



The Existence of Islamic Financial Institutions in Improving Community Economic Levels (Case Study of PT. BPRS Alwasliyah Krakatau Medan)

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ABSTRACT

The existence of financial institutions, especially the banking sector, occupies a very strategic position in bridging the needs for working capital and investment in the real sector with the owners of funds. Availability of sources of funds for the business world and supported by ease of investment encourages business expansion, especially by large-scale groups. The formulation of the problem in this research is, how is the existence of Islamic financial institutions in improving the economic level of the community, what are the factors that are carried out by PT. BPRS Alwasliyah Krakatau Medan in increasing the economic level of the community, how is the LKS exsintesi solution in the welfare of society. The purpose of this research is to know the existence of Islamic financial institutions in improving the economic level of the community, to determine the factors of PT. BPRS Alwasliyah Krakatau Medan in improving the economic level of the community, to find out LKS exsintesi solutions in the welfare of the community. The research method is qualitative research, data is generated from interviews and is supported by documentation and literature study. The results of the study show that in 2017 the contribution of MSMEs to GDP reached Rp. 7,704,635.90 billion with a growth of 60 percent of the total existing businesses, namely, micro businesses contributed 36.82 percent, medium businesses 13.57 percent, and small businesses amounting to 9., 61 percent, the number of customers of PT BPRS Alwasliyah Krakatau Medan in 2018 was 240 larger than in 2017, namely 232 customers, this proves that murabahah financing has an active role in influencing the MSME business sector.

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1. Introduction

The existence of financial institutions, especially the banking sector, occupies a very strategic position in bridging the needs for working capital and investment in the real sector with the owners of funds. Availability of sources of funds for the business world and supported by the ease of investment encourages business expansion, especially by large scale groups. As a result, the demand for credit continues to increase, especially in the industrial, trade and service sectors. Currently, Islamic financial institutions in Indonesia can be divided into two, namely Islamic financial institutions in the form of banks and non-banks. In activities of using funds in various parts of the world. Consumers in Indonesia are very diverse. They are in terms of customs and culture, age, education and lifestyle. This greatly affects how they allocate their funds for their daily needs. According to Winardi, the behavior shown by people in planning, buying and using economic goods and services. Financial institutions in particular provide services, which in turn will meet the needs of the economic sector.

Islamic financial institutions in the form of banks consist of Sharia Banks and Sharia Rural Banks (BPRS). Islamic financial institutions are one of the solutions in increasing the economic level of the community, especially in providing a source of funds for the business world. In line with the times, the development of the banking world that occurred in Indonesia was very rapid. Many banks that are established, both conventional and sharia banks, continue to compete to gain trust in the community. Xiaoqiang Cheng and Hans Degryse (2010) said that high economic growth is supported by the financial sector, both banking and non-banking. Development of the banking sector can encourage economic growth.

However, it is very different in the fact that Asian economic growth has not been supported by public access to financial institutions. Indonesian people's access to financial institutions is still low. Based on data from the World Bank, the Global Financial Inclusion Index (2011), it is explained that the Indonesian Financial Inclusion Index is only 19.6 percent. This is still far below other countries such as Malaysia



66.7 percent, Philippines 26.5 percent, Thailand 77.7 percent, Vietnam 21.4 percent, India 35.2 percent, China 63.8 percent, Russia 48.2 percent, and Brazil 55.9 percent (Nengsih, 2015).

Sharia Financial Institutions as a financial institution that operates based on Islamic principles should have a mission and vision not only to pursue profit but also have a social function to improve the economic level of the Muslim community in particular and mankind in general. Sharia banking should be able to contribute to prosperity the community, especially the poor, whose economic category is weak.

