

THE STRENGTHENING ROLE OF ISLAMIC FINANCIAL INSTITUTIONS FOR THE REAL SECTOR OF SMEs

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ABSTRACT

The concept of Islamic economics that prioritizes for optimization of the real sector and makes the financial sector as driving factor of economic activity. Islamic financial institutions continue to provide services for working capital, especially for SMEs, reaching 5 percent. The SMEs also continue to grow to 10 percent, becoming an opportunity for Islamic financial institutions to be able to accompany the movement of SMEs. This article is descriptive qualitative. Described the development of shariah banking financing product for SMEs and the important role of Islamic financial institutions for SMEs. The results of the study show that the distribution of Islamic bank financing for SMEs in the period of December 2016 to September 2017 reached 61,299,000,000 or grew by 5.504 percent. The biggest financing for SMEs on BUS is equal to 44,872,000, the largest growth in UUS is 21,339 percent. The concept of Islamic economics has similarities with the economic concept of SMEs, both of which are resistant to the storm of crisis, then the concept of Islamic economics puts forward the distribution of income, through Islamic financial institutions income distribution can be realized. Islamic financial institutions will continue to contribute to economic development especially for the SMEs real sector.

Keywords: Islamic Financial Institutions, Real Sector, SMEs

INTRODUCTION

The development in Indonesia itself developed about the need for the application of Islamic principles in economics that emerged in 1974. Precisely it was conceived in a conference on Relations 'Relations between Indonesia-Middle East' organized by the Institute for Social Sciences Studies (LSIK). Islam formulated an economic system that is totally different from the prevailing systems. It has roots in sharia which are a source of worldview as well as its goals. It is different from the secular systems that dominate the world today, while the objectives of Islamic economics (*maqashid ash-syariah*) are not only material spies. It is precisely the goals that are based on their own concepts of human welfare (*falah*) and good life (*hayat thayyibah*), which provide very important values for socio-economic brotherhood and well-being and guide fair assistance, both according to material needs or spirit of all humanity.

The Islamic economics is defined as a branch of science that helps realize human well-being through the allocation and distribution of scarce resources, which are in line with Islamic teachings, without limiting individual freedom or creating macro and ecological imbalances. Besides that, Islamic economics is an application of sharia guidelines and rules that prevent injustice in obtaining and using material resources to meet human needs and to carry out their obligations to Allah and society. Those people are treated equally in obtaining opportunities, there is no difference between individual or groups or classes in society. Every individual must get the same opportunity to live properly, study, work, work, guarantee security, health insurance, and the opportunity to fulfill other human rights. Welfare and the results of development are distributed to everyone and dont gather in certain groups.

The income of the Indonesian people is the same as the average income of developed countries. It's just that in Indonesia some of its wealth rises sky-high while some parties who are very concerned cannot afford to fulfill their primary needs. This kind of thing that does not apply in Islamic economics, community empowerment for the development of the real sector must be improved and the role of the community at the level of the domestic economy must get more attention from all parties. The domestic economy is our real economy, there will be no interference from other countries so that if there are economic problems with other countries it will not have any impact on this country. Evidently if there is a world economic crisis, the domestic economy is a concern and a solution to overcome it, because it is not affected. So the economy in the real sector, especially the domestic level, should be a common concern especially for the government. Opportunities remain open from a number of advantages that now exist in the Indonesian economy, such as the large domestic market, investment opportunities that are still wide open, and a number of superior products in the export market. The existence of government intervention in the Islamic economy towards the economy is very much needed,

because the State is a place to create the welfare of humanity. In individual ownership it is not absolute, but ownership is limited by several things. In some conditions, the state has the right to intervene in ownership, the right to restrict or regulate ownership in the life of the community.

The domestic economy in its development is also needed by those who provide facilities in capital so that community empowerment can be created. Strongly supported by the existence of Islamic Financial Institutions in the form of BPRS and BMT which are an extension of Islamic banking, and operations at the micro level will strengthen the domestic economy. The Islamic economy as a justice economy provides prosperity to all groups with the use of natural resources to support the country's economy, also involving the domestic economy as a factor in economic success.

