



Research Paper

Implementation of *Maslahah* in the LPDB-KUMKM Revolving Fund Loan or Financing Program

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ABSTRACT

This research aims to explore the implementation of *maslahah* in the loan or revolving fund financing program managed by the Cooperative, Micro, Small, and Medium Enterprises Revolving Fund Management Institution (LPDB-KUMKM).

The research method used is a literature study with a descriptive qualitative approach. Secondary data was obtained from a variety of sources, including journals, related research, and books relevant to the context of the discussion.

The results of the study show that LPDB-KUMKM as a whole has applied the concept of *maslahah* in its program. This finding is reflected in several aspects. First, LPDB-KUMKM has succeeded in creating economic independence for cooperatives and partner MSMEs through the provision of funds, training, and mentoring. Second, this institution ensures that all programs implemented meet the characteristics of sharia compliance by avoiding elements of *riba*, *gharar*, and *maisir*. Third, this institution also conducts a comprehensive risk evaluation including credit risk, operational risk, and compliance risk. Fourth, LPDB-KUMKM actively empowers the community through training programs, mentoring, and providing access to other resources. Fifth, LPDB-KUMKM applies the principles of accountability and transparency in every stage of its management. Sixth, this institution is actively involved in the process of continuous evaluation and improvement to ensure the efficiency and effectiveness of all programs implemented. The results of this research can be implemented into the economic life of the community by utilizing *Maslahah* in loan program activities and revolving funds.

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Introduction

The role of cooperatives and MSMEs in Indonesia's economic development is very crucial and cannot be ignored. Both are the main pillars in creating jobs, increasing people's income, and strengthening the country's economic resilience. According to Law Number 25 of 1992, a cooperative is defined as a business entity consisting of individuals or legal entities of cooperatives by carrying out their activities based on the principle of cooperatives and at the same time acting as a people's economic movement based on the principle of kinship (Law of the Republic of Indonesia Number 25 of 1992 concerning Cooperatives, Chapter I Article I). This definition includes two main elements, namely economic elements and social elements. Economic elements can be seen in the purpose of cooperatives to improve the welfare of their members through efforts such as increasing access to capital, efficiency of *value chains*, assistance in achieving *economies of scale*, increasing access to knowledge, skills, and technology, improving product quality and added value, and increasing bargaining power. Meanwhile, the social element is reflected in the principle of kinship which is the foundation of cooperation.

MSMEs according to Law Number 20 of 2008 concerning micro, small, and medium enterprises are productive businesses owned by individuals or business entities that meet the criteria as referred to in the law (Law of the Republic of Indonesia Number 20 of 2008 concerning MSMEs, Chapter I Article I). MSMEs have a very important role in driving the country's economy, especially because MSMEs are recognized as a *critical engine* that contributes significantly to the Gross Domestic Product (GDP) with a percentage of 60.5%. MSMEs are also the main supporters in absorbing the workforce by reaching 96.9%.

Although recognized as a crucial component in the economy and considered a *critical engine*, MSMEs still face several obstacles, especially related to access to capital. The existence of cooperatives should be a solution to overcome capital problems faced by MSMEs. But ironically, the cooperative itself experiences the same obstacles in obtaining capital, especially if the assets owned do not meet the conditions determined by the bank. Thus, there are complex and interrelated dynamics between MSMEs and cooperatives in the context of access to capital.

In order to overcome capital constraints faced by cooperatives and MSMEs, the government took part in the establishment of the Revolving Fund Management Institution for Cooperatives, Micro, Small, and Medium Enterprises (LPDB-KUMKM). This institution has a special task of managing revolving funds for KUMKM financing, including loans and various other forms of financing that are tailored to the needs of KUMKM. Through the distribution of this revolving fund, not only cooperatives benefit, but also all MSMEs that are members of cooperative membership, creating an ecosystem that supports the growth and sustainability of small and medium enterprises.

The revolving fund loan program is a concrete step taken by the government with the aim of providing revolving credit to cooperatives and MSMEs with low

interest rates. This initiative essentially intends to provide financial support to cooperatives and MSMEs so that they can strengthen their capital. In addition, this program is directed to encourage economic growth evenly and stimulate the growth of economic sectors which has a direct impact on job creation. The increase in the number of jobs is ultimately expected to contribute significantly to poverty alleviation, which is one of the main problems faced by the people of Indonesia.