From the background of the problem above, the researchers formulated the problems in this study, namely 1). How is the existence of Sharia Financial Institutions in increasing the economic level of the community at PT BPRS Alwasliyah Krakatau Medan. 2). What are the factors of PT. BPRS Alwasliyah Krakatau Medan in improving the Economic Standard of the Community. 3). How is the solution of PT. BPRS Alwasliyah Krakatau in the field of community welfare. The specific objectives of this study are to determine the existence of Islamic financial institutions in improving the economic level of the community and to determine the factors of PT. BPRS Alwasliyah Krakatau Medan in increasing the economic level of the community and to find out the solution of PT. BPRS Alwasliyah Krakatau Medan in the welfare of the community.

2. Research methods

This research method starts from the initial stages of research, namely Company Survey, conducting interviews, determining Tofik, determining problem formulation and research objectives and having literature studies as well as data collection, data reduction and data presentation. Then the stages of analyzing the data used descriptive qualitative analysis and finally the stages of drawing conclusions and suggestions

3. Research Results and Analysis

3.1 The existence of Islamic Financial Institutions in improving the economic level of the community is

Lately many financial institutions have emerged in Indonesia with Islamic principles. Among them are the Sharia People Financing Bank or what is often called BPRS. The existence of the BPRS is an effort to fulfill the wishes, especially some Muslims who want the services of Islamic financial institutions in managing The Sharia People Financing Bank (BPRS) is one of the simplest models of financial institutions that currently appear in Indonesia, even up to thousands of BPRS, which are engaged in the lower economic community and seek to develop productive and investment businesses in order to improve the economy. for small entrepreneurs based on sharia principles which are then channeled through financing.

The growth of the BPRS is also a demand from the Muslim community who want to join in Islamic law to stay away from the practice of bermuamalah in ribawi. The financing that is often used in Islamic financial institutions includes the principle of cooperation (partnership), which is a form of financing to members or customers of a BPRS to include a number of capital, both cash and goods, to increase business productivity. Based on this transaction, the BPRS will agree on the profit sharing ratio. This principle financing is to accelerate the economy of the ummah, because it is considered capable of reducing inflation because there is no stipulation of interest that must be paid to the bank, besides that it can also change the course of the Muslims in every trade and financial transaction that is in line with Islamic sharia teachings

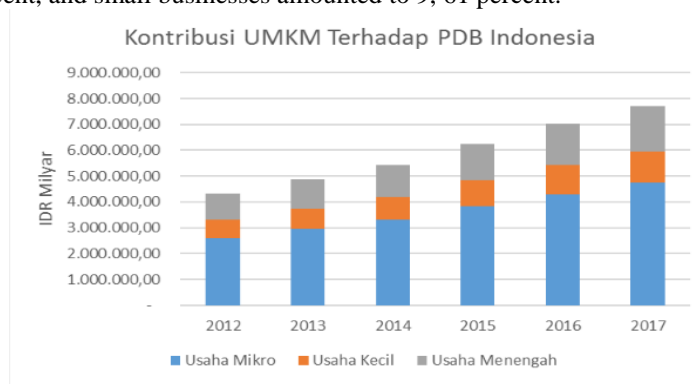
What BPRS has done to achieve rapid growth and development is BPRS Al-Washliyah to carry out activities to raise funds and also channel funds. On the fundraising side, BPRS Al-Washliyah collects funds from members (customers) with Wadi'ah and Easyarab contracts. Meanwhile, on the distribution of funds or financing, BPRS Al-Washliyah uses a profit sharing system, namely the Murabahah and Ijarah contracts.

Several types of murabahah objects that have been used in murabahah financing by BPRS Al-Washliyah Medan, namely, for business capital, renovations, home purchases, land purchases, and vehicles. There are no restrictions related to the object of buying and selling murabahah mentioned above, except for goods that are prohibited by Islam to be traded such as liquor. And the concept of the contract on murabahah financing that is often used is the murabahah contract using the wakalah contract. Because, there is no supply of it. items desired by a prospective murabahah customer. So with the use of the wakalah contract, BPRS Al-Washliyah Medan can only implement the murabahah contract after the murabahah goods have been purchased and the bank has acquired ownership and control over the murabahah goods.

