

Optimization of Financing Role of Islamic Banks Development of Micro Small and Medium Enterprises (MSME) In Bandar Lampung

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Abstract

The development potential of MSME in Indonesia can not be separated from the support of banks in lending to MSMEs. MSME loans are loans to borrowers of micro, small and medium enterprises that meet the definition and criteria of micro, small and medium enterprises as stipulated in Law No. 20 of 2008 on MSMEs. Under the bill, MSMEs are productive businesses that meet the criteria of business within certain constraints net worth and annual sales revenue. This study aims to look at how is the implementation of Islamic bank financing for the development of MSMEs in the city of Bandar Lampung. Are the problems faced by Islamic banks in financing to MSMEs in Bandar Lampung and how efforts can be taken to optimize the Syariah against Bank financing the development of MSMEs in the city of Bandar Lampung. From the results of field research on MSMEs respondents conclusion that the financing of consumption used for productive activities can reach $\pm 40\%$ of the total MSME financing consumption. The number is obtained by adding the percentage of the use of pure MSME consumer financing for business activities (28%), for personal purposes which turned out to be used for business activities (8.7%) and the use of financing for personal use and business activities or the use of "combined" (3%). Percentage of financing that is in a group of "combined" with the added consideration that MSMEs often do not separate the use of financing for private and business purposes. Banks tend to classify the proposed financing by MSMEs, especially small and micro financing, into financing consumption with the reason for easier consumer finance bank in the analysis of financing and banks are better off because of consumer financing interest rate is relatively higher than financing productive. Moreover, in terms of reporting, particularly in the economic sector, consumer finance easier classification, because it will automatically go into the sector "others". Financing the development of Islamic banking in the development of MSMEs in Bandar Lampung during the years 2016-2017 has increased to fluctuate. This reflects that the role of Islamic banking and financing in the improvement of micro, small and medium enterprises (MSMEs) in the city of Bandar Lampung is not optimal.

A. INTRODUCTION

The bank's main function as an intermediary institution is very helpful in the cycle of the flow of funds in the economy of a country. The banking sector serves as a collector of funds from the public and channel them back in the form of credit investments to communities in need of funds. With the loan disbursed by the bank so the people who need funds to carry out investment activities, especially in the real sector which is the sector driving the economy. It shows that the banking sector has a strategic role in the effort to accelerate the development and stability of a country's economic growth.

The Bank is a financial institution that affects the economy of both micro as well as macro basis. Its function as a financial intermediary (financial intermediary) between parties that surplus with parties which needs funds or deficit. In the exercise of its business as a financial institution that sells and services trust, every bank is trying as much as possible interesting new customer, enlarge the funding and also enlarge the granting of credit and its merits.¹

Since 1992, the banking sector in Indonesia, more varied with the presence of Islamic banking. Islamic banks have special characteristics that are not owned by the conventional banks. In the conventional banking system, the bank in addition to acting as a bridge between the owner of the funds and the business world, also remains a baffle between the two sides because of the lack of transferability of risk and return. Not so with the Islamic banking system. In Islamic banking, the bank became an investment partner, representative, or mandate holder (custodian) of the owner of the funds on investment in the real sector. The investment was facilitated by the scheme for the results (mudaraba) and partnership (Musharaka). With this scheme and risk the success of the business world to the owners of the funds distributed so as to create an atmosphere of harmony between the two. In addition, Islamic banking is also facilitating the distribution activities through the sale and purchase financing scheme (murabaha) and leasing (Ijara)².

The development of Islamic banks for almost 20 (twenty) years of its presence in Indonesia showed improved performance, both from the

institutional side as well as the financial performance including an increasing number of bank syariah. Nevertheless, the challenges of industrial development including growing Islamic banking operations and Islamic banking models that can be developed in the future. For that, it takes the business models the ideal Islamic bank, workable, and prudent which can serve more people, answer the expectations of the various parties, in keeping with the character of Indonesia Islamic banking business, future-oriented and comply with the international standard. The Islamic bank's business model will be a reference (benchmark) for regulators to Sharia banking industry development forward, became a reference point for Islamic banking in the drawing up of operational business framework, and other industry (Institute for principals takaful, rating, etc.) in a work and relate to Islamic banking. In addition to loading the framework Islamic banking business, this business model includes the efforts of linkage and synergy between Islamic banks with a non bank financial institutions taking into account aspects of Shariah, economics and social and cultural society of Indonesia.

