

Analysis of Characteristics of Banyumas Batik SMEs as a Basis for Development of Digital Financial Literacy Education Model

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ABSTRACT

Batik SMEs in Banyumas Regency are still experiencing problems regarding digital financial literacy. This study aims to analyze the characteristics of batik SMEs in Banyumas so that it can be seen what type of education is following the attributes of batik SMEs in Banyumas. The object of this research is the Batik MSMEs, who are members of the batik plasma, which was formed by the Berkah Rindang Kinasih cooperative, totaling 23 Batik SMEs. The method used in this study is a qualitative analysis, and the development of the model in this study follows the procedure for developing the Four-D model. Based on the results study, one of the characteristics of batik SMEs is that the business is carried out from generation to generation, so business management is still traditional. This is the basis for developing a digital literacy education model.

Keywords: Batik SMEs, Financial, Literacy, Education.

1. Introduction

Currently, information and communication technology is the backbone of the application of digital technology in every aspect of human life. We increasingly rely on advances in digital technology to support life. In its development, digital technology has become an important part of aspects of human life. Offers, account openings, or purchases of financial products and services can be done digitally. MSMEs as one of the sectors that support people's lives are expected to always follow technological developments and have digital financial literacy in accordance with the times.

Financial literacy is an ability to understand financial conditions and financial concepts and to transform that knowledge appropriately into behavior (Widyawati, 2012). Digital financial literacy will make it easier for someone to access financial products and services, either through the application of the financial service institution or applications owned by financial technology (fintech) and e-commerce businesses that also provide financial services. Thus, digital financial literacy will help increase public financial inclusion in the financial services sector quickly and

easily.

The results of the financial literacy survey conducted by the Financial Services Authority (OJK) in 2019 showed an index of 38.03 percent. This means that from around 285 million people in Indonesia, only around 108 million people are financially literate. However, it is not certain whether the 108 million people who are financially literate are also digitally literate. Vice versa, we don't know yet whether the 171.17 million people who already use the internet in Indonesia are already in the category of financial literacy. Therefore, financial literacy skills combined with digital literacy skills are an important asset for the community in facing the digitalization of the financial services sector.

Problems regarding digital financial literacy are also experienced by Batik MSMEs in Banyumas Regency. From the results of a preliminary study through interviews with the chairman of the Berkah Rindang Kinasih cooperative (BRK), it is known that the level of digital financial literacy owned by batik SMEs is still low. The Berkah Rindang Kinasih Cooperative (BRK) is a cooperative that oversees MSMEs in Banyumas Regency. Currently, there are two batik UMKM plasmas formed by the Berkah Rindang Kinasih cooperative (BRK). One plasma consists of 13 batik SMEs so that the total batik SMEs that are incorporated are 26 Batik SMEs.

Based on the information obtained, of the 26 batik MSMEs that are incorporated, 60% of them are not yet digital financial literate. This causes the scope of product marketing is still limited, the level of service to consumers through online buying and selling is still low, some groups have not used e-commerce in sales activities, and many have not used mobile banking services that can help their business development. The lack of digital financial literacy also makes it difficult for groups to get funding from banks. Digital financial literacy is very important for MSME actors because it can help MSME performance so that it is more effective and efficient. We know that businesses that are able to survive during the COVID-19 pandemic are online-based businesses, utilizing e-commerce and utilizing online financial transactions.

Various efforts have been made by various parties in increasing digital financial literacy for batik MSMEs in Banyumas. Such as training from the Department of Industry, Trade, Cooperatives and MSMEs, PLUT Central Java Province, service activities from Lecturers and from activists who care about MSMEs. However, these efforts have not yielded results in accordance with the expectations of the implementers of the activity. After the activity ended, there were still many MSMEs that did not apply the results of the training for various reasons, such as being comfortable using the usual method, difficulties with tools, signals, and so on. Therefore, this study seeks to find the right digital financial literacy education model for the MSME group.

The model designed in this study can help the parties who provide various education so that the education provided is in accordance with the needs of the Batik group and is right on target according to the characteristics of batik SMEs. This research in the first year aims to analyze the characteristics of Batik SMEs in Banyumas, the problems faced by batik SMEs in Banyumas related to digital financial literacy.

