

THE ROLE OF SYARIAH COOPERATIVES IN SUPPORTING MICRO-ENTERPRISE FINANCING

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ABSTRACT

The aim of this research is to determine the role of the Benteng Micro Indonesia (BMI) sharia cooperative in supporting the financing of micro businesses of members of the Megamendung branch of the BMI sharia cooperative. The research method used is qualitative research with a descriptive approach. The research results show that the Megamendung branch of the BMI sharia cooperative provides productive financing and investment products. Productive financing in additional business capital and investment financing in financing house renovations, financing houses without down payment, financing education and water sanitation. The role of the Megamendung branch of the BMI sharia cooperative is to provide an increase in members' income after obtaining financing facilities from the Megamendung branch of the BMI sharia cooperative from the previous average income of Rp. 2,075,000 and after financing, namely Rp. 3,175,000 means an increase of 53.02% from income before financing.

Keywords: Financing; Member Income; Role of Sharia Cooperatives

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INTRODUCTION

Cooperatives are business institutions considered suitable for empowering the poor. Cooperatives embrace noble values such as justice, unity, kinship, and community welfare. Conceptually, a cooperative is a business entity that supports underprivileged entrepreneurs, who can participate in solving the community's socio-economic problems. Therefore, a cooperative is defined as an association of individuals willing to achieve something by equitably distributing necessary capital.

Pristiyanto stated that the presence of cooperatives must transform the economic standard and well-being of the community. Micro-enterprises face limitations in capital accumulation and investment, which are addressed through the pooling of joint funds or savings within the cooperative, which are managed as revolving loans for micro-enterprise members. These collected savings are insufficient to meet the financing needs of micro-enterprise members, necessitating a strategy for developing financing for micro-enterprise members, both from internal and external sources.

Megamendung District is a sub-district located in Bogor Regency. Currently, Megamendung District has a total of 1,166 micro-enterprise units.

Table 1. Development of micro-enterprises

Type of Business	Year 2021 development	
	Jumlah (Unit)	(%)
Shops	9	0,7%
Stationery	1.126	96,6%
Water Refilling Business	31	2,7%
Total	1.166	100%

Source: Internet

Table 1 shows that there are 1,166 micro-enterprises in Megamendung sub-district. The potential for micro-enterprises is quite substantial, but they still face many challenges. According to Angraini, micro-enterprises face several obstacles in their development: limited access to capital, poor financial management, unclear division of tasks, and minimal knowledge of the business world. The problem faced by micro-enterprises that impacts their income levels is the lack of business capital, a common issue for micro-enterprises, resulting in limited room for micro-enterprises (difficulties in developing their businesses).

The development of micro-enterprise potential is inseparable from the support of cooperatives in channeling financing to MSMEs. The role of sharia cooperatives in developing community businesses, particularly micro-enterprises, is to participate by providing financing to the community to develop their businesses, both individual and

group-based, with the hope that the community's economic growth and development will continue to increase year after year. Currently, the BMI sharia cooperative is one of the non-bank

financial institutions with financing programs that support the development of micro-enterprises. The BMI Sharia Cooperative, Megamendung branch, has 661 micro-entrepreneur members and provided financing totaling IDR 3,644,500,000 in 2022. This is a significant amount. Almost all members use this financing for business capital. The financing provided by the BMI Sharia Cooperative is expected to help micro-entrepreneurs overcome capital constraints, as capital is a key issue.

With this substantial capital, has the cooperative maximized its role in helping improve the welfare of its members? This capital can be used for business development, which will impact income generation. This means that micro-entrepreneurs need capital to increase their income. In addition to capital, micro-entrepreneurs need other financing options to improve their economic well-being. In addition to business development, members also seek to improve their families' livelihoods, such as building homes and other facilities.

The BMI Sharia Cooperative, Megamendung branch, has provided substantial financing to its members. The financing provided by the BMI Sharia Cooperative, Megamendung Branch, should be able to increase the income and welfare of its members. Therefore, research is needed to determine the role of Sharia cooperatives in supporting micro-enterprise financing in increasing members' income in the Megamendung sub-district.