Islamic economics has institutions that can contribute to economic growth. Both Islamic commercial economic institutions and Islamic economic institutions that are social. Islamic economic institutions such as sharia banking are busy opening micro services. Then it also increasingly expanding Islamic microfinance institutions, like BPRS and BMT, which were ready to contribute to the micro-economic movement. The current position of micro economics is still excellent because of its superiority. The concept of Islamic economics that promotes the real sector is in line with microeconomics. Islamic economics is a real sector based economy (al-Baqarah: 275). There is no dichotomy between the real sector and the monetary sector. Because the monetary sector in Islam is not like the capitalist monetary sector which contains a virtual sector. Islam views economic activities only in the real sector such as agriculture, industry, trade and services. From this sector economic activities are encouraged to develop. It's just that laws regarding ownership, products (goods /services), and transactions in Islamic economics are different from capitalists. The movement of the real sector to date only dwells in the hands of a small group of people, especially Multinational Corporation (MNC). MNC monopolizes the world economy from upstream to downstream so that the assets of an MNC are greater than the GDP of a country. By encouraging the real world sector under the pattern of Islamic economics, every growth in the real sector is balanced with a fair distribution of ownership so that people have the freedom to get their rights as citizens in the economy. By closing the virtual sector (non-real sector) of the economy there will be more capital and employment for to the society.

From this description it becomes very important for sharia banking to be able to contribute in developing the domestic economy for Small and Medium Enterprises (SMEs). It is necessary to create a product that can provide a way for Islamic banking to be able to unite to develop small and medium enterprises (SMEs). Currently Islamic banking are proposing to be able to provide financing to the SMEs sector. The crisis that hit the Indonesian nation has devastated all the joints of life including the banking sector which is also seen as one of the

triggers, namely by distributing loans that are misdirected. The crisis proves small businesses The number that managed to overcome the crisis independently. While the economy is now beginning show to rise again, small and medium-sized businesses are likely to return, some with a lot of entry and operation of foreign businesses - including foreign bank after the period of selling national banking assets. Sharia banking which has been initiated since 1992 seems to be a new hope for the development of small businesses, especially in the provision of working capital. From the crisis that has hit the Indonesian nation, which has increased poverty for us people who have a structured nature, through the empowerment of Islamic banking we hope we will be able to increase poverty by eliminating it through the trickle down effect process. One of the steps taken is effective use of finance as the main method. The contribution of this consists of diversification for the main development of the community, development of development using the community's own financial resources and development of development resources that have the potential to be continued (sustainable). Moving on from that challenge, we as the Subjects that will determine the future of our nation will not be able to rely continuously on these efforts. We must talk about looking for other breakthroughs that are delivered giving hope that is more anticipated towards our future. Nowadays, through the development of the mindset of the Indonesian people in general, they have been able to penetrate new breakthroughs in the framework of the nation's economic development, from many of these breakthroughs one of us can observe from the businesses Small and Medium Sector development sector.

PT Bank Syariah Mandiri (BSM) is optimistic that the contribution of financing for the micro, small and medium enterprises (SMEs) segments can continue to be maintained. For this year, the company sets its portion to reach 75 percent of the total financing, which is targeted to grow 25 percent to Rp. 55.96 trillion. Thus, the SMEs portion is expected to reach IDR 42 trillion. "BSM deliberately pursues the retailing of both funds and financing. So we are rather fasting for the corporations, institutions with big funds," said BSM Managing Director Yuslam Fauzi, when met by reporters at the BSM Head Office, Jakarta, recently. The company recorded as of the end of 2012, the financing of SMEs reached Rp 32.79 trillion, or 73.3% of the total financing of Rp 44.76 trillion. At the end of 2011, the SMEs financing position was IDR 26.78 trillion, amounting to 72.9% of the total financing of IDR 36.73 trillion. The growth of SMEs financing itself was 22.45% in the year, which was also contributed by financing in the micro segment. "We confident go into micro sector. First it now, so we will be more agile and efficient. Secondly, Bank Mandiri has also begun to develop its micro. As a sharia banking, he continued, BSM seeks to implement sharia values, one of which is to provide maximum benefits for the environment and society. The fact that the majority of businesses

in the country are micro and small businesses, he continued, the company has decided to enter this segment.

