**IKONOMIKA:** Jurnal Ekonomi dan Bisnis Islam
Volume 8, No 1 (2023)
ISSN : 2527-3434 (PRINT) - ISSN: 2527-5143 (ONLINE)
Page : 53 - 78

# Optimization The Role of Sharia Bank in National Economic Recovery Through Results-Based Micro-Finance

**Muammar Arafat Yusmat[1], Adzan Noor Bakri[2], Muhamad Rizky Rizaldy[3]**
**IAIN Palopo[1,2], University of Sheffield[3]**
Muammar_arafat@iainpalopo.ac.id[1], Adzan.noor@iainpalopo.ac.id[2], mrrizaldy1@sheffield.com[3]

***ABSTRACT***
*The problem in this research is that the Covid 19 pandemic that occurred in early 2020 resulted in a decrease in the performance of small, micro and medium enterprises. The most felt impact is the difficulty in paying off debt in the banking sector so that not a few MSME business actors take the path of restructuring their loans. The purpose of this research is to design a formulation of a sharia-based micro business financing model formulation. This research aims to create an appropriate microfinance model so that Islamic banks can play an optimal role in the national economic recovery program. This study found the right model for financing if you want to use a maharajah contract: (1) paying profit-sharing salaries, (2) buying ideas, (3) profit sharing without salary, and (4) instrumental alternatives such as endowments. This study uses a research method with a qualitative approach. All data comes from in-depth interviews and FGDs with customers, Islamic banks as practitioners, and several Islamic banking experts as academics. All information is processed using a process hierarchy analysis technique or AHP to produce the right model for micro business financing*

***Keywords :*** *Microfinance, Islamic Bank, Economic Recovery*

## A. INTRODUCTION

Globally, Islamic banking governance offers a variety of financial products, musyarakah (participatory finance) andmudharabah (trust-based finance) are considered purely profit-sharing-based financing (PLS). Other financial contracts are permitted in Islam and practiced by Islamic banks. However, murabahah financing (markup atau cost-plus) is the most popular Islamic bank investment product model (there are several structured products of Islamic complaints. Rahman & Kassim (2017) provides evidence about the

Received : March 02, 2023 – Revised: April 08, 2023, Accepted: April 19, 2023
Occupation : IAIN Palopo[1,2], University of Sheffield[3]
E-mail : Muammar_arafat@iainpalopo.ac.id[1], Adzan.noor@iainpalopo.ac.id[2], mrrizaldy1@sheffield.com[3]

concentration markup financing Islamic Banks. Its analysis shows that markup financing comprises 86% of total Islamic bank financing in the Middle East, 70% in East Asia, 92% in South Asia, and 56% in sub-Saharan African countries. This information indicates that financingmurabaha has become the favorite product in Islamic banking.

An argument often arises is that implementing the contractmurabahaIslamic banks is perceived as the same as conventional bank credit schemes (Ali, 2017), (Maiti & Bidinger, 2020). This argument invites criticism from researchers because of the proportion of financing using contractsmurabaha In Islamic banks. Many Islamic banks are considered only to want to profit from implementing contractsmurabaha on their financing products (Suzuki & Miah, 2020). (Kuran, 1996) revealed that the use of terms such as "mark-up" and "commission" to designate what is the same as pure interest does not justify Islamic financing techniques. Another argument (Khan, 2010) is that Islamic banks offer similar services to conventional banks, except that conventional banking terms are replaced with Arabic ones. In addition, (Rosly et al., 2003) argues that contract financingmurabaha in Islamic banks is immoral because it is tantamount to interest financing in conventional banks. These studies point to the existence of the failure of Islamic banks, which has led to the creation of strange and highly artificial constructs that do nothing to address the social problems which are the main reasons for the creation of Islamic banking and finance.

This study aims to answer 2 things that highlight the implementation of the contractmurabaha on Islamic banks. This implementation focuses on microfinance products which used to be one of the products issued by Bank BRI Syariah, which has currently merged with 2 other Islamic banks (Bank Mandiri Syariah and Bank BNI Syariah) to become Bank Syariah Indonesia (BSI). The 2 questions are; (1) how are the implementation of micro business financing in Bank Syariah Indonesia and its impact on the growth of micro and small businesses? (2) how is the model of micro business financing based on sharia proprietyformulated. These three questions provide direction for the understanding that microbusiness financing will not have any impact if business actors are trapped in a debt scheme but will only bring them further down.

This study is based on an argument that Islamic banks will only have an optimal role in developing micro, small, and medium enterprises if they apply contracts based on profit sharing, not buying and selling. Profit-sharing-based financing (profit and loss sharing) places Islamic banks as investors for micro-small businesses, which always have problems with access to capital. Implementing profit-sharing-based contracts will also give Islamic banks a strong position and differentiationmurabahah, ijarah, andistishna are not Sharia-based products, but they are Sharia-compliant. On the other hand, Islamic financial institutions exist for purposes that must precede the people's interests. If these goals are compromised, they inevitably lose their reason to exist as a distinct banking model. Consequently, this banking model needs renewal to uphold the true spirit of Islamic finance by increasing participatory finance.

## B. THEORITICAL

### Microfinance

Microfinance is a product provided by financial institutions, including Islamic banks, intended for small and micro businesses. As stated by (Husaeni&Dewi, 2019), giving and distributing funds to the community is the bank's duty. Microfinance that has been occurring so far is usually done by providing loans or credit to the community (Ahmad & Rafique Ahmad, 2009; Hulme& Arun, 2009; MOLLAH & UDDIN, n.d.; Subagyo, n.d.). If simplified, three models of microfinance are often found in several previous studies, the business credit model (Suarmanayasa, 2021), the joint responsibility model (Nasution, 2013), and cooperative capital (Al Hifni et al., 2018; Melina, 2020). The credit model is still the choice of microfinance providers for the following reasons. (1) business reasons, (2) maturity mismatch, (3) limited capital, (4) balance sheet transparency, (5) specialization issues, and (6) regulatory issues (Dinç&Saiti, 2018). These three models are still micro-financing models considered profitable by financial institutions, including Islamic banks.

Microfinance grew out of experiments in Latin America and South Asia, but its most famous beginnings were in Bangladesh in 1976, after a widespread famine in 1974 (RAHMAN, 2007; R. A. Rahman & Dean, 2013). Proponents argue that microfinance has helped reduce poverty, increase schooling rates, and create or expand millions of small businesses. The idea of microfinance has now spread globally with replications in Africa, Latin America, Asia, and Eastern Europe, as well as wealthier economies such as Norway, the United States, and the United Kingdom (Rahim Abdul Rahman, 2010).