MATERIALS AND METHODS

Cooperatives

A cooperative is a joint venture organized by members. In this sense, any form of work carried out jointly can be called a cooperative. A cooperative is generally understood as an association of people who voluntarily unite to strive for the improvement of their economic well-being, through the democratic formation of a company they manage (Gunawan, 2013).

According to Professor Marvin A. Schaars of the University of Wisconsin, Madison, United States (Anasrulloh, 2021), a cooperative is a business organization owned and managed voluntarily by its members, who are also consumers. It is non-profit or fee-based. In Indonesia, Law No. 2 of 1967 concerning Cooperative Principles defines a cooperative as a community-based economic organization formed by individuals who form an economic structure such as a joint venture or a cooperative legal entity.

Sharia Cooperatives

Sharia cooperatives are groups formed voluntarily and strive to create and achieve common goals. This means they collaborate with others to achieve specific goals (Nugraha, 2022). Decree of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia No. 91/Kep/M.KUKM/IX/2004, several definitions of Islamic cooperatives are as follows:

- 1) A cooperative is an economic entity that organizes activities as an association or cooperative legal entity based on cooperative principles and the national economic movement based on the principle of family.
- 2) The Islamic Financial Services Cooperative (KJKS) is a cooperative that

conducts business activities in the fields of finance, investment, and savings using a profit-sharing model.

- 3) The Islamic Financial Services Unit (UJKS), a cooperative unit engaged in finance, investment, and savings, specifically through a profit-sharing model (Suriah), as part of related cooperative activities (Uniba, 2017).

Role

The role is part or manifestation of core leadership. A role is the type of behavior expected of an individual in a particular social situation. While a role is defined as the behavior expected of someone in a particular position, role behavior is the actual behavior of someone performing that role. Essentially, a role can also be conceptualized as a series of specific behaviors that occur in a particular setting (Santoso, 2021). A role is a dynamic aspect of a position; fulfilling a role means that an individual fulfills the rights and obligations of their position. One depends on the other and vice versa, so the two cannot be separated. Each person has a different role according to their social patterns.

This role also determines what they do for society and the opportunities offered to them. A person is said to have a role if they fulfill the rights and obligations essential to their position. Each social status is associated with one or more social statuses (Soekanto, 2013).

The Role of Sharia Cooperatives

The role of Sharia Cooperatives in society is to act as a "mini-bank" for small businesses. A person assumes a role if they fulfill the rights and obligations appropriate to their position. The concept of roles is always associated with organizational structures or formal institutional arrangements. These roles

demonstrate the organizational and institutional structures, which essentially encompass functions or roles that are carried out collectively. The concept of roles can be interpreted as appreciating the extent to which an individual or group in a particular position acts as part of a supporting effort to achieve a goal (Rosnani, 2015). Sharia cooperatives play a vital role in the welfare and economy of a country. Sharia cooperatives can provide loans without high interest rates.

Sharia cooperatives have a type of contract that guarantees that all customers will transact when they desire. Therefore, if this mechanism is implemented, consumers will feel safe and comfortable. Sharia cooperatives become attractive Islamic financial institutions for businesses if dual financing from their customers is managed properly. There are various types of Sharia financial institutions in Indonesia. Many people lend money to traditional cooperatives. Furthermore, the practices carried out in these institutions are not included in Islamic teachings. Therefore, Sharia cooperatives can serve as a guide for small and medium-sized enterprises (SMEs) in developing their businesses. The more businesses or community enterprises that develop, the higher the community's economic level and the higher government revenues (Wandisyah, 2022).

Business Development

Business development is an effort that enables the business itself to grow and reach the pinnacle of success. A growing business means increasing revenue and economic well-being. Business development is a company that is beginning to integrate and has the potential to expand. Business development is a state where sales increase (Wina,

2013). Small business development is an opportunity for small entrepreneurs to meet market share needs and improve their standard of living. Small business development is not merely about operational support or tools. This development must have strategic and long-term implications. Development must aim to increase the capacity and productivity of small businesses. This is related to increased investment and business expansion opportunities (Sumarsono, 2009).

Microenterprises or Small Businesses

Microenterprises can be defined as individuals and/or individual companies that meet small business standards in accordance with regulated small business standards, and are managed and registered by individuals or businesses, not directly or indirectly, or indirectly. These individuals or businesses are not partners. Verified indirectly, indirectly, and indirectly. Or check with large companies, legal departments, or annual sales (Tambunan, 2012).