Micro, small, and medium enterprises (MSME) is one of the object economy of Indonesia. Up to the year 2016, recorded about 99.99 percent of business in Indonesia is small medium enterprises, while the other belongs to 0.01 per cent as big business. Contribution of small medium enterprises against the economy of the country did not need to doubt. This can be seen both in terms of absorption of labor as well as the contribution directly to GDP which SMEC national can become a driving force of the economy of the country. But in fact the small medium enterprises are still faced with numerous problems, among others, issues related to the limitations of capital, raw materials, marketing (marketing), management and production, as well as business competition. The classic thing that has always been the most fundamental problem facing the SMEC is the capital constraints. To address the fundamental problems facing the small medium enterprises are expected to increase banking role in helping resolve the financing problem.

The development potential of small medium enterprises in Indonesia is inseparable from the

support of banking in channeling credit to small medium enterprises. The SMSEs credit is a credit to debtors of micro, small and medium enterprises that meet the definition and criteria of micro, small and medium enterprises as provided for in Act No. 20 of the year 2008 About SMEC. Under law, the SMEC is a productive effort meets the criteria businesses with certain limitations net

worth and results of annual sales. In 2012 the Bank Indonesia issued the policy require that banking to channel credit small medium enterprises amounting to at least 20% of the total credit gradually in order to encourage the growth of the sector. Table 1 presents the distribution of small medium enterprises credit developments and banking credit years 2014-2016.

Table 1

The Development of Micro Credit and Small Medium Enterprises Credit Channeling of banking Year 2014-2016 (in billion rupiah)

Net Ekspansi	2014	Share	2015	Share	2016	Share
The SMSE Credit	85,587.6	19,1%	72,339.5	14%	87,808.4	14,5%
Non Kredit SMSE	363,016.3	80,9%	446,755.4	86%	516,107.6	85,5%
Bangking Credit	448,604.0	100%	519,094.9	100%	603,916.0	100%

Source: www.bi.go.id-Credit-Data-smallmedium enterprises-2016 (data processed)

Table. 1 indicates that the percentage of Micro Small Medium Enterprises credit amount transmitted banking as a whole during the last 3 years has not been fullest in the achievement of targets set BI. These conditions reflect the micro small medium and enterprises sector that has yet to become a prima donna for the banking circles to follow up with more serious. This needs to be attention given the importance of the role of micro small medium and enterprises for Indonesia's economy. However, Islamic banking is also still face a variety of challenges and obstacles. Some examples of challenges and obstacles with regard to the aspects of financing are as follows. First, a small portion of the financing still use contract for results (mudharabah and community). In fact, as described Karnaen (2007), a financing contract had a direct impact on economic growth (in the form of business opportunities, employment opportunities, and increased income) is the mudharabah and musyarakah. However, the contract that is still widely used by Islamic banking is a contract trades (murabaha, greetings, and istishna). Second, there is a tendency of an increase in the troubled financing (non smoothly). This is important because banking attention appears to be having difficulty financing the non

fluent, especially in financing channelled to micro small and medium enterprises. This shows that the risk of financing for micro small and medium enterprises indeed relatively larger. Third, the still limited financing channelled to the medium and large scale businesses. Islamic banking, both public Bank Syariah (BUS) and Syariah Business Units (UUS), as long as it's a lot more to allocate financing to micro small and medium enterprises (SMEs) compared with financing for other than SMES. The phenomenon of one side shows that Islamic banking has been giving greater attention to the SME sector. a financing contract had a direct impact on economic growth (in the form of increased income, employment opportunities, and business opportunities) is the mudharabah and musyarakah. However, the contract that is still widely used by Islamic banking is a contract trades (murabaha, greetings, and istishna). Second, there is a tendency of an increase in the troubled financing (non smoothly). This is important because banking attention appears to be having difficulty financing the non fluent, especially in financing channelled to business opportunities micro small and medium enterprises. This shows that the risk of financing for micro small and medium enterprises. Indeed relatively larger. Third, the still limited financing