The purpose of LPDB-KUMKM in providing financial support to KUMKM to encourage economic growth and poverty elimination reflects the application of the concept of *maslahah* where the main foundation is to provide great benefits to humans, both worldly and ukhrowi. In this context, the researcher is interested in exploring the implementation of *the concept of maslahah* which is the philosophical basis in every policy and program implemented by LPDB-KUMKM. In exploring the implementation of *the concept of maslahah*, the researcher will focus on how LPDB-KUMKM concretely translates the values of *maslahah* in each of its policies and programs and explores LPDB-KUMKM's efforts in ensuring that its programs not only provide worldly benefits but also pay attention to the ukhrowi aspect in accordance with the concept of *maslahah*. In language, Ibn Mandzur explained that *maslahah* is a single form of *masolih* which means goodness or benefit, so according to him everything that has goodness or benefit in it is called *maslahah*. As for *maslahah* in terms of terms, there are many views from scholars, both classical and contemporary. Al-Buthi explained that *maslahah* is everything that leads to goodness or benefits intended by the shari'a to its servants to maintain and maintain essential aspects in their lives which include religion, soul, intellect, descendants, and property (Al-Bhuti, 1973). Almost the same opinion is the argument of Imam Ghazali who explains that *maslahah* is a principle to obtain benefits and reject *mafsadah* (danger) so that the effort leads to the maintenance of religion, soul, intellect, descendants, and property. Therefore, every action or thing that can maintain the five main aspects is considered as *maslahah*, on the other hand, if every action taken violates the five aspects above, it is considered *mafsadah* (Muhamad, 1368).

Khawarizmi also gave a definition that *maslahah* is maintaining or preserving the purpose and purpose of sharia by rejecting *mafsadah* that arises from creatures. This definition is almost the same as what was put forward by Imam Ghazali, only Khawarizmi does not limit *maslahah* to five aspects that are covered in the level of *maslahah daruriyat* (Zarkasyi). As-Syatibi added that *maṣlaḥah* is a principle that refers to the achievement of benefits and the rejection of the potential of *mafsadah*. Benefit refers to the positive results obtained from an action and all elements related to the benefit, while *mafsadah* refers to negative consequences that are detrimental and result in damage. *Maṣlaḥah* focuses on the maintenance of human life and the attainment of a perfect life which can also be interpreted as an effort to gain benefits and avoid destructive things in the perspective of life in this world to achieve life in the hereafter. The application of the concepts of *maṣlaḥah* and *mafsadah* is not absolute but is determined by the dominance of strength and the intensity of the activities carried out. If the benefit is more dominant, then the situation can be categorized as *maṣlaḥah*, but on the other hand, if the damage is more dominant and stronger, then it is categorized

as *mafsadah* (As-Syatibi).

A search of previous research relevant to this study can be seen in the following presentation. Rahmadani, et.al (2023) researched the implementation of the revolving fund loan program for MSMEs in Banyumas Regency. Previous research examining the implementation of *maslahah* in LPDB-MSMEs was conducted by Anam & Suhaimi (2024). The results of the study show that *maslahah* can be applied in LPDB-KUMKM. Trisnojuwono, et.al (2017) researched the financing strategy of micro and small businesses through revolving funds at revolving fund management institutions. Sujarweni, et.al (2015) Examining the impact of kur revolving fund financing (people's business credit) on the performance of MSMEs. Liani & Prawihatmi (2017) examined the impact of loans and working capital assistance on the business performance of MSMEs Fostered by the Central Java Chamber of Commerce. Nurmi (2017) researched the use of women's savings and loans revolving funds (SPP) in Batu Bersurat Village, District XIII Koto Kampar. Jariah, et.al (2016) examined the evaluation of the distribution of revolving credit assistance to Small and Medium Enterprises in Tering District, West Kutai Regency. Based on the search of previous research, this study seeks to complement previous research by conducting a study on the application of *Maslahah* in the LPDB-KUMKM Revolving Fund Loan or Financing Program. This is important to be done as an effort to see the application of *maslahah* in the loan program for LPDB-KUMKM.

Method

This type of research is a literature study by trying to collect data or information from various sources (Hadi, 2002). The data in this study were obtained from primary data sources that include books, journals, encyclopedias, magazines, and other sources relevant to the research theme, especially those related to the context of *maslahah* and loans or financing of LPDB-KUMKM revolving funds.

The approach in this study is a qualitative approach that seeks to study a natural object without any manipulation and hypothesis testing. The data analysis used is a descriptive method by describing and interpreting what exists, growing opinions, ongoing processes, consequences or effects that occur or developing trends (Sumanto, 2014).

The data collection technique is carried out through documentation techniques. The researcher documented the research, especially those related to the context of *maslahah* and loans or financing of LPDB-KUMKM revolving funds. The data analysis technique in this qualitative research uses inductive, which is a logical process that starts from empirical data obtained from the results of literature review. Empirical data is field data as a source of primary data, such as documentation.

Results

Implementation of *Maslahah* in the LPDB-KUMKM Revolving Fund Loan or Financing Program

The LPDB-KUMKM revolving fund loan or financing program is included in the scope of economic activities where the implementation of benefits has a wider scope than other fields. This is due to the nature of the *nas* which is less detailed

and not specific in explaining economic activities so that it provides a great opportunity for Islamic scholars to interpret and adjust Islamic law based on the principle of *maslahah*. The implementation of *maslahah* in this program can be seen from various aspects:

Economic independence

Capital is the main problem for cooperatives, especially those that are still new in operation. To ensure the continuity of its operations, cooperatives must collect capital from various sources such as members' deposits, loans or financing from banks, even under certain conditions the cooperative depends on external sources that offer loans with high interest rates. This limited capital can be a serious obstacle to the business activities of cooperatives and their members, especially those involved in the Micro, Small, and Medium Enterprises (MSMEs) sector.

