

ANALYSIS OF FINANCIAL INSTITUTIONS INCREASING UMKM SYARIAH IN INDONESIA

Dian Ariani¹
Leli Putri Ansari²
Mutiara Shifa³
Yayuk EW⁴

^{1, 2, 3, 4}University Teuku Umar (e-mail: dian4riani22@gmail.com)

Abstract: *Micro, Small and Medium Enterprises or better known as UMKM Syariah have a very important role in increasing the country's growth. These UMKM Syariah were able to survive in 1998 compared to large companies in Indonesia. The purpose of this study is to analyze to encourage the development of UMKM Syariah in Indonesia and to provide solutions in increasing UMKM Syariah. The research method used is a quantitative research. The results of this study are UMKM Syariah that are looking for very fast financing, which can be used from a variety of jobs, personal and personal and lifestyle. Yes, there are also UMKM Syariah that do not innovate or even decline. The decline in UMKM Syariah business was caused by two things related to economic conditions and unfavorable conditions.*

Keywords: *UMKM Syariah and Financing Institutions*

I. INTRODUCTION

Micro Small and Medium Enterprises (UMKM) Syariah play an important role in the Indonesian economy. Based on data from Cooperatives and Small and Medium Enterprises, the number of UMKM Syariah in 2020 is 55.2 million units divided as follows: 54,559,969 Micro Business units, 602,195 Small Business units and 44,280 Medium Business units. The number of UMKM Syariah in 2021 is around 99.99 percent of the total number of existing business units. These units are expected to be able to absorb as much as 97.24 percent of the workforce. UMKM Syariah are influenced by external pressures. This was proven when there was a global economic crisis where many large businesses went bankrupt, but UMKM survived and became the savior of the national economy. UMKM are able to become job providers, cheap goods providers, and create new entrepreneurs. UMKM have problems that hinder growth. These problems include problems in the aspects of capital, technology, management, human resources, and marketing.

Bank Indonesia's policy in assisting the development of small businesses and cooperatives Bank Indonesia can provide financial assistance to UMKM Syariah, known as Bank Indonesia Liquidity Credit (KLBI). However, after the aforementioned law was enacted, the role of Bank Indonesia in assisting small businesses became indirect and focused more on technical assistance and financial development. The task of managing program credit has been transferred to three state-owned enterprises appointed by the Government, namely PT Bank Rakyat Indonesia (BRI), PT Bank Tabungan Negara (BTN), and PT Permodalan Nasional Madani (PNM). In this case, PT BRI functions as the coordinator for the distribution of KUT, KKop and KKPA-TR schemes, PT BTN as the coordinator for the distribution of KPRS and KPRSS schemes, while PT PNM as

the coordinator for the distribution of other credit schemes. The transfer includes the management of Bank Indonesia Liquidity Credit (KLBI) in the context of program loans that are ongoing and not yet due and those that have been approved but have not been withdrawn.

Based on the background of the problems above, the formulation of the problem in this research is what policies can support UMKM Syariah development and how does the influence of financial institutions increase UMKM Syariah in Indonesia while the purpose of this research is to analyze the influence of financial institutions in increasing UMKM Syariah in Indonesia. Thus the researcher is interested in conducting research with the title Analysis of the Influence of Financial Institutions in Increasing UMKM Syariah in Indonesia.

II. LITERATURE REVIEW / HYPOTHESIS DEVELOPMENT

1. Definition of Financial Institutions

According to Presidential Decree No. 9 of 2009 a financial company is a business entity that carries out financing activities in the form of providing funds or capital goods. A financial company is a business entity specially established to carry out Leasing, Accounts Receivable, Consumer Financing, and/or Credit Card business.

Financial institutions include:

- a. Financial companies;
- b. Venture Capital Companies; And
- c. Infrastructure finance company.

The financial company's business activities include:

- a. Rent;
- b. Debts
- c. Credit Card Business; and/or
- d. Consumer finance

According to the Asian Development Bank (ADB), microfinance institutions (microfinance) or also known as financial institutions are institutions that provide deposit services, credit (loans), payment of various service transactions (payment services) and money transfers aimed at the public. poor and small entrepreneurs (insurance to poor and low-income households and their microenterprises). While the form of MSME financial institutions can be: (1) formal institutions such as village banks and cooperatives, (2) semi-formal institutions such as non-governmental organizations, and (3) informal sources such as money lenders.