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Based on the above description, the researcher who wishes to analyze the types of risks

B. THEORITICAL

B.1. Micro Small Medium Enterprises Financing Policy

To encourage the development of micro small and medium enterprises in order to grow and develop and become a major force in the economy of Indonesia, the Government of Indonesia has been taking the policy either through the banking sector or through relevant agencies. In addition to the above, various opportunities of development of MFIS are still faced with various obstacles both internal barriers MFIS or MFIs external conditions less conducive. External conditions faced by MFIS is the institutional aspect, which among other MSMEs is financing to the debtor financing micro, small and medium enterprises that meet the definition and criteria of micro, small and medium enterprises as provided for in Act No. 20 of the year 2008 About SMEC. Under law, the SMEC is a productive effort meets the criteria businesses with certain limitations net worth and results of annual sales. things resulted in the variegated forms of MFIS. BRI and BPR as part of institutional financing institutions are more clearly because it refers to the provisions of banking with coaching from bank Indonesia, so this type of MSMEs financing institutions are more directional even assured confidence because It is part of the framework of Indonesia's banking Architecture (API) and is entitled to fasilitas from Lps (LPS) While at the institution financing in the form of loan or cooperative unit save the loan, any provisions of the operational and the direction of its development following the conditions set by the Ministry of cooperatives and

encountered based on the structure of financing and analyzes how the application of risk management in Islamic Bank financing to minimize risk. Based on the description of the above descriptions then researchers interested in conducting research with the title: optimization of the role Islamic banks in Financing the development of micro small and medium enterprises in the city of Bandar Lampung.

small and Medium Businesses. In fact, for the other institutions in the form of Bank Credit, Village LDKP, credit union or other governmental agencies is unclear institutional and its construction. In fact, Micro small and medium enterprises financing institutions function no different with formal banking institutions in terms of financial intermediation as an institution, which also carry the confidence of the customer or member who put their funds. The diverse institutional conditions and such obscure, will be financing institutions undermines the development of Micro small and medium enterprises in the future. Whereas in fact these institutions have a significant role in supporting the development of SMES. SMEC is financing to the debtor financing micro, small and medium enterprises that meet the definition and criteria of micro, small and medium enterprises as provided for in Act No. 20 of the year 2008 About SMEC. Under law, the SMEC is a productive effort meets the criteria businesses with certain limitations net worth and results of annual sales. The success of micro, small, and medium enterprises (MSME) in Indonesia is inseparable from the support and Government's role in encouraging the channelling finance to micro small and medium enterprises. Various Financing/financing skim micro small and medium enterprises launched by Governments and tasks associated with a program of economic development in certain business sectors, such as food security, perternakan and estates. The role of Government in the this micro small and medium enterprises financing was on the side of the provision of the

³Muhammad Soekarni. 2011. Role and Challenges of Islamic Banking In the medium and Large Enterprise Development. LIPI

state budget funds for subsidizing interest rate financing referred, while skim funds financing/financing entirely (100%) comes from banks that appointed Government as bank executor. In addition the Government was instrumental in establishing the micro small and medium enterprises to be financed with skim, set policy and priorities of the business which will receive financing, doing coaching and mentoring during the period of financing, and facilitates relationships between micro small and medium enterprises with other parties. In adults this skim very familiar in the financing community is the people's business financing (KUR), specifically reserved for micro small and medium enterprises with viable business category, but did not have enough collateral in the framework of Banking requirements. KUR was Financing/financing to micro small and medium enterprises and cooperatives that do not currently receive Funding/Financing from banking and/or who are not currently receiving Financing from the Government at the time of the application for Financing/Financing asked. The ultimate goal is to increase the KUR Program launched the economy, poverty reduction and absorption of labor⁴.