Micro-enterprises come in various types, such as culinary, automotive, fashion, and others. The development of this sector can thrive if there are many businesses. The most important starting point in business development is capital. Businesses themselves require two types of capital: investment capital, which can be used for a long period, and investment capital that can be used repeatedly, usually within one year. Furthermore, working capital is short-term and is used repeatedly in the same production process. The working capital period is up to one year (Widya, 2015).

Research Methods

The type of research used was field research, conducted in the field during

actual activities. Field research is research conducted by analyzing data from a location or research area (Noor, 2011). The research was qualitative with a descriptive approach to determine the role of BMI Sharia Cooperatives in financing small businesses and to examine or explain the role of BMI Sharia Cooperatives in financing small businesses. Data collection techniques used included interviews, observation, and documentation. Data analysis techniques used included data reduction, data presentation, and conclusions.

RESULTS AND DISCUSSION

The Benteng Micro Indonesia Sharia Cooperative was originally the Micro, Small, and Medium Enterprises Financing and Development Institution (LPP-UMKM), which articulated the conclusions of a study identifying financing schemes for MSMEs conducted by the Regional Planning and Development Agency (BAPPEDA) of Tangerang Regency and the Information Resources Institute of the Bogor Agricultural University (LSI-IPB) in 2002.

Based on research findings conducted by researchers at the Megamendung branch of the BMI Sharia Cooperative, the findings regarding the role of the Megamendung branch in increasing the income and welfare of its members are inseparable from the results of interviews conducted by the researchers. BMI is a cooperative that provides solutions to improve financing for the community's economy, particularly micro-enterprises, stimulating the sharia economy, and increasing community members' enthusiasm for sharia cooperative activities.

The role of sharia cooperatives also serves as economic entrepreneurial organizations that serve to assist communities with limited economic opportunities. Their entrepreneurial activities are carried out in the areas of financing, investment, and savings through an income distribution system. Therefore, the role of the BMI community in sharia cooperatives is manifested in its role in the economic sector, improving the quality of its economic enterprises and enhancing the welfare of its members. The BMI Sharia Cooperative provides access to capital to those who might not otherwise have access, teaches community self-reliance and helps others.

The financing provided by the BMI Sharia Cooperative is one form of access to capital, allowing communities to obtain funding to develop and open new businesses. The existence of the BMI Sharia Cooperative also represents a concrete response to the socio-economic conditions of the community. Small communities, in particular, need a platform to help them manage their personal and collective economic situations. The BMI Sharia Cooperative applies cooperative principles and regulations to its members and members in carrying out its operational activities. The financing stage is the instrument most commonly accessed by members. The requirement is that members have or will be starting their own businesses, with varying margins depending on the type of financing. The hope is that any financing provided can be maximized to improve family welfare. This financing distribution is also expected to stimulate the community to actively participate in economic development activities. In addition to its role as a capital provider, the BMI Sharia Cooperative

provides capital for businesses without requiring a fixed margin. This is to encourage indigent members to start their businesses without worrying about exceeding the loan principal. This Qard (financing) provision is still in the learning phase of the business, so the repayment period is adjusted to the recipient's financial capacity.

In providing financing to micro-entrepreneurs across the Megamendung sub-district, the BMI Sharia Cooperative, Megamendung branch, plays a key role by utilizing financing products issued to channel funds to micro-entrepreneurs willing to partner with the BMI Sharia Cooperative, Megamendung branch. These financing products include productive financing and investment financing.

These financing products are intended for members wishing to develop and start new businesses and increase working capital. Funds are disbursed during weekly meetings of the Central Assembly. The purpose of the financing is to increase working capital, not for other purposes, and cannot be leased. Under the central financing contract, monthly installments of IDR 20,000,000 are made with a maximum term of four years or 48 months. And investment development is classified as funding. Additional compensation is based on member performance (compensation) during their time as a Lembuk member. Criteria include meeting time, cost savings, and payment quality. Funds are repaid in weekly installments, incorporating the effective funding period from the central consultation event. Financing for clean water or sewerage systems, in particular, can be done directly as a single financing option or through a more in-depth

financing analysis without product financing.