2. Literature Review

2.1 Digital Financial Literacy

Ghobakhloo in Priyadi, et al (2020) states that internal and external factors affect the level of acceptance of MSMEs towards information technology. the availability of capital or budget for

the development of information technology, top management decisions in the development of information technology, the availability of human resources in the field of information technology and the existence of applications related to MSMEs are internal factors. while competition between MSMEs, government, vendors, customers and suppliers is an external factor. Digital financial literacy according to Prayustika, et al (2020) is a person's ability to understand and use his financial abilities and skills to manage money effectively, including financial management. The Organization for Economic Cooperation and Development (OECD) defines financial literacy as knowledge and understanding of financial concepts and risks, where such knowledge and understanding is needed to make effective financial decisions so as to improve the financial well-being of individuals and society.

Meanwhile, Gilster in Prayustika et al (2020) explains that digital literacy is an individual's ability to understand and use certain information obtained from various digital sources. Thus, it can be concluded that digital financial literacy is all knowledge and ability of a person to manage their finances effectively with the help of certain information obtained from digital sources or devices, so that they can produce effective financial decisions and improve financial well-being for both individuals and society.

2.2 SMEs

According to the Ministry of Cooperatives and MSMEs, small businesses, including micro businesses, are productive businesses that have a net worth of at most Rp. 200,000,000.00 excluding land and buildings for business premises and having annual sales of at most Rp. 1,000,000,000.00. Meanwhile, medium-sized businesses are productive businesses owned by Indonesian citizens with a net worth of more than Rp. 200,000,000.00 up to Rp. 10,000,000.00 excluding land and buildings.

Meanwhile, according to Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises it is explained that MSMEs are small, micro and medium enterprises managed by individuals or business entities in accordance with the criteria established by the Act. The differences between micro, small and medium enterprises are as follows:

Micro-enterprises are productive businesses owned by individuals or business entities that have the criteria for micro-enterprises.

Small business is a productive business that stands alone and is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled and become part directly or indirectly of medium or large businesses that meet the criteria of small businesses.

Medium business is a productive business that stands alone and is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled and become part directly or indirectly of small or large businesses with total assets and annual sales as already stated. regulated in the Act.

2.3 MSME Education

Education according to Kusniyati (2011) is a learning process that aims to develop self-potential, including intelligence, personality, skills and noble character. In line with that, Hamka and Gani (2016) argue that education comes from English, namely education which means education,

where education is defined as the process of changing the attitudes and behavior of a person or group of people in order to mature humans and is carried out through teaching and training.

Thus, it can be concluded that MSME education is a process to provide teaching and training to a person or group of people to be able to develop their intelligence and skills in establishing or managing MSMEs. In order to establish and manage MSMEs, it is necessary to educate MSMEs on MSME actors. The forms of MSME education include education on accounting and business finance, education on e-commerce and financial technology, education on product packaging and marketing strategies, education and assistance regarding tax payments and other types of MSME education.

3. Research Methodology

3.1 Place and time of research

This research will be carried out in two batik SME plasmas that are members of the Berkah Rindang Kinasih cooperative in Purwokerto and Banyumas. The total of MSMEs that are members of the two batik plasmas are 24 MSMEs. The research team will take samples using purposive sampling method. In addition to samples from batik SMEs, the research team will also take samples of data sources from the Berkah Rindang Kinasih Cooperative, and PLUT Banyumas. The research time is planned for 2021 until the creation of the model in 2022.

3.2 Method

This study uses qualitative methods and the development of the model in this study follows the procedure for developing the Four-D model (Thiaragajan et.al, 1994). The stages of the Four-D model include the define, design, develop, and disseminate stages. The design of the model in this study has not yet reached the disseminate stage. The data collection technique in this research is through observations, interviews, Focus Group Discussions (FGD), and documents.

4. Results

This study aims to analyze the characteristics of Batik MSMEs in Banyumas Regency, the obstacles faced by Banyumas MSMEs related to digital financial literacy, and the type of education expected and needed by Batik MSMEs in Banyumas to improve their digital financial literacy. This research was conducted using qualitative research methods by conducting interviews, observations, Focus Group Discussions to 24 Batik SMEs who joined the Berkah Rindang Kinasih cooperative (BRK).

Based on interviews, observations, and Focus Group Discussions that have been carried out, the data obtained are described as follows:

4.1 Characteristics of Batik SMEs in Banyumas Regency

Based on the results of an analysis of the characteristics of Batik SMEs in Banyumas Regency, data were obtained based on gender, age, education level and income level. The results of data

analysis can be presented as follows:

Table 1. Number of Respondents by Gender

| Gender | Total | Percentage (%) |
|--------------|-----------|----------------|
| Male | 0 | 0 |
| Female | 24 | 100 |
| Total | 24 | 100 |

Based on gender, all respondents are female respondents.