The existence of LPDB-KUMKM is a breath of fresh air for cooperatives and MSMEs because this institution aims to support the economic independence of the community through the provision of capital support in the form of loans or revolving fund financing at low rates. The loans or financing in question are given to two business sectors, namely the real sector and savings and loans. In the real sector, this program can encourage the growth of KUMKM which has potential business prospects for business development, create jobs, increase contribution to the member economy, reduce unemployment and poverty alleviation (<https://imfea.or.id/2022/06/program-lembaga-pengelola-dana-bergulir-lpdb>).

Meanwhile, the savings and loan sector focuses more on providing fast and flexible access to working capital and cooperative operational needs (<https://www.lpdb.go.id/dana-bergulir-bangkitkan-kesadaran-masyarakat-untuk-bergabung-dengan-koperasi>).

The goals of LPDB-KUMKM above are in line with the concept of *maslahah* where one of the goals is to provide real benefits to cooperatives and MSMEs. In 2022, the amount of LPDB-KUMKM revolving funds distributed is Rp. 1,861 trillion with the number of loan or financing recipients as many as 41,745. This number has managed to exceed the set target of 30,000 recipients. As a result of the distribution of this revolving fund, in 2022 the cooperative will grow by 19.32% compared to 2021. The number of cooperative partners distributing revolving funds in the last 3 years is: in 2020 as many as 127, in 2021 as many as 182, and in 2022 as many as 193.

One example of a cooperative partner that receives revolving funds from LPDB-KUMKM in Semarang City, Central Java is the Bina Niaga Utama Sharia Savings and Loan and Financing Cooperative (KSPPS BINAMA) which was established in 1993. This cooperative has 24,968 members and has received revolving fund financing from 2011-2023 six times with details of the first financing obtained in 2011 of Rp.5 billion, the second financing in 2013 of Rp.9 billion, and the third financing in 2019 of Rp.3 billion. The three financing facilities are now collectible in full status. The fourth financing was obtained by KSPPS BINAMA in 2020 of Rp.10 billion, the fifth financing in 2021 of Rp.10 billion, and the sixth financing in 2023 of Rp.15 billion. The three financings have until now the status of collectibility of current payments. Of the total revolving fund financing provided by LPDB-KUMKM, KSPPS BINAMA recorded

total assets until December 2022 amounting to Rp. 180.56 billion.

Thus, the collaboration between LPDB-KUMKM and KSPPS BINAMA is a clear example of how prudent and effective financing can support the economic independence of cooperatives and local communities. Success in financial management and fund management helps create an independent and sustainable economic environment.

Sharia Compliance

Sharia compliance or sharia compliance is the compliance of financial institutions with sharia principles (Widialoka & Azib, 2016). In the context of LPDB-KUMKM, the implementation of sharia compliance is illustrated by the absence of *riba*, *maisir*, and *gharar* elements in each program, financing structure, and procedures carried out. As it is understood, the distribution of LPDB-KUMKM financing is based on two patterns, namely conventional with a low interest system of 3% (sliding) and a sharia pattern with a 20:80% profit-sharing system. Provisions regarding conventional patterns that apply the interest system are considered by some people to be provisions that contain elements of usury, even though according to researchers *riba* and interest are two different things. *Riba* is the involuntary taking of additional principal property without any exchange of compensation (Al-Arabi, 1957). The prohibition of *riba* is explained in detail in the Qur'an, starting from the description of the existence of negative elements in *riba* (Qs. al-Rum [30]:39), the condemnation of Jews who practice usury (Qs. al-Nisa [4]: 161), the prohibition of *riba* with the limitation of *adh'afan mudha'afah* (Qs. Ali Imran [3]: 130), and finally the total prohibition of *riba* in its various forms (Qs. al-Baqarah [2]: 275-281). Meanwhile, interest is a dependency on money loans which is usually expressed from the money lent (Wirdayaningsih, 2005).

The interest applied by LPDB-KUMKM cannot be equated with *riba* because the interest does not multiply, does not cause injustice, especially to the occurrence of oppression and persecution carried out by creditors to debtors. Therefore, such interest is not included in the prohibited *riba* because it does not cause adverse effects which is the main purpose in the aspect of prohibiting usury (Saeed, 1996). In addition, the interest applied by LPDB-KUMKM uses a sliding rate calculation method that substantially affects the decrease in total installments over time. The total installment decreases because the principal installment will be the same (unchanged) every installment, while the interest installment will decrease because the interest calculation comes from the percentage of interest multiplied by the final balance of the loan. The final balance of the loan is calculated from the previous month's loan balance after deducting the principal installment in the current month.