The presence of BPRS is very much needed to become a partner of the government in realizing Indonesia's economic development, especially in rural areas that are not reached by commercial banks and it is hoped that it can become an extension of the government to reach out and contribute to the welfare of the micro community. The existence of a Sharia Rural Bank institution has several advantages compared to

commercial banks, namely BPRS can provide banking services with an easy process, disbursement of financing is fast, simple, and does not require complicated requirements such as in commercial banks for the middle to lower class society, especially for MSMEs which are in rural and urban areas to further develop their business.

The presence of BPRS for its market share, namely the micro community is very much needed to support its business activities. Due to the large potential market share of the BPRS, it is very possible for BPRS to further develop its existence in increasing the standard of living of micro communities, especially in rural areas. BPRS has a high potential market share especially in assisting the development of MSMEs in each region in Indonesia. Development of MSMEs is very much needed because MSMEs themselves have a very large contribution to the growth of the Indonesian economy. The UMKM network that is spread across various regions which can help the life of the community to be even better is the same as the goal of establishing the BPRS. Based on data from the 2019 Indonesian Sharia Economics Master Plan and the Ministry of Cooperatives and SMEs, the contribution of MSMEs to GDP from year to year continues to increase. In 2017, the contribution of MSMEs to GDP reached IDR 7,704,635.90 billion with a growth of 60 percent of the total existing businesses, namely, micro businesses contributed 36.82 percent, medium businesses 13.57 percent, and small businesses amounted to 9, 61 percent.



Sumber: Kementerian Koperasi dan UKM (2017)

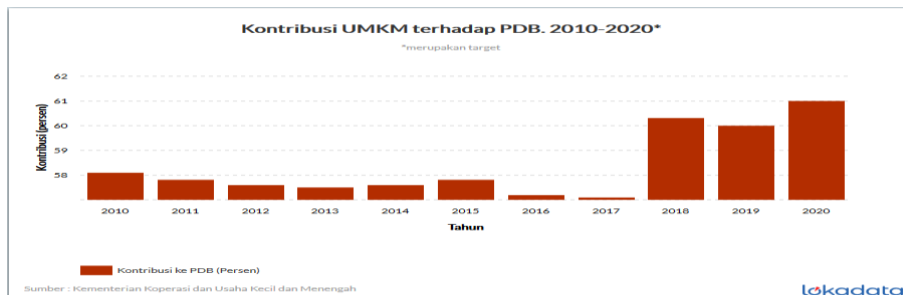


Fig 1 Contribution of MSMEs to Indonesia's GDP

Source: Ministry of Cooperatives and Small and Medium Enterprises (2010)

The contribution of Micro, Small and Medium Enterprises (MSMEs) is targeted at 61 percent in 2020. This number has increased by 1.67 percent compared to the previous year. The position of BPRS in the Indonesian banking market is important because according to its market share, BPRS are required to reach small entrepreneurs who do not wish to obtain financing from conventional financial institutions. This shows that the role of BPRS is very significant in helping small and medium entrepreneurs (MSMEs) especially in the capital sector. Therefore, the BPRS must carry out its role to channel its funds in the MSME sector to further develop MSMEs in Indonesia.

Thrifty The researcher concluded from the explanation and data described in detail above that the existence of Islamic financial institutions in improving the economic level of the community, especially through the distribution of financing carried out by BPRS. BPRS can also improve Islamic economic development and provide solutions for empowering small and medium enterprises as well as being the core of the people-based economic strength in Indonesia.

BPRS also has a vital position in fostering economic development in Indonesia because around 99% of businesses in Indonesia are included in the category of small and medium enterprises, this is evidenced in 2017, the contribution of MSMEs to GDP reached IDR 7,704,635.90 billion with a growth of 60 percent of the total. Existing businesses, namely, micro businesses contributed 36.82 percent, medium businesses 13.57



percent, and small businesses 9.61 percent, and the contribution of Micro, Small and Medium Enterprises (MSMEs) is targeted at 61 percent by 2020. This number increased 1.67 percent compared to the previous year (2019).

