

The Policy Role of Bank Syariah Indonesia for MSMEs Sector in Community Economic Empowerment

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Abstract

The people's economy can be improved through the micro business sector. The issue of the role of Bank Syariah Indonesia (BSI) as a competent Islamic bank is a new hope for these business actors. Unfortunately, previous studies have not disclosed in depth the programs and policies of BSI after the merger. This study aims to determine the policy of Islamic banking toward the micro-business sector to empower the community's economy. The study was conducted on Bank Syariah Mandiri (BSM), which merged with two other large Islamic banks, Bank Rakyat Indonesia Syariah (BRI Syariah) and Bank Negara Indonesia Syariah (BNI Syariah), and became BSI. The research design used a qualitative approach with data collection techniques in interviews, observation, and documentation. BSI is a bank that collects and distributes funds to the public based on sharia principles. The findings show that BSI maintained its reputation as a competent Islamic bank in community empowerment efforts. This is evidenced by the inclusion of BSI in the Forbes list of The World's Best Banks 2021 because it has met the criteria for trust, terms and conditions, customer services, digital services, and financial advice. Although it has merged with two other Islamic banks, BSM continues to use the same system as before, except for some adjustments related to product policies regarding costs, benefits, and margin provisions by applicable regulations. Community empowerment through Micro Business products refers to Law Number 21 of

2008 concerning Islamic Banking. In its development, to support the community's economy, BSI carries out a sustainable finance agenda village economic programs, food security, sociopreneur scholarships, and siding with MSMEs.

Keywords: Bank Syariah Indonesia; policy; MSMEs

INTRODUCTION

One form of Islamic Bank social responsibility is to provide financing to Micro, Small and Medium Enterprises (MSMEs), considering that MSMEs are a reflection of the people's economy, because this group is the dominant group, efforts to improve the welfare of this group, directly or indirectly constitute efforts for the welfare of the ummah (Kara, 2013; Adeyemi et al., 2015; Abdullah & Susanto, 2019; Kartawinata et al., 2020; Muttaqin et al., 2021; Izzati & Nurhasanah, 2021). Bank Syariah Indonesia (BSI) continues to channel financing aimed at community empowerment every year. As BSI was inaugurated in the first period of 2021 due to the merger, research related to BSI policy has not been thoroughly investigated by previous research. Can MSMEs fulfil the new policies on the BSI agenda so that financing problems do not always arise?

Meanwhile, financial institutions (banks) expect to provide financial services according to specific requirements and procedures to generate proportional profits. Recent studies have dominated the impact, issues, and challenges faced by Islamic banks on MSMEs (Saifurrahman & Kassim, 2021; Sabiu & Abduh, 2021). Strategic management of Islamic banks in the digital era (Utami et al.,

2020; Basrowi & Utami, 2020), the effect of the effectiveness of the board of directors, and the performance of Indonesian Islamic banks (Wijayanti et al., 2020), the practice of Corporate Social Responsibility (CSR), and the legitimacy of Indonesian Islamic Banks (Jahja et al., 2021; Gunardi et al., 2021) and the contribution of Islamic bank financing to economic growth in Indonesia (Supriani et al., 2021).

This is the novelty of this research. Research related to the new policy of PT. Bank Syariah Mandiri Tbk (BSM), which changed its name to BSI after the merger of community empowerment, has not been studied much. The literature states that these requirements and procedures are standard barometers that must be met. Again, MSMEs are not always able to fulfil this provision. Another study found that the potential for sharia fintech is even more significant in increasing MSMEs in the digital era (Syarifuddin et al., 2021). Based on the background of the problems raised, this study aims to investigate the policies of BSI related to its role in empowering the community's economy through the micro business sector. This is the main focus of this research so that it can be seen to what extent the policies and practices of BSI Bandar Lampung provide financing services to MSMEs. Given the impact of the Covid 19 pandemic, not all

MSMEs who submitted these financing proposals in their submissions could be accepted.