Furthermore, the LPDB-KUMKM program also does not contain *maisir* and *gharar*. The *maisir* in question is an effort to get profits easily without maximum effort and contains elements of speculation. *Gharar* is an action that can harm others because of deception or uncertainty and injustice in transactions. When viewed from its form, *gharar* is divided into several forms (1) Conducting transactions that are not yet under its control; (2) The criteria for quality and quantity of goods/services are not explained

definitively; (3) There is no certainty of the price to be paid and the means of payment used; (4) The type and object of the contract are not expressly stated; (5) The condition of the object of the contract cannot be guaranteed to be in accordance with what is specified in the transaction; and (6) There is an element of exploitation of one party caused by manipulation and unclear information (Sholihin, 2013).

From the above forms of *gharar*, it can be understood that all programs, financing structures, and procedures carried out by LPDB-KUMKM are avoided from *gharar* and *maisir*. This is because LPDB-KUMKM applies the principles of accountability and transparency to all parties so that manipulation, uncertainty, and injustice are not possible. Then if LPDB-KUMKM applies elements of *riba*, *gharar*, and *maisir* in its entire program, it is certain that all cooperatives are reluctant to become partners. However, the facts show that since 2008-2022, LPDB-KUMKM has distributed Rp. 15.8 trillion in revolving funds to 3,222 partners spread across 34 provinces throughout Indonesia. In fact, the number of revolving fund distribution partners in the last three years shows a positive trend of 15.49%. Therefore, this positive trend shows that LPDB-KUMKM is safe from *riba*, *maisir*, and *gharar* elements so that it meets *the criteria for shariah compliance*.

Risk Evaluation

All forms of programs contain potential risks that must be identified, analyzed, and evaluated so that all risks that will occur can be known and anticipated as early as possible. Risk evaluation is a process of comparing the estimated level of risk with the previously determined level of risk. This process is important to implement in order to identify the actions that need to be taken to manage risks effectively and efficiently according to their urgency and impact.

In the Minister of KUMKM RI Regulation No. 4 of 2020 concerning the distribution of loans or revolving fund financing by LPDB-KUMKM, it is explained that in distributing revolving funds to prospective partners, all risks that may occur must be considered. The risks in question are credit risk, operational risk, and compliance risk (Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 4 of 2020 concerning the Distribution of Loans or Revolving Fund Financing by the Revolving Fund Management Institution for Cooperatives and Micro, Small and Medium Enterprises, Chapter I Article 12). Credit risk is a loss that arises due to the failure of the borrower to meet the performance incurred. To anticipate this risk, there are several methods used by LPDB-KUMKM;

Guarantee

In guaranteeing the repayment of loans or financing distributed to partners, LPDB-KUMKM requires the inclusion of collateral in the form of both material and immaterial. Material guarantees can be in the form of movable objects, immovable objects, deposit pawns, securities, employment contracts, domestic documented letters of credit, and supplies of goods. Meanwhile, immaterial guarantees can be in the form of individual guarantees and/or corporate guarantees (Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 4 of 2020 concerning the Distribution of Loans or Revolving Fund

Financing by Cooperatives and Micro, Small and Medium Enterprises Revolving Fund Management Institutions, Chapter I Article 13).

Insurance

Under certain conditions, LPDB-KUMKM can request additional guarantees from guarantee and/or insurance institutions as needed (Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 4 of 2020 concerning the Distribution of Loans or Revolving Fund Financing by Revolving Fund Management Institutions for Cooperatives and Micro, Small and Medium Enterprises, Chapter I Article 15). As an institution that provides revolving fund financing, LPDB-KUMKM can use guarantees from insurance institutions as one of the security mechanisms. Guarantees from insurance institutions can provide protection and certainty against risks that may arise thereby strengthening LPDB-KUMKM's position in managing credit risk. There are several types of insurance institutions that can be used as collateral, including credit insurance, life insurance, asset insurance, business health insurance, collateral insurance, and other insurance. The selection of an insurance institution and the appropriate type of insurance should consider the type of business, assets, and credit risks that may arise. A clear and detailed agreement regarding the use of guarantees from insurance institutions must be regulated in the credit agreement between LPDB-KUMKM and prospective partners.

Preparation of strict credit criteria

In anticipating credit risks, LPDB-KUMKM sets strict criteria for prospective recipients of financing for both cooperatives and MSMEs. This is to ensure that prospective partners can meet financial requirements and have a good credit history before being granted a loan. Cooperatives that want to access loans or revolving fund financing must meet the following criteria: (1) Be a legal entity; (2) Have a Cooperative Identification Number certificate; (3) Clear office status; (4) Have a productive business; and (5) The performance of the current category of repayment and has no arrears on previous loans or financing in the event that the cooperative is receiving loans or revolving fund financing from LPDB-KUMKM.

In addition to the above criteria, cooperatives are also required to meet several requirements such as: (1) Deed of establishment; (2) Bank statements of cooperative business operations for at least the last six months; (3) Financial statements; (4) Certificate of office ownership or proof of office lease; (5) Documents of the object of guarantee; (6) Recapitulation of loan disbursement data for the last 12 months stamped for cooperative savings and loan businesses; and (7). Recapitulation of the collectibility data of cooperative receivables in the last 12 months stamped for cooperative savings and loan businesses.