According to Bank Indonesia, financial institutions in Indonesia are divided into two categories, namely UMKM Syariah that are banks and non-banks. UMKM Syariah that are banks are BRI Unit Desa, BPR and BKD (Village Credit Agency). While those that are non-bank are savings and loan cooperatives (KSP), savings and loan units (USP), rural credit fund institutions (LDKP), baitul mal wattanwil (BMT), non-governmental organizations (NGOs), social gatherings, Grameen financing patterns, financing patterns ASA, self-help groups (KSM), and credit unions. Even though BRI Unit Desa and BPR are categorized as UMKM Syariah, due to the requirements for loans using conventional bank methods, most micro-entrepreneurs still have difficulty accessing them.

2. Development of UMKM Syariah in Indonesia

The development of the Gross Domestic Product of UMKM Syariah in the last 3 years has shown an increase. Based on data from UMKM Syariah, in 2021 the contribution of UMKM Syariah to GDP is around 57.94 percent. In 2019, the contribution of UMKM Syariah to GDP is

around 56.53 percent. This condition shows that so far UMKM Syariah are still the backbone of the Indonesian economy by contributing to a larger GDP than large businesses, even in the last 3 years it has shown an increase in its contribution to GDP when compared to large businesses which have continued to decline.

Table 1 Gross Domestic Product (GDP) of UMKM Syariah and UB Syariah by Economic Sector 2019 – 2021 (Trillion rupiah)

Economic Sector		On the basis of current prices			On the Basis of Constant Prices			share (%)		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
Mining	UMKM	89.94	102.88	128.47	23.16	24.57	30.5	1.70	1.70	1.73
	UB	501.6	564.26	708	157.01	161.86	219.07	9.47	9.30	9.53
Industry	UMKM	490.94	567.2	786.3	179.72	186.45	191.55	9.27	9.35	10.59
	UB	989.96	1,129.12	1,412.85	390.06	408.86	375.54	18.70	18.61	19.02
Building	UMKM	203.34	227.25	279.85	52.2	54.55	62.67	3.84	3.74	3.77
	UB	351.64	397.61	358.72	88.07	95.51	130.98	6.64	6.55	4.83
Trading	UMKM	723	845.41	1,147.60	354.15	384.57	361.71	13.65	13.93	15.45
	UB	27.6	30.63	39.32	14.41	16.03	29.41	0.52	0.50	0.53
Finance	UMKM	250.67	288.03	329.6	132.66	139.98	161.44	4.73	4.75	4.44
	UB	153.45	170.41	239.15	76.18	80.66	73.02	2.90	2.81	3.22
Services	UMKM	244.42	280.05	394.42	111.67	119.58	148.21	4.62	4.61	5.31
	UB	10.82	11.8	20.93	5.08	5.45	6.37	0.20	0.19	0.28
PDB UMKM		2,993.15	3,466.39	4,303.57	1,212.60	1,282.57	1,369.33	56.53	57.12	57.94
PDB UB		2,301.71	2,602.37	3,123.51	876.46	935.37	1,007.78	43.47	42.88	42.06
PDB NATIONAL		5,294.86	6,068.76	7,427.09	2,089.06	2,217.95	2,377.11	100.0000	100.00	100.00

Sumber : UMKM Syariah 2021

From the table above, it can be explained that the number of UMKM Syariah in the agricultural sector is the highest compared to UMKM Syariah in other sectors. Nearly 50% of existing UMKM Syariah are UMKM Syariah in the agricultural sector, while the trade sector is

around 29%. Even though the number of UMKM Syariah in the agricultural sector is far more than the trade sector, in GDP, the UMKM Syariah in the trade sector are more than the agricultural sector. This condition indicates that UMKM Syariah in the trade sector are able to create greater added value than UMKM Syariah in the agricultural sector.

III. RESEARCH METHODS

This study uses cross-sectional research data, namely research conducted at a certain time and only takes one part of social phenomena at a certain time (Neuman, 2000). The data used in this study are secondary data and primary data are data obtained directly from the source. The population of this research is UMKM Syariah in the research location. Taking into account the limitations of this study related to time, funding and manpower, it is considered necessary to take a sample that is representative of the population. For the UMKM Syariah analysis unit, this study will take 30 UMKM Syariah from each research location consisting of 30% of the sample being wholesalers and 80% of the sample being retail traders. Due to the absence of a sample frame in this study, the selection of UMKM Syariah respondents used convenience sampling (Cooper, 2011). This technique is the easiest technique used by researchers to conduct research. Researchers are free to determine the respondents who will be asked to fill out the questionnaire.