Table 2. Number of Respondents by Age

| Age | Total | Percentage (%) |
|----------------|-----------|----------------|
| 17-25 year old | 0 | 0 |
| 26-35 year old | 3 | 12,50 |
| 36-45 year old | 14 | 58,33 |
| 46-55 year old | 7 | 29,17 |
| Total | 24 | 100 |

Based on age, most respondents came from the age of 36-45 years as many as 14 people or 58.33%, followed by age 46-55 years as many as 7 people or 29.17%, ages 26-35 years as many as 3 people or 12.50% . As for the age of 17-25 years, no one is represented.

Table 3. Number of Respondents Based on Last Education Level

| Level of education | Total | Percentage (%) |
|--|-----------|----------------|
| Elementary/junior/high school Academy (D1/D2/D3) | 17 | 70,83 |
| S1 | 5 | 20,83 |
| S2/S3 | 2 | 8,33 |
| | 0 | 0 |
| Total | 24 | 100 |

Based on education level, most of the respondents came from the last education level SD/SMP/SMA as many as 17 respondents or 70.83%, followed by Academy (D1/D2/D3) as many as 5 respondents or 20.83% and S1 education level as much as 2 respondents or 8.33%. Meanwhile, for the last education level, S2/S3 is not representative.

Table 4. Number of Respondents Based on Income Level

| Income Level | Total | Percentage (%) |
|-----------------------|-----------|----------------|
| < 1.000.000 | 14 | 58,33 |
| 1.000.000 – 5.000.000 | 9 | 37,50 |
| > 5.000.000 | 1 | 4,17 |
| Total | 24 | 100 |

Based on the level of income, the most respondents came from income levels < Rp 1,000,000 as many as 14 respondents or 58.33%, followed by income levels of Rp 1,000,000 – Rp 5,000,000 by 9 respondents or 37.50%, and the least from income level > IDR 5,000,000 which is only 1 respondent or 4.17%.

Furthermore, the research team also identified the knowledge of Batik SMEs on digital financial literacy. Based on the analysis of respondents' answers to the training variable, it can be seen that respondents who have attended training related to the use of digital banking services are dominated by 45.8% strongly disagree answers. For respondents who have attended training related to financial management, the majority of the answers are agree by 50%. Furthermore, 50% of respondents answered agreed that they found it helpful in understanding the use of digital banking services after receiving training. Finally, 45.8% of respondents strongly agree that they feel that training on the use of digital banking services is very important for their business.

Based on respondents' answers from an open questionnaire that asked the desired training related to increasing digital financial literacy, most of the respondents wanted training in the use of digital banking services. Most of them want financial management training.

Based on the results of the description of respondents' answers in the digital financial literacy variable, respondents felt it was helped by digital banking service products by answering strongly agree by 20.8% and agree by 45.8%. Then 41.7% of respondents do not agree that they are able to analyze financial statements, this answer is in the sufficient category. Furthermore, regarding digital banking services that are difficult to operate, 33.3% of respondents disagreed and 29.2% answered that they did not agree. This statement is also in the low category.

4.2 Problems faced by MSME Batik Banyumas Related to Digital Financial Literacy

The research team not only analyzed the characteristics of the Banyumas Batik MSMEs to obtain data that was used as the basis for developing a digital financial literacy education model, but also analyzed the obstacles faced by the Banyumas Batik MSMEs related to the problems faced by Batik MSMEs related to digital financial literacy.

Table 5. Problems faced by MSME Batik Banyumas related to digital financial literacy

| Problem | Problem Description |
|---------|---|
| 1 | <p>Not all MSMEs have received training related to digital finance</p> <p>Not all Batik MSME actors think that digital financial facilities are easy to operate</p> <p>For MSMEs who have received training in digital finance, after receiving training they do not continue to apply the results of the training obtained because there is no post-training monitoring and assistance.</p> <p>There is no special staff to apply the knowledge gained from the training because one person in the organization has a dual role as batik maker and administrative staff.</p> |