Among the features of microfinance is the disbursement of small loans to beneficiaries who are usually micro-entrepreneurs and the poor (Amalia &Atiqah, 2015; Rafique & Al-Mubarak, n.d.). Loans are given for projects that generate new income or business expansion. Loan terms and conditions are usually easy tounderstand and flexible. This is short-term financing, and payments can be made weekly or longer. Loan disbursement procedures and processes are usually fast and easy. Additional capital can also be provided after repayment of the previous loan. Microfinance is an alternative for micro-entrepreneurs, who are usually not qualified or bankable to receive loans from commercial banks.

The basic principle of microfinance, as briefly described by Muhammad Yunus, founder of Grameen Bank Bangladesh, and recipient of the 2006 Nobel Peace Prize, is that credit is a fundamental human right (Bhuiyan et al., 2017; Glémain, 2009; Hulme& Arun, 2009; Rafique & Al-Mubarak, n.d.). Therefore, the primary mission of microfinance is to assist the poor in helping themselves to be economically independent. Credit or loans are given to own businesses and finance activities that generate additional income. The Grameen model assumes that the skills of the poor are underutilized (Bhuiyan et al., 2017). In addition, almsgiving is also believed to be ineffective in alleviating poverty because it will lead to dependency and a lack of initiative among the poor. In the case of the Grameen Bank of Bangladesh, women comprise 95 percent of borrowers, and they are more reliable than men when it comes to repayment (Shajahan& Khanam, 2017).

To ease the loan process for the poor, loans are provided without collateral or guarantor and are usually based on trust. Microfinance is an alternative to lending because the conventional banking system recognizes the poor as creditworthy. Loan facilities are provided based on the belief that "people do not have to go to the bank, but the bank has to go to the people" (Rafique & Al-Mubarak, n.d.). To obtain a loan, prospective borrowers must join a microfinance recipient group. Group members are given small loans, and new loans will be given after the previous loan has been repaid. The repayment scheme is short-term, with a scale of a week or every two weeks. Loans are also provided jointly in mandatory savings packages (e.g., mandatory savings in a group fund) or voluntary savings. The priority of the loan is to build social capital through group joint projects established among loan recipients (Bhuiyan et al., 2017).

Another line of argument in favor of the group lending methodology is that it has the potential to reduce moral hazard problems. The moral hazard problem arises because financial institutions cannot effectively monitor borrowers and, therefore, cannot write credible contracts that enforce prudential behavior. Stiglitz (1990) explains that under the group lending methodology, group members agree to bear monetary penalties in case of partners default, have incentives to monitor one another, and can potentially threaten to impose "social sanctions" when projects are at risk. chosen. Because neighbors can monitor each other more effectively than banks, and thus effective delegation occurs for ex-ante monitoring from micro-lenders to borrowers (Bhuiyan et al., 2017).

## Economic Recovery in Indonesia

Compared to other countries that went through the same crisis, Indonesia's economic recovery was slow, fragile, and hard to predict. This was because of what Indonesia learned from the 1998 crisis. When denial happens in the beginning stages of a crisis, the macroeconomic balance falls apart, which makes the balance of payments worse. Even though the current account balance turned into a surplus (because imports dropped by 5% while exports grew by more than 11%), the massive outflow of private capital of more than $20.7 billion caused a total deficit of more than $7 billion. ion. In 1998, the Indonesian economy shrank by 13.1%, and both aggregate demand and aggregate supply fell by a lot. Figure 2.1 shows the decline in domestic demand at -17.2%. This drop was caused by a drop in household spending of 6.17 percent, a drop in gross domestic capital formation of 39.5 percent, and a drop in government spending of 15.1 percent. As discussed earlier, this last fact indicates the failure of fiscal policy to use counter cyclical measures to mitigate economic downturns.

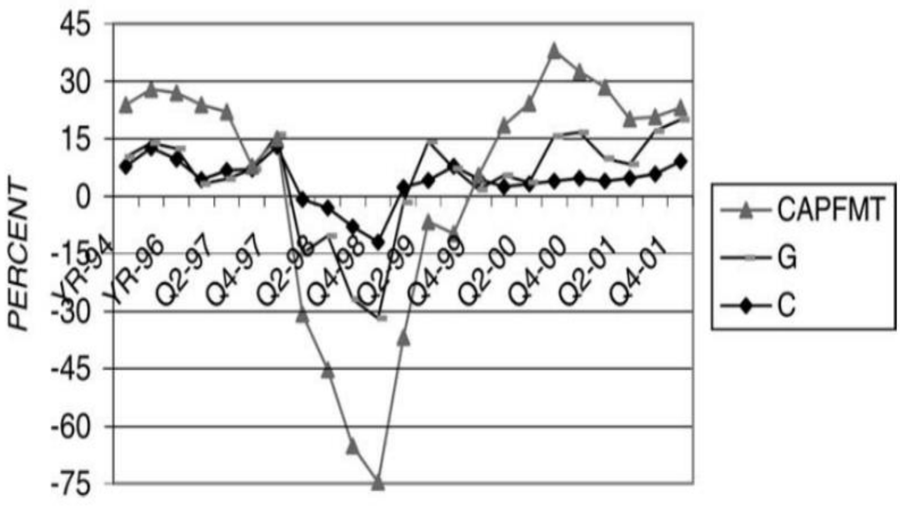



**Figure 1.** Components of domestic aggregate demand (Indrawati, 2002)

According to the Ministry of Health (2020), the Economic Recovery Program is one of According to Government Regulation Number 23 of 2020, the government is putting in place the National Economic Recovery Program (PEN) to deal with the drop in community activities that affect the economy, especially in the informal sector or MSMEs. According to Government Regulation Number 23 of 2020, the government is putting in place the National Economic Recovery Program (PEN program) to deal with the drop in community activities that hurt the economy, especially in the informal sector or MSMEs. Various goals are emphasized in the PEN program, where the most important thing is that the implementation of the PEN program is an effort to guarantee, protect, save, strengthen, and develop the economic performance of business actors or those who are starting a business during the Covid-19 pandemic. The hope is that by maintaining the existence of MSMEs, it will also raise their ability to play their role in the sustainability of the Indonesian economy.

