
Implementation of Musyarakah Financing On Micro, Small, and Medium Enterprises (MSME): Solutions for Regional Economic Recovery Post Covid-19 Pandemic

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ABSTRACT

This research aims to analyze the implementation of Musyarakah financing at Bank Syariah Indonesia (BSI) in the Micro, Small, and Medium Enterprises (MSME) sector in the cities of Bandar Lampung and Metro as a solution for regional economic recovery post-Covid-19 pandemic and the development of MSMEs after receiving Musyarakah financing.

The research method applied is a descriptive qualitative method with a field research approach, where the data collection process is carried out using observation, interviews, and documentation methods as tools to obtain information about the implementation of Musyarakah financing.

The results of this study indicate that the implementation of Musyarakah financing by Islamic Banks serves as a solution for the post-Covid-19 economic recovery in the region and can increase the income of MSMEs.

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Introduction

The Covid-19 epidemic has had a huge global influence, especially on global and national economic growth. As a result of the epidemic, various nations throughout the world have experienced an economic downturn. In 2019, Indonesia also faced this circumstance. Indonesia's economic growth rate reached 5.02% during the time preceding the COVID-19 epidemic. During the COVID-19 pandemic in 2020, Indonesia's economic growth contracted to -2.70% (c-to-c) from 2019, whereas growth was 3.10% (c-to-c) in the first quarter of 2020 (www.bps.go.id, 2020).

Sharia banking in carrying out its business activities provides financing based on the profit-sharing principle (*mudharabah*), financing based on the principle of capital participation (*musyarakah*), the principle of buying and selling with a profit (*murobahah*), or financing capital goods based on the principle of pure rental without options (*ijarah*). Theoretically, sharia banking financing products still refer to *mudharabah* and *musyarakah* financing as the core contracts in the profit-sharing scheme (lost and profit sharing). This concept can provide opportunities for MSMEs to develop their businesses based on partnerships as per the principles promoted by Sharia Banking.

The MSME sector during the economic crisis in the midst of the Covid-19 pandemic was able to survive, meaning that this sector has the potential to be developed through the right policies and supported by the right financial (banking) institutions. The main problem faced by the MSME sector is capital, sometimes they experience difficulties in obtaining capital from banks. One of the reasons is the high credit interest rate and the need for material collateral (collateral minded) in obtaining credit and this is something that is difficult for them to fulfill.

Based on data from the Indonesian Ministry of Cooperatives and SMEs as of September 2021, the Sumatra region has the most MSMEs in three provinces: North Sumatra (418,904 units), South Sumatra (208,990 units), and Lampung (150,715 units). One interesting element of MSME resilience amidst the COVID-19 pandemic which has been going on for more than a year is the growth in the number of MSMEs in Lampung Province. If many MSMEs such as those in North and South Sumatra are experiencing a decline in income and even closure, the increase in the number of MSMEs in Lampung Province should be appreciated. Lampung Province experienced an increase in the number of MSMEs from 2020-2021 by 40,356.

Capital and declining people's purchasing power are the most difficult challenges for MSMEs during the Covid-19 pandemic. Islamic banking can provide capital support to MSMEs through *musyarakah* contracts while adhering to sharia rules. The *musyarakah* agreement is legally based on DSNMUI Fatwa No.08/DSN-MUI/IV/2000 concerning *musyarakah* financing. According to this DSN-MUI Fatwa, *Musyarakah* is financing that is based on a cooperation agreement between two or more parties for a particular initiative, where each party contributes money with the understanding that profits and risks will be shared according to the agreement. In other words, funding through a *musyarakah* contract helps to drive the dynamics of the micro-economy within society, and this economic

progress can have a positive influence on the community, such as lowering unemployment rates.

A similar previous study on the impact of the COVID-19 pandemic on MSMEs was initiated by (Nalini, 2021), titled "The Impact of COVID-19 on MSMEs," which analysed the impact of the COVID-19 pandemic on the existence of MSMEs in Indonesia and how to provide solutions to help MSMEs survive in the COVID-19 pandemic situation. Next, (Muhammad Al Ikhwan Bintarto, 2021) investigated "The Implementation of Mudharabah Financing for Community Business Activities as an Effort to Recover the National Economy Due to the Covid-19 Pandemic" and concluded that financing in Islamic banking can help the national economy recover and can be one of the solutions for MSME actors to overcome economic problems caused by the impact of the Covid-19 pandemic.