METHOD

The research design used is qualitative research. The data consists of primary data, namely data obtained from interviews and field observations. Secondary data comes from a documentary related to the research theme: Islamic banking and MSMEs empowerment. The documentary consists of primary legal materials, namely Law No.21 of 2008 concerning Sharia Banking and Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises. Previous research and relevant online media were also used as secondary data. The study was conducted at BSM Bandar Lampung Branch Office, which is now PT. Bank Syariah Indonesia Lampung after the merger with two Islamic banks, namely Bank Rakyat Indonesia Syariah (BRI Syariah) and Bank Negara Indonesia Syariah (BNI Syariah).

The research data was considered reliable because the researchers extended the observation and interview process so that all informants obtained consistent data and did not change anymore. Going deeper, to test the validity of the data so that the data is considered to have credibility, the researchers involved colleagues in discussing providing input on the research process until the results of this study were compiled. The triangulation technique is carried out by checking the data obtained from predetermined sources. Then,

with the same reference, it was carried out using different methods, starting from interviews, observation, and primary legal materials. The interview guide focuses on BSI policy themes and economic empowerment, including its implementation on the application of environmental, social, and governance or ESG principles. Qualitative data analysis refers to the theory of [Marshall & Rossman \(2014\)](#), carried out through 4 stages, namely: 1) research data collection according to the theme; 2) data reduction in the form of narrative text for the selection of data sources relevant to the research objectives; 3) presentation of data and 4) concluding and verifying data in response to the results of existing research.

RESULT AND DISCUSSION

The findings reveal that the new policy implemented by BSM is to conduct a joint merger with BRI Syariah and BNI Syariah, which will start operating on February 1, 2021, with total assets reaching IDR 239.56 trillion. Thus, the target for public financing will certainly continue to increase along with the merger of the three banks. Since then, BSM Branch Office Bandar Lampung has changed its name to BSI Lampung. So far, BSI policies have remained focused on increasing the role of the sharia economy to realize the welfare of the people evenly.

The development of the Islamic banking system continues to experience changes in the era of Society 5.0 ([Alharbi, 2015](#)). However, this does not apply after the merger;

there is no change because the system used is the BSM system. Some adjustments from Bank BRI Syariah and BNI Syariah are, for example, adjusting the code to 451. This seems to be due to the integration and adjustment process with the system. The new one takes a relatively long time. In terms of facilities, BSI Bandar Lampung has even provided more. Meanwhile, BSI Bandar Lampung aims to open branches in various regions to reach more people throughout Indonesia and plans to open branches in Asia and internationally.

The legal basis for implementing BSI activities refers to Law No.21 of 2008 concerning Sharia Banking. Meanwhile, the establishment of the Nomination & Remuneration Committee of the Company BSI refers to 1) Regulation of the Financial Services Authority (OJK), PJOK No.55/PJOK.03/2016 concerning the Implementation of Governance for Commercial Banks; 2) Bank Indonesia Regulation No.11/33/PBI/2009 concerning Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units; 3) Financial Services Authority Regulation No.34/PJOK.04/2014 concerning National Committee & Remuneration of Issuers or Public Companies and related laws and regulations in force in Indonesia.

Based on the legal basis regarding the implementation of sharia banking in force, BSI continues to accelerate and innovate to strengthen its role in community

economic development. There are seven keys to acceleration that BSI will build to seize the opportunities and challenges of the post-pandemic sharia economy in 2022, namely, increasing the implementation of information technology and digitization, increasing the capacity of human resources to become financial consultants, building halal ecosystems, business models, creating synergies and collaborations, seeking support from all stakeholders and increasing Islamic banking literacy. The findings reveal that customers perceive Islamic banking as a financial institution that must uphold social goals and prioritize Islamic values to stakeholders. The contribution of sharia banking is also aimed at the social welfare of the community, promoting sustainable economic development projects and poverty alleviation (Wajdi, 2008).