Implementing the PEN program, of course, requires a lot of capital so that the results achieved can be maximized and are in line with expectations. The acquisition of capital for the PEN program comes from several sources, namely:

1. State spending, used for interest subsidies for MSMEs through financial institutions of IDR 34.15 trillion;
2. Placement of funds used for banks affected by restructuring;
3. Guarantor, used for working capital loans of IDR 6 trillion;
4. State capital participation for SOEs whose capital is affected and special assignments; And
5. Government investment is used for working capital (Ministry of Finance, cited in PP/23, 2020).

In implementing the PEN program, there are principles that must be implemented. The presentation of the principles of the PEN program includes: Based on the principle of social justice;

1. Entirely for the benefit and prosperity of the people because this program is fully allocated to all economic actors in Indonesia to increase the performance and activities of society, especially the MSME sector;
2. Build, improve, and maintain the performance of business actors. The entry of the Covid-19 pandemic in Indonesia has decreased people's activities. Thus the government has hopes to implement this PEN program so that economic activities can survive in times of economic crisis;
3. Implement policy guidelines with prudence, a sound management system, transparency, fairness and accountability
4. Does not cause moral (economic) risk / moral hazard. According to Wikipedia (2018), moral hazard or moral risk in this economic discussion means that one party in a transaction activity gets additional risks that

negatively impact other parties within a certain period of time. Thus, moral hazard results in one party being affected by a loss because of the other party after the financial transaction occurs.

5. Distribution of costs and risks among stakeholders according to their respective duties and authorities (Ministry of Finance quoted in PP/23, 2020).

In a virtual talk show with the theme "Corporate Strategy in Helping and Developing MSMEs after COVID-19 and Strengthening the," which was held on June 18, 2020, Teten Masduki, as the Minister of Cooperatives and SMEs, said that the MSME sector would be the government's top priority by implementing all policies in the recovery effort and strengthening the national economy. Thus, there are as many as five formulations that have been formulated by the government in steps to solve the problem of MSMEs, which are weakening amid the Corona pandemic. An explanation of the five steps of government policy in an effort to solve the problems that befell MSMEs is presented as follows:

1. The first policy, in obtaining social assistance, 98 percent of business actors are included in the poor group.
2. The second policy is interest and installment financing to enter into the restructuring program with a 6-month installment delay. The inability to pay installments, interest, and cash flow is a problem for most MSMEs
3. The third policy uses People's Business Credit (KUR) as payment for MSMEs. AirlanggaHartato, as the Coordinating Minister for the Economy, explained that this KUR was encouraged for all sectors but was more focused on building group-based KUR or cluster because it is more efficient for the economy.
4. The fourth policy is to encourage government spending by prioritizing MSME products. Teten Masduki, as the Coordinating Minister for UKM, said that the Ministry of Cooperatives for UKM held cooperation with the Goods/Services Procurement Agency (LKPP). The potential value of the government procurement package for small business actors in 2020 is IDR 321 trillion, of the total government procurement plan of IDR 738 trillion
5. The fifth policy, MSMEs can develop various ideas and innovations and adapt to new markets. In fact, only 13 percent and 8 million MSME actors develop ideas, innovate, and adapt to new markets through various digital platforms or online, while the other 87 percent still market online. offline.

## C. METHODOLOGY

### Object of Research

Microfinance financing is thought to be a strategy for increasing and growing micro-small businesses. So, the goal of this research was to find out how microfinance financing affects the growth of micro-small businesses. The first reason is that microfinance financing has received a broad response to various positive and negative impacts on society, especially among customers of Islamic banks. The second reason is that not much attention has been paid to analyzing the relationship between microfinance financing and business growth by considering the existence of commercial contracts as an intermediate variable. The existing analysis only pays attention to the direct relationship between the two variables, although the results are different (some are positive, and some are negative). The third reason is that an analysis of the growth of micro-enterprises that utilize microfinance financing products needs to be done because micro-small businesses are a sector that must receive support from Islamic banks. These three reasons show that Islamic banking policy needs to be based on a thorough understanding of how microfinance loans are given out by Islamic banks and how small and micro businesses are growing.

### Type of Research and Data

The relationship between microfinance financing and micro-small business growth is explained through qualitative research that relies on primary and secondary data. Primary data consists of the process of microfinance financing carried out by Islamic banks to customers who have micro-small businesses, commercial agreements/contracts used, what the recipients of micro business financing feel, the recipient's economic conditions, variations in the level and growth or development of micro-businesses before and after getting financing. Secondary data consists of customer backgrounds, Islamic bank financial statements, and other supporting documents that are deemed capable of helping to strengthen primary data. All of these types of data are used as a basis for analyzing the relationship between microfinance financing and micro-small business growth.

### Participants/Information Sources Study

This research will involve a group of experts and practitioners in the fields of law and Islamic banking, consisting of: (1) research experts from Islamic banks or Bank Indonesia; (2) activists and small microbusiness practitioners who have authoritative associations; (3) Islamic bank practitioners (heads of BSI branches); (4) BMT practitioners; and (5) Grameen Bank practitioners. These informants were chosen based on technical considerations that they were capable of representing the entire population. In ANP analysis, validity was not judged by the number of samples or respondents. The terms of ANP participants are that they are experts in their field. Therefore, the respondents selected in this survey are experts or researchers in Islamic economics and practitioners or professionals working in the field of Islamic microfinance institutions. identified from online sources to evaluate their position and experience in the field of microfinance financing.

## Data Collection Techniques

A study regarding the relationship between microfinance financing and micro-small business growth takes place by collecting primary data sourced from questionnaires and interviews.

1. Questionnaire for experts in the field of microfinance, this questionnaire is used to obtain main data in research related to the five criteria of MFIs in this study, namely: HR, Finance, Management, Sharia Compliance, and Marketing. A questionnaire designed by model Analytic Network Process (ANP).
2. The interviews were conducted using structured interview guidelines, but in practice, they were carried out with non-formal discussions so that a lot of information could be extracted from Managers or those in the office at IBSI.

The results of the various categories of stages and data collection techniques described above will be the basis for analyzing the relationship between microfinance financing and micro-small business growth.