MSMEs that can apply for loans or revolving fund financing from LPDB-KUMKM must meet the following criteria: (1) Individuals, legal entities, and/or non-legal business entities; (2) Have a business license according to the type of business to be financed in accordance with the provisions of laws and regulations; (3) Clear office status; (4) Have a productive business; and (5) The performance of the current

category of repayment and no arrears on previous loans or loans in the event that the MSMEs concerned are receiving loans or revolving fund financing from LPDB-KUMKM.

After the above criteria are met, MSMEs must complete various very strict requirements, including: (1) Deed of establishment; (2) Bank statements of cooperative business operations for at least the last six months; (3) Financial statements; (4) Certificate of office ownership or proof of office lease; (5) Documents of the object of guarantee; and (6) Valid business licenses (Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 4 of 2020 concerning the Distribution of Loans or Revolving Fund Financing by the Revolving Fund Management Institution of Cooperatives and Micro, Small and Medium Enterprises, Chapter II Articles 7-8).

Thorough credit analysis

Before providing loans to cooperatives or MSMEs, LPDB-KUMKM conducts a careful analysis that includes a thorough evaluation of the debtor's ability to repay the loan, investigate credit history, and evaluate the business condition of the prospective partner. In addition, this analysis puts forward the principle of prudence which emphasizes the need to take preventive measures before granting loans. This analysis process also involves collaborating with independent consultant services who have Enterprises, Small In assessing business feasibility, legality and institutionality, as well as the financial condition of each potential borrower (Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 4 of 2020 concerning the Distribution of Loans or Revolving Fund Financing by the Revolving Fund Management Institution of Cooperatives and Micro Enterprises, Small and Medium, Chapter II Article 10). With this approach, LPDB-KUMKM not only mitigates credit risk, but also ensures that every approved loan is in accordance with the principles of healthy and sustainable business. This analysis-based approach supports LPDB-KUMKM's efforts in the development of cooperatives and MSMEs by taking effective and positive outcome-oriented preventive measures in providing financial support.

Regular monitoring

LPDB-KUMKM strategically formed a task force (monitoring task force) that has a special responsibility in supervising the distribution of revolving funds to Cooperatives and Micro, Small, and Medium Enterprises with the main goal of reducing the risk of bad loans. More than just supervision, the establishment of this task force has a broader purpose to strengthen the level of compliance and discipline of partners. The focus of this supervision is to ensure that LPDB-KUMKM partners consistently meet their obligations to repay the loans provided. This action not only protects the institution's finances, but also creates an environment that supports the sustainability of the revolving fund program where the funds returned by partners can be channeled back to other business partners. Thus, this task force is not only a monitoring tool, but also a means to ensure the effectiveness and continuity of the funding program provided by LPDB-KUMKM (LPDB-KUMKM Business Plan and Budget 2019).

Furthermore, operational risk is something that can cause losses in business caused by human negligence or system failure. To anticipate operational risks, LPDB-KUMKM provides assistance to financing recipients in the form of training, certification, facilitation and other technical assistance needed. The assistance provided involves cooperation with individual assistants, government and private institutions, institutions, communities, associations, and or other companies that have capacity and experience (Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 4 of 2020 concerning the Distribution of Loans or Revolving Fund Financing by Cooperatives and Micro, Small and Medium Enterprises Revolving Fund Management Institutions, Chapter III Article 25). In addition, the Revolving Fund Management Institution for Cooperatives and Micro, Small, and Medium Enterprises has always implemented the principles of *Good Corporate Governance* (GCG) to realize the distribution of revolving funds that are right on target and prevent problematic financing. There are five GCG principles applied by LPDB-KUMKM, namely:

Transparency

The transparency in question is the accurate presentation of information to the public regarding the process of distributing revolving funds, details of programs held to strategic policies adopted by the institution.

Accountability

The implementation of the principle of accountability is reflected in the realization of transparent responsibilities related to the performance of the institution as stated in the Main Performance Index (IKU) which is a measurement of the performance of all levels of LPDB-KUMKM. KPIs are designed consistently and set by the state as targets that must be achieved where in their implementation there is a *reward and punishment system*.

Responsibility

The application of responsibility to this institution is to prioritize the principle of prudence as stated in the concept of *tri sukses* which is the operational basis of LPDB-KUMKM. *Tri Sukses* includes three main dimensions, namely successful distribution, successful utilization, and successful returns. *First*, successful distribution refers to the success in the process of distributing revolving funds to cooperatives and Micro, Small, and Medium Enterprises (MSMEs). It emphasizes the need for prudence in the selection of fund recipients and ensuring that the disbursement process is carried out effectively and efficiently.

