

## MUDHARABAH FINANCING IN INCREASING THE INCOME OF HALAL MSMEs

Abdul Hadi Ismail<sup>1\*</sup>  
Riyan Pradesyah<sup>2</sup>

<sup>\*1,2</sup>Universitas Muhammadiyah Sumatera Utara

<sup>\*1</sup>email: [abdulhadi@umsu.ac.id](mailto:abdulhadi@umsu.ac.id)

<sup>2</sup>email: [riyanpradesyah@umsu.ac.id](mailto:riyanpradesyah@umsu.ac.id)

**Abstract:** Financing is an instrument in improving the economy of the population in Indonesia. It is hoped that with the financing provided by financial institutions in collaboration with the government, the community can increase the business they have, so that the income they get will also increase. In this paper, the author will explain about mudharabah financing in Islamic financial institutions, and the benefits of using mudharabah financing for the community, as well as how the process of determining the benefits obtained from both parties. If so far the financing issued by conventional banks is interest-based, then in this mudharabah financing uses a profit-sharing system, where profits and losses are shared together.

**Keywords:** *Mudharabah Financing, Islamic Financial Institutions*

### Introduction

Islamic financial institutions are not a new thing in the midst of society, but have become a discussion that is currently a necessity. This means that currently people have made many transactions in Islamic financial institutions, both transactions related to payments for daily needs, as well as transactions related to asset needs or savings. In Indonesia, Islamic financial institutions today continue to show their existence in the midst of society, this can be seen the development of Islamic financial institutions, both the number of offices of Islamic financial institutions, and the number of assets owned by Islamic financial institutions. The development of Islamic financial institutions is a component that can be seen in the assessment of Islamic economic development (Khairunnisa, 2015). Where, if the public wants to see the development of Islamic financial institutions in Indonesia, the component that is often seen by the public is Islamic financial institutions.

Talking about Islamic financial institutions, and talking about Islamic financial institutions, of course, people will talk about Islamic commercial banks. Sharia commercial banks are a component that can be seen from the development of Islamic financial institutions in Indonesia, this development is certainly marked by the growth of Islamic commercial bank assets. Currently the Indonesian government is serious in developing sharia commercial banks, where the government's seriousness in developing sharia commercial banks, marked by the creation or establishment of government sharia commercial banks, sharia commercial banks were established because they increased the market share of sharia commercial banks, and also the

government's seriousness in developing sharia commercial banks (Hasanah, 2023) (Priandana, 2020). The establishment of a government-owned sharia commercial bank, established from the results of merger between several banks, and then established one sharia bank, namely Bank Syariah Indonesia. In this case, the operations carried out by Bank Syariah Indonesia are operations that have met sharia standards, or in other words, Indonesian sharia banks are also supervised by the Sharia Supervisory Board (DPS) and follow the regulations set by the National Sharia Board (DSN).

The development of Islamic commercial banks is not a new thing to talk about, but is something that is continuously developed, starting from assets, financing provided, services, and also operations in Islamic commercial banks themselves. In the development of Islamic commercial banks in Indonesia, of course, Islamic banks must reflect on Islamic banking outside, so that Islamic banks in Indonesia can continue to increase assets and market share in Islamic banks. Talking about Islamic commercial banks, of course, we are talking about the function of Islamic banks, namely collecting and distributing funds to the public in the form of financing. Financing carried out by Islamic commercial banks uses the profit-sharing principle, where the financing uses contracts that have been designed and are in accordance with Islamic law (Ismail & Pradesyah, 2023) (Lois, 2021). Financing provided by Islamic financial institutions to the public is financing that can be discussed. That is, if the community wants productive financing, usually Islamic banks will advise the public to use mudharabah financing, where this financing will help the community in developing the business or business that has been run. Then if the community wants to apply for consumer financing, usually the community is advised to apply for murabahah financing, where the profits taken by the bank are stated transparently (Wulandari & Pradesyah, 2023) (Fu, 2022).

Financing in sharia commercial banks, is financing supervised by the sharia supervisory board, where every operation is carried out based on regulations issued by the national sharia board, and of course not only that, the operations of sharia financial institutions are also supervised by the government, in this case those who supervise are Otoritas Jasa Keuangan (OJK) (Siregar & Pradesyah, 2023) (Naeem, 2022). In the supervision carried out by OJK will usually be related to regulations that have been issued, and this is also done by the Sharia Supervisory Board regarding the suitability of Islamic banks in carrying out regulations set by the national sharia board. One of the things that continues to be supervised by the sharia supervisory board is financing. Currently, many fraudulent financing is carried out by people who call themselves Islamic financial institutions, but in reality the operations carried out are not in accordance with sharia. Where the financing provided still uses a compound interest system, therefore the supervisory board must oversee the suitability of financing provided by banks, so that it continues to be within the corridor of conformity of the national sharia board.