As has been expressed above, the Government together with the relevant agencies – in this case banking-do co-ordination to provide solutions to the problems of micro small and medium enterprises in the fields of capital. As for the policy of financing through bank financing, among other:

a. The people's business credit

In 2007, the Government of the people's program provides business credit (KUR) that aims to encourage increased access to cooperatives and micro small and medium enterprises financing from banking through an increase in the capacity of the company is the guarantor. KUR was financing schemes that cater specifically for micro small and medium enterprises and cooperatives that his efforts are worthy but not have enough appropriate collateral requirements set out of banking. Through the KUR is expected to issue a collateral in hipermicro small and medium enterprises get loans from banking can be resolved.

The program is follow up KUR from the signing of the MOU on October 9, 2008 on the granting of credit/Financing to micro small and

medium enterprises and cooperatives between Government (State Minister of cooperatives and SMEs, Ministry of finance, the Minister of agriculture, Minister of forestry , Minister of marine and fisheries, Minister of industry, the company's Underwriters-perum Sarana business development Credit Insurance and PT. Indonesia) and banking (Bank BRI, Bank Mandiri, Bank BNI, Bank Bukopin, Bank BTN, and Bank Syariah Mandiri).

KUR was 2018 supported by the Ministry of State owned enterprises, the Ministry of Economy as well as the Field Coordinator of the Bank Indonesia (www.depkop.go.id, 2017). The Ministry of the above at once into the Builder, agencies implementing bank and corporate underwriters KUR program. On the development, implementing bank KUR plus 13 BPD Bank DKI, Bank Nagari, Bank Jabar Banten, Central Java, Bank BPD DIY, East Java, NTB Bank Bank, Bank, West Kalimantan Kalsel BPD Kalteng, Bank, Bank, Bank-Bank Maluku and Papua. KUR have maximum credit schemes with Rp 500 million a debtor with a maximum of 16% per year (effective). The role of Government in the KUR is as a provider of banking credit interest subsidy Fund, while the Fund's channelling financing 100% of implementing bank. To the risk of bad debts that will be faced by banking, risk Division occurs between implementing bank with corporate underwriting. Company guarantee bear 70% and implementing bank 30%. Despite the company's guarantee, micro small and medium enterprises and cooperatives are not subject to return the service guarantee (IJP). KUR granted to SMEs or cooperatives that are not currently receiving financing from banks and / or who are not currently receiving the Credit Program of the Government, at the request of Credit / Financing filed, as evidenced by the results of debtor information system are excluded for this type of mortgage, KKB, Credit Card and other Consumer Loans (www.bi.go.id). KUR program is divided into two, namely KUR KUR micro and retail. KUR Micro initially have a maximum ceiling of Rp. 5 million at 22% interest per annum (effective), since October 2013 micro KUR has a maximum ceiling of 20 million with interest at previous levels. While KUR Retail has a maximum ceiling of Rp. 500 million with an interest rate of 14% per annum (effective). This

program has a target actual distribution of funds of Rp. 20 trillion per year.

This program has a problem both in terms of SMEs as well as on the banking side. Those problems include (www.bi.go.id, 2013): 1. For SMEs: Socialization to the community is still lacking, the interest rate is still considered high enough KUR; 2. For Banking: delays in claim payments from the guarantor institution, having trouble finding the debtor in accordance with the criteria and requirements and there is a dispute about some provisions of KUR.

b. Bank Indonesia policy

Promulgation of Law No. 23 of 1999 concerning Bank Indonesia as amended by Act No. 3 of 2004 to make the role of Bank Indonesia in floating SMEs be indirect. Approach to the development of SMEs conducted by Bank Indonesia no longer uses the approach of subsidies and low interest loans, but more focused on training to bank clerk, research and provision of information. Bank Indonesia's policy to focus more on strengthening SMEs counterpart institutions through capacity building in the form of training and research activities that support lending to SMEs.