IV. RESEARCH RESULT

Based on Bank Indonesia's UMKM Syariah Credit Development Report for the first quarter of 2022, in the first quarter 2103 net UMKM credit expansion reached Rp. 3.4 trillion or 2.35% of the Rp 145 trillion Bank Business Plan (RBB). The realization of the RBB for UMKM Syariah loans was lower when compared to the realization of total bank loans which had reached 63.8 trillion. The UMKM Syariah credit debit balance reaches Rp. 555.6 trillion, grew 15.5%. This growth was higher than the previous quarter's growth of 15.1%. UMKM Syariah credit growth was mainly in the personal services sector serving households and agriculture, hunting and forestry by 43.4% and 43.1%, respectively. According to business classification, the majority of UMKM Syariah loans were disbursed to medium business loans, namely 49.2% and the rest to small business loans, 23.9% and micro business loans, 20.9%.

Figure 1. UMKM Syariah Credit Based on Business Classification



By type of use, UMKM Syariah loans were mainly disbursed to finance working capital loans by 77.4% while for investment loans it was recorded at 22.6%.

Figure 2 UMKM Syariah Credit by Type of Use



Characteristics of UMKM Respondents

After collecting data, the following results are obtained. Most of the respondents were UMKM Syariah with a type of business in the food sector, namely 41.7% of the total respondents, 13.3% were basic food traders, 10% of respondents sold grocery and household appliances, and 8.3% sold apparel. while the rest are other types of business. In detail, the type of business undertaken by respondents can be seen in the table below.

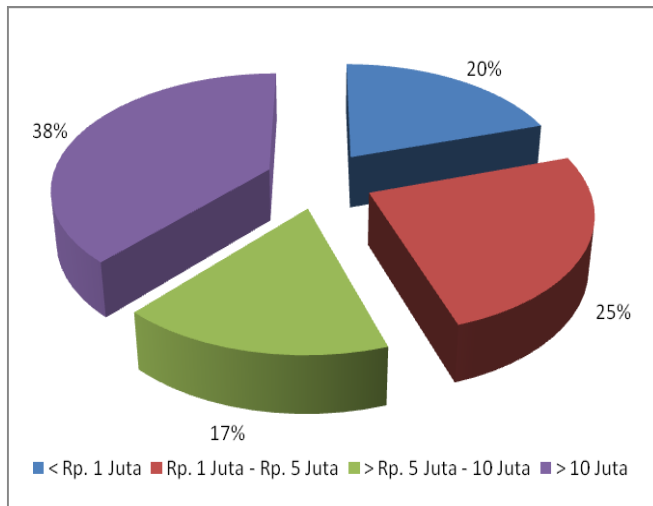
Table 2. Type of Respondent's Business

Type Of Business	Frequensi	Comulatif Persentase
ATK	1	3,3
Rice	1	5,3
Cake	2	18,2
Snack	3	42,6
Laundry Syariah	4	35,0
Frozen Food	2	37,2

The large number of UMKM Syariah selling food is because this type of business is a business that has prospects and is the fastest to generate profits, although traders must also be prepared to face losses if the food sold does not sell well. In addition, food traders do not require large capital like other types of businesses, for example the type of grocery business.

Most of the respondents (55% of respondents) have turnover above 5 million per month. 8.3% of this turnover is owned by respondents who have a type of business selling basic necessities. The average turnover that can be obtained by respondents can be seen in the image below.

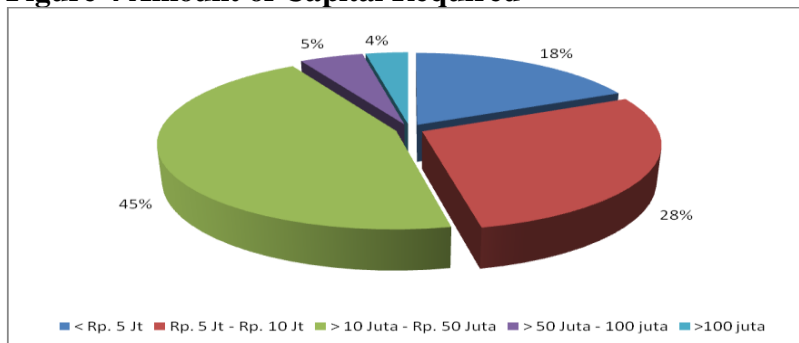
Figure 3 Respondents Turnover Per Month



Not only do they have a turnover of more than 10 million rupiah per month, 68% of respondents have been in business for more than 6 years and only 7% of respondents have just started their business. Even though most of the respondents have been running their business for more than 6 years, it does not mean that the respondents started their business from scratch. Several respondents explained that the business they have now is a continuation of their parents' business.

This section describes the financing that has been used by UMKM Syariah to meet the required capital. Based on the results of the research, most of the UMKM Syariah respondents needed funds of less than 50 million. In fact, 46% of respondents needed less than Rp. 10 million. The amount of capital requirements can be seen in the image below.