5. Discussion

Based on the results of the study, it is known that the age of the respondents is 26-35 years: 3 people, 35-46 years: 14 people, 46-55 years: 7 people. According to Huclok (1999) age is an individual's age from birth to birthday. Chen and Volpe revealed that age has a positive effect on financial literacy. Age. age has a direct correlation to financial literacy, the older you get and the

work experience, the more information you will get related to financial problems, the social research center (1998) found that there is a relationship between age and financial literacy level. In addition to age, education level can affect a person's digital financial literacy. Arianti (2020) Bushan et al, (2013) revealed that income has an effect on the level of financial literacy. Based on the data obtained from the research results, it can be used as a basis for analyzing the desire of MSME actors to recognize and try to use various digital financial services to help their business. Education is very important in influencing financial literacy so that business actors can create financial literacy behavior. Education has an effect on financial literacy because education will shape financial attitudes, knowledge and behavior. Education can be obtained through formal and non-formal education by business actors.

The higher income will not encourage higher financial literacy. The amount of a person's income does not have a significant influence in measuring their financial literacy but depends on the person's wisdom in managing their knowledge related to the business finances they have. Based on the results of the research and the theory obtained, it can be used as the basis for the research team in building a financial literacy education model in future research.

6. Conclusion

The characteristics of Batik UMKM in Banyumas are analyzed based on age, gender, education level, income level, and digital financial literacy level. the results of the analysis produce data which is then used as the basis for the preparation of a digital financial literacy model. Problems related to digital financial literacy experienced by MSME Batik Banyumas include not all MSME actors receiving training, lack of assistance, lack of special administrators in business groups who can apply the results of the training.

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The Using of *Murabahah*, *Mudharabah* and *Musyarakah* Agreements in Sharia Micro Financing for Micro Small, Medium Entreprises (MSMEs): A Case Study of PT. Bumi Artha Sampang Sharia People's Financing Bank, Cilacap

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ABSTRACT

Liquidity is a major issue for MSMEs when it comes to growing their businesses. This is due to a lack of knowledge about MSMEs' access to accessible funding. In fact, numerous institutions, including the Islamic People's Financing Bank, are willing to route their capital to MSMEs (BPRS). BPRS offers a variety of appealing financing options. One is a finance product based on the *Murabahah*, *Mudharabah*, and *Musyarakah* contract systems. These contracts can essentially be arranged as a win-win situation between BPRS and MSMEs as consumers. The goal of this study was to find out why and how PT. Bumi Artha Sampang Sharia People's Financing Bank in Cilacap uses *Murabahah*, *Mudharabah*, and *Musyarakah* contracts in sharia microfinance transactions for MSMEs. This study employs a case study methodology and employs a qualitative research method. Data from BPRS Bumi Artha Sampang were obtained in the form of interviews, observations, documentation, and document data, which were processed using data reduction, data presentation, and conclusion drawing techniques, before testing the validity of the data in this study using triangulation methods, triangulation techniques, and triangulation source. The findings show that *Murabahah* contracts are chosen based on capital expenditure transactions, MSMEs with no experience in bookkeeping, and long tenors, whereas *Mudharabah* and *Musyarakah* contracts are chosen based on MSME customers with bookkeeping experience, project-based contracts, and short tenors. In terms of financial gain, the *Murabaha* contract is more profitable for the bank, but the *Mudharabah* and *Musyarakah* contracts benefit both the bank and the customer.

Keywords: MSMEs, Murabahah Agreement, Mudharabah and Musyarakah

1. Introduction

Even though the Government since 2007 has issued a Credit Program for the People (KUR), but in reality not all MSMEs are free from capital problems. This is due to the limited KUR program, so that not all MSMEs can access it. Whereas KUR is a program designed to help MSMEs access capital easily and cheaply. For those who have not been covered by the program, the alternative is to apply for financing to a Sharia People's Financing Bank (BPRS).

2. Literature Review

2.1 *Micro, Small, and Medium Enterprises (UMKM)*

Meanwhile in Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises, the law is more detailed and clear in providing boundaries for the understanding of MSMEs. According to Law no. 20 of 2008 Micro Business, Micro Business is a productive business that is owned by individuals or business entities that have a net worth of not more than Rp 50,000,000,- (fifty million rupiah) excluding land and buildings and having annual sales of not more than Rp 300,000,000, - (three hundred million rupiah). Small business is a productive-economic business that has assets of no more than Rp 50,000,000, - up to a maximum of Rp. 500,000,000,- and annual sales of Rp 300,000,000, - up to a maximum of Rp 2,500,000,000.- (two billion five hundred million rupiah) which is independent and not a subsidiary of a branch company owned or affiliated with medium and large businesses. Medium Enterprises are productive businesses that stand-alone owned by individuals or business entities that are not subsidiaries or branches of companies that are owned or affiliated with Small and Large Businesses with assets ranging from Rp 500,000,000 to Rp 10,000,000,000.- and annual sales start from Rp 2,500,000,000, - up to Rp 50,000,000,000,-