In addition, the policies issued by the Bank appears logical to encourage lending to SMEs. Such policies include:

a. Bank Indonesia Regulation (PBI) No. 3/2 / PBI / 2001 regarding the provision of small business loans. This policy encourages some channel bank credit to small businesses

b. PBI 6/25 / PBI / 2004 as amended by Regulation No. 12/21 / PBI / 2010 regarding the business plans of commercial banks in lending SMEs. Each commercial bank both conventional and sharia shall mencantukan realization of micro, small and medium business plans. This is to determine the bank's commitment in the realization of credit for SMEs.

c. PBI 14/22 / PBI / 2012 on the granting of loans or financing by commercial banks and technical assistance in the development of micro, small and medium enterprises. This policy requires that the Commercial Bank to provide loans or financing to SMEs. Total financing is set at least 20% of the total loans disbursed by the bank carried out in

stages from 2013 to 2018. The award of such credits can be made directly or indirectly. If this target is not met by the end of the year, the commercial banks are obligated to conduct training to SMEs are not and / or have not received the financing of SMEs with the greatest amount of Rp. 10 billion, or based on a certain percentage of the difference between the ratio of SME financing that must be met. To facilitate access to lending to SMEs, Bank Indonesia may provide technical assistance in the form of research, training, information provision and facilitation

B.2. Problems in Financing SMEs

In addition to a variety of financing opportunities as described above, the fact that the development of MFI is still faced with various obstacles both internal barriers MFIs MFIs or external conditions unfavorable. External conditions faced by MFIs is institutional, which among other things resulted in the form of MFI diverse. BRI and BPR as part of a financial institution as an institution more clearly because it refers to the provision of banking with the guidance of the Indonesian bank, so that financial institutions SMEC this type is more focused even assured his beliefs because it is part of the framework of the Indonesian Banking Architecture (API) and is entitled fasilitas of the Deposit Insurance Agency (LPS).

While the financial institutions in the form of credit unions or savings and loan, all operational requirements and development direction to follow conditions set by the Ministry of Cooperatives and Small and Medium Enterprises. In fact, for other institutions in the form of Rural Credit Bank, LDKP, credit union or other non-governmental agencies are not clear institutional and supporting them. In fact, the function of SME financing institutions are no different from formal banking institutions in the event as a financial intermediary, which includes also carry the confidence of the customers or members of the funds. Institutional conditions varied and unclear, will be able to complicate the development of SME financing institutions in the future. Though in fact these institutions have a significant role in supporting the development of SMEs. Infrastructure and institutional conditions. SME financing institutions briefly shown in Table .

Table 2. Conditions and Institutional Infrastructure Financing Agency SMEs

Conditions and Institutional Infrastructure Financing Agency SMEs	Bank	Cooperative	Other SMEs Financing Institutions
regulation	Law on Banking	Law on Cooperatives	There is no
regulator	Bank Indonesia	Minister of Cooperatives and SMEs	There is no
development	Bank Indonesia	Minister of Cooperatives and SMEs	There is no
Guarantee	Government	There is no	There is no
Liquidity	Bank Indonesia	There is no	There is no
rating	Bank Indonesia	Minister of Cooperatives and SMEs	There is no
Association	Perbarindo-Asbisindo	Parent Cooperative - Cooperative Center	PINBUK / Credit Union

Source: Didin Wahyudin 2004⁵

In addition to the above external problems, the MFI also faced internal problems related to operational aspects and business empowerment. The first issue concerns the MFI's ability to raise funds, most MFIs are still limited in their ability because they depend a little number of members

or the amount of their own capital. MFI human resource capabilities in managing the business is still largely limited, so that in the long run will affect the development of the MFI business can even hamper. Summary MFI issues are presented in Table 3 below.

Table 3. Potential and Problems Faced by SMEs Financing Institutions

Aspect	Bank	Cooperative	Other Financing Institutions
The ability to raise funds	Relying on interest rates > average commercial bank	Relying on the number of members	Relying on its own capital and members
The ability to distribute funds	Ratio LDR but the quality is worth noting	Limited due to the ability of human resources and business experience	Limited due to the ability of human resources and business experience
Operational management capabilities	As dependen some key shortage of human resourche	Depending on the caretaker	Depending on the caretaker
Ability to generate profits	Relatively better than commercial bank (ROE dan ROA)	Hanging from the capability and commitment of members	Hanging from the capability and commitment of members
Networking capabilities and market access	Focus on trading business	still limited	still limited
Planning and reporting capabilities	Still, especially the BPR have limited capital and operating outside Java and Bali	Still less	Still less

Source : Didin Wahyudin, 2004

C. METHODOLOGY

C.1. Approach and The Types Of Research

A qualitative approach was used to explore the role of financial institutions in the development of SMEs from the perspective of local governments, financial institutions and managers of trading places in the area. Both of these approaches is expected to provide comprehensive information about the role of financial institutions is expected to optimize the role itself.