The existence of Islamic banks is a new energy for business actors that makes Islamic banking resilient during uncertain conditions, and asset-based financing that has clear underlying/asset guarantees. So from the bank side, it has strength from the legal and contract side. The demand for micro-entrepreneurs is high to experience the experience of transacting according to sharia principles, namely not containing *gharar*, *maysir*, usury, tyranny, and unlawful objects (Chong & Liu, 2009). This feature makes Islamic banks increasingly attractive to business actors. In addition, previous literature reveals that the promotion of equality and justice, as well as ethical and moral issues, are also potential supporting factors for Islamic banking

(Rodliyah & Ramasari, 2018; Khan, 2010; Chachi, 2006). Another study found that the decision to become a customer of Islamic banking is also related to the profit sharing offered (Gerrard & Barton, 1997).

The literature explains that empowering MSMEs requires the involvement of stakeholders in the roles of the government, non-governmental organizations, financial institutions, and business associations. Some supports for the sustainability of MSMEs empowerment are providing raw materials, relaxation, financing or business capital, and adequate infrastructure (Affandi et al., 2020). In addition, government policies in the form of legal protection (Wahyuni & Hartono, 2019), and financial institution policies must also be consistent and regularly evaluated (Kusumawardhani et al., 2015). Empowerment can also be done by adopting digital marketing and product innovation (Nurhavina, 2020; Basrowi & Utami, 2020). As explained in the previous literature, community economic empowerment requires the participation of sharia banking. BSI has great potential to sustain the empowerment of MSMEs in Lampung.

The new policy carries the vision of "Becoming One of the 10 Largest Sharia Banks Based on Global Market Capitalization in the Next 5 Years." BSI Lampung is targeting to attract millennial MSMEs as customers. With the support of various applications and digital products. Currently, BSI Lampung focuses on mobile banking, and the potential target of young people is at least 80 per cent. His

motto is "Financial Friends, Social Friends, and Spiritual Friends."

BSI continues to strive to disseminate the sharia economy in the form of local wisdom so that financing and raising funds from the community can reach all levels of society. Based on this, an estimate within 9 months must be made for integration to achieve the vision and mission for this policy during the process carried out through four stages—first, rolling out operational integration and merging basic services or basic servicing. Second, determine the new location and will be informed further. Third, the gradual integration of operations, services, and products. Fourth, BSI has been integrated as a whole (Hudaefi & Badeges, 2021)-

In realizing this goal, it is to provide financing to small communities and Micro Business actors. The collaboration is in the form of a financing partnership that uses the linkage concept, where larger Islamic banks channel Micro Business financing through smaller Islamic financial institutions, such as Sharia People's Financing Bank (BPRS) and Baitul Maal wat Tamwil (BMT). This is done because indeed the reach of large Islamic banks that have not reached small community centers. The linkage financing scheme carried out by Islamic banks with BPRS, and BMT can be channelling, executing, or joint financing. The channelling scheme places BPRS or BMT as an intermediary for BUS/UUS with micro and small business actors. At the same time, the executing scheme is carried out when the BUS/UUS

provides funding that the BPRS or BMT can utilize in financing micro and small business customers.

Observations revealed that BSI Bandar Lampung wanted to collaborate with the local government to develop Lampung Province. The current focus of the people's economic empowerment program is food security, the health sector, and sociopreneurs. BSI distributed infrastructure assistance to hospitals and provided 40 basic food packages to the Regional Office of the Ministry of Religion of Lampung Province as a form of social service and concern. In the spiritual field, BSI distributed aid for constructing a mosque in Tanggamus amounting to 10 million. BSI and the Bangun Sejahtera Mitra Umat Foundation have a flagship program called Desa BSI or the Empowered Prosperous Village of Indonesia. This program is carried out with intensive technical assistance, opening access to banks and Islamic da'wah. There are six BSI villages, including Rejo Asli and Lampung. The BSI village program also aims to support creating a non-cash transaction culture and good family money management. Since this program was carried out in Lampung, the assets of farmer groups have increased from IDR 2.5 billion, now it has increased to IDR 4.2 billion. The turnover of farmers in BSI Lampung Village increased by 2200 per cent with a factory net profit of IDR 757 million. At the program's end, farmers' welfare with 100 per cent of poor households moved into prosperous households and the

inclusion of 52 partner family heads. At the central level, in 2022 BSI distributed Corporate Social Responsibility (CSR) data in the socio-economic sector of IDR 84.1 billion.