Unlike previous research, this study focuses on the application of Musyarakah financing at BSI in two cities, namely Bandar Lampung and Metro, where the trend of new MSME emergence post-Covid-19 pandemic has sharply increased at the provincial level overall but sharply decreased in the two flagship cities of Lampung Province, namely Bandar Lampung and Metro. This makes it an interesting phenomenon to study further by involving MSME actors as debtors at BSI who use Musyarakah financing.

Literature Review

Economic Growth

According to (Sukirno, 2011) economic growth is defined as the development of economic activities which causes the production of goods and services in society to increase and the welfare of society to increase." So, economic growth is a measure of the performance and progress of an economy over time. A country's capacity to produce products and services will increase. This increase in capability is the result of expanding manufacturing elements, both in quantity and quality. Investment will increase capital goods, while technology will increase. In addition, as the population increases and education and skills increase, the number of the workforce also increases.

Sukirno, (2011) identified four elements of production that drive economic growth: natural resources, organization, capital accumulation, technological progress, division of labor, and scale of production. Economic and non-economic forces interact to determine economic progress. Therefore, non-economic elements such as social, cultural, and political influences play an important role in economic growth. According to BPS South Sumatra Province in 2015, there are several factors that can influence economic growth, including the level of dependence on the primary sector, the role of consumption in economic growth, infrastructure development, the quality of human resources, public savings, and regional government spending.

Musyarakah

Musyarakah is also called Sharia or Shirkah. Musyarakah translates to "al-ikhtilath," which means mixture or combination. The term "combining" refers to when someone combines their wealth with the wealth of others, making it impossible to distinguish one from the other (Syafei, 2011). Meanwhile, according to the DSN-MUI Fatwa, Musyarakah financing is based on a cooperation agreement between two or more parties for a particular business,

where each party contributes money with the understanding that profits and risks will be shared according to the agreement.

Musyarakah is a permissible contract based on the Qur'an (Surah An-Nisa (4) verse 12 and Surah Sad (38) verse 24), Sunnah, Ijma, and legal considerations in the form of the DSN MUI fatwa DSNMUI No.08/DSN-MUI/IV/2000 on musyarakah finance. The contract's parties/business partners, the contract's object (mal), labour (drabah), Shighar (Ijab and Qabul), and the profit-sharing ratio (bagi hasil) are the Musyarakah pillars that must be met in the transaction.

The conditions related to musyarakah according to the Hanafis are divided into four parts, including Something related to all forms of musyarakah, whether with wealth or otherwise, Something related to musyarakah mal (wealth), and something related to syarikat mufawadhah,

In general, musyarakah is categorized into two types, namely musyarakah of ownership (syirkah al amlak) and musyarkah of contract (syirkah al aqad). Musyarakah kepemilikan is created due to inheritance, a will, or other conditions resulting in the ownership of one asset by two or more people. In this musyarakah, the ownership of two or more people is shared in a tangible asset, and they also share in the profits generated by that asset.

Musyarakah's results can be distributed in two ways: profit sharing, which is based on total income after deducting expenses, and revenue sharing, which is based on total revenue received before deducting costs.

MSMEs

MSMEs are a type of business carried out by people or business entities that are classified based on certain criteria. MSMEs are classified in accordance with Law Number 20 of 2008 which states:

First, Micro Business is a profitable business owned by a person or business entity that has a net worth of no more than IDR 50,000,000.00 and annual sales of no more than IDR 300,000,000.00.

Second, small businesses are productive businesses that operate independently, run by people or business organizations that are not affiliated with subsidiaries or branches. The conditions include a maximum value of Rp. 500,000,000 and annual sales proceeds of Rp. 2,500,000,000.

