

## The Role of Sharia Micro Financing in the Development of Micro Small and Medium Enterprises in Telanaipura District

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Article history: received June 30, 2024; revised July 18, 2024; accepted August 29, 2024

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### Abstract

Micro, Small and Medium Enterprises (MSMEs) are an important part of the economy of a country or region, including Indonesia. The development of the MSME sector provides its own meaning in efforts to increase economic growth and in efforts to reduce the poverty rate in a country. The role of sharia microfinance plays an important role in business development for MSMEs. The aim is to find out whether MSME actors have run their businesses using sharia microfinancing and what role sharia microfinance plays in business development for these MSME actors. This research is field research using qualitative methods. Data collection techniques using observation, interviews and documentation. The interview this time consisted of several MSME actors in the Telanaipura District, Jambi City. The results of this research are MSME actors in Telanaipura District who have run their businesses by carrying out sharia micro financing and the important role of sharia micro financing in business development for these MSME actors.

**Keywords:** Development, Sharia Microfinance Small and Medium Finance (MSMEs)

### INTRODUCTION

Economic globalization, for countries that are able to take advantage of it, is an opportunity to encourage economic growth. One form of opportunity to take advantage of the global market is products (goods and services), generally in Indonesia the characteristics that are in demand by the international market are goods produced by micro, small and medium enterprises (MSMEs). This MSME business is an activity that produces products to meet consumer needs and desires and generates profits through value creation and transaction processes. Developing a business is the same as developing activities, developing products, sales, consumers, increasing profits, product value, product excellence and product distribution.

In the current context of Indonesia's economic development, MSMEs have a vital role in the economic structure. MSMEs also play a role in alleviating poverty and unemployment both directly and indirectly. This can happen because MSMEs have a high level of flexibility and elasticity in facing market changes. So that even in the midst of economic turmoil, MSMEs are still able to maintain their existence. There is no need to doubt its success as the backbone of the economy in many countries, both in terms of employment, its resilience in facing the ups and downs of economic growth and its ability to contribute to a country's GDP.

The fairly rapid development of MSMEs indicates that there is great potential for domestic strength. This will become a powerful economic force if managed and developed properly. However, MSMEs also have problems include the distribution of products produced, weak business management, and access to formal sources of financing, especially banking. With the various obstacles faced by MSMEs, the government and related parties should quickly play an active role in encouraging this sector to develop better. One of the problems in the development of MSMEs is the limited capital they have and the difficulty of accessing capital sources. In such conditions, it will be very difficult for this group to get out of problems that have usually been going on for a long time, unless there is intervention from other parties, namely sharia financial institutions.

The limited access to financing sources faced by MSME actors, especially from formal financial institutions such as banks, causes them to depend on informal sources. The forms of these sources vary from money lenders (loan sharks) to developing in the form of savings and loan units, cooperatives and other forms

commonly referred to as Microfinance Institutions (LKM). Sharia microfinancing for the current economic development of Indonesian society can be done by providing financing capital to customers to develop existing businesses or open new business branches.

According to data from the Jambi Province Cooperatives and MSMEs Service, the number of MSMEs in Jambi Province has increased. MSMEs can be categorized as micro businesses, small businesses and medium businesses. Jambi City, as the capital of Jambi Province, has an increase in the number of MSMEs in 2021-2022 in eleven sub-districts, including the sub-districts of East Jambi, South Jambi, Lake Teluk, Lake Sipin, Kota Baru, Pasar Jambi, Alam Barajo, Jelutung, Telanaipura, Pelayangan, and Paal Merah.

As the center of government, trade and main services in Jambi Province. Jambi City is an area that connects the central and eastern routes of Sumatra and has the potential to become a regional trade center because of its geographical location. The Jambi City Government continues to sharpen its goals and achievements in development programs in the economic sector, which are aimed at increasing investment, development and increasing trade and service infrastructure.

