

Analysis of Short Term Funding with Mudharabah Agreements in Bank Syariah Indonesia (Study on Indonesian Sharia Bank KC Jambi Gatot Subroto)

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Abstract

This research discusses the Analysis of Short-Term Funding with Mudharabah Agreements at Indonesian Sharia Banks (Study at the Jambi Gatot Subroto Branch Office Sharia Bank). The aim of this research is to describe the causes of the decline in the level of mudharabah financing in 2020 and the reasons why short-term funding in mudharabah contracts is less banking friendly due to the complexity and many requirements for MSMEs. This research is field research using descriptive qualitative methods. Data collection involves observation, interviews and documentation. Test the validity of this research using triangulation techniques. The subjects in this research were Bank Syariah Indonesia Jambi Gatot Subroto Branch Office. The results of this research show that there are two factors causing the decline in mudharabah financing in 2020, namely internal and external factors, internal factors include ineffective risk management, inefficient operational management, and declining service quality. External factors include the COVID-19 pandemic and the unreliability of customers in mudharabah financing. The factors that cause short-term funding at Bank Syariah Indonesia Jambi Gatot Subroto Branch Office to be less banking friendly towards MSMEs are internal factors including fairly strict risk policies, complicated requirements, and a lack of understanding about MSMEs. External factors include a lack of support infrastructure such as providing business training with short-term funding.

Keywords: Financial Literacy, Financial Socialization, Observation

INTRODUCTION

Short-term funding is loan funds provided by financial institutions for specific purposes and must be repaid within a maximum period of one year. This funding source can come from various places, from banks to companies where you work. Due to the short payment time limit, the loan limit usually given is lower compared to long-term financing. In addition, the lender will evaluate and assess the borrower's profile to determine their suitability for receiving short-term financing. Short-term funding has advantages and disadvantages in practice in the field. Technically, the advantages of short-term funding are (low interest, fast disbursement of funds, relatively easier documentation requirements). Meanwhile, the weakness of short-term funding (the nominal amount of the loan is relatively limited, the number of installments is high, not intended for business capital, the administration fees charged are quite high, the late payment fees are quite high). (Ike Purnamasari, 2023)

In the context of short-term economic development, Islamic banking has not yet had a significant impact. Short-term funding has advantages such as low interest, fast disbursement of funds, and relatively easy documentation requirements. However, there are also weaknesses such as limited loan amounts, high installments, not suitable for business capital, high administration costs, and quite large late fines. The main principle in short-term funding in Islamic banking is to strengthen institutions, especially when facing liquidity difficulties. Liquidity here is the ability to meet cash needs immediately at appropriate costs. The liquidity function includes carrying out daily business transactions, handling urgent needs, and meeting customer requests for loans, as well as providing flexibility to pursue profitable investment opportunities. (Ni Putu Ari

Aryawati et al., 2023) Sharia financial institutions operate based on Islamic sharia principles, the same as the functions carried out by conventional banks. Based on Law no. 21 of 2008 concerning sharia banking, sharia banks are banks that carry out their business activities based on sharia principles, including collecting and distributing funds from the public.¹ Bank Syariah Indonesia (BSI) Jambi Gatot Subroto Branch Office applies profit and loss sharing in the Mudharabah agreement, where profits and losses from economic or business activities are shared together. BSI also serves customers who want to save or get financing, including MSMEs, micro, small and medium. This financing often requires quick capital, so short-term financing is needed. However, the opportunities for financing MSMEs with a Mudharabah agreement need to be understood well. Short-term funding at BSI KC Jambi Gatot Subroto could be unfriendly for MSMEs if high interest rates put financial pressure on MSMEs, or if short-term funding does not consider the impact on MSME businesses. Apart from that, limited access to financial institutions such as difficulties in finding, accessing and obtaining financial services due to lack of collateral are also inhibiting factors.

This short-term funding is used to meet liquidity needs or support projects with additional capital for a short period of time. However, short-term financing with a Mudharabah agreement has weaknesses such as no collateral, limited capital, and results that are not guaranteed. Islamic banks are often unfriendly to MSMEs due to strict requirements, complicated processes, lack of understanding, and lack of education. Banks also consider higher liquidity risk and business risk in MSMEs, so they require an effective risk management mechanism to support short-term funding. This short-term funding is carried out to reduce risks, especially those related to agency problems with a level of honesty that is not yet completely reliable, so this financing is provided in a short period of time. However, mudharabah financing is also the best tool to write off interest in various transactions. However, banks' demands for detailed information about the activities being financed can reduce the freedom of entrepreneurs who actually prefer independence without interference in their loans. The short term of financing also makes it easier for banks to estimate returns and business risks, because mudharabah financing is considered high risk. Therefore, to minimize risk, the financing period is shortened.

Formulation of the problem

Based on the background of the problem above, the main problems discussed are as follows:

1. What caused the decline in mudharabah financing in 2020.
2. What causes short-term funding at BSI KC Jambi Gatot Subroto to be not banking friendly due to the complexity and many requirements for MSMEs.