## Data Analysis Technique

This study took samples from the population using a questionnaire as the main data collection tool. The type of analysis used is descriptive, especially to describe the backgrounds and traits of the people who answered the survey and the types of microfinance institutions. The "Super Decision" software is used to work with the "Analytic Network Process" (ANP) method, which is the analytical tool. The ANP method will be used to look at the data from the research results. This method can be used in a variety of qualitative studies, such as making decisions, forecasting, evaluating, mapping, strategy, allocating resources, and so on.

In ANP, the variables of how the respondent rates the problems being studied on a numerical scale are the ready-to-process data. The questions in the ANP questionnaire are in the form of pairwise comparisons between elements in the cluster to determine which of the two has the greater influence (is more dominant) and how much the difference is seen from one side. The following chart describes the AHP network process

## D. RESULTS AND DISCUSSION

### Implementing Murabaha Contracts in Micro Finance at Indonesian Sharia Banks

In its application, Islamic banks use the "wakalah contract" by giving customers the power to buy these goods. With the existence of the wakalah contract, the bank fully hands over the funds to the customer to buy the goods needed by the customer. Even though the bank has used a wakalah contract with the customer, the bank will still supervise the goods that will be purchased by the customer so that they do not go outside of the corridor of buying and selling transactions that exist in Islamic law. This is done to prevent customers from making prohibited transactions, such as using financing funds to buy goods classified as illicit goods.

Also, the Murabaha sale and purchase contract is put into action before the goods, in theory, become the bank's property.  dated April This is certainly not in accordance with the provisions of the MUI Fatwa No.04/DSN-MUI/IV/2000 dated April 1, 2000, which stipulates that if a bank wishes to represent a customer to purchase goods from a third party, then a Murabaha sale and purchase agreement must be made after the goods have become the property of the bank. Existing Islamic banks need to pay attention to this problem because it could hurt the reputation of Islamic banks as a whole.

BSI is a sharia financial institution whose activities include collecting and distributing funds for the benefit of the community, such as channeling funds, one of which is microfinance using a murabahah contract. the results of an interview with Mr. Darmayanto as a Marketing Account Officer at BSI KCP Palopo:

*"In microfinance at BSI here, it uses a murabahah bil wakalah contract." microfinance, because the bank cannot purchase the goods needed by the customer, but in general, when the customer makes an application and has completed the requirements for taking microfinance, when we negotiate, we have to ask the "First, what items do you want bought?" To be clear, when the money*

*is handed over, there is a shopping list for the allocation of funds. So, what is the proof for us? If it is true that the customer spent the money for this purpose, he must submit proof of murabahah, such as receipts, notes, and documentation, as proof of purchase from the funds provided.*

From this explanation, Mr. Darmayanto also explained the reason that BSI did not use a mudharabah or musyarakah contract as a microfinance agreement, along with the explanation:

*"In general, microfinance uses a murabahah bill wakalah contract because the first micro segmentation is intended for a small scope such as people who have small businesses so that they can easily direct business capital, so what is more appropriate for microfinance is a murabaha contract, bill wakalah, which secondly why does microfinance use a mudharabah or musyarakah contract because this financing is very vulnerable to high risk and also small communities who still lack understanding and don't know about mudharabah or musyarakah contracts, even if an explanation is given to them, they are just confused and don't want to be complicated, besides that the bank also has limited manpower so it is unable to make purchases of goods submitted by customers "*

Then the researcher asked again about the process of distributing murabahah bil wakalah contracts on microfinance at BSI KCP Palopo, along with the explanation:

*"In the process of channeling microfinance at BSI using a murabahah bil wakalah contract, customers submit applications for financing needed to designate business capital or working capital by first filling out the financing application form, then completing the required files such as photocopies of the prospective customer's KTP and spouse/SK unmarried, photocopy of the family card, business license, and photocopy of guarantee, then in the BI checking process or credit check."*

Following that, the customer must wait approximately one month to learn whether the financing is approved. After the customer is declared responsible, he has just been approved by BSI regarding the proposed financing, continues disbursing funds, and grants a power of attorney as a deposit to make purchases according to what was submitted at the beginning. This is where the wakalah agreement takes place. Before the disbursement of funds, BSI will enter into a contract regarding the sale and purchase agreement made by the bank, which is then ready for financing, taken by the micro-community, and signed. Then, after purchasing the goods, the Islamic bank asks for a note or receipt for the purchase of working capital or business capital goods as proof of purchase from the funds provided, then the handover of the goods, and this is where the wakalah contract ends and the murabaha contract will begin. The BSI will then figure out the agreed-upon difference between the two parties' installment payments by making installment payments to the bank, based on how much the customer can pay.

Based on the results of interviews with Mr. Darmanto, it can be said that the concept of a murabahah contract for microfinance at BSI uses a murabahah bil wakalah contract. The meaning of a Wakalah contract is a contract where the customer becomes a representative of an Islamic financial institution to find or buy goods that are in accordance with the specifications filed by the customer. BSI uses a murabahah bil wakalah contract for microfinance. This means that the Islamic Bank is represented by a customer who takes microfinance to buy goods himself from the supplier as working capital or business capital due to the understanding of unity such as the market community environment and so on about contracts other than murabahah bil wakalah contracts because, in general, microfinance Islamic banks only use murabahah contracts, as well as BS

According to Mr. Darmayanto, the process of channeling murabahah bil wakalah contracts in microfinance begins with prospective customers agreeing to apply for financing, and then having BSI provide requirements that must be completed, such as customer data, and then fill out the financing form. After BSI conducts BI checking and the results are declared safe, the next step is to carry out a guarantee survey and a survey to the prospective customer's location, and after

Microfinance is the lending of money to customers with MSME businesses in the small sector who need money to grow and invest in their businesses. One MSME customer at BSI KCP Palopo said that they told him why he should choose a microfinance program with a Murabaha contract to help his business grow.