**Table 1.**

Jambi City MSME Data as of 31 December 2022

No	Subdistrict	MSME Recapitulation	Business Fields				
			Culinary	Fashion	Trade/ Industry	Services/ Others	Agriculture/ Farm
1	East Jambi	6.528	2.989	36	3.157	933	200
2	South Jambi	5.178	2.063	42	1.880	847	120
3	Lake Teluk	2.161	646	131	983	461	333
4	Lake Sipin	4.457	1.637	54	1.917	768	103
5	Kota Baru	5.313	1.483	33	1.956	760	149
6	Pasar Jambi	2.690	621	28	787	212	17
7	Alam Barajo	6.029	1.937	43	2.284	974	182
8	Jelutung	4.845	2.043	250	2.298	764	81
9	Telanaipura	4.265	1.563	57	1.627	688	263
10	Pelayangan	2.666	1.072	85	1.269	622	229
11	Paal Merah	7.126	2.832	41	2.760	1.563	395
<b>Amount</b>		<b>51.258</b>	<b>18.876</b>	<b>800</b>	<b>20.918</b>	<b>8.592</b>	<b>2.072</b>

Source: Dinas Tenaga Kerja, Koperasi dan UKM Kota Jambi, 2022

Based on data from the number of MSMEs per sub-district in Jambi City in 2022 above, it can be seen that the number of MSMEs in Jambi City has increased compared to the previous year. With the large number of MSMEs that are developing well in Jambi City, this has become one of the successes in the economy in Jambi City. One of the sub-districts with fairly good economic activities in Jambi City is Telanaipura Sub-district. Telanaipura is one of the sub-districts that has quite a lot of business units and is a source of income for the residents of Telanaipura and residents of the surrounding sub-districts.

Seeing this potential, in this research the author is interested in knowing the role of sharia microfinancing in MSMEs in Telanaipura District, Jambi City. In this research, the author conducted interviews with several MSME actors in Telanaipura District, Jambi City. Some MSME actors carry out sharia micro financing because these MSME actors have the desire to increase income. However, there are not many of these MSME actors whose wishes are not achieved. This is caused by the lack of effect of sharia microfinancing on increasing their business income.

## Literature Review

Micro, Small and Medium Enterprises (MSMEs) are an important part of the economy of a country or region, including Indonesia. The development of the Small and Medium Enterprises (MSME) sector provides its own meaning in efforts to increase economic growth and in efforts to reduce a country's poverty rate. The growth and development of the MSME sector is often interpreted as an indicator of development success,

especially for countries that have low per capita income.

Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), the meaning of MSMEs is:

1. Micro Business is a productive business owned by an individual and/or individual business entity that meets the Micro Business criteria as regulated in this Law.
2. Small businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of medium or large businesses that meet Small Business criteria as intended in this Law.
3. Medium Business is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or is part, either directly or indirectly, of a Small Business or large business with a large amount of wealth. net or annual sales proceeds as regulated in the Law.

MSMEs play a very important role in absorbing informal sector workers and equalizing community income, especially in the regions. Therefore, various supporting policies and programs have been formulated and implemented by the central and regional governments to support the empowerment of MSMEs and sustainable growth of MSMEs. These supporting policies and programs aim to protect and develop MSMEs through creating a conducive business climate.

The very large role of MSMEs provides an explanation that MSMEs must be able to be improved even better. MSMEs will be able to survive and compete if they are able to implement good management. Management management generally covers the areas of marketing, production, human resources (HR), and finance. Certain concepts and designs at the strategic level are key success factors. Analysis of markets, customers and products is very important in a complex world. Based on their development, MSMEs can be divided into 4 criteria, namely:

1. Livelihood Activities, namely SMEs that are used as work opportunities to earn a living, which is more commonly known as the informal sector. For example, street vendors.
2. Micro Enterprise, namely SMEs that have craftsman characteristics but do not yet have entrepreneurial characteristics.
3. Small Dynamic Enterprise, namely SMEs that have an entrepreneurial spirit and are able to accept subcontracting and export work.
4. Fast Moving Enterprise, namely SMEs that have an entrepreneurial spirit and will transform into a Large Enterprise (UB).

MSMEs have characteristics, namely: the types of commodities or goods in their business are not fixed, or can change at any time, the place where they run their business can change at any time, their business has not yet implemented administration, even personal finances and business finances are still combined, human resources They don't have a strong entrepreneurial spirit, usually the education level of human resources is still low, then usually MSME players don't have access to banking, but some have access to non-bank financial institutions, in general they don't have business permits or legal documents, including NPWP.