## Literature Review

This paper is not new to the discussion, but many writings have been published and discuss the mudharabah contract in increasing financing. The author will describe previous studies,

which are identical to the writings done by the author, while the previous writings that are identical to this paper are as follows:

Eka Jati, conducted a research in 2013 entitled "Risk Mitigation of Mudharabah Financing Agreement in Sharia Banking" This research is a qualitative research that discusses the risks that may arise in using mudharabah contracts in Islamic banks. The results of the research found are risks in the mudharabah contract, namely: First, agency problems. Second, the issue of guarantees. Third, the role of investors and management. Fourth, the effect of time diversification on equity. Fifth, asset management. Islamic banking can apply risk mitigation, namely: First, the determination of guarantors and fixed assets as collateral. Second, establish the maximum ratio of operating expenses to operating income. Third, the application of the principle of profit and loss sharing to capital participation contracts and reveue sharing in fund raising contracts(Rahayu, 2013).

Chefi conducted a research in 2020, entitled "Mudharabah Financing and Deliberation Financing in Sharia Banking" this research uses a qualitative approach. The result is that the mudharabah and musharakah financing contracts need to be known and actualized the terms and harmony of the two financings. Mudharabah financing is divided into two parts, namely mudharabah muthlaqah and mudharabah muqayyadah while musharabah financing is divided into two parts, namely shirkah al-amlak and shirkah al-"uqud. Syirkah al-amlak consists of, which is syirkah al-jabr and syirkah al-ikhtiyar. While syirkah al-"uqud consists of four types, namely syirkah al-mufawadhah, syirkah al-"inan, syirkah al-wujuh, syirkah al-"amal, and syirkah mudharabah. The implemmentation of mudharabah financing and musyarakah financing in sharia banking has evolved and is complete in accordance with the sharia banking regulations.(Dini Kafanila;Sri Luayyi; Wahyudi, 2018)

Al Ikhwan conducted a research in 2021 entitled "Implementation of Mudharabah Financing for Community Business Activities as an Effort to Recovery of the National Economy Due to the Covid-19 Pandemic" Qualitative research, in this study will see how the implementation of mudharabah financing by Islamic financial institutions for capital for community business activities is expected to be an effort to recover the national economy even in the conditions of the Covid-19 pandemic. The results obtained that financing in Islamic banking can support national economic recovery and can be one of the solutions for MSME business actors to get out of economic problems due to the impact of the Covid-19 pandemic. One of the financing that can encourage the economic growth of MSME entrepreneurs is mudharabah because financing with a mudharabah contract can improve the entrepreneurial ecosystem, financing with a mudharabahh contract can empower MSMEs productively in Indonesia, financing with a mudharabah contract can provide fair income distribution and good economic stability and financing with a mudharabah contract can stabilize the capital of MSME usala actors(Bintarto, 2021).

Pradesyah conducted a research in 2021 entitled "Mudharabah in the New Normal Era" research using a quantitative approach, as for the results obtained that mudharabah financing is financing needed in economic recovery, where the financing provided by Islamic financial

institutions is cooperation financing where profits and losses are shared together, so that both synergize with each other in achieving the goal, namely profit (Pradesyah, 2021).

Sihotang conducted a research in 2023 entitled "The Role of Murabahah Financing in the Development of Micro Business Performance in Baitul Maal Wat Tamwil (BMT) UB Amanah Syariah Laut Dendang" This research uses a descriptive qualitative approach, the results obtained by murabahah financing on the development of business performance, namely pimbinaa, educational fiber assistance provided by bmt Ub Amanah Syariah is very meaningful for MSME customers, especially to businesses that are not yet independent. The provision of murabahah financing to BMT Ub Amanah Syariah customers as micro and small businesses can play a role in improving their business development. The murabahah financing provided can be used by members as additional business capital which can later be used for their business needs, such as expanding their business, adding commodities of goods, and other needs that can support their business development (Sihotang, 2023).

Saputri and Mutiah conducted a study in 2023, entitled "The Effect of Financing and Business Assistance on Customer Welfare at the Mawaridussalam Islamic Boarding School Micro Waqf Bank" this research uses a quantitative approach, using the SPSS analysis tool. The results obtained by Financing (X1) and Business Assistance (X2) simultaneously state that there is a significant influence together on the welfare of the Customer (Y). This is a consideration so that these factors are able to further improve Customer Welfare (Saputri & Mutia, 2020).