"*If you choose the microfinance program at the first BSI because it is a sharia program, and the second is at a conventional bank, the maximum limit is only up to $25 million, whereas at a sharia bank, the provision of business capital financing can be up to over $100 million. So I took $200 million in financing at BSI KCP Palopo as additional business capital and investment so that my business* *selling household appliances, thank God, has grown from before and has experienced an automatic increase in income because there are lots of goods. People notice that there are numerous sales and buyers."*

According to the findings of an interview with Mrs. Wildana, an MSME customer with micro-financing products using a murabahah contract at BSI KCP Palopo, the development of Ms. Wildana's MSME business after receiving micro-financing of 200 iB/200 million experienced an increase in terms of turnover, income, and business capital, as seen from the more products that are traded and Mrs. Wildana's place of business is getting bigger so

There are some problems for BSI when it comes to helping MSME customers get microloans through a Murabaha contract. According to the account of the Officer of Marketing at BSI KCP Palopo, he stated that:

*"As for the obstacles in terms of goods, in terms of multi-contracts, namely the murabahah bil wakalah contract, and in terms of reviewing the funds that have been realized, there are no obstacles that we face, because in terms of goods, we wanted customers for working capital and business capital purchased directly by the customer himself to the supplier. However, there are several barriers to providing microfinance to MSME customers through murabahah contracts, including a lack of public understanding of products and the effective use of capital provided by banks, so they want it fast and simple. Customers don't want it when they are just told about the product. complicated because they need fast capital funds, and few consumer customers abuse business capital or working capital to meet their needs."*

From the Based on what we learned from the interviews, we can say that given the limits on goods, contracts, and funds realized, there shouldn't be any problems for BSI. However, there are problems for BSI when it comes to providing microfinance to MSME customers through murabahah contracts. First and foremost, the public doesn't understand how financing contracts work. Y, customers can still not use business or working capital on their own. effective.

The Murabaha contract has proven to be the most desirable contract and is mentioned by Miah and Suzuki (2020) as a syndrome that infects all Islamic banks. Because of the institutions that are already in place, about 90% of all financing is focused on Murabaha. PLS-based financing won't make sense for Islamic banks unless the current institutions that control it are changed.

## The Best Contract for Microlending in Islamic Banks

In the discussion in this chapter, an analysis is presented that shows the right choice of microfinance models in Islamic banks. This model can help Islamic banks play a role in national economic recovery (PEN) because support for MSMEs can sustain economic growth. Researchers talked to several experts (academics and people who work in Islamic banks) and then used process hierarchy analysis (AHP) to do an analysis. The analysis steps carried out in the following explanation are:

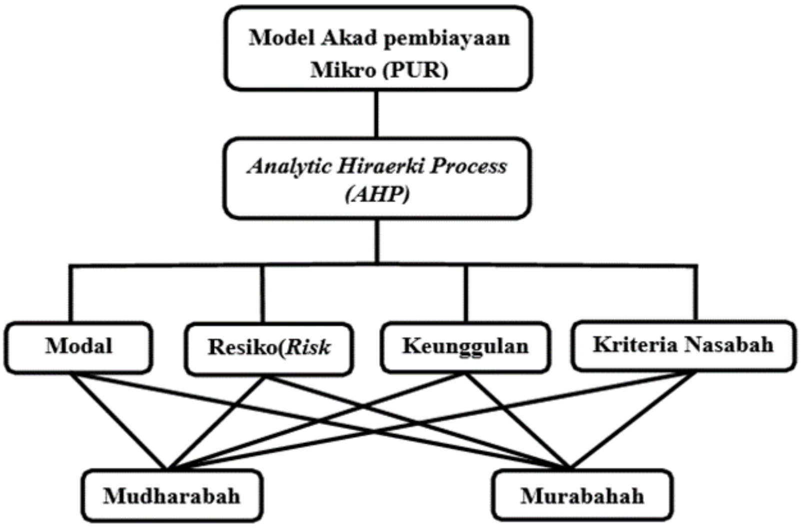



**Figure 2.** AHP Analysis Model

## 1. Calculating Hierarchical Weighting Criteria for all Criteria by

a. Make a pairwise comparison matrix input based on the comparison rating scale.

**Table 1.** Paired Comparison Matrix Criteria for Bank Practitioners Respondents

| Criteria | Modal | Risk | Superiority | Customer Criteria |
|---|---|---|---|---|
| Modal | 1 | 3 | 1/3 | 3 |
| Risk | 1/3 | 1 | 1/3 | 2 |
| Superiority | 3 | 3 | 1 | 7 |
| Customer Criteria | 1/3 | 1//2 | 1/7 | 1 |

b. Synthesis
1) Add up the values of each column in the matrix

**Table 2.** The Values Of Each Column In The Matrix

| Matrix | Number of Rows | Vector Own |
|---|---|---|
| [130,3330,3310,33233170,330,50 | 7,333 | 1,03 |
| | 3,667 | 0,54 |
| | 14 | 2,13 |
| | 1,967 | 0,29 |
| Amount | 25 | 4,00 |

2) Add up the value of each row and for with the number of elements forget used tothe average value.

**Table 3.** The Value of Each Row and For With The Number Of Elements Forget Used to the Average Value.

| Matrix | Number of Rows | Vector Own | Rate-Rata |
|---|---|---|---|
| [130,3330,3310,33233170, | 7,333 | 1,03 | 0,26 |
| | 3,667 | 0,54 | 0,14 |
| | 14 | 2,13 | 0,53 |
| | 1,967 | 0,29 | 0,07 |
| Amount | 25 | 4,00 | 1,00 |

**Table 4.** Vector Own

| **Criteria** | **Vector Own** |
|---|---|
| Modal | 1,03 |
| Risk | 0,54 |
| Superiority | 2,13 |
| Customer Criteria | 0,29 |

Measuring Consistency

$$\lambda_{max} = (4{,}67\ x\ 0{,}26) + (7{,}50x0{,}14) + (1{,}81x0{,}53) + (13x0.07)$$
$$\lambda_{max} = 4{,}14$$

Calculating the Consistency Index (CI)

$$CI = \frac{(l_{max} - n)}{(n-1)}$$

$$CI = \frac{(4{,}14 - 4)}{(4-1)} = 0{,}05$$

Calculating the Consistency Ratio (CR)

$$CR = \frac{THERE}{RI} = \frac{0{,}05}{0{,}90} = 0{,}0555$$

Because CR < 0.1, the comparison matrix is pairwiseis consistent

## 2. Calculating Criteria Hierarchy weighting for all alternatives

At this level, alternativesare compared according to every criterion.
Make comparison matrix pair is input based on scalecomparative assessment.