This analysis aims to provide an overview of the role of financial institutions in the development of SMEs. In addition, this study will describe the problems arising both from SMEs, financial institutions and government (departments and managers place trades) associated with the optimization of the role of financial institutions. Based benefits, this study is an applied research for attempting to solve specific problems in specific. Applied research

D. RESULT AND DISCUSSION

D.1. Pime Frame Against Islamic Banking Financing SMEs Development in Bandar Lampung (Years 2016-2017)

Sharia financing contribution to the Micro, Small and Medium Enterprises in Bandar

aims to solve problems and generate recommendations on specific issues (Neuman, 2000).

C.2. Data Types and Sources of Data

This type of data divided into two based on the source and nature. Based on the source, the data used in this study are primary data and secondary data. The data used in this research is secondary data and primary data is data obtained directly from the source. The primary data source is: SMEs in the field of trade and Islamic Banks While secondary data is data obtained indirectly, and the data has been compiled from various sources (have now, 2000). Secondary data sources are: Journals and research reports, Legislation, Bandar Lampung in Figures 2016-2017, BI MSME Credit Report 2016 - 2017, SOE Ministry report CSR activities, and others.

Lampung The research concludes that the magnitude of Islamic finance to economic sectors and SMEs by Islamic banking in Bandar Lampung for 2016 are as follows:

Table 4. Value Distribution of Islamic Financing in the Economic Sector and SMEs in Bandar Lampung 2016 (USD million)

Bulan	Pembiayaan Syariah		Kontribusi
	Sektor Ekonomi	UMKM	
Januari	985,582	126,354	12,82
Pebruari	1,054,958	134,491	12,74
Maret	1,116,459	127,714	11,43
April	1,218,590	172,765	14,17
Mei	1,266,177	190,603	15,05
Juni	1,472,198	349,637	23,74
Juli	1,530,724	219,421	14,33
Agustus	1,600,218	237,386	14,83
September	1,678,388	255,750	15,23
Oktober	1,731,223	251,496	14,52
November	1,719,493	186,692	10,85
Desember	1,699,761	187,990	11,05

Source; Bank Indonesia Representative Office Lampung, 2018

In Table 4. it appears that during the year 2016 (January to December) the size of Islamic financing extended by the Islamic banking sector for the economy and SMEs in Bandar Lampung fluctuate. The largest contribution given by the Islamic finance banking occurred in June 2016, namely Rp. 349.637 billion or 23.74% of the total financing issued by the Islamic banking. Although we recognize that the economic sector is still dominated Islamic banking financing compared with SMEs. That is, the financing allocated Islamic banking is still based on the economic sector and most likely dominated by consumer financing (Murabahah) as the product most in demand in Islamic banking. While financing to SMEs based productive enterprises in the form of Musharaka and mudaraba contract is still minimal. The productive financing should be the core of Islamic banking financing for the core of its business.

In November and December syariah against to contribution financing of SMEs in Bandar Lampung, only 10.85% and 11.05%. On the average contribution of Islamic banking financing to SMEs in Bandar Lampung during 2016 amounted to 14.23%. Contributions are still minimal when associated with Islamic banking

philosophy as revealed by Sutan Remy Sjahdeini, that Islamic banking is banking facilities by way of seeking instruments in accordance with the rules and norms of sharia. These devices aim to provide socio-economic benefits for the Muslims, not intended solely to maximize profits, as well as the objectives of conventional banking⁶, The commitment will be development and progress for muslim societies became the main purpose of the existence of Islamic banking. Similarly should be attentive to micro small and enterprises in the form of the allocation of financing banks, including Islamic banking should be a priority. Because the unavoidable reality of micro small and enterprises in sectors that show the role and contribution that is so important as the backbone of the economy in creating employment and poverty reduction in Indonesia⁷.