2.2 *Sharia People's Financing Bank (BPRS)*

Bank is a business entity which collects public funds in the form of savings and distributes them to the public in the form of credit or in other forms in order to improve the standard of living of people. From the point of view of its function, banks are divided into two types, namely Commercial Banks and Rural Banks (BPR). Commercial Bank is a bank that in carrying out business activities is either conventionally or based on sharia principles and in its activities provide payment traffic services such as clearing activities, collections, issuance of demand deposits, and so on. Meanwhile, BPR is a bank which in its activities does not provide such as payment traffic services, it just collects funds and distributes them to the public through credit or financing. A BPRS is a bank similar to a BPR which carries out business activities based on sharia principles.

BPRS has the following business activities, they are: collecting funds from the public in the form of deposits or deposits, providing financing and placing funds in the form of Bank Indonesia Certificates, time deposits, certificates of deposit and placements in other banks, all of which must be based on sharia principles. The principle of profit sharing is a general characteristic and basic foundation for the overall operation of Islamic banks, including BPRS. This principle is applied to both saving customers and customers who apply for financing. With saving customers, the bank acts as *Mudharib* (fund manager) and customers as *Shahibul Maal* (fund owner). Meanwhile, customers who apply for financing have the opposite position, the bank as *Shahibul Maal* and the customer as *Mudharib*.

2.3 *BPRS Financing Products*

BPRS as Islamic banks, views money solely as a medium of exchange, not as a commodity . By

adhering to this principle, the BPRS in distributing its funds will always link it to the real transactions based on sharia principles. The following will explain the financing transactions carried out by the BPRS. First, financing based on a sale and purchase agreement. In this transaction, the customer requires an item and then applies for financing to the BPRS. Technically, the bank will seek the goods in question from the supplier and then sell it to the customer along with the profit margin agreed by both parties. The bank will notify the purchase price of the goods and notify the selling price which has been added to the profit margin. This type of financing is divided into three, namely *Murabaha Financing*, *Salam Financing* and *Istishna Financing*. *Murabahah Financing* is a sale and purchase financing where the purchased goods are already available, while *Salam and Istishna Financing* are financing where the object of the sale and purchase is still in the order. The practice that is often transacted by BPRS is *Murabahah Financing*. This type of financing is usually used for the purchase of consumptive goods or used to purchase goods in the working capital category. This type of financing is preferred because of its simple form, easy administration, fixed selling price, so it is very profitable for the bank.

Second, financing based on a lease agreement. In terms of objectivity, this contract can be divided into two types, they are: first, benefit *ijarah*, this *ijarah* is intended for useful objects; Second, *ijarah* which is work, in this *ijarah* the purpose is to hire someone's labor or expertise to do the work. In the *ijarah* contract, it is determined that the tenant must pay *ujroh* to the renter at the time of the completion of the lease. Likewise, the person who orders someone to do the work is obliged to pay it after the work is over. In this type of financing there is another variation, namely a lease with a purchase option at the end of the lease period known as *Ijarah Muntahya Bit Tamlik* (IMBT). Even though this type of financing exists, it is rarely carried out by BPRS.

Third, cooperation-based financing and profit sharing. This type of financing is intended for customers who are in need of capital either partially or wholly for productive business. This type of financing is divided into two, namely the *Mudharabah contract* and the *Musyarakah contract*. Financing with a *Mudharabah* agreement places the bank as the investor (*shahibul maal*) and the customer as the business manager (*mudharib*). In profit sharing, the determination of profit sharing can be done using the profit sharing method or the net revenue sharing method. Meanwhile, the financing using the *Musyarakah contract* is financing intended to the finance certain business projects and each party as a partner. Both of them deposit their capital and both have business management obligations. Banks can authorize business management to customers and the bank only as a passive partner. The profit sharing ratio must be determined from the start. Profit and loss must be shared as long as the loss is not due to customer negligence.