**Table 5.** Alternative Pairwise Comparison Matrix

| Modal | Mudharabah | Murabahah | Nilai Own | | Amount | Rate-rate |
|---|---|---|---|---|---|---|
| Mudharabah | 1 | ¼ | 0,2 | 0,2 | 0,4 | 0,2 |
| Murabahah | 4 | 1 | 0,8 | 0,8 | 1,6 | 0,8 |
| Amount | 5 | 1,25 | 1 | 1 | 2 | 1 |

Measuring Consistency

$$\lambda_{max} = (5\ x\ 0{,}2) + (1{,}25 x 0{,}8)$$
$$\lambda_{max} = 2$$

Calculating the Consistency Index (CI)

$$CI = \frac{(l_{max} - n)}{(n-1)}$$

$$CI = \frac{(2-2)}{(2-1)} = 0$$

Calculating the Consistency Ratio (CR)

$$CR = \frac{THERE}{RI} = \frac{0}{0} = 0$$

Because CR < 0.1, the comparison matrix is pairwiseis consistent

**Table 6.** Alternative Pairwise Comparison Matrix

| Modal | Mudharabah | Murabahah | Nilai Own | | Amount | Rate-rate |
|---|---|---|---|---|---|---|
| Mudharabah | 1 | 3 | 0,75 | 0,75 | 1,5 | 0,75 |
| Murabahah | 0,33 | 1 | 0,25 | 0,25 | 0,5 | 0,25 |
| Amount | 1,33 | 4 | 1 | 1 | 2 | 1 |

Measuring Consistency

$$\lambda_{max} = (1{,}33\ x\ 0{,}75) + (4x0{,}25)$$
$$\lambda_{max} = 2$$

Calculating the Consistency Index (CI)

$$CI = \frac{(l_{max} - n)}{(n-1)}$$

$$CI = \frac{(2-2)}{(2-1)} = 0$$

Calculating the Consistency Ratio (CR)

$$CR = \frac{THERE}{RI} = \frac{0}{0} = 0$$

Because CR < 0.1, the comparison matrix is pairwiseis consistent

**Table 7.** Alternative Pairwise Comparison Matrix

| Superiority | Mudharabah | Murabahah | Nilai Own | | Amount | Rate-rate |
|---|---|---|---|---|---|---|
| Mudharabah | 1 | 7 | 0.875 | 0.875 | 1.75 | 0.875 |
| Murabahah | 0.142857 | 1 | 0.125 | 0.125 | 0.25 | 0.125 |
| Amount | 1.142857 | 8 | 1 | 1 | 2 | 1 |

Measuring Consistency

$$\lambda_{max} = (1{,}142857\ x\ 0{,}875) + (8x0{,}125)$$
$$\lambda_{max} = 2$$

Calculating the Consistency Index (CI)

$$CI = \frac{(l_{max} - n)}{(n-1)}$$
$$CI = \frac{(2-2)}{(2-1)} = 0$$

Calculating the Consistency Ratio (CR)

$$CR = \frac{THERE}{RI} = \frac{0}{0} = 0$$

Because CR < 0.1, the comparison matrix is pairwiseis consistent

**Table 8.** Alternative Pairwise Comparison Matrix

| Customer Criteria | Mudharabah | Murabahah | Nilai Own | | Amount | Rate-rate |
|---|---|---|---|---|---|---|
| Mudharabah | 1 | 5 | 0.833 | 0.833 | 1.666 | 0.8333 |
| Murabahah | 0.2 | 1 | 0.166 | 0.166 | 0.333 | 0.1667 |
| Amount | 1.2 | 6 | 1 | 1 | 2 | 1 |

Measuring Consistency

$$\lambda_{max} = (1{,}2\ x\ 0{,}8333) + (6x0.1667)$$
$$\lambda_{max} = 2$$

Calculating the Consistency Index (CI)

$$CI = \frac{(l_{max} - n)}{(n-1)}$$

$$CI = \frac{(2-2)}{(2-1)} = 0$$

Calculating the Consistency Ratio (CR)

$$CR = \frac{THERE}{RI} = \frac{0}{0} = 0$$

Because CR < 0.1, the comparison matrix is pairwiseis consistent

**Table 9.** Order Priority of The Final Score (Total Ranking) Based On All Criteria

| Weight | Modal | Risk | Superiority | Customer Criteria | Results | Ranking |
|---|---|---|---|---|---|---|
| Mudharabah | 0,2 | 0,75 | 0,875 | 0,833 | 0.681 | 1 |
| Murabahah | 0,8 | 0,25 | 0,125 | 0,1667 | 0,318 | 2 |

Based on the ranking results, it is known that Mudharabah ranks first as the best alternative in making decisions on microfinance contract models in Islamic banks, with a weight of 0.681.

The study results show that, so far, the practice of microfinance in Islamic banks has used Murabaha contracts with the principle of buying and selling. Islamic banks act as providers of financing to customers who will run businesses and buy goods or needs that they will use. Islamic banks act as providers of funds that will be used by customers. The transaction process that occurs can be seen from the following construction:

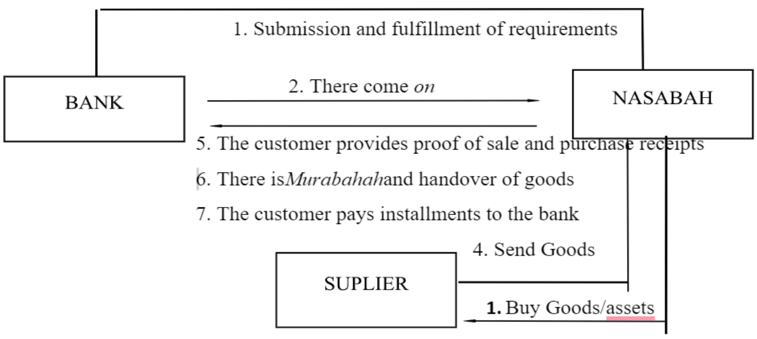
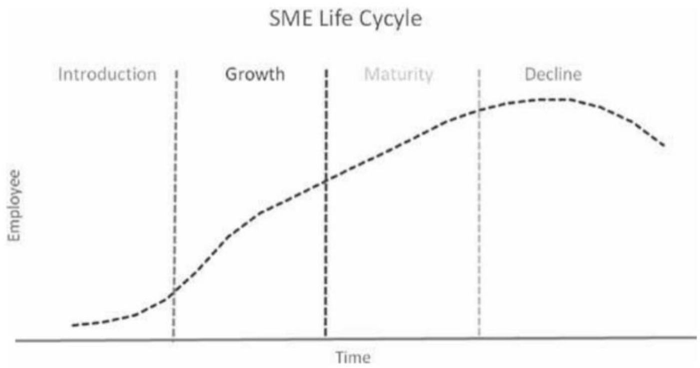