Furthermore, in 2017 (January – September) the magnitude of the channeling. Financing by financing Islamic banking in Koata also fluctuate with the level of relatively similar percentages between 15%-17%. The highest percentage occurred in July and August respectively 17.38% and 17.13%. For more details can be seen in table 5. the following:

Table 5. Channeling Sharia Financing value on economic sectors and micro small and medium enterprises in the city of Bandar Lampung Year 2017 (USD million)

Bulan	Pembiayaan Syariah		Kontribusi
	Sektor Ekonomi	UMKM	
Januari	1,719,001	276,560	16,08
Pebruari	1,847,020	291,156	15,76
Maret	1,951,400	303,096	15,53
April	1,991,688	320,357	16,08
Mei	2,061,793	342,878	16,63
Juni	2,132,583	360,252	16,89
Juli	2,157,774	375,223	17,38
Agustus	2,242,042	384,249	17,13
September	2,285,251	355,900	15,57

Source; Bank Indonesia Offices of Lampung, 2018

Then when compared between the financing of Islamic banks in the city of Bandar Lampung Lampung province in general it appears that the micro small and medium enterprises financing channelled by Islamic banking and financing in the same year still puts the financing SMEC is just an average 15.37% as compared to other

economic sectors. The greatest contribution occurred in June 2016 i.e. 23.88% and lowest happened in November i.e. only 11.84%. Then in 2017 (January – December) average increase, i.e., 18.43%. For more details can be seen in table 6. the following:

Table 6. Channeling Sharia Financing value on economic sectors and micro small and medium enterprises in the province of Lampung Year 2016 (USD million)

Bulan	Pembiayaan Syariah		Kontribusi
	Sektor Ekonomi	UMKM	
Januari	1,176,957	165,270	14,04
Februari	1,265,024	186,116	14,71
Maret	1,322,860	180,055	13,61
April	1,437,387	224,772	15,63
Mei	1,484,998	241,665	16,27
Juni	1,699,450	405,842	23,88
Juli	1,768,069	274,523	15,52
Agustus	1,839,709	291,328	15,83
September	1,954,476	311,550	15,94
Oktober	2,015,471	306,431	15,20
November	2,025,116	239,906	11,84
Desember	2,020,185	243,733	12,06

Source; Bank Indonesia Offices of Lampung, 2018

Based on the above data, it appears that a banking attention especially towards the development of Islamic banking financing of micro small and medium enterprises in the city of Bandar Lampung there is a trend higher even though its contribution is still small. Thus, the seriousness of the financing of Islamic banking in the city of Bandar Lampung to support increased performance of micro small and medium enterprises already showed significant results. Alignments of syariah bank in micro small and medium enterprises sectors shown by the various financing strategies by individual Islamic banks individually, such as the opening of the service centers such as micro financing outlets SMEC or sentra micro small and medium enterprises. Based on the data of the current sektoralnya financing, financing of micro small and medium enterprises Islamic banking in the city of Bandar

Lampung concentrated on financing retail sector (31.1%), business services (29.3%) and trading of 13.2%). Exposure Islamic banking financing MSME sector are identical or similar to the total exposure of financing the industry. Supposedly support to the SME sector not only done by the banking sector, but all components of the nation, especially the ministries and local governments. Ministries and local governments should allocate matching funds to support the development of SMEs in the business capital of bank financing. There are several reasons that make SMEs in priority development: Container workforce in large numbers (99.5%), contributing 56.7% of GDP, its contribution to non-oil exports by 19.1%, contributing to national economic growth, supporting the national economy when times of crisis, not a burden on the state even though

almost all business sectors affected by the financial crisis.