## **METHOD**

The type of research used in this research is qualitative research. This research is descriptive qualitative in nature. Descriptive research is research that truly describes what is happening in a particular area or field. Qualitative research or qualitative research is a type of research that produces discoveries that cannot be achieved using statistical procedures or other quantitative methods. The location of this research is located in front of Campus I UIN STS Jambi which is in Telanaipura District, Jambi City, Jambi Province. The objects of this research are MSME actors who are in front of Campus I UIN STS Jambi, Telanaipura District, Jambi City, Jambi Province. The research technique used in this research is observation, interviews and documentation. As for obtaining accuracy in research, researchers use triangulation techniques which combine various data collection techniques and existing data sources. The triangulation method that will be used by researchers is that in the initial stage the researcher will carry out observations. Next, in the second stage, researchers will conduct interviews with 10 (ten) MSME actors in Telanaipura District, Jambi City.

## RESULTS AND DISCUSSION

### 1. What is Islamic Microfinance

Financing is funding provided by one party to another party to support planned investments, whether carried out by themselves or by institutions. In other words, financing is funding issued to support planned investments. Law no. 2 of 2008 concerning sharia banking explains that financing is the provision of funds or bills which are equivalent to:

- a. Rental transactions in the form of mudharabah and musyarakah.
- b. Lease transactions in the form of ijarah or hire purchase in the form of ijarah Muntaiya bittamlik.
- c. Sale and purchase transactions in the form of murabahah, salam and istishna' receivables.
- d. Lending and borrowing transactions in the form of qardh receivables.
- e. Service rental transactions in the form of ijarah for multi-services.

The aim of financing based on sharia principles is to increase job opportunities and economic welfare in accordance with job opportunities and economic welfare in accordance with Islamic values. This financing must be enjoyed by as many entrepreneurs engaged in industry, agriculture and trade as possible to support employment opportunities and support the production and distribution of goods and services in order to meet domestic and export needs.

Micro sharia is an analytical framework that studies individual behavior and decision making in the economy, based on Islamic values and principles. In contrast to conventional microeconomics, micro sharia includes sharia limitations as the main variable in its analysis. Micro sharia is also a microfinance system designed to provide financial access to individuals and microentrepreneurs who are not served by the conventional financial system, while still upholding Islamic ethical and moral values.

Micro sharia has 2 foundations, namely the Al-Qur'an and hadith which are the main sources of guidance in micro sharia theory, containing basic principles such as justice, balance and the prohibition of usury. Then maqasid sharia which includes the main objectives of Islamic sharia, such as protecting religion, soul, mind, property and descendants. The objectives of micro sharia are:

- a. Increasing financial access: Providing financial access to the poor and micro-entrepreneurs who have not been touched by the conventional financial system.
- b. Alleviating poverty: Helping poor people to improve their standard of living through access to capital and other financial services.
- c. Developing the sharia economy: Encouraging sharia economic growth in various sectors, including the financial sector.

Meanwhile, according to micro sharia products and services, they can be divided into several parts, namely:

- a. Financing: Providing capital for micro businesses, with various sharia contracts such as mudharabah, musyarakah, murabahah, and others.
- b. Savings: Receive savings funds from the public with various types of products such as wadiah and mudharabah.
- c. Other services: Providing other financial services such as money transfers, bill payments and zakat.

Therefore, it can be concluded that sharia microfinancing is a form of loan distributed by sharia financial institutions, such as sharia banks, sharia cooperatives and BMT (Sharia Micro Transaction Agency) to MSME entrepreneurs. This financing is usually carried out using sharia principles, such as profit sharing and using the 5C assessment principle (character, capacity, capital, conditions and guarantees). This principle aims to determine the suitability of the borrower.

The aim of sharia microfinancing is to help lower-middle economic communities improve their quality of life and contribute to economic growth by providing easier and faster access to finance that is community and family-based. At MSMEs in Telanaipura District, especially in front of Campus I UIN STS Jambi. Knowledge of sharia microfinancing is very high, both those who have carried out financing and those who have not carried out financing.

## 2. Views of MSMEs in Telanaipura District Regarding the Role of Sharia Microfinance in Business Development

Basically, sharia microfinancing can be a supporting factor in the progress of Indonesian MSMEs, especially in Telanaipura District, Jambi City. With this sharia micro financing, it can be an aid to MSMEs to fulfill their business capital so that the business they run can develop and have a positive impact on the surrounding community.