BSI has a high priority for Micro Business actors through financing products. There have been several changes to the name of financing products for customers. Changes in costs, benefits, and so on are informed according to applicable regulations, including changes on margins. Even though there is a policy regarding the change of product name and its provisions, the distribution method is still the same. There is no fine for arrears, including no changes to existing customer instalments. This means that it remains by the contract signed between the financing customer and the bank. Fixed financing by the contract and a mutually agreed period. This product allows customers to make loan funds for investment, working capital, and sharia business development.

Based on the results of interviews with informants, (1) "The framework of channeling financing to Islamic Bank MSMEs in two ways: direct financing and partnerships. Direct financing is channelled through BSM Micro Warungs spread throughout Indonesia. Microfinancing can be served by minimum financing of IDR. 2,000,000 to IDR. 100,000,000. Partnership Financing in collaboration with other management units such as the Sharia People's Financing Bank (BPRS), Baitul Mal Wa Tanwil (BMT), and Cooperatives or Village Unit

Cooperatives (KUD). Currently, there are around 100 thousand BMT extensions of Islamic banks. Because if you channel direct financing, the bank's expenses will be large."

Still according to the source, (2) "Revealed that the company had given a large portion to the MSMEs sector by 78 per cent. The focus of the bank is channelling financing to the agribusiness sector; the rest is channelled into the consumptive sector.

Murabahah financing for MSMEs is the largest transaction in BSI Lampung because it is seen as a transaction with the lightest level of risk compared to others, such as *mudharabah*. The types of goods traded in this *murabahah* transaction are in the form of consumptive use, such as motor vehicles, houses, and so on. There are also productive forms, such as purchasing rice and flour. In its transaction activities, by representing the customer to choose the desired item, the transaction system is a *wakalah* contract. The bank will then ask for an order invoice as proof of purchase of the item.

Wakalah contract is carried out before the formal entry into force of the *murabahah* contract. Before the formal contract is implemented, it is necessary to hold an initial discussion between the saver and the bank regarding the qualifications, the price of the goods, and the possible negotiable markup value. After an agreement is reached, the saver representing the bank will buy the goods according to the discussion and agreement of the two parties. Based

on the order invoice submitted by the saver, a formal purchase report will be made, such as the type of goods, the price of the goods, and the specified markup value (also termed in the transaction with a margin or bank profit) in addition to an advance. If an agreement has been reached, then this must be included in the contract. This is the operational practice of Islamic banking for the contract.

Easy requirements, a fast financing process, light instalments, and fixed-to-maturity are the plus points of a financing product. BSI's Micro product services adhere to the principle of profit sharing and Islamic values to not burden customers with interest rates that are prone to increase. Microfinance itself previously offered three types of products, namely, Tunas Micro Business Financing with a financing value of IDR 2 million to IDR 10 million, Middle Micro Business Financing with a value above IDR 10 million to IDR 50 million, and Primary Micro Business Financing with a value above IDR 50 million to IDR 100 million. However, since the merger, microfinance products will have new names and provisions. This is in the process of integration which is carried out in stages and is targeted for completion before the end of December 2021.

This proves that BSI is concerned about the development of Micro Enterprises. The resource person explains, (3) "Loan procedures in Warung Micro financing, namely the business has been running for at least 2 years, the next process the customer

must complete the documents consisting of a copy of the identity card, Marriage Certificate, KK (Family Card), the applicant's last photo 4x6 (2 sheets), Business Certificate from RT/RW, Tax ID Number (NPWP), proof of PBB payment and electricity/telephone/water bills and photocopies of collateral (Book of Motor Vehicle Ownership/BPKB, Certificate of Ownership/SHM, Certificate of Building Use Rights/SHGB, Deed of Sale and purchase/AJB, Land status at the National Defense Agency /GIRIK). If all the requirements have been accepted by the BOM (Back Office Micro) and the applicant's documents are complete, then the Akad can be made as an agreement between Warung Mikro and the applicant. Furthermore, the participant said that BSM provides micro-financing with a maximum ceiling of IDR 100 million. Participant added, it is hoped that with the facilities provided by Warung Mikro, small communities and MSMEs can continue to run their economy to the fullest so that the welfare of the people can be realized."