3.2 The factors carried out by PT. BPRS AL-Washliyah Krakatau Medan in improving the economic level of the community.

The role of BPRS Al-Washliyah in improving the economic level of the community can be seen from four factors that can significantly benefit the community, namely the first factor is the presence of fundraising, the second is the availability of MSME financing products, the third monitors the financing and business development of customers, the fourth is capital building for MSMEs that will be provided by the Bank, in the form of management assistance and business supervision, as follows:

a. The first factor is the existence of fundraising

Collecting customer funds can be done with 3 types of contracts / types of savings, namely, Wadiah savings, this type of savings is a customer deposit that can be withdrawn at any time and the bank can give bonuses to customers who use and deposit this, the second type of contract / savings is Mudharabah savings, namely savings customers who are managed by the bank to gain profits in accordance with the agreed ratio, type of mudharabah deposit / savings contract, namely deposits in the form of unrelated investments whose withdrawals are in accordance with a set period of time and will get profit sharing according to the agreement

b. The second factor is the availability of MSME financing.

BPRS Al-Washliyah in providing micro financing to customers to develop their business. PT. BPRS Al-Washliyah implements a financing program in order to improve services to the public in the form of special loans to serve the micro business segment. BPRS Al-Washliyah is one of the banks that at least helps the development of MSMEs through financing in Medan. Regarding the financing or business capital provided by BPRS Al-Washliyah to MSME players as long as the business meets eligibility standards and does not challenge Islamic law, the UMKM actor has the right to receive financing accompanied by guarantees that apply to MSME financing, namely land ownership, buildings, and BPKB ". The financing schemes offered by al-washliyah bank to MSME customers vary,

In implementing mudharabah financing, BPRS Al-Washliyah Medan positions itself as a working partner, namely as a provider of funds to meet customers' capital needs, so that the position of BPRS Al-Washliyah with customers is equal, according to fatwa No. 07 / -DSN_MUI / 1V / 2000. Meanwhile, the profits will be shared with the agreed share of the results. If there is a loss, the loss in the form of money is borne by the BPRS Al-Washliyah, while the customer will bear the loss in the form of loss of business, good name (reputation) and time.

The financing of the BPRS Al-Washliyah bank is strongly influenced by the real income of the customer, as long as the customer carries out his business activities. When a customer runs a business or business, the BPRS Al-Washliyah will always supervise (monitor). This is done by the bank so that the bank can find out about the business process until the real income received by the customer and transactions made by the customer can be recorded and documented in order to avoid manipulation of reports by the customer. It is examined further so that unwanted things do not occur. The profit sharing offered by the BPRS is also very competitive, it can even be higher than conventional bank interest rates. However, the determination of the profit sharing ratio is influenced by several factors such as the type of savings product. (wadiah,

BPRS Al-Washliyah provides funds in the form of financing based on sharia principles. Usually use murabahah, mudaraba and musyarakah contracts. Financing with a disbursement system that is easy, fast and very transparent, enabling business actors to immediately get an injection of fresh funds for their business. For the UMKM sector, the funds issued by BPRS Al-Washliyah range from a nominal value of 5-500 million rupiah at the micro and medium business level.

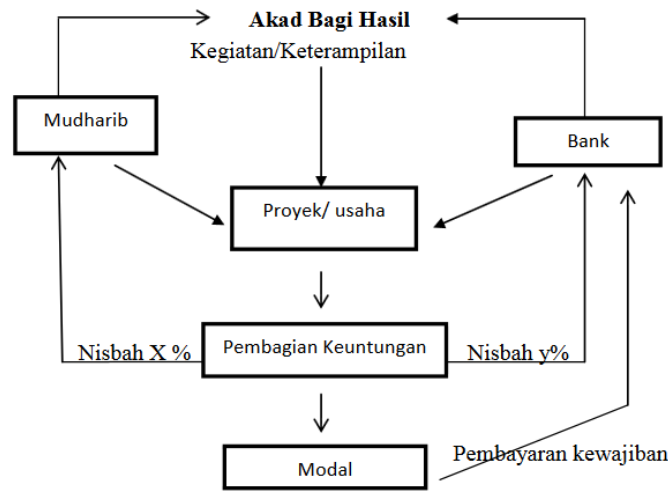


Fig 2.Mudharabah Scheme.