In Indonesia, other than through sharia banking institutions, Islamic economic systems are also implemented, through various Islamic microfinance institutions, better known as BMT (Baitul Mall Wattamwil). The presence of BMT aims to improve the quality of economic enterprises for the welfare of members in particular and society in general. In its operational BMT is very close and has direct contact with the economy of the community. Activities carried out such as BMT activities with the real sector that minimize speculation activities and maximize the ability of the community in the field of production with financing that is run with the principle of togetherness and brotherhood. Administration and working mechanism of BMT is the same as BPR Sharia with different scope and products. In recent years a number of Islamic economic concept banks have programs to provide financing to SMEs. The goal is that SMEs players can develop and continue to contribute to the acceleration of national development. One of the sharia banking products that touches SMEs players is people's business credit (KUR). Almost all conventional banking that have Islamic products are engaged in this product, such as some of them are BRI Syariah Micro Credit, KUR Syariah Mandiri, KUR BNI Syariah, KUR Bank Jatim Syariah, and KUR Nagari Syariah Bank. In fact, this year KUR Syariah Mandiri channeled funds amounting to Rp1.7 trillion. This figure has doubled compared to 2012, which was only Rp750 billion. Other Islamic banks also do this in order to help SMEs players who have had difficulty accessing capital to large banks. Because, so far there are still large banks that are reluctant to issue loans for small and new businesses because the prospect is not clear. In addition to aiming to help provide access to capital for SMEs, in the body of sharia banking, the optimization of financing in the micro sector has become one of the good business potentials for the future.

Sharia economic consultants and Managing Director at Rasyidin Consulting Wiku Suryomurti said, in recent years sharia banking has continued to channel funds to SMEs players. On the one hand, the achievement of the target market share of 5% has not been achieved (only 4.8%), but in the SMEs financing sector the performance of sharia banking is maximizing. In Indonesia, there are around 52 million SMEs that exist today. Unfortunately, their presence has not been accommodated by capital by large bank. Some large bank are still worried about the sustainability of these SMEs. Meanwhile, said Wiku, in this case sharia banking more accommodated them. Because the sharia banking system is more minimalist in its level of influence on problems of economic.

Not only commercial institutions such as banking that contribute to the real sector of Islamic economic institutions that are social in nature are also aggressively moving the real sector of the umkm. Providing business capital in the form of loans or grants in the SMEs sector (Small and Medium Enterprises)

has been carried out, both by the government directly and through banking facilities. But there are not many capital assistance programs for SMEs combined with mental and religious development. Such programs are still rare, but for zakat institutions is something familiar. BAZNAS last week rolled out capital assistance for street vendors through the BRI Syariah CSR cooperation program. Prospective recipients of capital assistance must take part in fiqh muamalat training, such as buying and selling material in Islam and so on, as one form of mental and religious formation inherent in the zakat institution's mission. Mental and religious formation is very important in economic development, including empowering SMEs, as a means to create a productive society.

Dompot Dhuafa Executive Director Yuli Pujihardi, added that each of the Dompot Dhuafa economic division teams wants to develop the economy of a region, so the team will look deeper into existing local potential, so that it can be appointed as an icon of the area. "By looking at the existing local potential, it has been proven that Dompot Dhuafa is increasingly easy to empower the community. Because that is all according to culture, there is no need to change what is, just to continue to be better," Yuli explained. Dompot Dhuafa provides guidance to the development of SMEs for two years, then it is hoped that the assistance can be independent and no longer depend on the assistance of Dompot Dhuafa.

Table 1. The Growth of Financing/Credit fo SMEs
(In Billion Rupiah)

NO	SCOPE ENTERPRISES	2014	2015	GROWTH (%)
1	Micro	140.272	164.869	17,53
2	Small	201.976	215.925	4,23
3	Medium	329.473	359.008	8,96
	TOTAL	671.721	739.902	10,14

Source : Statistics Center Data / BPS

The data above shows the growth of credit activities disbursed to the SMEs sector in the period 2014 to 2015. The data shows that of the three types of business growth not exceeding 20 percent, the micro scale experienced the largest growth of 17.53 percent, with credit disbursing 215,925 in 2015. The smallest credit is given to small scale, which is only 4.23 percent. This shows the need for attention from all parties to continue to provide credit to the SMEs sector in order to continue to grow. Considering the SMEs sector is a sector that will withstand a storm of crisis.