Second, the successful utilization illustrates LPDB-KUMKM's efforts to ensure that the funds distributed are really utilized optimally by recipients. This includes mentoring, training, and other support so that recipients can use it productively. *Third*, successful returns reflect success in managing the refund process that has been disbursed. The principle of prudence is also manifested in this aspect, where LPDB-KUMKM must ensure that the refund mechanism is carried out properly and in accordance with the agreement.

Independence

The principle of independence plays a central role in carrying out business processes in LPDB-KUMKM. Freedom from external intervention is a key aspect, especially in the business analysis and feasibility stage of the cooperative. In this context, LPDB-KUMKM emphasizes that the analysis process is carried out without interference from any party, creating a professional environment and free from external influences. This independence is explained as an internal fence that maintains the objectivity and credibility of the institution.

Integrity

The principle of integrity in the context of *Good Corporate Governance* (GCG) in LPDB-KUMKM is the main foundation in the management of the institution. Integrity includes high moral and ethical values, and demonstrates a full commitment to honesty, transparency, and adherence to applicable legal and regulatory norms. The implementation of integrity creates a solid foundation for good GCG practices, which in turn increases stakeholder trust, both internally and externally. This principle is the basis for maintaining the reputation and sustainability of the institution.

Community Empowerment

To carry out its duties and functions, LPDB-KUMKM has many initiatives designed to empower the community through training, mentoring, and access to other resources. Here's the explanation:

Training

LPDB organizes training programs that are focused on improving skills and knowledge as well as to increase the capacity and competitiveness of financing recipients. Training can cover various aspects such as production management from nursery to post-harvest, then business management, finance, product marketing, and technology development, so that the business ecosystem runs well and the welfare of members is really built.

One of LPDB's partner cooperatives that is not only stagnant in the savings and loan sector but is intensively developing the real sector of its members is the Balo' Toraja Savings and Loan Cooperative (KSP) in South Sulawesi Province, Tana Toraja Regency. The real sector that is developed is a vanilla commodity called green gold. In developing this business, LPDB is present to hold vanilla cultivation training for 80 out of 129 vanilla farmer members and ensure that an upstream to downstream ecosystem can be formed so that LPDB not only provides training in the form of cultivation, maintenance, and drying, but also brings together farmers with vanilla buyers and processors in Bali (Revolving Fund, LPDB Communication and Education Media).

Assistance

Not only focusing on distributing revolving funds, LPDB also optimizes assistance to its business partners for empowerment in entering a competitive market. The assistance efforts carried out have proven to be able to have a positive impact, especially in terms of business performance and organizational governance. Among the intense assistance programs carried out is assistance to cooperatives that run businesses in the real sector that are in line with government programs in terms

of food security such as fisheries, plantations, and agriculture. Furthermore, in an effort to prevent potential problematic financing resulting from the failure of debtors to fulfill their achievements, LPDB provides assistance in the form of *a good business plan* where the progress will be monitored periodically so that partners are expected to have good business development, the cooperative SHU is getting bigger, the growth of cooperative members and assets is increasing. The assistance steps carried out reflect LPDB's commitment to not only be a fund provider, but also a partner that supports the long-term development and success of the cooperative and micro, small and medium enterprises sectors.

Access resources

LPDB-KUMKM seeks to provide wider access to resources that can support the development of its partners' businesses. This can include access to business networks, market information, the latest technology, and other assistance. Cooperation between LPDB and various stakeholders can help financing recipients to connect with resources that can increase their competitiveness and business innovation. Currently, the Ministry of Cooperatives and SMEs encourages cooperatives to form *holding companies* with a *spin-off* strategy or business expansion in the real sector of its members. This approach aims to address issues of inefficiencies in the marketing of agricultural products, especially at the level of individual farmers. By implementing this strategy, farmers not only sell their agricultural products individually, but can also sell together. The expected outcome of this initiative is the achievement of greater economies of scale and higher bargaining power empowerment.

Accountability and Transparency

Accountability and transparency are important points to ensure that every step taken is in accordance with the policies and objectives that have been set and can be accounted for. In short, accountability is a form of accountability of an organization or institution to the parties who are entitled to obtain information about business activities and the performance carried out. In applying its accountability, LPDB-KUMKM publishes the LAKIP (Government Agency Performance Accountability Report) by presenting transparent and comprehensive information about annual performance, programs implemented, *year on year analysis* and *key points of evaluation* of the results achieved. The reporting mechanism in question has different criteria, both the format of reporting, the periodization of reporting, and the authority that has the authority to receive reports.

LPDB-KUMKM in its LAKIP reported 2 items of responsibility. *First*, accountability for performance performance. In 2022, LPDB-KUMKM has a mandate to achieve 13 KPIs (Key Performance Indicators) to the Ministry of Cooperatives and SMEs as Technical Coaches, and 12 KPIs with a commitment to the Ministry of Finance as the Financial Coach. Of the 13 KPIs with the Ministry of Cooperatives and SMEs, the average achievement is 142.24%. This percentage increased by 8.96% compared to the previous year's average of 130.54%¹. Meanwhile, of the 12 KPIs with the Ministry of Finance, the average achievement is 145.58%. This percentage

increased by 10.29% compared to the annual average of 132% (LAKIP, 2022).