An example of a calculation regarding the profit sharing ratio between a bank and a customer is as follows: a customer proposes financing to the BPRS Al-Washliyah bank for a working capital of IDR 50,000,000.-For three years, the BPRS has determined that the expected yield) is 18%. The financing analysis section of the BPRS Al-Washliyah Estimates the average income per month that the customer company earns is Rp.5,000,000.-from this data it can be calculated that the profit sharing ratio and profit sharing distribution are as follows:

Dik: Expected yield = 18% Amount of financing = IDR 50,000,000 Estimated income = IDR 5,000,000 / month Then: Expected yield in 1 year = estimated income 1 year x margin
 = (5,000,000 x 12) x 18%
 = 10,800,000

$\frac{\text{expected yield} \times 100\%}{50,000,000}$

= 12.6% = Customer profit sharing ratio

= 100% - 21.6%

= 78.4% So the profit sharing ratio between the bank and the customer is

21.6% : 78.4%

Note; Expected yield = large / small profit sharing ratio.

The following is an illustration of the two murabahah contract concept models practiced by BPRS Al-Washliyah Medan:

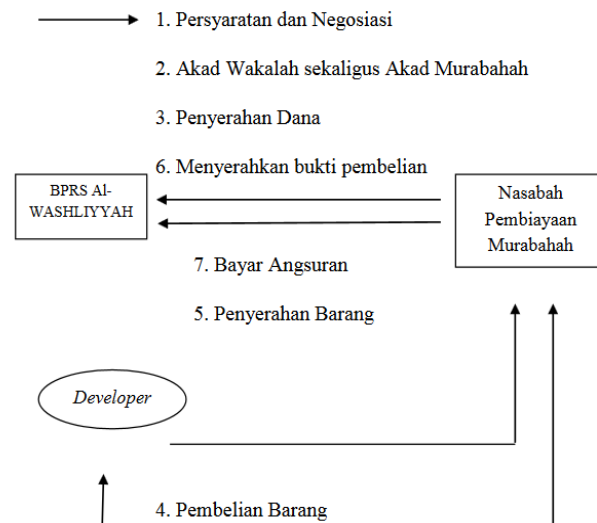


Fig 3Application of Murabahah Financing concept with Wakalah Agreement

In theory, the implementation based on the illustration above is in accordance with the Fatwa of the National Sharia Council. Because the ownership of goods already existed at the time BPRS Al-Washliyah implemented the murabahah contract. However, in practice, financing using the direct application concept with murabahah can only be used when BPRS Al-Washliyah Medan owns goods or cooperates with developers for the goods to be used as objects. Murabahah. This occurs because BPRS Al-Washliyah Medan does not have its own inventory of goods and a lack of cooperation with investment agents who have goods as murabahah trading objects. The concept of the contract in murabahah financing that is often used is the murabahah contract using the wakalah contract. .Because, no inventory of items desired by prospective murabahah customers. So with the use of the wakalah contract, BPRS Al-Washliyah Medan can only implement the murabahah contract after the murabahah goods have been purchased and the bank has acquired ownership and control over the murabahah goods. However, in the concept of the contract, BPRS Al-Washliyah Medan carries out a wakalah contract with a murabahah contract at the same time.

In the following, the researcher describes one of the contracts that has an impact on the community's economy, namely the murabahah contract.

Table 5.
Number of Customers as of January 2018 to December 2018

Month	Number of Customers 2018	Percentage
1	19	8%
2	15	6%
3	17	7%
4	20	8%
5	21	9%
6	28	12%
7	23	10%
8	19	8%
9	17	7%
10	22	9%
11	18	7%
12	21	9%
amount	240	100%

Based on the table above, it can be seen regarding the number of customers from January 2018 to December 2018 that the percentage of the largest number of customers was in June 2018, which was 12%. Meanwhile, the lowest percentage of customers was in February 2018, which was only 6%. And in March, September and November have the same percentage, namely 7%. Then there are 9% of the number of customers in May, October, December. And lastly, only about 8% of the number of customers recorded in January and August 2018. In this case, we can see based on the table above that the percentage of the number of customers in 2018 which counted every month has fluctuated.

c. The third factor is monitoring financing and customer business development.