From the description above, the authors are interested in conducting further indepth discussions about the role and contribution of Islamic economics

to the growth of the MSME real sector. By being devoted to Islamic financial institutions that provide financing to the real sector of MSMEs. Then what is the role of Islamic financial institutions in the real sector.

THEORETICAL BACKGROUND

Raihanah Daulay in her writing entitled *Development of Micro Enterprises for Development the Economic of Islamic Ummah in the City of Medan*, mentioned that many factors caused the condition of micro-enterprises to be difficult to develop. Among these are the lack of capital and the ability of human resources to develop businesses in order to compete. The large number of competition from businesses that have greater capital is the main factor that causes unbalanced competition for microenterprises. The government needs to protect micro-businesses so that they can survive through local regulations. Moeslim can take a role by providing knowledge that adds insight through counseling the community as a form of muamalah. The government needs to pay attention to economic systems that are more in line with the Indonesian social system and evaluate the concepts of economic development and distribution which have been experiencing injustice.

Muslimin Kara said in his paper that the development of sharia banking financing in the effort to develop SMEs in Makassar City during 2010-2011 had a fluctuating increase. This reflects that the role of sharia banking financing in the improvement of small and medium enterprises (SMEs) in Makassar City is not optimal. The average development of Islamic banking financing during the period January - December 2010 amounted to 14.23%, while the period January – September 2011 amounted to 18.43%.

Dini Arwati in her reserch said that Sharia Banking is more appropriate to choose its partners for a large number of SMEs, in fact the understanding of sharia economics, the application of sharia accounting, the distribution of Islamic finance, and the collection of Islamic funds are faster and on target. To determine the amount of profit sharing in Islamic finance, of course, a standard device is needed. This information is usually referred to as a Financial Report. In relation to Islamic and non-Islamic banking with SMEs, its must be able to provide reliable financial reports.

Sri Maryati in her article entitled *The Role of Sharia Financing Banking (BPRS) in the Development of SMEs and Rural Business in West Sumatra* in the *Economica* journal concluded that Based on business characteristics, generally BPRS financing customers have businesses in the trade sector, with self-owned businesses where the majority of respondents in running their businesses do not have an official business license. Business people must also try to manage the business more professionally and fulfill business legal aspects so that it makes it easier for the government and financial institutions to carry out various empowerment efforts and capital assistance.

Miftahul Khaerani and Marlina Ekawati in their paper entitled *Productive Zakat and Its Role on the Development of SMEs Studies at LAZ el-Zawa UIN Maulana Malik Ibrahim Malang*. Mention that creative productive distribution is carried out in *qardul hasan* for SMES and SMEs *mudharabah* programs. The amount of productive zakat affects the development of mustahik micro-enterprises. The higher the amount of productive zakat received by mustahik, the more mustahik micro-businesses will develop. The duration of effort and gender was found to also influence the development of mustahik business. It is expected that LAZ el-Zawa can increase zakat funds for creative productive purposes for mustahik specialy SMES, so that more SMEs can be helped, so that they are expected to reduce poverty.

Debby Pramana and Rachma Indrarini in their research entitled *BPRS Financing in Improving SMEs Welfare Based on Maqashid Shariah*. States that the results of the analysis conducted by financing customers of BPRS Prima Mandiri Pamekasan, the results show that there is a relationship between financing and the welfare of BPRS customers. This is possible because when customers get financing the business results will increase. When business results increase, customers can automatically improve welfare. Improvement of welfare can be measured by *maqashid sharia*, such as increasing zakat, *infaq*, *shadaqah* customers, increasing fulfillment of customers' daily consumption, fulfilling the need for education, increasing future investment and customers can develop their business. With increasing customer welfare, it can be said that BPRS Prima Mandiri Pamekasan has an important role, especially in providing capital. However, BPRS should also provide counseling or socialization for customers, both training in improving skills, managing finance, religious sociology, so that customers can be better.