OBJECTIVE By referring to the problems above, the research results aim as follows:

1. to find out the causes of the decline in mudharabah financing in 2020.
2. to find out what causes short-term funding to be banking-unfriendly for msme.

METHOD

This research employs a descriptive qualitative approach to analyze short-term funding with Mudharabah agreements at Bank Syariah Indonesia (BSI) Jambi Gatot Subroto Branch. The following methods were utilized for data collection:

1. *Observation*: Direct observation was conducted at the BSI branch to understand the operational processes and interactions between bank staff and customers.
2. *Interviews*: Semi-structured interviews were conducted with bank employees, including relationship managers and operational staff, to gather insights into the challenges and requirements of Mudharabah financing. Additionally, interviews were held with MSME clients to understand their experiences and perceptions regarding short-term funding.
3. *Documentation*: Relevant documents, such as internal reports on Mudharabah financing, customer feedback forms, and policy guidelines, were reviewed to support the data collected from observations and interviews.
4. *Triangulation*: To validate the findings, triangulation techniques were applied, combining data from observations, interviews, and documentation to ensure a comprehensive understanding of the issues.

RESULTS AND DISCUSSION

Results

The findings of this research indicate that the decline in mudharabah financing in 2020 can be attributed to both internal and external factors.

1. Internal Factors:

- **Ineffective Risk Management:** The bank's approach to risk management has not been adequately robust, leading to increased hesitancy in approving mudharabah financing applications. Many employees expressed concerns about potential defaults, which influenced their decision-making processes.
- **Inefficient Operational Management:** Operational inefficiencies were identified, particularly regarding the processing of financing applications. Delays and bureaucratic hurdles contributed to customer dissatisfaction and, ultimately, to a decline in financing requests.
- **Declining Service Quality:** Feedback from customers revealed that the quality of service had diminished, with complaints regarding slow responses and lack of clarity in communication regarding financing terms and conditions.

2. External Factors:

- **COVID-19 Pandemic:** The pandemic significantly impacted the economic landscape, leading to decreased demand for financing as businesses faced uncertainty. Many potential clients were unwilling to take on debt during these challenging times.
- **Unreliable Customers:** The research highlighted concerns about the reliability of customers seeking mudharabah financing, as many lacked the necessary documentation and understanding of the requirements, leading to increased rejection rates.

Discussion

The results of this study underscore the complexities surrounding short-term funding with mudharabah agreements in Islamic banking, particularly at the Bank Syariah Indonesia (BSI) Jambi Gatot Subroto Branch. The findings align with prior research that indicates that effective risk management and operational efficiency are critical to the success of Islamic financing products.

1. Complexity and Requirements for MSMEs: The study revealed that the stringent requirements and complex processes associated with mudharabah agreements pose significant barriers for Micro, Small, and Medium Enterprises (MSMEs). Many MSMEs are not fully aware of the financing options available to them and lack the necessary financial literacy to navigate the banking system effectively.

2. Recommendations for Improvement: To enhance the accessibility of mudharabah financing for MSMEs, it is essential for banks to simplify their processes and provide clearer guidelines. Workshops and training sessions aimed at educating potential clients about the requirements and benefits of mudharabah agreements could significantly improve uptake.

3. Role of Financial Literacy: Increasing financial literacy among MSMEs is crucial for fostering a better understanding of how to leverage short-term funding effectively. This could involve collaboration between banks and local business organizations to facilitate educational programs and provide ongoing support.

4. Addressing External Challenges: The impact of external factors, particularly the economic fallout from the COVID-19 pandemic, suggests that banks need to be more adaptive in their approach. Developing contingency strategies and offering more flexible terms could alleviate some of the pressures faced by potential borrowers during economic downturns.

CONCLUSIONS

This study highlights the significant challenges faced by Bank Syariah Indonesia (BSI) in providing short-term funding through Mudharabah agreements, particularly for micro, small, and medium enterprises (MSMEs) at the Jambi Gatot Subroto Branch. The decline in Mudharabah financing in 2020 can be attributed to both internal factors—such as ineffective risk management, operational inefficiencies, and declining service

quality—and external factors, notably the adverse economic effects of the COVID-19 pandemic and concerns regarding customer reliability.

The findings indicate that the current short-term funding practices are perceived as less friendly to MSMEs due to strict risk policies, complicated requirements, and a lack of financial literacy among potential borrowers. To enhance the accessibility and effectiveness of Mudharabah financing, it is essential for BSI to reevaluate its operational strategies, improve customer service, streamline application processes, and invest in financial education programs for MSMEs.

By addressing these issues, BSI can better support the growth and sustainability of MSMEs, ultimately contributing to the broader economic development of the region. Future research should explore the long-term impacts of these strategies on MSME growth and the overall effectiveness of Mudharabah financing in the Islamic banking sector.

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