Second, financial accountability. Financial accountability is an important aspect in maintaining integrity and transparency in the management of institutional funds. In this context, financial accountability can be measured through a number of documents and financial statements as follows:

Budget realization map based on KPIs

The budget realization map based on KPIs is an instrument that maps the organization's achievements against the performance targets that have been set. This map provides a comprehensive picture of the extent to which budget realization has accommodated and supported the achievement of each KPI that has been targeted.

Budget realization report

Budget realization reports are an essential document in evaluating and understanding how the organization's funds have been used. This report describes in detail the expenditure incurred during a certain period, compares the planned budget with the realization that occurs, so as to provide a clear picture of the financial performance of the institution.

Report on changes in budget balance over

The report on changes in the budget balance provides more information about changes that occur in the institution's budget balance. By understanding these changes, relevant parties can assess the extent to which the allocated budget has been utilized efficiently and effectively.

Cash flow statement

Cash flow statements provide an overview of the source and use of cash over a given period. This is important for measuring the institution's liquidity and ensuring that operational activities can continue without financial constraints.

Balance

A balance sheet is a document that lists the assets, liabilities, and equity of an institution at a point in time. Balance sheet analysis provides an in-depth understanding of the financial structure of an institution.

Operational reports

Operational reports include information related to the operational activities of the institution, providing an understanding of the extent to which the institution has succeeded in carrying out its mission and objectives.

Equity change report

The equity change report lists changes in an institution's equity position over a given period, allowing for an evaluation of its long-term financial health.

Managed funds

Managed funds refer to financial resources managed by an institution. Monitoring and reporting related to managed funds is important to maintain the credibility and trust of related parties.

Evaluation of budget realization

Budget realization evaluation is the final step that involves a thorough assessment of budget achievement based on predetermined performance indicators. This evaluation provides the basis for future financial strategy improvement and

development.

In addition, to strengthen accountability, LPDB-KUMKM develops a revolving fund information system that allows partners to manage the use of loans or revolving fund financing through connections between systems and then report the progress to the Minister every quarter (KUMKM Ministerial Regulation, Chapter VI Article 33). Revolving Fund is a fund that is lent to be managed and rolled out to the public by the Public Service Agency (BLU) which aims to improve the people's economy and other purposes (Regulation of the Minister of Finance of the Republic of Indonesia Number 158/PMK.06/2021 concerning Amendments to the Regulation of the Minister of Finance Number 168/PMK.06/2018 concerning the Determination of the Net Value of Non-Permanent Long-Term Investments in the Form of Bills). In the Regulation of the Board of Directors of LPDB-KUMKM, it is stated that revolving funds are funds allocated by state ministries or institutions or work units of public service agencies for business capital strengthening activities for cooperatives, micro, small, medium, and other businesses under the guidance of state ministries or institutions (Regulation of the Board of Directors of the Revolving Fund Management Institution of Cooperatives and Micro Enterprises, Small and Medium No. 010/PER/LPDB/2011 concerning Technical Guidelines for Providing Additional Loans or Financing to Cooperatives, Directors of Cooperatives and Micro, Small and Medium Enterprises Revolving Fund Management Institution of the Republic of Indonesia). This definition emphasizes that revolving funds are funds that are specifically allocated by the government through certain institutions or work units to support capital strengthening for KUMKM in the hope that this policy can trigger economic growth, increase employment, and improve people's welfare.

Actually, the revolving fund program disbursed by the government is divided into seven items, but the focus of this research is the revolving fund managed by the public service agency of the cooperative and MSME revolving fund management institution (LPDB-KUMKM) which is technically under the guidance of the ministry of cooperatives and SMEs. LPDB-KUMKM is a non-echelon organizational unit at the Ministry of Cooperatives and Small and Medium Enterprises that implements the financial management pattern of public service agencies in accordance with the provisions of laws and regulations. This unit has the task of carrying out revolving fund management for loans or financing to cooperatives and micro, small, and medium enterprises with an interest rate of 3% *sliding* for conventional loans and 20:80 for sharia financing (Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 8 of 2020 concerning the Organization and Work Procedures of Cooperatives and Micro Enterprises Revolving Fund Management Institutions, Small and Medium, Chapter I Position, Duties, and Functions).

This information system reflects LPDB-KUMKM's commitment to implementing the principles of accountability and transparency through the use of information technology that facilitates efficient and measurable monitoring and reporting so that it can provide accurate and comprehensive information for

interested parties.

Furthermore, LPDB-KUMKM also implements *the BLU Maturity Rating* which includes six aspects of assessment, namely finance, service, internal capabilities, governance and leadership, innovation, and the environment. In 2021, the LPDB-KUMKM *maturity rating* score was 3.28. At this level, BLU is able to document activities in a standard manner in the form of standard procedures (LAKIP, 2022). *BLU maturity rating* can ensure that vital aspects such as financial management, operations, and reporting are well maintained. Clear reporting can build trust, support the sustainability of relationships with various parties, increase legitimacy, and create an environment conducive to the development of MSMEs.