A. Micro, Small, and Medium Enterprises (SMEs)

Micro business is a business managed by individuals or families or some people who do not have complete business licenses. In Law No. 20 of 2008 concerning SMEs that micro business units are productive businesses owned by individuals per person and / or individual business entity that meet the criteria of micro-enterprises as stipulated in the legal law. Whereas according to Musa Hubeis, small businesses that are really small and micro can be grouped according to the understanding: 1) Independent small businesses, that is, without using other workers; 2) Small businesses that use their own family members' labor; and 3) Small businesses that have a permanent hired workforce. Small businesses with the intended category are often seen as businesses that face many difficulties, especially those associated with weak managerial, technological, and limited capital capabilities, human resources, marketing, and product quality. External factors in small businesses are difficult obstacles to

overcome, namely the unhealthy market structure and the development of foreign companies that produce similar products for the same market segment.

Another definition was expressed by Warkum Sumitro, a small and medium micro business is a business carried out by a company with workforce used not to exceed 50 people. As for Suharto Prawirokusumo, the characteristics of small businesses:

1. Usually small businesses are managed by their owners so they are called owner-managers who usually act as leaders who give direction to some staff that are not too many and do not specialize in running a business. They are called team management which usually comes from family members, relatives, or close friends.
2. Small businesses usually only have product line singles not business diversification, business volume is relatively small.
3. The person in charge of decision making is usually held by one person and does not give authority to other people (very little or no delegation of authority).
4. The relationship between management and close management-employee relationship.
5. Usually business organizations without functional specialization (have few or sometimes functional novices, such as a full time accountant or a personal manager).
6. In the reporting system it is also not multilevel (has no more than two tiers of management reporting).
7. Less having long term planning.
8. Usually not go public.
9. Be more oriented to survival to maintain owner's equity than profit maximization.
10. Not dominant in the market.

The domestic economy is our real economy, there will be no interference from other countries so that if there are economic problems with other countries it will not have any impact on this country. Evidently if there is a world economic crisis, the domestic economy is a concern and a solution to overcome it, because it is not affected. So the economy in the real sector, especially the domestic level, should be a common concern especially for the government. Opportunities remain open from a number of advantages that now exist in the Indonesian economy, such as the large domestic market, investment opportunities that are still wide open, and a number of superior products in the export market. The existence of government intervention in the Islamic economy towards the economy is very much needed, because the State is a place to create the welfare of humanity. In individual ownership it is not absolute, but ownership is limited by several things. In some conditions, the state has the right

to intervene in ownership, the right to restrict or regulate ownership in the life of the society.

B. Islamic Economics and The Real Sector of SMEs

In Islamic economics which is the pillar or spear of a country's economy is the real sector. While the monetary sector is a supporting factor in creating developments from the real sector itself. With the existence of the financial sector in particular the increasing number of Islamic Financial Institutions as well as its function to raise funds from the community which is then channeled in the form of financing to various types of businesses. Development of the real sector well will indirectly create jobs, because the labor absorbed will be more and more. It was also stated that the superiority of the Islamic system was immune from crisis, it could even be a solution to the crisis. Because the Islamic system does not break away from underlying transactions. In fact, real economic activities cannot rely on speculative funding.

In the Islamic economy, the financial sector follows the growth of the real sector. This is the difference between the Islamic economic concept and the conventional economy, namely the conventional economy, clearly separating the financial sector and the real sector. As a result of the separation, the world economy is prone to crisis, because economic actors no longer use money for the benefit of the real sector, but for the sake of currency speculation. It is this speculation that can shake the economy of various countries, especially in countries with unstable political conditions. As a result of speculation, the amount of money in circulation is very unbalanced with the amount of goods in the real sector. Because Islamic economics does not separate the monetary sector and the real sector, the amount of money circulating according to Islam is determined by the amount of money demand in the real sector or in other words, the amount of money in circulation is as much as the value of goods and services in the economy. So said Ibn Taymiyah in the book *Majmu' Fatawa* in medieval Islam.

One of the things that inhibits the progress of the real sector is the existence of interest, with the assumption of some people that the funds deposited in Conventional Financial Institutions clearly increase and have been promised. Whereas the distribution in the real sector has not been clear about the amount of profit that will be obtained, it will even cause losses if it is not managed properly. This is a bit of the character of some people who have not been able to face the possibility of occurring resulting in the growth of the real sector being hampered. The existence of interest since long ago is considered unfair and an obstacle to economic activity, is equated by selling something that does not exist. Many great thinkers see interest as unjust, and interest is considered to be contrary to the principle of general practice. In his work, *Politics*, Aristotle compares money with barren hens who cannot lay eggs. Plato

(427-345 BC): in his book LAWS, also condemns flowers and views them as dzolim practices. According to him, money only functions as a medium of exchange, a measure of value and an accumulation of wealth. According to him, the money itself is sterile, and can only increase if there are real business activities.