Third, medium businesses are productive businesses that stand alone, managed by individuals or business entities that are not subsidiaries or branches of the company. Have criteria, namely wealth of at most Rp. 10,000,000,000 does not include land and buildings for business premises and has annual sales proceeds of a maximum of IDR 50,000,000,000. The dominance of MSMEs in Indonesia needs special attention because of their enormous contribution to the national economy (Pakpahan, 2020). MSMEs have three important roles in people's lives: poverty alleviation, economic equality for small businesses, and supplying the country's foreign exchange (Prasetyo, 2019)

Covid-19

The outbreak of this virus in Indonesia began on March 2 2020, apparently through direct contact between Indonesians and foreigners. The spread of Covid-19 is getting faster as time goes by. The data shown below shows this. As of October 2 2021, according to (covid19.go.id, 2021) there were 4,218,142 million people infected with Covid-19 in Indonesia, with details of 4,042,215 people declared cured and 142,115 people dead. This teaches us to be careful in maintaining cleanliness and to obey government regulations so that this pandemic ends quickly in our country, Indonesia. The largest spread of Covid-19 is on the island of Java, especially in the areas of Surabaya and Jakarta. The lack of public awareness in addressing the pandemic or COVID-19 has caused the number of deaths and people infected with COVID-19 to increase day by day.

Research methods

This research uses a qualitative descriptive method combined with field research methodology to collect and analyze phenomena or events in detail and in depth. regarding the application of Musyarakah financing to MSMEs and how MSMEs have developed since receiving Musyarakah funding. Research data sources include primary and secondary data, namely:

First, data from scientific studies of Musyarakah funding.

Secondly, data was collected through observation and interviews at BSI Bandar Lampung City and BSI Metro City, with informants being banks and MSME debtors of Musyarakah financing agreements in both locations. Table 1.1 provides an overview of research informants.

Table 1.1 Research Informants

No.	Name	Age	Position/job
1.	Harry Apriyandi	35 years	old Micro Banking Manager BSI Metro City
2.	Khoerul Wajid	45 years	old Area Manager BSI Bandar Lampung City

Data source: Processed Data, 2021

Meanwhile, the research informants from MSME debtors of Musyarakah financing contracts at BSI Metro City amounted to 70 people and BSI Bandar Lampung City amounted to 30 people. The percentage of debtors as informants is calculated based on the comparison of the number of debtors at both banks, as well as additional criteria in the form of debtors who entered Musyarakah financing agreements post-COVID-19 pandemic. The data collection methods used in this study are observation, interviews, and documentation with MSME debtors of Musyarakah financing agreements at BSI Bandar Lampung City and Metro City. Interviews with the top management of BSI Kota Metro and Kota Bandar Lampung were conducted in person, while interviews with the UMKM debtors of the Musyarakah financing agreement were conducted by distributing a list of interview questions via the gform application through WhatsApp chat using the numbers obtained with the permission of BSI Kota Metro and BSI Kota Bandar Lampung.

Results and Discussion

Berdasarkan data yang dihimpun di lapangan terdapat jumlah debitur pada BSI Kota Bandar Lampung dan Kota Metro seperti tersaji pada table berikut:

**Tabel 1.2 Posisi Instanding dan Jumlah Debitur
Periode Desember 2021**

No.	BSI Area	Jumlah Instanding (Rp)	Jumlah Debitur (orang)
1.	Cabang Metro	69.613,45	928
2.	Cabang BDL	29.782,00	397

Sumber data : BSI BDL dan BSI Metro, 2021

According to the data above, the BSI Metro City Branch has a greater Instanding Portfolio and number of debtors than the BSI Bandar Lampung Branch. This is because, at the time of the merger on February 1, 2021, BSI Metro Branch was the result of the merger of three sharia banks, namely Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, whereas BSI Bandar Lampung Branch was the result of the merger of two sharia banks, namely Bank Syariah Mandiri and BRI Syariah.

Meanwhile, data on the number of MSMEs in the City/Regency of Lampung Province for the period 2019-2021 is displayed in the table below:

**Table 1.3 MSME Data by Regency/City in Lampung Province
Period of the Year 2019-2021**

No.	District/City	2019	2020	2021
1.	Metro	5.220	186	23.854
2.	Bandar Lampung	2.245	68	118.533