Based on the Minister of Finance Regulation No.22/ PMK.05/2010 concerning the Second Amendment to the Minister of Finance Regulation No.135/PMK.05/2008 concerning the People's Business Credit Guarantee Facility dated January 28, 2010, it is also clear in the regulation that all activities in the empowerment effort BSM micro business units must comply with all regulations through the coordinating ministry of the economy through a team of credit

guarantee committee/financing guarantor for micro, small, medium enterprises and cooperatives. This means that BSI Lampung supports the Syari'ah Banking policy in running and implementing a micro shop unit that must comply with the laws and regulations that govern it. Studies show that the policies promoted by Islamic banking significantly affect the sustainability of Islamic banks, especially in accelerating financing. For policymakers, the effectiveness of the stimulus in accelerating financing prevents possible negative impacts that may arise in the future (Nastiti & Kasri, 2019).

Judging from its implementation, it can be seen that BSI Lampung as a financing channel has been running properly through the Microfinancing program, both in financing the *murabahah* concept and *Qard Al-Hasan*. This financing concept was quite successful in helping traders, especially in Qardul Hasan's (benevolent loans) concept, which did not use any collateral. The data obtained from the marketing of BSM Microfinance at the Bandar Lampung Branch Office before the merger showed that in the application of Microfinance, the reality that can be easily served and accepted is trade and service businesses. The contract used is a *murabahah* (buy and sell) contract, which accounts for more than 80% of the financing of the total number of customers. As for other businesses such as fishing, aquaculture, animal husbandry, and agriculture, sufficient consideration still needs to be given to disbursing

financing because these businesses have a high risk. For example, revenue streams are affected by seasonal uncertainties and weather conditions.

After disbursing financing, BSI Lampung must provide managerial assistance, such as financial marketing and production aspects, and even facilitate a more efficient marketing network (trade management) that benefits MSMEs. So that what has been distributed by BSI Lampung to customers, the implementation runs more optimally. Thus, BSI Lampung becomes a business partner in a wider scope and is integrated with various circles.

In practice in the field, it must be admitted for the time being that the elements of development in the framework of community empowerment through MSMEs to foster self-reliance have not been maximally carried out for various reasons. However, the profit-sharing system has always been the driving force for banks to carry out continuous coaching. The coaching effort is aimed not only at optimizing financing for entrepreneurs to fulfil their obligations. More than that, it is in the bank's interest to continue to be involved in the operations of the company it finances to eliminate *moral hazard* from customers.

The role of Islamic banking can make a real contribution to socio-economic development in Indonesia, especially the development of MSMEs (Disli et al., 2022; Nugroho & Nugraha, 2020; Pratiwi, 2016). BSI's empowerment is only through the Shari'ah contracts, including the

Murabahah and *Qardul Hasan* contracts as a form of channelling financing, which has not touched on MSMEs empowerment efforts such as marketing training business operational management, and others as expected by some customers. Still, at least it has helped the economy on a micro-scale. Even though it has not been fully accommodated, it can be seen that there are still many traders in the market who still borrow money from moneylenders. This results from people unfamiliar with Syari'ah financial institutions and traders who are reluctant to borrow from shari'ah institutions because they are lazy to take care of borrowing procedures.