The aspect that has been highlighted as a form of injustice (oppression) in economic and conventional banking practices is the bank interest system, where most Muslim scholars are placed parallel to usury known as Islamic jurisprudence. The interest system provides an opportunity for a handful of people to accumulate wealth above the misery of others (the misery of others). In this context the need for deconstruction of conventional economic practices with fair economic practices. Islamic economics has deconstructive power through a number of instruments operationalized in Islamic financial institutions. Muhammad revealed several instruments applied by sharia economic institutions in developing people's economy, namely the zakat instrument, profit and lose sharing system instruments, and giving equal opportunities to people who have entrepreneurship skills to obtain financing through qard al hasan products.

The application of Islamic economics as an economy that is just and free of usury, and always prioritizes mutual together. An economy will be seen better if all of its people are involved in development and the welfare obtained can be evenly distributed, not the losers. Very relevant and a solution to the current economic problems, the imbalance between people. Everything will arouse human enthusiasm and continue to work hard. The elimination of usury in the economy, there will be no partition, all of them can work well as expected by working hard. Work is very expected in Islam to prosper the earth which is the goal of the maqashid sharia.

C. BPRS and BMT Support the Development of Domestic Economy for SMEs

The implementation of a Rural Bank conducting a business based on sharia principles is then regulated according to the Decree of the Director of Bank Indonesia No. 32/36/KEP/DIR/ 1999 dated 12 May 1999 concerning People's Credit Bank Based on Sharia Principles. In this case, technically a BPRS can be interpreted as a financial institution as a conventional BPR, and what distinguishes it is the operation that uses Islamic sharia principles. The presence of the BPRS is very supportive of the development of the domestic market in SMEs, as is the same function as Islamic banking, namely the mobilization of public funds. BPRS presence in the community is closer if compared with sharia banking, it can be seen that the type of business carried out by BPRS is for businesses whose turnaround time is in the short term by

prioritizing medium and small scale businesses. The operational strategy of the BPRS is not waiting for the arrival of facility requests, but rather is active by conducting socialization/research to small-scale businesses that need additional capital assistance, so that they have good business prospects. So that BPRS is more active in its operations in capital for micro, small and medium enterprises. Routine efforts carried out by BPRS in the form of actively reading and reviewing market share, the level of saturation and the competitive level of products to be given financing. Supervision is also carried out on businesses that obtain capital so that the existence of such capital can be ensured to be truly used optimally in the real sector business and in accordance with sharia principles. As long as the contract is still valid, the SRB continues to monitor the business that gets the capital, until the end of the contract and receive profit sharing.

The attention of BPRS towards the development of the domestic market in SMEs can be seen from the various objectives to be achieved. The desired objectives with the establishment of the BPRS are:

- 1) Improving the economic well-being of the community, especially the economically weak people who are generally in rural areas.
- 2) Add employment, especially at the sub-district level, so as to reduce the flow of urbanization.
- 3) Fostering the spirit of Ukhuwah Islamiyah through economic activities in order to increase per capita income towards an adequate quality of life.
- 4) Increase domestic market share (domestic economy).

The Role of Baitul Maal Wattamwil (BMT). BMT consists of two terms, baitul maal and baitul tamwil. Baitul Maal is more directed at efforts to collect and channel funds that are non-profit, such as: zakat, infaq and sadaqah. Whereas baitul tamwil is an effort to collect and distribute funds commercially. These efforts have become an irreducible part of BMT as a supporting institution for small-scale economic activities based on sharia. Institutionally the BMT is accompanied or supported by the Small Business Incubation Center (PINBUK). PINBUK as the primary institution because they carry out a broader mission, namely incubating small businesses. In practice, PINBUK present BMT, and in turn BMT incubated small businesses. The existence of BMT is a representation of the life of the community where the BMT is located, in this way BMT is able to accommodate the economic interests of the community. As a sharia financial institution that is in direct contact with the lives of small communities that are sufficient, science or material, BMT has an important task in carrying out Islamic mission in all aspects of people's lives. BMT is needed for the community to empower the people's economy both for the international market and the domestic market, and overcome economic problems that can hinder the development of SMEs.