Fourth, financing based on lending and borrowing agreements. This financing is intended for customers who have urgent needs with a short period of time. The bank will provide a loan of money and the customer will use the money according to the original purpose of meeting the urgent need and repaying the loan in accordance with the time period. Banks cannot withdraw profits. Banks may only collect the real administrative fees. However, customers are also allowed if the time to return the loan provides additional but not an obligation. This type of financing is divided into two, namely *qardh* and *qardh al-hasan* contracts.

3. Research Methodology

This study used a qualitative research method with a case study approach. The purpose of this study is to reveal the reasons behind the selection of financing contracts carried out by MSMEs at BPRS Bumi Artha Sampang. The selection of research sites at BPRS Bumi Artha Sampang with the consideration that almost all of its customers are classified as MSMEs, the location is very close, research permits are easy, access to data is very easy because they are familiar with the sources, especially internally at BPRS Bumi Artha Sampang. The data were obtained in the form of interviews, observations, documentation, and document data from BPRS Bumi Artha Sampang with data processing techniques through data reduction, data presentation, and conclusion drawing, then test the validity of the data in this study were using triangulation methods, triangulation techniques and triangulation source.

4. Results

4.1 Overview of PT. BPRS Bumi Artha Sampang

PT. BPRS Bumi Artha Sampang was founded in Cilacap by H. Kholifan and Hj. Sulastri on September 6, 2006 before Naimah, SH, MH Notary in Cilacap. The Deed of Establishment was approved by the Ministry of Law and Human Rights of the Republic of Indonesia with Number W9-00204HT.01.01-TH.2006 on December 12, 2006. This bank received a principle license from Bank Indonesia with Number 8/16/DPBS/PWT issued on dated August 14, 2006 and obtained an operating license from Bank Indonesia by Decree of the Governor of Bank Indonesia Number 9/24/KEP-GBI/2007 dated June 12, 2007. This bank first operated on July 5, 2007. At the beginning of the establishment of the bank's Authorized Capital of Rp 4,000,000,000, - (four billion rupiah), and in 2008 the Authorized Capital was increased to Rp 6,000,000,000, (six billion rupiah). While the Paid-up Capital at the beginning of the establishment of Rp 1,000,000,000, - (one billion rupiah) and further added until now Paid-in Capital has been recorded at Rp 2.900,000,000, (two billion nine hundred million rupiah). In order to comply with the provisions of Article 13 paragraph (3) of the Financial Services Authority Regulation No. 66/POJK.03/2016 which requires each BPRS to have a minimum core capital of Rp 6,000,000,000,- (six billion rupiah) on December 31, 2020 BPRS Bumi Artha Sampang has made a capital reserve/retained profit of Rp 3,172,482,000, - (three billion one hundred seventy two million four hundred eighty two thousand rupiah). So that until now the Core Capital of BPRS Bumi Artha Sampang is Rp 6,072,482,000, - (six billion seventy two million four hundred eighty two thousand rupiah). BPRS Bumi Artha Sampang has 1 (one) Head Office in Sampang Cilacap, 3 (three) Branch Offices located in Purwokerto, Kebumen and Sidareja and 2 (two) Cash Offices located in Cilacap and Cimanggu. The management and employees total 52 people with details of 2 (two) directors and 2 (two) commissioners excluding 2 (two) Sharia Supervisory Boards. From this description, it is clear that BPRS Bumi Artha Sampang is a small bank, so it is suitable for serving individual customers and MSMEs.

4.2 Distribution of Financing PT. BPRS Bumi Artha Sampang to MSMEs with Murabahah, Mudharabah and Musyarakah Agreements for the 2017-2021 Period

As banks in general, BPRS Bumi Artha Sampang has the main activity of intermediation, namely collecting funds from the public and distributing them to parties who need them. In raising funds from the community, BPRS Bumi Artha Sampang has *wadiah* savings products, *mudharabah* savings and *mudharabah* deposits. In addition, there are also savings and interbank deposits. At the same time, BPRS Bumi Artha Sampang also channeled its funds to the public through financing. In accordance with the products owned by BPRS Bumi Artha Sampang, financing is channeled to individuals and MSMEs in the form of *Murabahah* Receivable Financing, *Mudharabah* Financing, *Musyarakah* Financing, Multiservice Financing and Qordh. However, this paper only focuses on discussing the use of *Murabahah* Receivable Financing Contracts, *Mudharabah* Financing and *Musyarakah*. It because these three types of financing are often used by banks in financing transactions, especially with MSMEs. Based on the BPRS Bumi Artha Sampang Business Plan from 2017 to 2021, it appears that the Projection of *Murabahah* Receivable Financing is always larger than the planned distribution of *Mudharabah* and *Musyarakah* Financing as can be seen in table 1, and all of them are distributed to MSMEs.