An interview with Mr. Ade, the regional manager of the BMI Sharia Cooperative, Megamendung branch, revealed that the financing options available at the BMI Sharia Cooperative, based on Sharia contracts, include: Qard, Ijarah (rent/wages), and/or Murabahah (sale and purchase), Mudharabah (profit sharing), Istishna' (ordering), and Musyarakah (partnership). These financing options at the BMI Sharia Cooperative, Megamendung branch, meet the needs of members, providing both productive and investment financing.

The role of the BMI Sharia Cooperative, Megamendung branch, is inseparable from helping increase members' income through financing. It provides easy financing for business capital, ensuring the smooth running of members' businesses and increasing income. The BMI Sharia Cooperative, Megamendung branch, provides easy financing to members, educates members, helps develop and streamline their businesses, increases members' capital, and provides investment financing for their well-being.

Interviews indicate that the BMI Sharia Cooperative, Megamendung branch, plays a significant role in improving members' well-being by facilitating productive financing for businesses and investments to boost their income, providing gifts/souvenirs to members at the annual membership meeting, and holding a special year-end meeting, which regularly monitors members' well-being every three months.

Financing Facilities for Members from the BMI Sharia Cooperative, Megamendung Branch

The facilities provided to members of the BMI Sharia Cooperative, Megamendung Branch, include:

1. Providing loan products or micro-financing for business partners for the first period to members. This is to help build and facilitate the smooth running of their businesses, as needed by members and prospective members. If members meet the requirements and are running smoothly, and are also on time with payments, the micro-financing for business partners for the second period or beyond can be continued.
2. We offer loans/financial products through the Kordul Hasan contract. The BMI Sharia Cooperative, Megamendung Branch, is committed to providing excellent service to members experiencing financial difficulties and facilitating access to Qordul Hasan loans/financial products. This product is designed to support sustainable business, increase interest in your business, and expand your social circle.
3. Providing home improvement loans to our members who wish to renovate their homes, with a maximum loan amount of IDR 30,000,000 per member, with a minimum membership requirement of two years. The maximum term is 15 years, and the contract used is Istishna.
4. Providing a home down payment loan option to members who wish to build a home with a maximum loan amount of 80,000,000. The loan term is 2 years, with a maximum term of 15 years, and the contract is based on Istishna.

5. Offering an Education Funding Facility with a maximum loan amount of Rp 10,000,000 to members whose children have completed 12 years of compulsory education. 10,000,000. Used for rent with a 5-year contract.
6. Providing a health financing facility to members who desire healthy healthcare facilities with maximum financial value. 12,000,000. With a term of up to 10 years, the contract is based on Istishna.
7. Providing an Umrah financing facility for our members who wish to perform the Umrah pilgrimage with a maximum financing cost of Rp 15,000,000. The minimum membership requirement is 3 years, with a maximum term of 3 years, and the contract is based on Wakalah Bil Ujra, and a deposit of Rp 15,000,000. 10,000,000 comes from savings or cash.

Increasing Member Income

The BMI Sharia Cooperative, Megamendung Branch, plays a role in increasing member income by providing capital and coaching, enabling members to increase their income. This capital situation determines the business performance of the BMI Sharia Cooperative members, Megamendung Branch.

Table 2. Income before and after financing

No	Name	Average Monthly Income		Information.
		Before	After	
1	Nurlela	3 Juta	4 Juta	increase
2	Yanti	1.5 Juta	2 Juta	increase
3	Nani	4 Juta	6 Juta	increase
4	Larsi h	3 Juta	3 Juta	increase
5	Helmi	3 Juta	4 Juta	increase
6	Ninin g	2 Juta	3 Juta	increase

7	Heni	2 Juta	3 Juta	increase
8	Meli	500rb	1 Juta	increase
9	Een	500rb	1 Juta	increase
10	Nina	500rb	1 Juta	increase
11	Larsi	5 Juta	6 Juta	increase
12	Puput	500rb	1 Juta	increase
13	Rotun	2 Juta	3 Juta	increase
14	Koko m	2 Juta	3 Juta	increase
15	Mulya ni	1 Juta	2 Juta	increase
16	Eli	1 Juta	2 Juta	increase
17	Surya ni	2 Juta	4 Juta	increase
18	Sulast ri	3 Juta	3 Juta	increase
19	Linda sari	3 Juta	4 Juta	increase
20	Aas	2 Juta	3 Juta	increase