The role of BMTs is to keep people away from non-sharia economic practices. Actively socializing in the community about the importance of the Islamic economic system. Conduct training and funding for small businesses. BMT must be active in carrying out functions as microfinance institutions, for example by way of assistance, guidance, counseling, and supervision of public businesses or the public. And can eliminate bad culture that often occurs in small communities. That is the dependence on moneylenders or borrowing with interest that weighs heavily on the community. BMTs must provide better services for the community and provide convenience in financing without procedures that can complicate the applicant's funds. BMT will maintain the economic justice of the community with equitable distribution. BMT as a financial institution that is grown from the role of the wider community, there are no economic, social or even religious restrictions. All components of society can play an active role in the development of a more equitable financial system and more importantly able to reach even the smallest layer of entrepreneurs.

BMT in developing micro, small and medium enterprises in their environment is a very meaningful contribution to national development. Banks that are expected to be able to become financial intermediaries are only able to play at the upper middle level. While non-formal financial institutions which in fact are able to reach micro entrepreneurs, are unable to increase the capitalization of SMEs. So BMT is expected not to be trapped in the two opposite economic poles. BMT is not driven by profit motives, but also social motives. Because it operates with a sharia pattern, of course the mechanism of control is not only from the economic aspect or from outside control, but religion or creed becomes the dominant controlling factor inside.

The role as a financial institution that supports the intermediation function with SMEs requires BMT to have good performance in a manner that is aimed at achieving the role of BMT as an institution supporting the banking intermediation function. The capacity of BMT is one of the simplest models of Islamic financial institutions. Therefore, the BMT sector in Indonesia has the potential to be further developed if BMT is able to overcome weaknesses in its operations. BMT in carrying out its business must obtain benefits so that its activities are sustainable and the ability to serve customers is increasing (outreach).

METHODOLOGY

The type of research used in this paper is to use library studies obtained from several sources. This research is descriptive qualitative which means to describe a research subject. In this case the growth of SMEs in Indonesia, the contribution of Islamic bank financing to the real sector of SMEs and then outlines the role of Islamic financial institutions in the real sector of SMEs.

The type of data used in this paper is qualitative data sourced from primary data and secondary data. Primary data in the form of data sources that directly provide data to researchers or data obtained directly from the field (object of research), while secondary data is a source of data that does not directly provide data to data collectors (researchers) or data taken by researchers as supporters of research scientific, namely by conducting library studies (searching through books, articles, journals, magazines, internet and other sources). The data used by the author include: The theories that researchers take from various literature. Retrieving data from results that have been presented from an institution.

The limits in this paper are focused on the development of SMEs in Indonesia, as well as the role of Islamic financial institutions for the development of the SMEs real sector. Presenting the contribution of Islamic financial institutions, namely Islamic banks to financing the real sector of SMEs. At the current Shari'ah bank, the market share is still around 5% compared to national banking.

The technique of data collection needed in this paper is to use several methods:

1. Literature Study, This method is used to explore the theoretical foundations related to SMEs, related to the Islamic economy, related to Islamic financial institutions, and the role of Islamic financial institutions in the real sector of SMEs.
2. Observation, Every data obtained from various sources is observed and analyzed related to the condition of financing products in sharia banking towards SMEs and also the growth of SMEs.

The data analysis method used is using a descriptive qualitative approach, namely by describing the development of SMEs, as well as the development of Islamic bank financing for the real sector of SMEs. Then the role of Islamic financial institutions for the real sector of SMEs. And the contribution of contributions from Islamic financial institutions for the development of the SMEs real sector.

Qualitative research is a research procedure that produces descriptive data in the form of written or oral words from people and observed conditions. Qualitative research is a research method used to examine the conditions of natural objects, (as opposed to experiments) where the researcher is a key instrument, the technique of data collection is triangulated (combined), data analysis is inductive and the results of qualitative research are more meaningful rather than generalization.