**Figure 3.** Scheme of Microfinance at Bank Syariah Indonesia

People don't think that applying the rules of buying and selling to financing products in Islamic banks will solve the financial prob lems that business people face. In addition, they must bear the constant expense of repaying their bank loans. Also, they have the constant expense of paying back their bank loans. Based on the evidence shown, Islamic banks need to know about the different stages a company goes through. The main benefit, though, is being able to make up for funding gaps during the onboarding process. the following figure:

**Figure 4.** Micro and small business life cycle, depicted.




The difficulty that small and medium-sized businesses (SMEs) have in getting started is depicted in Figure I below. Problems arise, without a doubt, from insufficient financial resources. Regardless, Deepmudharabah Thus, the rapid development of the introductory stage can be maintained without compromising the optimization of the growth and maturity process, the true source of profit. As a result, ROI drops to a more manageable level while profits rise. RMC alone won't change the life cycle, but when combined with other initiatives and the creation of new products during periods of low volume, it can have a significant impact.

The AHP analysis guided the Sharia bank toward the mudharabah contract model of microfinancing to support local businesses. It was discovered by Dinç and Sa. RMC is a private equity firm that invests money and holds majority stakes in a number of different businesses. invests money into a business and gets equity in return. (TDV, 2000, p. 260) It is written in the form of "shapesyirkah-al-inan." Its main goal is to use the money and other resources it has to finish investment projects. In this case, the goal is the same as the company's. The project, however, was completed by RMC rather than Mudharabah. Furthermore, unlike mudharabah companies, project financing is accomplished through designationrabb ul mal rather than mudharabah. It builds partnerships with a partnership system based on existing financial strengths. There are several workable models, ie

### Buying Ideas

The first reversible mudharabah model has the idea's creator selling it to the entrepreneur in exchange for a cut of the profits. He doesn't have to spend any time or money on the project, and he is guaranteed a certain return when it is done. There is a critical need to put these concepts into action, but no interest-free financing models besides the reverse mudharabah exist. This is one of the main differences between the traditional mudharabah and the reverse mudharabah, which is a newer version of the mudharabah.

### Salary Based on Profit Sharing

The second model encourages active involvement from the project's proprietor. If the project works out, he will get a certain share of the money made. But as a project expert, he may be offered a salary. In some ways, this serves as a model. If the workforce has limited financial resources or the project will take a long time to complete, compensation may be necessary.

### No Profit-Sharing Salary

If the workers aren't experts in the field but are willing to help regardless, or if the investment period is short and no salary is necessary, reverse mudharabah can be carried out without compensation. In any case, it is possible to pay for some of the wages. Manpower and RMC have agreed on how they will split the profits when the project is done. Mudharabah These similarities to Mudharabah's salary structure make the last two models particularly appealing. Reverse mudharabah has a big effect on small and medium-sized business funding and microfinance. This is clear from both real-world examples and theoretical models of financing. The buy-idea model is a way for small and medium-sized businesses (SMEs) that don't have access to capital to form relationships through partnerships. In a different model, a relationship management company (RMC) can form alliances with SMEs. Since this is the case, reverse mudharabah can be a good way to get money without paying interest.

### Institutional Alternative

In the context of waqf, the mudharabah-in-reverse framework can be implemented. In a waqf business set up with reverse mudharabah, the owner of the project gets a portion of the profits, and the rest of the money goes to Islamic microfinance or charity. That's right; the model can be implemented by both for-profit and not-for-profit enterprises.

In the aftermath of a pandemic, the government can use the four proposed models to distribute economic recovery funds to help people get back on their feet and improve their quality of life. Those who start businesses but fail to succeed should recover from their setbacks and consider how they can repay any financial backing they receive. The concept of riba is fundamentally opposed in Islamic finance. All the forms and goals of Riba are exposed. [1So, the main goal of Islamic finance and banking is to give the Muslim community an alternative to the traditional banking system based on interest (Ziauddin, 1991). Riba' can be put into at least two main categories: credit riba (riba' al-nasi'ah) and surplus riba (riba' al-fadl) (Az-Zuhayli, 2006). Any default on a debt, whether it's a loan or a debt for goods sold, is considered "credit riba." According to Muslim legal scholars, riba' al-nasi'ah is defined as a loan that provides the lender with a fixed increase after a set amount of time or an increase in credit on the principal after a set amount of additional time. In contrast, the sale of gold, silver, wheat, barley, salt, and dried dates for more than they're worth is considered riba al-fadl, or surplus riba. In excess of goods advanced (IBA) refers to the sum that the lender advanced to the borrower. If there is a problem with the offered goods or if delivery is delayed, Riba is there to help as well. The practice of ribawi, which is aimed at revitalizing economies by extending new loans to existing borrowers, is strictly forbidden and makes it very challenging for micro- and small-scale businesses to repay their debts.

## E. CONCLUSION

Financing for small, micro, and medium enterprises (MSMEs) in Islamic banks uses a murabahah contract, better known as buying and selling. The bank acts as a provider of funds that are channeled to customers. The customer gets money that can be used to buy equipment needed for production or to help the business run. The Islamic bank pays the funds in installments according to the agreed timeframe. Even though the contract murabaha is in line with Sharia compliance standards, it is not used to give out microfinance because both the customer and the bank have moral problems with it. This contract causes Islamic banks to be seen as lacking a role in national economic recovery because this role is the same as that taken by conventional banks, which also distribute financing products. This research proves that the right contract for micro- and small-business financing is a mudharabah/revenue-sharing contract.