Figure 4 Amount of Capital Required

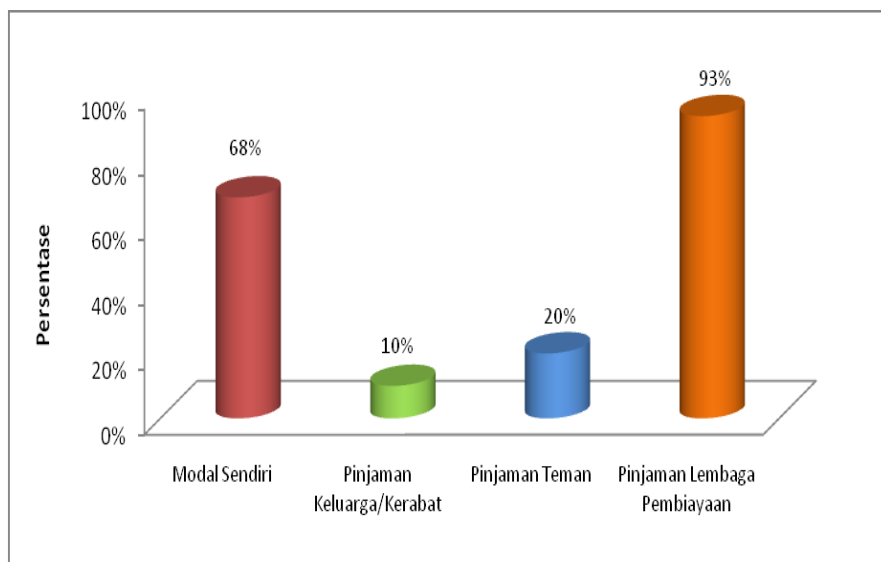


Sources of funds to meet these needs vary. There are UMKM Syariah that 100% use their own capital. There are also some who use their own capital and some use loans. There are various sources of loans, including family/relatives, friends and financial institutions. Usually, when starting a business, UMKM Syariah use their own capital and loans from those closest to them (family/relatives or friends). After the business starts to develop and will be developed,

UMKM Syariah will then seek loans from financial institutions in the hope of getting bigger loans.

Based on the picture below, it can be seen that UMKM Syariah respondents tend to use their own capital and loans from financial institutions. Respondents who used their own capital were 68% and 93% used loans from financial institutions. Loan capital is a combination of own capital and financing institutions or loans from families and financing institutions. In the results of this study, there was only one respondent who 100% used his own capital.

Figure 5 Sources of Business Funds



CONCLUSION

There are UMKM Syariah that receive financing that experience rapid development, which can be measured by their business expansion, addition of both business and personal assets and lifestyle. But there are also UMKM Syariah that do not experience development or even decline. The decline in UMKM Syariah business was caused by two things due to mismanagement and unfavorable economic conditions in the country. The decline in business caused by mismanagement that often occurs is the use of capital for personal needs such as going on a pilgrimage, paying for school children or buying consumer assets. The three main obstacles for financing institutions to carry out their role in the development of UMKM Syariah, namely (1) the difficulty in assessing feasible and bankable UMKM Syariah that meet the requirements stipulated in lending; (2) UMKM Syariah low interest in coaching efforts carried out by financial institutions and (3) Most UMKM Syariah have not made financial separation between personal and business finances.

REFERENSI

Abimbola, T. "Branding as a Competitive Strategy for Demand Management in SMEs". *Journal of Research in Marketing & Entrepreneurship*. 4 (2). 2001

- Ahonen, M. "Branding-Does It Even Exist Among SMEs?". *Proceedings of The 16th Nordic Conference on Small Business Research*. 2008.
- Churchill, N. C. and Lewis, V. L. "The Five Stages of Small Business Growth". *Harvard Business Review*. May- June 1983.
- Krake, F. B. G. J. M. "Successful Brand Management in SMEs: A New Theory and Practical Hints". 2005. dalam Huakuai Huang dan Ying Lai The "Brand Management Problem in SMEs". *Master Thesis*. Faculty of Education and Economic Studies. Department of Business and Economic Studies. University of Gavle. 2011.
- Niemila, T. "The Component of Corporate Brand Equity in SMEs Case EHP-Tekniikka Ltd.". *Master Thesis*. Departement of Marketing, Faculty of Economic and Business Administration University of Oulu. 2009.
- Rafinaldy, N. "Prospek Pengembangan Ekspor UKM". *Infokop* Nomor 25 Tahun XX. 2004.
- Wong, H.Y. dan Merrilees, B. "A Brand Orientation Typology for SMEs: a Case Research Approach", *Journal of Product & Brand Management*