Evaluation and Improvement

In its journey, LPDB-KUMKM conducted a holistic and in-depth evaluation to overcome existing obstacles. Evaluations need to be carried out to measure the success rate as well as identify areas that need improvement or change in strategy. One of the evaluation activities carried out by LPDB-KUMKM is the evaluation of the achievement of KPIs which includes activities, obstacles, solutions, and recommendations. Through the implementation of solutions and recommendations, it is hoped that the performance and impact of the revolving fund program can be significantly improved. An example of an IKU evaluation is as follows:

Realization of PNBP services

The first KPI is the realization of PNBP services which includes maximum distribution, monitoring of the previous year's revolving refund, periodic collection of the previous year's revolving refund. The obstacles faced by the KPI are the collectibility of revolving fund distribution (less smooth, doubtful and stuck), the realization of distribution at the end of the year due to the moratorium on savings and loan permits, the provision of low rates to cooperatives.

The solution offered to overcome these obstacles is to take quick steps to monitor and handle partners, coordinate and accelerate the distribution of revolving funds, provide services and business approaches to partners, low rates are a business risk in the BLU service process. The recommended recommendation is to monitor and evaluate the control of receivables to maintain partner discipline in the installment schedule and adjust service tariffs in accordance with the economic conditions of the community.

Cash optimization yield

The activities carried out in this IKU are Implementing active cash management by preparing cash planning based on projections of revolving fund distribution and receipt of partner installments and carrying out beauty contests for the selection of banking partners in activities. The obstacle that occurs in terms of additional achievements is the difference in perspective on the reference to the Minister of Finance Regulation used by the Ministry of Finance internally regarding the transfer of cash balances. To overcome this, the solution offered is to coordinate intensely to ensure that there is a common understanding of the reference to the Minister of Finance Regulation. The recommendations given are periodic monitoring

of standard operating procedures in cash balances, periodic implementation of bank beauty contests, and placement of funds in short-term investment instruments.

Revolving fund ratio is doubtful collectible

The activities carried out in this KPI are monitoring the movement of receivables classification, periodic collection of receivables, coordination with partners and related parties such as KPKNL, the Cooperative and SME Office, and other related parties. The obstacle that hinders this KPI is that the Partner Business has closed so that it no longer could settle problematic receivables, there are several documents required in the process of handing over the receivables file to the KPKNL are incomplete, the management is no longer known so that it is constrained to be collected.

The solution offered is to handle receivables from an early age, starting when the classification of partners has dropped to doubtful, for partners who have been guaranteed by the Credit Insurance Corporation, then a claim is submitted to the Credit Insurance Corporation, for partners who include physical guarantees or fixed guarantees in loans or financing with LPDB-KUMKM, then execution of the guarantee is carried out through the execution *parate* mechanism, for the incompleteness of partner documents, communication and coordination is carried out with partners or the Cooperative and SME Office or with other related parties to be completed, for partner documents that are complete and have met the specified requirements, then the receivables file is immediately transferred to KPKNL. Meanwhile, the recommendations given are to monitor receivables periodically, update partner data, and coordinate intensely and periodically with related parties, including with the authorities to carry out the management of state receivables.

All the examples of KPIs above show the commitment and responsiveness of LPDB-KUMKM in evaluating all activities carried out. Therefore, by conducting regular evaluations of the findings of obstacles, solutions, and proposed recommendations, it can be ensured that LPDB-KUMKM can have a maximum impact and meet its goals in supporting the development of KUMKM in Indonesia. In addition, the findings of the evaluation will provide an overview of LPDB-KUMKM to be able to adjust and change its strategic map, policies, and services so that it is able to develop KUMKM which is an integral element in economic development.

Conclusion

From the explanation above, it can be understood that LPDB-KUMKM has perfectly applied the concept of *maslahah* in its entire program. The benefits in question are reflected in several ways: (1) LPDB-KUMKM has succeeded in creating economic independence for cooperatives and partner MSMEs; (2) LPDB-KUMKM ensures that all programs implemented meet the characteristics of sharia compliance by avoiding elements of *riba*, *gharar*, and *maisir*; (3) LPDB-KUMKM conducts a comprehensive risk evaluation including credit risk, operational risk, and compliance risk; (4) LPDB-KUMKM actively empowers the community through training programs, mentoring, and providing access to other resources; (5) LPDB-

KUMKM applies the principles of accountability and transparency in each stage of its management; and (6) LPDB-KUMKM is active in the process of continuous evaluation and improvement to ensure the efficiency and effectiveness of all programs implemented.

This research is limited to the application of problems in LPDB-KUMKM, further research can research the application of masalah using different objects and other sharia economic perspectives. The results of this study can provide recommendations that the application of masalah in the LPDB-KUMKM revolving fund loan or financing program can be carried out.

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