The fairly rapid development of MSMEs indicates that there is great potential for domestic strength. This will become a powerful economic force if managed and developed properly. However, MSMEs also have problems, including the distribution of products produced, weak business management, and access to formal sources of financing, especially sharia microfinancing.

As an MSME actor, it is very important to have awareness in developing your business so that it can experience growth. With the existence of sharia microfinancing which can help MSMEs to develop their businesses, it will provide encouragement and support from the government and related parties to continue to help advance MSMEs in Indonesia, especially in the Telanaipura District, Jambi City.

To carry out sharia micro financing, you can start with an application for sharia micro financing submitted directly by the business actor in writing to a sharia bank or cooperative. The application for sharia micro financing must be accompanied by business actor data documents, name and type of product, equipment needed and the required budget. Next, it will be processed by the bank or sharia cooperative so that it can obtain funding from sharia microfinancing. If the business actor meets the criteria for carrying out sharia micro financing, then the funding for the sharia micro financing can be disbursed or used as capital and business assistance.

## 3. Obstacles Faced by MSME Players in Carrying out Sharia Micro Financing for Their Business Development

In carrying out sharia microfinancing, there are usually several obstacles that become obstacles for business actors to carry out financing. This is what makes MSMEs experience setbacks and can even go bankrupt. Based on the results of interviews, researchers have found the things that hinder MSME players from carrying out sharia microfinancing for their business development.

As stated by Mr. Madhon as the owner of the green chilli penyet chicken who said that: "The obstacle usually faced by MSME players in carrying out sharia micro financing is the long verification and disbursement process, even though the financing is used in the short term" Another finding in MSMEs in Telanaipura District, as stated by Bang Dedi as an employee of Seblak Nona, was that: "Usually the problem with sharia micro financing is the results of the disbursement of funds, because the initial application made by the MSME actor is different from the final result of the disbursement of funds obtained by the MSME actor. "This is what usually becomes an obstacle in sharia microfinancing for the business development of MSME players."

Based on the results of the interview above, it can be concluded that MSME actors in Telanaipura District still have problems in carrying out sharia micro financing, so this becomes an obstacle in developing their business. This is what makes the role of sharia microfinancing unable to help MSMEs to develop their businesses.

## CONCLUSION

Based on research results and discussion of the role of sharia micro financing in the development of micro, small and medium enterprises (MSMEs) in Telanaipura District, Jambi City, author drawing up some conclusions, as follows:

1. Sharia microfinancing is a form of loan distributed by sharia financial institutions, such as sharia banks, sharia cooperatives and BMT (Sharia Microtransaction Agency) to MSME entrepreneurs. This financing is usually carried out using sharia principles with the aim of helping middle to lower economic communities improve their quality of life and contribute to economic growth by providing easier and faster financial access and is community and family based.
2. The views of MSME actors in Telanaipura District, Jambi City regarding the existence of sharia microfinancing as a form of assistance and encouragement from the Indonesian government in accelerating economic growth in Indonesia, especially in Telanaipura District, Jambi City. So that MSME

actors in Telanaipura District, Jambi City can continue to develop their businesses and create employment opportunities and reduce poverty rates in Indonesia, especially in Telanaipura District, Jambi City.

3. What is an obstacle for MSME players to carry out sharia micro financing in developing their business is the verification process carried out by banks and sharia cooperatives which often experiences delays. So that MSME players cannot use this financing as initial capital for their business. Then there are obstacles such as the results of the disbursement of funds issued by the financing party not being in accordance with what was initially submitted by the MSME players. So MSME players feel that the profits they get do not match the capital they spend.

#### ACKNOWLEDGEMENTS

We would like to express our deepest gratitude to all those who have contributed to the completion of this research. Our heartfelt thanks go to:

1. Universitas Islam Negeri Sulthan Thaha Saifuddin Jambi, for providing the institutional support and resources necessary for this study.
2. Islamic economics study program, for providing the institutional support and resources necessary for this study.
3. Family and freands, for their constant encouragement and understanding throughout the research process.

We also extend our thanks to the journal editorial team and reviewers for their constructive feedback and guidance, which greatly enhanced the quality of this work.

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