Table 1. Plan for Distribution of *Murabahah*, *Mudharabah* and *Musyarakah* Receivables for Bumi Artha Sampang BPRS Per December from 2017 to 2021.

| No | Financing | 2017 | 2018 | 2019 | 2020 | 2021 |
|----|-----------------|---------|---------|---------|---------|---------|
| | <i>rabahah</i> | 084.362 | 520.552 | 175.086 | 595.755 | 175.086 |
| | <i>dharabah</i> | 752.278 | 718.984 | 374.520 | 201.009 | 374.520 |
| | <i>sarakah</i> | 380.000 | 297.861 | 932.859 | 691.740 | 932.859 |

Judging from its realization, it appears that *Murabahah* Receivable Financing ranks first, followed by *Mudharabah* Financing as projected as shown in table 2.

Table 2. Realization of Funding for *Murabahah*, *Mudharabah* and *Musyarakah* Receivables from 2017 to 2021.

| No | Financing | 2017 | 2018 | 2019 | 2020 | 2021 |
|----|-----------------|---------|---------|---------|---------|------|
| | <i>rabahah</i> | 677.440 | 490.956 | 921.549 | 172.944 | |
| | <i>dharabah</i> | 827.000 | 055.000 | 740.000 | 605.276 | |
| | <i>sarakah</i> | 566.667 | 230.000 | 090.000 | 735.000 | |

From these data, it shows that *Murabahah* Receivable Financing Products are still the mainstay product for the new Bumi Artha Sampang BPRS following *Mudharabah* Financing and *Musyarakah* Financing. The same trend is also shown by other BPRS as shown in the Sharia Banking Statistics Publication-July 2021 released by OJK. According to the report, as of July 2021, *Murabahah* Receivables amounted to 277,264 million accounts, *Mudharabah* financing was 3,376 million accounts, and *Musyarakah* financing was 10,292 million accounts. Based on the purpose of financing, according to information from the board of directors, financing for the purpose of working capital is 70%, investment is 25%, and for consumption is 5%. Judging from the audited financial reports, *Murabahah* Receivables Financing Margin Income contributed the largest revenue to the revenue sharing from *Mudharabah* and *Musyarakah* Financing for BPRS as shown in Table 3. This large contribution is very reasonable considering that the largest outstanding financing also comes from *Murabahah* Receivable Financing.

Table 3. BPRS Bumi Artha Sampang income which obtained from *Murabahah* Receivable Financing, *Mudharabah* Financing and *Musyarakah* Financing.

| Financing | 2017 | 2018 | 2019 | 2020 |
|-----------------|--------|--------|--------|---------|
| <i>rabahah</i> | 33.904 | 39.197 | 57.637 | 94.970 |
| <i>dharabah</i> | 11.000 | 43.725 | 77.492 | 38.185 |
| <i>syarakah</i> | 50.000 | 88.115 | 82.403 | 124.701 |

Meanwhile, the ratio of non-performing financing (NPF) at BPRS Bumi Artha Sampang is fairly high, the figure is always above 5%. As shown in table 4, the NPF every December 31 from 2017 to 2020 is very high. As for the year 2021 until September 30, the NPF figure is 7.7%.

Table 4. NPF BPRS Bumi Artha Sampang.

| Year | Dec 2017 | Dec 2018 | Dec 2019 | Dec 2020 | Sep 2021 |
|------|----------|----------|----------|----------|----------|
| NPF | 8,79% | 6,64% | 12,10% | 9,91% | 7,70% |

5. Discussion

The results of the study show that the portion of *Murabahah* Receivable Financing at BPRS Bumi Artha Sampang is larger than *Mudharabah* and *Musyarakah* Financing. Other BPRS also showed the same trend. Theoretically, Islamic banks should channel more financing with a cooperation scheme with profit sharing because this is a characteristic of Islamic banks. In reality, it is not so. BPRS Bumi Artha Sampang, like other Islamic banks, mostly distributes funds in the form of *Murabahah* Receivable Financing.