Source of data: Dinas Koperindag Prop. Lampung, 2021

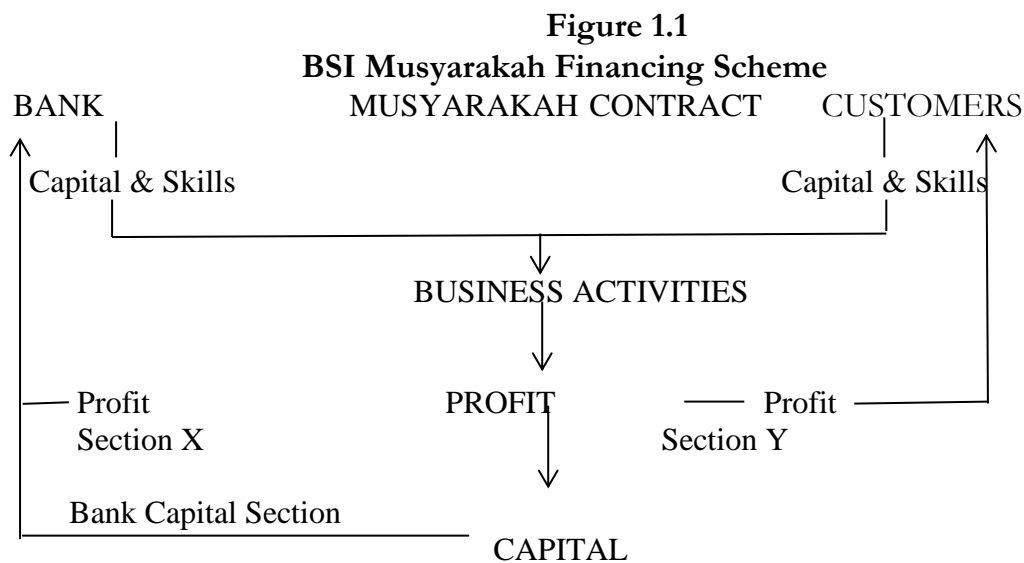
According to the statistics shown above, the growth position of MSMEs in the cities of Metro and Bandar Lampung declined significantly in 2020. This is due to the impact of the Covid-19 epidemic in 2019-2020, which resulted in many MSMEs going bankrupt and unable to withstand the pandemic. However, in 2021, MSMEs witnessed tremendous growth because of the post-Covid-19 epidemic and the transition to the new normal period, which encouraged the community to participate in business as local economic conditions recovered.

Financing through a Musyarakah contract with a profit-sharing concept is far superior to financing other productive activities, especially in the real MSME sector. If Mudharabah only includes financing from sharia banks, it is different from Musyarakah which requires each stakeholder to contribute capital to a company. As a result, the risks associated with the Musyarakah contract are shared by the Islamic bank and the consumer. The Musyarakah contract will also make it easier for entrepreneurs who already have funds but want to expand their business. This can be seen in the Metro City area where the number of arrears and debtors has increased compared to Bandar Lampung City. Although the number of

MSMEs in Bandar Lampung City increased significantly in 2021, data received from BSI reveals that MSME borrowers in Metro City account for 70%, while MSME debtors in Bandar Lampung City account for 30%. Several causes point to this, including the fact that not all MSMEs in Bandar Lampung City have Musyarakah financing agreements with BSI Bandar Lampung City, MSMEs that operate their enterprises with personal resources, and so on.

Implementation of Musyarakah Agreement Financing for MSMEs in BSI Metro City and BSI Bandar Lampung City

The implementation of the musyarakah contract in Islamic banking has undergone many transformations compared to the classical concept of musyarakah. The musyarakah contract concept can now be combined with other contracts such as mudharabah. This consideration aligns with the increasingly complex needs of society and adapts to the current state of society. The classical musyarakah concept does not have an installment mechanism for the payment of the principal capital that has been managed; the payment of this capital is made only once per contract. This concept also applies to the profit-sharing payment of the musyarakah contract, which is made at the end of the contract (OJK, 2017). The Musyarakah financing scheme at BSI Bandar Lampung City and Metro City is illustrated as follows:



Source : BSI, 2021

Based on the above scheme, it is clear that the Musyarakah financing transaction is a type of profit-sharing financing in which the bank, as the owner of funds/capital, acts as a business partner, financing the business investment of another party. Additional finance is offered to business partners (individuals or groups) who have previously contributed to the investment. Business partners with money are eligible to participate in the company's management, although this is not required.