MSMEs are business activities that aim to expand employment opportunities and improve the community's economy (Hejase, 2014). As in the regulation of Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, it is stated that the empowerment of MSMEs is carried out as a unit and economic development to realize people's prosperity. The principles of MSME empowerment consist of four sub-topics (Kamal, 2019). The first is the principle of togetherness, which encourages all MSMEs and the business world to create common welfare. Second, sustainability as a planned principle seeks to encourage efforts in the development process through the continuous empowerment of MSMEs. For example, access to resources and information (Sommer, 2017; Imran et al., 2019). Third, the principle of environmental insight is a principle

that is carried out by paying attention to and prioritizing the protection and maintenance of the environment (Syntia et al., 2018). Fourth, the principle of independence as an effort to empower MSMEs is carried out by prioritizing the potential, capabilities, and independence (Habiburahman et al., 2019).

The literature explains that empowering MSMEs requires the involvement of stakeholders in the roles of the government, non-governmental organizations, financial institutions, and business associations. Some supports for the sustainability of MSMEs empowerment are providing raw materials, relaxation, financing or business capital, and adequate infrastructure (Affandi et al., 2020). In addition, government policies in the form of legal protection (Wahyuni & Hartono, 2019) and financial institution policies must also be consistent and regularly evaluated (Kusumawardhani et al., 2015). Empowerment can also be done by adopting digital marketing and product innovation (Nurhavina, 2020; Basrowi & Utami, 2020).

Facing an oblique issue related to not supporting MSMEs, BSI emphasized that BSI's policies have referred to Law No.21 of 2008 concerning Sharia Banking. Thus, it is hoped that stakeholders will believe that BSI will continue to carry out Islamic banking operations. Previous literature reveals that the role of government regulation is vital for the development of Islamic banking (Imam & Kpodar, 2016; Saifurrahman & Kassim, 2021).

In terms of MSMEs financing, BSI Lampung also emphasized that in carrying out its activities, it is aware that the development of financing to MSMEs entrepreneurs does carry the consequence of a high-risk burden. However, major risk mitigation can be done by creating a strong role model culture of leaders. And accompanied by the formation of more legal instruments to guarantee the implementation of a credible civil dispute court (Polri and Commercial Court). This can also be minimized, considering that Islamic banks appear more stable with a lower risk of financing than conventional banks (Abedifar et al., 2013). This is related to the quality of Islamic bank financing, which is less responsive to domestic interest rates than conventional banks. In addition, there is a need for synergy between the banking sector and the central bank and departments related to the economy and finance, especially in drafting regulations oriented towards developing MSMEs.

BSI believes that the empowerment of MSMEs actors is based on sharia principles which guarantee the creation of justice as the main source of socio-political peace. On the other hand, there is a need for broad socialization from scholars, scientists, and intellectuals so that the Islamic banking system can become a culture in a more religiously-based society. The MSMEs market will continue to be served, considering the experience of BRI Syariah, which has been a big player in the micro and small segments for many years.

Extensive experience from BNI Syariah in supporting trade finance financing in foreign trade. In addition, the ability of BSM to provide corporate financing will, of course, be downgraded to BSI. In this case, the advantages possessed by each Islamic bank are a distinct advantage for BSM Bandar Lampung Branch Office, which has now become BSI Lampung to support the welfare of the community.

CONCLUSION

The results of the study revealed that the implementation of policies carried out by BSI Lampung in practice had supported the people's economy. The people's economic empowerment policy is carried out through food security and sociopreneur programs in the form of BSI village development, health, social and spiritual assistance. Even though it is hit by lame problems related to MSME financing, BSI Lampung remains consistent in trying to provide the best for the people of Lampung and has great hopes of working together with the Regional Government at the Provincial level. Fixed fines are not enforced, and the timeframe refers to the agreed contract. Unfortunately, on the other hand, this policy narrows the opportunities for MSMEs to obtain financing. In the past, MSMEs applied for capital loans; they still had opportunities among the three Islamic banks. However, after the merger, financing opportunities were only focused on one Islamic bank, BSI.

Lampung should pay more attention to this.

This is further strengthened by stakeholder support through various government regulations that support the progress of the sharia economy in Indonesia. This study is limited to the implementation of BSI policies, especially BSI Lampung; it is hoped that further research will expand the scope of research by involving the impact of policies on MSMEs actors throughout Indonesia.

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