This fact begs the question. Based on an interview with the Board of Directors of BPRS Bumi Artha Sampang, there are several reasons why the Bank distributes more funds in the form of *Murabahah* Receivable Financing than *Mudharabah* or *Musyarakah* Financing. First, the transaction is easier. Administration is easy. Because in the *Murabahah* Receivable Financing Contract, the selling price has been determined. So that the Bank's receivables to customers have been fixed. The bank has calculated the selling price. The margin is calculated based on the rate of return generally accepted in the financial market by considering the expected cost of funds, risk premium, and profit rate. In addition, the tax costs and the tenor are also calculated; Second, the Customer does not need to make a monthly report to determine the profit sharing; Third, the Cash Flow is not disturbed, because the installments made by the customer are principal and margin; Fourth, the Bank has no difficulty controlling, because the bank's obligation is only to monitor and remind customers of their installments. In contrast to financing with the concept of cooperation with profit sharing, the bank as a partner must be actively involved in managing its business even though it can also be a passive participant; Fifth, the human resources are not sufficient to control the business that is run with its customers if the financing scheme has a larger portion of the cooperation.

From the customer's perspective, Profit-sharing Cooperation-Based Financing with *Mudharabah* and *Musyarakah* Contracts is complicated because the bookkeeping must be orderly and must

prepare monthly reports to determine the profit sharing. Because in the *Mudharabah* and *Musyarakah* Financing Contracts what is determined is the profit-sharing ratio, while the real profit-sharing is based on the real calculation of the business being carried out. In addition, for Micro Businesses, the proposed financing is usually for working capital purposes, so that the payback is relatively long, so the right choice is to use the *Murabahah* Agreement. Customers also do not like it when the bank is too far involved in its business. From this explanation, it can be understood why banks and customers tend to use *Murabahah* contracts. In fact, if customers want to bother making a business report every month, they can get financing that is equally profitable. The risk is divided in two as long as the customer does not make a mistake in managing the business.

In addition, customers of BPRS or Islamic banks in general have not been able to distinguish between conventional credit and Islamic financing. Customers do not want to know and only focus on the money. Only a few customers understand. This is a common challenge for Islamic Banking personnel to educate their customers. With the lack of customer knowledge about the ins and outs of Islamic banks having an impact on their perceptions of Islamic banks themselves. According to him, Islamic banks are no different from conventional banks, namely attracting interest and even higher calculations. This allegation is not true. Because in the *Murabahah* Receivable Financing Contract, it is clear that the concept is buying and selling. Indeed, at first glance, buying and selling with usury is almost the same. But it's not really the same. Allah has said in the Qur'an Surah Al-Baqarah verse 275 which means: "...And Allah has permitted buying and selling and forbids usury..." In a sale and purchase contract, as long as it meets the conditions and is in harmony, and there is pleasure of each party, the sale and purchase is valid.

Thus, the customer actually knows and agrees from the beginning the selling value of the Islamic Bank. So it is not appropriate when they turn against Islamic banks when there is a traffic jam with various accusations. Judging from the determination of the selling price which is determined in advance, it will bring benefits to BPRS Bumi Artha Sampang because from the beginning the Bank has had a fixed bill. The bank will not depend on the profit and loss of the business run by the customer. It is different if the customer chooses Financing Based on the Cooperation Principle, the profit sharing to be shared is determined by the real results of his business. The amount of profit sharing depends on the profit and loss of the business being managed. Thus, BPRS Bumi Artha Sampang cannot determine the size of the income unless it is only based on the profit-sharing ratio.

For *Mudharabah* and *Musyarakah* Financing based on existing data, it is always submitted by MSME customers who get a project. Because the project has a short period of at most 6 months, so it does not interfere with the Bank's cash flow. They can already project or predict the results to be obtained. They are also used to bookkeeping, so it is not a problem when every month they have to make a progress report on the work or efforts made to the bank to determine the profit sharing based on the agreed profit sharing ratio.

6. Conclusion

From the discussion above, it can be concluded that the reason why banks and customers tend to

choose *Murabahah* contracts rather than using *Mudharabah* or *Musyarakah* contracts is because of the simplicity of the contract, ease of administration, fixed bills, maintained cash flow and no need to make progress reports to determine the amount of profit sharing. The choice of using the *Murabahah* Agreement is very beneficial for BPRS Bumi Artha Sampang because the bank's claim rights and the amount of bank receivables have been determined at the beginning of the contract.

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