## Method

This study uses a descriptive qualitative approach, which describes related to mudharabah financing in Islamic financial institutions, especially in Halal MSME financing in Medan City. Then this study will also describe the model used by Islamic financial institutions in providing financing and increasing the income of halal MSMEs.

## Result and Discussion

Financing is an instrument that is often seen in the development of a financial institution. The financing provided will provide an impact on the profits owned by financial institutions, both conventional and sharia. However, to get financing in Islamic financial institutions is certainly not an easy thing, it must go through several stages first, such as business analysis carried out by customers, then development, business resilience and others. This analysis is usually done to see the business in the future. That is, banks or Islamic financial institutions certainly do not provide financing to people who apply for financing, of course, analysis must be done first, in order to measure or predict the resilience of the business to be carried out by customers. Even so, now many people continue to finance Islamic commercial banks, because the financing provided is of course based on the principle of *hasi*. Where profits and losses are borne jointly between Islamic financial institutions and people who do business or run a business.

One of the financing or financing products that are in demand by the community is financing with a mudharabah contract. Financing with this mudharabah contract is often used by people who want to open a business or develop their business. This agreement is carried out or given to

productive communities, in other words, people want to cooperate in the development of the economy owned by customers. The flow in this financing is as in general, where the customer submits a proposal in applying for financing, then the bank or Islamic financial institution analyzes it with several criteria, only if approved, the bank or Islamic financial institution will call the customer to discuss the provisions to be agreed. Usually, these provisions include two kinds, namely about profit sharing and loss sharing that might occur. The speaker about the business is of course not only that, but also discusses the bookkeeping relationship that must be reported by customers to Islamic financial institutions, in order to monitor the extent of finance that has been used by customers in business development or business establishment carried out by customers.

Financial institutions or Islamic banks are also entitled to provide advice to customers, in order to increase sales or increase income obtained by customers. Then Islamic financial institutions will also provide training to customers related to things needed by customers in business development carried out. For example, customers do not understand how an efficient marketing system or digital marketing system that has been booming in the midst of society. Therefore, Islamic financial institutions or Islamic banks provide training to customers about digital marketing, customers are taught how to make attractive brochures or promos in order to invite customers to be able to transact with businesses carried out by the community. The existence of this, of course, will make customers not struggle alone in the development of their business or business. This concept is a concept with a family approach, where financial institutions not only act as financiers, but also act as business developers or businesses owned by customers, so that in this case there is cooperation established between the two parties in the development of customer business.

In addition to being given knowledge related to marketing, customers can also consult with Islamic finance agencies or Islamic banks, related to the development of businesses owned by customers. For example, customers as long as they are given financing by Islamic financial institutions their business continues to increase, the turnover owned or obtained also continues to increase significantly, so customers want to develop their business, but customers do not know how to develop their business or business. Then customers can conduct consultations related to business development to be carried out. The bank in this case is also obliged to assist in the problems faced by customers. Islamic banks or financial institutions can assist or provide solutions to customers, both in terms of market analysis, location, and so on related to business development or customer business. This development model or this approach is carried out by Islamic financial institutions or Islamic banks, where later every month the bank will monitor customers in developing the business they do, so that customers also do not feel struggling alone, but there are banks that also help in the development of the business undertaken.

The concept of financing with this profit-sharing system continues to be widely discussed by the community, not only in Indonesia, but also widely developed in foreign countries. One country that continues to use this profit-sharing principle is the United Kingdom. Currently Britain continues to be vigorous in the development of the country's economy, where one of the components of Britain in developing its economy uses the principle of profit sharing. Not only

that, currently the UK also continues to develop Islamic banks, so that they can practice directly the giving and development of their businesses.

## Conclusion

Improving the standard of living of the Indonesian people is a state ideal that until now continues to be realized. There are many ways carried out by the government in realizing this, ranging from providing easy financing to the community, to other programs that can make this happen. When viewed from the discussion above, it can be concluded that the government should be able to use profit-sharing instruments in improving the community's economy. Where the community is given financing for business development or business establishment, with the condition of a profit-sharing system. The government can also monitor the development of businesses owned by the community, and the government can also provide training to the community in the development of businesses or businesses established by the community.

It can be concluded that mudharabah financing carried out by Islamic financial institutions can continue to help the community in improving the economy. This can be seen from the beginning of financing, financing analysis, discussion about the business being run, to customer business development. The existence of this system, makes customers will continue to strive in the development of their business, and not only that, customers also get knowledge related to business from Islamic financial institutions, so that customers can develop their business armed with the knowledge provided by Islamic financial institutions.

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