RESULTS

Table 2. The Development of Financing at Sharia Banking for SMEs
(In Billion Rupiah)

No	Type of Sharia Bank	Financing Dec 2016	Financing Sept 2017	Growth (%)
1	Bank Umum Syariah (BUS)	44.047	44.872	1,87
2	Unit Usaha Syariah (UUS)	10.483	12.720	21,39
3	Bank Pembiayaan Rakyat Syariah (BPRS)	3.571	3.707	3,81
	TOTAL	58.101	61.299	5,51

Source: Financial Service Authority (OJK)

From the above data shows the existence of financing channeled by sharia banking specifically for financing for SMEs, either in the form of working capital or in the form of investment. This data shows the development of sharia banking MSME financing in the period December 2016 to September 2017. The data above shows that the amount of financing up to September 2017 was 61,299,000,000 billion rupiah or grew by 5.504 percent from December 2016. The largest growth was channeled by Business Unit financing Sharia (UUS) which is equal to 21,339 percent. Then the largest growth is channeled by the BPRS of 3.808. And then the Sharia Commercial Bank (BUS) is 1.873 percent. Although the growth of the smallest BUS, but nominally the largest financing of SMEs is BUS, amounting to 44,872,000,000 billion rupiah.

DISCUSSION

A. The Role of Islamic Financial Institutions for Real Sector of SMEs

If you see the development of financing at sharia banking SMEs financin distribution which is still around 5 percent while the growth of SMEs in Indonesia reaches 10 percent. So sharia banking must start working extra to be able to channel more financing for SMEs. Product of financing Sharia banking hould have begun to be focused on productive financing especially for SMEs with the product scheme they have. Existing data shows that sharia banking still provide a lot of consumptive financing, this should be shifted to financing for productive as a form of sharia banking contribution to the economic development of the community that is more beneficial.

The concept of Islamic economics that puts forward the real sector as the main and the financial sector as a part that supports economic development. The existence of Islamic financial institutions is expected to be able to encourage the development of the real economy of society. The concept of Islamic economics has provided direction so that many Islamic financial institutions focus on real

economic activities, especially SMEs. The SMEs are in line with the Islamic economy which has a lot in favor of the ummah economy, as a medium of income distribution through the role of Islamic financial institutions. The Islamic economy which teaches free from usury the elements of religion and elements of speculation makes the Islamic economic system free from crisis. Then from the history that SMEs are stronger in resisting the economic crisis. So there are similarities between the Islamic Economy and the Economy of SMEs which are resistant to the storm of crisis.

Islamic financial institutions that are part of the Islamic economy should be in line with the concept of Islamic economics that prioritizes the real sector. Islamic financial institutions must contribute to the economy of the ummah with their character. Especially Islamic banks which are part of the Islamic economy should provide a lot of funding to the productive sector, especially for financing SMEs. With financing for SMEs, the existence and role of Islamic banks will be visible to the community. Then if many Islamic banks finance the SMEs sector, it will be a differentiator with conventional banks that finance a lot of consumer. Islamic banks must not lose to conventional banks in providing financing to SMEs.

CONCLUSION

The Growth of distribution financing at sharia banking for the real sector of SMEs in the form of working capital and investment in the period of December 2016 to September 2017 grew by 5.504 percent or reached 61,299,000,000 billion rupiah. The biggest growth was carried out by the Sharia Business Unit (UUS), which amounted to 21.339 percent, then the BPRS grew by 3.808 percent, and the smallest by Sharia Commercial Banks (BUS) only grew 1.873 percent. But the largest nominal financing is channeled by Islamic commercial banks amounting to 44,872,000,000 billion rupiah.

The concept of Islamic economics that is free of usury and speculative makes the Islamic economy in common with SMEs that are resistant to the storm of crisis. The Islamic economy that prioritizes the real sector and distributes income is very relevant to the existence of SMEs today which still requires a lot of capital to make Islamic economics part of the solution. The Islamic economy through its Islamic financial institutions which are a line of the role of Islamic economics has a concern for the economic existence of the ummah, especially SMEs. Through Islamic financial institutions can realize income distribution in all communities. The community will be able to develop its business with the help of Islamic financial institutions with various schemes it has.

FURTHER STUDY

As for the limitations in this paper, it only focuses on the distribution of financing provided by sharia banking in financing for SMEs. Then only focus

on the role of sharia banking. so the authors hope to be developed into further research on the role of sharia financial institutions for the development of the real sector. Both research in large and small scope to be able to know the role of Islamic economic institutions. can be done some further research, especially each of the roles of financial institutions for the real sector.

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