BPRS Al-Washliyah conducts business monitoring starting from the process of disbursing funds to the use or spending of funds by debtors. BPRS Al-Washliyah allows debtors to continue financing even though the previous financing is ongoing. BPRS Al-Washliyah collaborates with fellow UMKM partners to enable a healthier and more organized business.

d. The fourth factor is the existence of MSME capital building

BPRS Al-Washliyah conducts one on one activities for debtors as a form of responsibility for the successful development of the business sector, especially MSMEs. BPRS Al-Washliyah provides guidance on trade marketing in theory and practice for debtors in the form of business trips to formal financial reporting models to make it more structured and systematic . BPRS Al-Washliyah also facilitates debtors in introducing products in the form of bazaar activities. MSMEs will also be provided with management assistance and business supervision. Post-credit assistance is a further guidance in coaching and development activities for MSMEs. Post-credit assistance, when viewed from the bank's point of view, is a means of supervising credit repayments.

In terms of further coaching, banks can collaborate to monitor the use of credit, collect installments, collect savings and other coaching in relation to other financial problems. However, if BPRS Al-Washliyah does not want to cooperate with other parties to do the things mentioned above, then bank al-washliyah will continue to provide assistance to MSMEs until the term of the MSME credit is paid off at the bank.

3.3 Solutions for the Existence of Islamic Financial Institutions in Prospering the Community.

One of the targets for achieving the national Islamic banking system is listed in the blue print. Syariah banking in Indonesia plays a significant role in the national economic system by providing financing to entrepreneurs so that MSMEs continue to run and are able to improve people's welfare. Another solution to the problem that arises is to reduce the collateral value and then carry out a promotion, because at al-washliyah bank the rate / margin is smaller than the others. So, this can be a superior product compared to other banks. Promotion is carried out directly by offering products to traders or MSME business establishments and conducting a good and correct analysis before providing financing to MSME players, so that business actors' seriousness appears in running their business. Overcoming global competition, increasing the quantity and quality of human resources, infrastructure, laws and regulations, capital, technology, human resource education and research management. All parties must play a role in this, both the government, Islamic banks, and MSMEs themselves. Islamic banks are expected to further expand access and disseminate their advantages well so that Islamic banks can become reinforcers and assistants in the development of MSMEs. Meanwhile, the government can provide management training facilities for MSME players so that competence regarding business administration management can increase.

4. Conclusion

- a. The existence of Sharia Financial Institutions can increase the economic level of the community, this is proven that BPRS has a vital position in fostering economic development in Indonesia because around 99% of businesses in Indonesia are included in the category of small and medium enterprises, this is evidenced in 2017, the contribution of MSMEs to GDP reached IDR 7,704 .635.90 billion with a growth of 60 percent of the total existing businesses, namely, micro businesses contributed 36.82 percent, medium businesses 13.57 percent, and small businesses 9.61 percent, and the contribution of Micro, Small, and Medium (UMKM) is targeted at 61 percent by 2020. This number has increased by 1.67 percent compared to the previous year (2019).
- b. The factors carried out by PT. BPRS AL-Washliyah Krakatau Medan in improving the economic level of the community are, the first factor is the existence of fundraising, the second is the availability of MSME financing products, the number of customers in 2018 was 240 greater than 2017, namely 232 customers, this proves that murabahah financing has an active role in influencing the MSME business sector, third is monitoring customer financing and business development, fourth is MSME capital building that will be provided by the Bank, namely in the form of management assistance and business supervision.
- c. The solution to the existence of Islamic financial institutions in improving the welfare of society is that all parties must play a role in this, both the government, Islamic banks, and MSMEs themselves.

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