that researchers can develop questions according to information needs (Rizkison, 2020). With informants consisting of customers and branch heads of KSPPS BMT Peta. Data analysis techniques in this study are data collection, data reduction, data presentation, conclusions and data verification (Lubis, 2016). In testing the validity of data in qualitative research includes testing, credibility or internal validity (Sa'adah, 2021).

RESULT AND DISCUSSION

The existence of MSMEs in Indonesia is considered important because it is one of the important sectors in the country's economy. Law No. 20/2008 on micro, small, and medium enterprises (MSMEs) stipulates the definition and criteria of MSMEs (Khairi, 2021). This law stipulates that micro-enterprises are productive businesses owned by individuals or individual business entities that meet the criteria stipulated in this law, while small businesses are independent productive economic businesses carried out by individuals or business entities that are not government companies (Heppy, 2016). Strengthening the economy among the lower middle class is generally driven by microfinance institutions so that the position of microfinance institutions has a strategic role in helping the progress and development of the economic sector of small and medium communities (Asfino, 2019).

Baitul Mal Wat Tamwil (BMT) is an integrated independent business center whose contents are based on bayt al-mal wa al-tamwil with activities to develop productive and investment businesses in improving the quality of economic activities of small and small entrepreneurs, among others, encouraging saving activities and supporting the financing of their economic activities (Andri, 2009). KSPPS BMT Peta was established on November 10, 2013 to coincide with the momentum of Heroes' Day (PETA, 2013). KSPPS BMT Peta is one of several non-bank financial institutions whose head office is in Tulungagung Regency. KSPPS BMT Peta has many branches in various regions, and the formation of KSPPS BMT Peta is to develop cooperatives in various regions with sharia principles and introduce KSPPS BMT Peta, one of which is in Jombang Regency (Soraya, 2018).

Program Pembiayaan KSPPS BMT Peta

KSPPS BMT Peta has several products or services in terms of raising funds or saving funds (PETA, 2013), including the following:

- **Fund Raising Products**

The first is Tabaruk savings, which is a savings product that can be taken at any time with an easy and fast process. Second, Tahajud savings, which are deposits that make it easier for people to realize their Hajj and Umrah intentions to the holy land safely and securely. Third, Tafakur savings, which are deposits that realize the intentions of the surrounding community to sacrifice on Eid al-Adha easily, safely and reliably. This deposit can only be taken before Eid al-Adha, and the collection period is 3 months before Eid al-Adha. Fourth, Taburi savings which is an effective savings program to meet the needs before the feast with a calm and happy heart welcoming Eid al-Fitr, this savings can only be taken before Eid al-Fitr, and the collection period is 1 month before Eid al-Fitr. Fifth, Tahalul savings which is an effective savings program to prepare as early as possible jariah and accommodation in the HAUL event. Sixth, Sijaka savings which is a fund saving program whose deposit and withdrawal activities are based on a certain period of time, the time agreed upon at the time of the contract. Seventh, Sijaka savings which is a fund savings program whose deposit and withdrawal activities are based on a certain period of time, the time agreed upon at the time of the contract. And in this savings program customers can get goods or cash as desired.

- **Fund Distribution Products**

First, Mudharabah is financing provided by KSPPS BMT Peta to customers, where all capital from KSPPS BMT Peta and at the beginning agreed upon the profit sharing obtained by the customer. Second, Musyarakah is financing provided by KSPPS BMT Peta to customers for certain businesses, where KSPPS BMT Peta and customers contribute funds with profits and risks borne together according to the agreement at the beginning. Third, Murabahah is financing provided for the purchase of an item needed by the customer, and the customer pays in installments according to the agreed time and profit to the cooperative. Fourth, Ijarah is financing given to customers to deliver an item for a certain period of time with a mutually agreed profit. Fifth, Rahn (Pawn) Is financing to provide customers with a guarantee of repayment to KSPPS BMT Peta in providing financing. The pawned item must meet the criteria, namely the customer's own property.