## REFERENCES

Ahmad, A. U. F., & Rafique Ahmad, A. B. (2009). Islamic microfinance: The evidence from Australia Humanomics, 25(3), 217–235. https://doi.org/10.1108/08288660910986946

Alhifni, A., Huda, N., Anshori, M., & ... (2018). Product Design Mall of Islamic Microfinance Institutions Supporting Economic Empowerment Islamic Boarding School Indonesia (Case Study Islamic Boarding School …. International Journal of …. https://ideas.repec.org/a/eco/journ1/2018-04-31.html

Ali, S. N. (2017). Building trust in Islamic finance products and services. Society and Business Review, 12(3), 356–372. https://doi.org/10.1108/sbr-03-2017-0017

Amalia, E., & Atiqah, M. (2015). Evaluating the models of sharia microfinance in Indonesia: an analytical network process (anp) approach. Al-Iqtishad: Journal of Islamic Economics. http://journal.uinjkt.ac.id/index.php/iqtishad/article/view/1355

Bhuiyan, A. B., Siwar, C., Ismail, A. G., & Omar, N. (2017). The experiences of the Grameen and Islami Bank microfinance on the poverty alleviation in Bangladesh. In Journal of Islamic Economics …. ibtra.com. http://ibtra.com/pdf/journal/v13_n3_article4.pdf

Dinç , Y. , & Saiti , B. (2018).Chapter 8 "Reverse Mudarabah" an Alternative of Classical Mudarabah for Financing Small Businesses. 175–187. https://doi.org/10.1108/s1569-376720180000019009

Glémain, P. (2009). The French context of microfinance: A socioeconomic approach of short financial relationships through modern "solidarity-based" financial structures and actors. International Journal of Social Economics, 36(12), 1118–1132. https://doi.org/10.1108/03068290910996954

Hulme, D., & Arun, T. (2009). Microfinance: A reader. Microfinance: A Reader, 1–235. https://doi.org/10.4324/9780203882764

Husaeni, U. A., & Dewi, T. K. (2019). The Influence of Islamic Microfinance on the Level of Development of Micro, Small and Medium Enterprises (MSMEs) in BMT Members in West Java.Bongaya Journal for Research in …. https://ojs.stiem-bongaya.ac.id/index.php/BJRM/article/view/122

Indrawati, S. M. (2002). Indonesian economic recovery process and the role of government. Journal of Asian Economics, 13(5), 577–596. https://doi.org/10.1016/S1049-0078(02)00176-8

Khan, F. (2010). How "Islamic" is Islamic Banking? Journal of Economic Behavior and Organization, 76(3), 805–820. https://doi.org/10.1016/j.jebo.2010.09.015

Kuran, T. (1996). The Discontents of Islamic Economic Morality. American Economic Review, 86(2), 438–442. https://doi.org/10.2307/2118166

Maiti, & Bidinger. (2020). Micro Business Perceptions In Selecting Murabahah Products Aceh Syariah Bank In Lhokseumawe City.Journal of Chemical Information and Modeling, 53(9), 1689–1699.

Melina, F. (2020). Murabahah Financing In Baitul Maal Wat Tamwil (BMT).Journal of Tabarru': Islamic Banking and Finance, 3(2), 269–280. https://doi.org/10.25299/jtb.2020.vol3(2).5878

Miah, M. D., & Suzuki, Y. (2020). Murabaha syndrome of Islamic banks: a paradox or product of the system? Journal of Islamic Accounting and Business Research, 11(7), 1363–1378. https://doi.org/10.1108/JIABR-05-2018-0067

MOLLAH, S., & UDDIN, M. H. (n.d.). Microfinance Model Play the Key Role in Poverty. In researchgate.net. https://www.researchgate.net/profile/Sabur-Mollah/publication/275829058_How_does_an_Islamic_Micro-Finance_Model_play_a_key_role_in_Poverty_Alleviation/links/55477b870cf26a7bf4d9098e/How-does-an-Islamic-Micro-Finance-Model-play-a-key-role-in-Poverty-Allevi

Nasution, A. C. (2013). Empowering Woman in Islamic Microfinance: Lesson from Grameen Bank in Bangladesh, BMT and MBK Venture Capital in Indonesia. In Islaminomics: Journal of Islamic Economics …. jurnal.isvill.ac.id. http://jurnal.isvill.ac.id/index.php/JURNAL/article/download/14/10

Rafique, A. B., & Al-Mubarak, T. (n.d.). Rural Development Scheme (RDS) of the Islamic Bank Bangladesh Limited (IBBL) and the conventional

Microfinance Institutes in Bangladesh: A comparative …. In Islamic Microfinance for Sustainable …. crpc.sabfs.edu.sd. http://crpc.sabfs.edu.sd/moatomar/Full paper _1_.pdf

Rahim Abdul Rahman, A. (2010). Islamic microfinance: an ethical alternative to poverty alleviation. Humanomics, 26(4), 284–295. https://doi.org/10.1108/08288661011090884

RAHMAN, A. R. A. (2007).< Islamic Economics: Theoretical and Practical Perspectives in a Global Context> Islamic Microfinance: A Missing Component in Islamic Banking. In … Research: Kyoto Bulletin of Islamic …. repository.kulib.kyoto-u.ac.jp. https://repository.kulib.kyoto-u.ac.jp/dspace/bitstream/2433/70892/1/06abd_rahim.pdf

Rahman, M. P., & Kassim, S. (2017). Are shariah-compliant structured products able to withstand global financial shocks? A new perspective on the performance of shariah-compliant structured investment-linked plans in malaysia. Journal of Economic Cooperation and Development, 38(1), 161–182.

Rahman, R. A., & Dean, F. (2013). Challenges and solutions in Islamic microfinance. Humanomics, 29(4), 293–306. https://doi.org/10.1108/H-06-2012-0013

Rosly, S. A., Bakar, M. A. A., & Department. (2003). Performance of Islamic and mainstream banks in Malaysia. International Journal of Social Economics, 30(12), 1249–1265.

Shajahan, B., & Khanam, S. (2017). Women development through traditional and islamic microfinance-a comparative review. In Welcome Message from Conference …. researchgate.net. https://www.researchgate.net/profile/Tasdidaa-Shamsi/publication/343635711_Lifestyle_of_Auto_Rickshaw_Drivers_in_Cox's_Bazar_Bangladesh/links/5f3556994585 15b7291c8d24/Lifestyle-of-Auto-Rickshaw-Drivers-in-Coxs-Bazar-Bangladesh.pdf#page=47

Suarmanayasa, I.N. (2021). Determineabsorption Working Capital Credit For Small Businesses.Journal of Social Sciences and Humanities. https://ejournal.undiksha.ac.id/index.php/JISH/article/view/36894

Subagyo, A. (n.d.). Islamic Microfinance Model. In gicipress.com. http://gicipress.com/wp-content/uploads/2019/10/artikel-AS_di-JurnalGICI-vol.5-No.1-2015-p.83-96.pdf

Suzuki, Y., & Miah, M.D. (2020). Shari'ah-compliant benchmark and Shari'ah-based "raf' al-haraj" benchmark on prohibition of riba.International

Journal of Islamic and Middle Eastern Finance and Management, 14(1), 151–163. https://doi.org/10.1108/IMEFM-11-2019-0490