Both partners can split the task of operating the firm according to the agreement, and they can also request wages/fees for the labour and skills they provide to the company. The profit share is shared among them in accordance with the previously set agreement in the contract, which differs from the quantity of capital supplied. Losses will be paid in

proportion to each party's share of the capital commitment. Musharakah is a contract that lasts as long as the jointly financed firm operates.

In the Musyarakah financing agreement, BSI Kota Metro and BSI Kota Bandar Lampung act as the fund owners (shohibul maal) to finance the business capital for the customers as the managers (mudhaarib). Financing through the Musyarakah contract at BSI Kota Metro and BSI Kota Bandar Lampung is generally used to add business goods, project capital, or new business capital. This is in line with the statements from BSI Kota Metro and BSI Kota Bandar Lampung, represented by the manager as the research informant, namely *“the addition of business goods, project capital, or new business capital dominates the use of musyarakah financing in MSMEs*

Meanwhile, the determination of profit-sharing is carried out through an agreement between the customer and BSI, where the projection of profit or earnings is obtained based on experience and analysis of the amount of financing and business income in accordance with the statement in the contract.

Analysis of the Development of MSMEs after Receiving Musyarakah Financing

Based on the results of interviews conducted with 70 BSI MSME debtors in Metro City and 30 BSI MSME debtors in Bandar Lampung City, there is a general overview of capital and monthly income:

Table 1.4 Overview of Capital and Monthly Income

No.	The Number of MSME Debtors	Capital Range (Rp)	Income (Rp)
1.	70 Metro City BSI MSME Debtors	4.000.000 – 15.000.000	800.000 – 1.500.000
2.	30 BSI MSME debtors in Bandar Lampung City	6.000.000 – 20.000.000	1.300.000 – 2.000.000

Data source: BSI BDL and BSI Metro, 2021

The following is a general overview after carrying out Musyarakah financing

Table 1.5 General Description of Capital and Income per Month after Musyarakah Financing

No.	Number Of MSME Debtors	Realization of Financing (Rp)	Increase in Income (Rp)
1.	70 Metro City BSI MSME Debtors	1.000.000 – 1.500.000	200.000 – 250.000
2.	30 BSI MSME debtors in Bandar Lampung City	1.500.000 – 2.500.000	300.000 – 335.000

Data Source : BSI BDL dan BSI Metro, 2021

Seen from the table, before debtors used musyarakah-based financing, they had large capital but their monthly income was low, whether they were Metro debtors or Lampung debtors. However, after receiving musharaka financing, their income increased. This growth comes

from initial capital and loan amounts. In other words, the Musyarakah financing provided to BSI Metro City and BSI Bandar Lampung City MSME borrowers has an impact on their income growth.

In addition, based on the findings of interviews with MSME debtors of BSI Metro City and BSI Bandar Lampung City, it is known that the increase in income after Musyarakah financing was caused by the impact of financing on increasing business capital thereby increasing sales variance and volume. Maka dengan itu cukup membuktikan bahwa that Musyarakah financing for MSMEs offered by BSI can be one of the solutions in the recovery of the regional economy because this Musyarakah contract financing can serve as additional capital for MSMEs that are hindered or lack capital in running their businesses due to the impact of the Covid-19 pandemic. This is also in line with the research conducted by Kurniawan Piri et al., (2023) which shows that financing through musyarakah contracts conducted by Islamic Banks experienced a significant increase of 28.65% during the period from 2021 to 2022, but MSME credit continues to grow, especially in micro enterprises. And the research by Rachmadani, (2024) explains that the financing products of Bank Kalbar Syariah, including murabahah, musyarakah, and mudharabah, have played an important role in supporting the development of MSMEs in the city of Pontianak. And Khairunnisa & Nofrianto, (2023) show that sharia financing and finance can support national economic recovery and be a solution for MSME players in overcoming the economic impact due to economic contraction.

Conclusion

Based on the findings, Musyarakah Financing for MSMEs at BSI Kota Metro and BSI Kota Bandar Lampung has the potential to be one of the solutions for regional economic recovery, allowing firms to survive and grow post-COVID-19 pandemic. Furthermore, with the increased money provided by Musyarakah finance, revenue growth becomes more feasible.

This study focuses solely on MSME players who participate in Musyarakah contracts at BSI branches in Metro City and Bandar Lampung. Expanding the research objectives at the national level can lead to more representative findings.

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