- **Product Benefits**

First, Peta Musahadah is a financing service intended for members who need additional capital to conduct or develop business for micro, small and medium enterprises. Second, Peta Mustaniah is a financing service program intended for members who need additional capital for agricultural businesses such as buying fertilizers, seeds, plant medicines, land rent, and so on. Third, Peta Maslahah is a financing service program intended for members who need services for education costs, hospital fees, wedding costs, rental places and so on. Fourth, Peta Pambada is a financing service program intended for members who want to have a new or used vehicle (motorcycle, car) with a down payment of 30% of the vehicle price. Fifth, Peta Petanik is a financing service program intended for members who want to have new or used furniture and electronic goods (TV, cellphone, washing machine, etc.) with a down payment of 30% of the price of the goods. Sixth, Peta Petaji is a financing service program intended for members who want to register for Hajj, namely to get a seat number for the Hajj portion. Seventh, Peta Petasar is a financing service program intended for members aimed at helping the needs of members who have a business or stall in the market.

Mekanisme program pembiayaan UMKM

The loan programs at KSPPS BMT Peta are Peta Musahadah and Peta Mustaniah (Supendi, 2018). Peta Musahadah is a financing service intended for members who need additional capital for micro, small and medium enterprises (Hertanto, 2000). In this discussion, we will explain the mechanism of fund management from the beginning of the loan process to the funds in the hands of customers. The explanation of the loan SOP at KSPPS BMT Peta is as follows, prospective customers submit or fill out an application form or financing proposal. Furthermore, prospective customers deposit a photocopy and identity card (KTP) husband and wife / Driver's License (SIM), Family Card (KK), Marriage Certificate, Savings Account at KSPPS BMT Peta. Willing to be investigated (data collection) and verified (direct survey to the location). Signing the financing contract, being honest and trustworthy by the surrounding community (Aisa, 2019).

KSPPS BMT Peta has provisions regarding installments, customers who have agreed to take out a loan will be subject to installments of principal costs and ujah fees. Ujah (rent or wages for goods) or Ajr (wages in hiring people) and if it must be determined by a judge or mediator (Rafi, 2017). So it can be concluded that, the mechanism for managing financing program funds for umkm at KSPPS BMT Peta begins with the submission of a loan amount by the customer then KSPPS BMT Peta will conduct a survey of the customer's business location to determine whether or not the customer is eligible for business financing (Andri, 2009).

Peran KSPPS BMT PETA dalam Penguatan Ekonomi Melalui UMKM

KSPPS BMT Peta is a sharia microfinance institution. In its operations, KSPPS BMT Peta can run the business of raising funds and channeling financing funds to members or customers by obtaining supervision from the sharia council in accordance with sharia principles. Customers interviewed by researchers made loans with the condition that they already had a place for their business and needed additional funds for its development. Mrs. Am had a small retail shop business before taking out a loan, Pak Munir with his restaurant business which was quite narrow before taking out a loan, Mrs. Ruwila who produced salted crackers with a small sales scale before taking out a loan and Pak Suyanto who opened a small food stall in front of his house. Meanwhile, the condition of the remaining one customer before taking a loan, namely Mrs. Melinda who has a business selling seblak food which is marketed online, this small business is only sold online without opening a restaurant. She explained the condition of her business before opening a restaurant in the following words:

"Initially I only marketed seblak through WhatsApp and Facebook, seblak was sold with limited stock according to the amount of ingredients I could afford. Then the order will be delivered by my husband to the buyer, there are no funds yet to open a seblak sales place."

After knowing the business conditions of the customers before making a loan at KSPPS BMT Peta, it is necessary to know the reasons for choosing KSPPS BMT Peta as the intended financial institution to seek additional funds. The five customers said the reason with the same point, namely, the ease of the loan process and the ujah fee set by KSPPS BMT Peta including light for the customers. Some customers explained that doing the loan process in a large conventional bank requires complicated procedures, also with the age that is no longer young, they want procedures that are easy to understand and do not seem to complicate the customers. Mr. Munir added that:

"KSPPS BMT Peta is quite familiar to local residents, many local residents have made loans there and that convinced me to make a loan, I was also given advice on developing infrastructure in my business"

Customers who have received loan funds, of course, immediately allocate them to their business. Four of the five customers used the loan funds to expand their business premises. Mrs. Am, who previously had a retail business with a makeshift storefront, built her business to be more spacious so that she could add items for sale around household needs. Mr. Munir, whose food stall was cramped and only relied on one long table, after receiving the loan funds used it to expand his food stall. Mrs. Ruwila used the loan funds to increase the amount of production of her salted crackers so that it could increase the scale of sales and Mr. Suyanto, who previously opened a food stall in front of the house, used the funds to open a branch of the food stall. Meanwhile, Ms. Melinda, who previously did not have a business place for selling seblak, used the loan to open a business place in front of her house. Mrs. am emphasized that:

"Previously, this shop was only limited to the front, after borrowing it, I was able to build it again to the back of this shop, indeed my intention is to expand this shop, especially since this is a boarding school area so there are many students who shop here"

The business development carried out by the customers brought positive developments. All five customers admitted that the expansion of the business premises brought an increase in the number of buyers. Mrs. Am expanded her shop, Mr. Munir expanded the seating area for his buyers, Mrs. Ruwila increased her cracker production, Mr. Suyanto opened a new branch of his food stall and Mrs. Melinda opened a seblak food stall. Mrs. Ruwila explained:

"I increased the number of salted crackers produced, so my sales scale expanded, with many people buying my crackers for resale. The increase in production overwhelmed me and I took on more employees to streamline the production process."

Mr. Munir and Mrs. Ruwila said that their business started to grow a few months after allocating the loan funds.

"About three months after that the changes in terms of increased sales began to be felt, I felt like my income increased by 30%, KSPPS BMT Peta also gave advice on what saka needed to be developed in my restaurant"

Mr. Munir told researchers when interviewing him straightforwardly. The most felt change is the increase in the amount of income, with a light ujah fee, the customers feel greatly helped by this loan.

When deciding to make a loan, of course, we need to make a plan about the budgeting of these funds, but of course not everything goes according to plan, therefore an emergency plan is needed as an option if all funds are allocated for sudden things that we do not plan for such as illness, damage to assets, etc. In this case, of the five customers, there are four who have an emergency plan when taking out a loan. Mrs. Am, Mr. Munir, Mrs. Ruwila and Mr. Suyanto said the same thing that if the budgeting does not go according to plan, the only way is to sell the assets they have, Mr. Munir said:

"I hope that of course everything goes smoothly according to plan, but if it doesn't, my emergency plan is to be forced to sell existing assets"

Hearing the many positive things that customers told about their experience taking loans at KSPPS BMT Peta, the researcher then asked whether they would take another loan when the previous loan installment was completed, all five said with confidence that they would take another loan, they felt this financing program was very helpful for entrepreneurs like them and with this program they hoped that more and more people would want to open their own businesses, starting from small things like they did at the beginning. Ms. am said:

"I feel very helped by this program, I have the intention to take another loan for the boarding business, with the ease of procedures offered, I hope other entrepreneurs can also benefit"

A good standard of living is the main goal of small communities who are highly dependent on the income earned (Balqis & Sartono, 2019). In an effort to improve their economy, the community must play an active role in realizing the fulfillment of their life needs, namely by increasing their own productivity and income (Tariani, 2021).

With the capital assistance from KSPPS BMT Peta, the community will improve their fate, namely by applying for financing to open a business (Soraya, 2018). Thus, researchers can conclude that the role of KSPPS BMT Peta in strengthening the economy through umkm is very good.

CONCLUSIONS

The presence of Baitul maal wat tamwil (BMT) as a microfinance institution conducts productive economic financing businesses for its customers. This marks that the presence of BMT has a big impact on the community seeing the description of the research data that the number of customers who do financing and the amount of financing is quite a lot making its presence has an important role in the economic driving wheels of MSMEs. The system developed by KSPPS BMT Peta is an initial movement in offering solutions as the desire of the community in general and MSME players, especially members of KSPPS BMT Peta so that they will be able to run their business.

With the existence of KSPPS BMT Peta, the community feels helped by the capital assistance provided by KSPPS BMT Peta, in this case the BMT and MSMEs as economic actors feel the development from before because they feel directly what is provided by KSPPS BMT Peta with loan services and capital assistance provided to the community. The development felt by MSMEs after financing is the development of customer businesses supported by the facilities and infrastructure provided by KSPPS BMT Peta and the development of profits obtained by umkm customers is increasing because capital assistance and financing are very easy to obtain from KSPPS BMT Peta.

That KSPPS BMT Peta has played a role in improving the economy of people who have applied for financing at KSPPS BMT Peta. This can be proven from the results of interviews from customers who have applied for financing at KSPPS BMT Peta. Before they applied for financing they lacked capital to buy equipment and goods to be sold. But since the capital assistance from BMT they have been able to develop their business and have even been able to meet their daily needs.

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