Source: Members of the BMI Cooperative, Megamendung Branch, 2022

Table 2 shows that twenty informants interviewed stated that their income increased after receiving business financing from the BMI Sharia Cooperative, Megamendung Branch. Although their income did not increase significantly, members were able to increase their income after receiving financing from the BMI Sharia Cooperative, Megamendung Branch. Ms. Nina, Ms. Een, and Ms. Puput were among the twenty informants with the smallest income, which was Rp 500,000 before receiving financing. All three stated that their income increased to Rp 1,000,000 after receiving financing from the BMI Sharia Cooperative, Megamendung Branch. This was their first time receiving financing and they intend to refinance once their initial financing is fully repaid. The financing received by Ms. Nina, Ms. Een, and Ms. Puput was used to finance additional loans, such as additional items.

Previously, they had only a few items on loan, but now they have increased their income. Ms. Larsi was the member with the highest pre-financing income, with an income of Rp. 5,000,000. Similarly, Ms. Nina stated that her income after Capital increased by Rp 6,000,000 after receiving financing from the BMI Megamendung Sharia Cooperative. Mrs. Larsi runs a meatball business. Initially, she only sold meatballs, but after receiving additional capital, she also expanded her business to include beverages. The financing she has received will be managed as effectively as possible to help her businesses grow, both her existing meatball business and her newly launched beverage business. Mrs. Larsi is interested in applying for financing at the BMI Megamendung Sharia Cooperative branch because this is her first time applying for financing. She stated that the requirements are easy. She is also pleased with the service provided by the BMI Megamendung Sharia Cooperative employees, who are willing to discuss business development.

Sharia cooperative activities can increase members' income. Having a higher income makes it easier to meet various needs. In addition, the community will really feel the benefits of the funds received by the community in financing the community's economy through the BMI Sharia Cooperative, Megamendung branch, so that it will have a positive impact on the economic growth of the Cooperative community. The average income of all informants before financing was IDR 2,075,000, while after receiving financing from the BMI Sharia Cooperative, Megamendung branch, the average income was IDR 3,175,000. If we enter the average income percentage formula in the table on page, we obtain the following results:

Average Income Percentage

$$\begin{aligned}
 &= \frac{P_n - P_o}{P_o} \times 100\% \\
 &= \frac{Rp.3.175.000 - Rp.2.075.000}{Rp.2.075.000} \times 100\% \\
 &= \frac{Rp.1.100.000}{Rp.2.075.000} \times 100\% \\
 &= 53,02\%
 \end{aligned}$$

The above results align with the theory that financing serves as business capital to increase income. This means that the financing respondents received from the BMI Sharia Cooperative, Megamendung branch, can increase their business income (Wati, 2019). This indicates that there was an increase in respondents' monthly income after receiving financing from the BMI Sharia Cooperative, Megamendung branch, namely an increase of 53.02%. Therefore, the BMI Sharia Cooperative, Megamendung branch, plays a role in increasing the business income of BMI Sharia Cooperative members, Megamendung branch.

CONCLUSION AND IMPLICATIONS

The role of the BMI Sharia Cooperative, Megamendung branch, is through micro-enterprise financing by providing financing products under the murobahah contract, along with micro-scheme products for business partners. The BMI Sharia Cooperative, Megamendung branch, provides productive financing and investment financing. Productive financing is intended for individuals seeking to develop or start new businesses. Investment financing provides home renovation financing, no-down payment home financing, education financing, sanitation financing, and Umrah financing.

The financing role of the BMI Sharia Cooperative, Megamendung branch, has been instrumental in increasing the income of its members. Data from the BMI Sharia Cooperative, Megamendung branch, showed an increase in monthly income for members after receiving financing from the BMI Sharia Cooperative, from an average previous income of Rp 2,075,000 to Rp 3,175,000 after financing, representing a 53.02% increase compared to pre-financing income.

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