Despite his contributions to development of the sector, experience micro small and medium enterprises in the city of Bandar Lampung instead of growing up without having a problem. Problems in the sector of micro small and medium enterprises in the city of Bandar Lampung is equal to micro small and medium enterprises nationally are so complex, ranging from the issue of human resources, access to capital, business culture, the level of mastery of technology, and management capabilities. It has become common knowledge where the level of education the majority of businessmen SMEC is quite low, the business culture haven't woke up well when work done based on hereditary, venture fund management business that mixes with the financial House the stairs etc. It is being addressed by related parties in sustainability. Specifically to address the problem of access to capital in micro small and medium enterprises sector, the current Islamic banks have done the same work in the sector to the financing of channeling. Such form of cooperation cooperation financing using the concept of linkage, where bigger Islamic banks finance his micro small and medium enterprises through Sharia financial institutions, such as the BPRS and BMT. This is done because the reach of the great Islamic banks have yet to reach the corner small business community centers or institutions of Islamic finance more small touch directly with trade micro small and medium enterprises. The financing scheme of linkage is done with Islamic bank BPRS or BMT may be channeling, executing or joint financing. The scheme puts the BPRS channeling or BMT as a intermediary BUS/UUS with perpetrators of micro small and medium enterprises. While executing scheme do when BUS/UUS provides funding that could be utilized by the BPRS or BMT in the financing of their clients to micro small and medium enterprises. Meanwhile, joint financing scheme is a scheme in which BUS/UUS and BPRS/BMT cooperate in providing financing on the perpetrators of the SMEC. In addition, lately also formed a partnership with its syariah banks institutions in solving problems related to other haunted world of micro small and medium enterprises, such as the problem of cultural businesses, the level of mastery of technology and management capabilities. Islamic banks work closely with lembagalembaga education or social funds Manager in an attempt to improve the work

culture, management capabilities of micro small and medium enterprises and mastery of technology. This is done in the form of client coaching programs. Coaching clients especially for micro small and medium enterprises clients have become a factor which is crucial in order to maintain good quality micro small and medium enterprises financing. In the future many more parties are expected to provide a significant contribution in encouraging Islamic peranperbankan in this micro small and medium enterprises sector. On the side of micro small and medium enterprises sector, needed renovation efforts or infrastructure, either in the form of physical infrastructure and non-physical, in order that the sector is capable of producing and performing efficiently. Improvements or makeovers of micro small and medium enterprises sector in turn expected to suppress the perception of high risk inherent in the sector. While on the side of Islamic banking required an increase in the knowledge and expertise of Islamic bankers in the world of micro small and medium enterprises in all sector. With so, expected contribution to Islamic banking can more optimally, for example the financing of Islamic banking is not only concentrated in the retail sector, business services and trade of micro small and medium enterprises but also other potential sectors, particularly the productive sector such as agriculture and manufacturing.

Based on the results of the interview against one of the principals of small businesses obtained information that in order channelling funding toward micro small and medium enterprises of Syariah Bank in cooperation with other management units such as Cooperatives or cooperative – BPRS. This is done by banks given that SMEC still has weaknesses that must be taken into account, since this concerns the Bank's profits. This is normal only accounted for by Islamic banks in principle, given that the financing of Islamic banks must satisfy two aspects, namely the aspects of Sharia and economic aspects. This means that, in addition to must match the Sharia, Islamic banks must still take into account the profitability of the venture will be funded, in order to be profitable for the bank or the customer. However, it does not mean that the Islamic banks did not favour to micro small and medium enterprises. Because to get around this state bank has specific policy policy is also the bank's strategies in the exercise of its functions optimally. This shows that Islamic banks do not want to get caught up in the

conventional patterns which only focused on increasing profit without looking at other aspects such as the aspect of fairness and balance in the Islamic Bank. Has a lot of micro small and medium enterprises development efforts through financing committed by Islamic banks. In between the linkage program carried out by the Independent Islamic Bank in the city of Bandar Lampung. This is one of the good bank policies in order to optimize the functions of the bank. That is, Islamic banks have been striving for. develop micro small and medium enterprises sector through financing. 37 interview with respondents This was reflected in the above policies are always accommodates difficulties and weaknesses of SMEs by making policies in favor of SMEs. This is not only reflected in the policies adopted by the Bank, but can be seen from the amount of financing provided. Based on the explanation above, it can analyze the strategic role of Islamic banks in project financing SMEs as follows: In accordance with the focus of the development of Islamic banking in the second phase of improving competence skills, professional agencies and perpetrators of Islamic banking, as well as improving intermediation function, efficiency, and power islamic banking industry's competitiveness, then required the existence of a readiness to meet the retail market is still open chances. Then the question is, Islamic banks should directly involved in financing the project to accommodate it in that sector? While Bank Indonesia's status as a monetary authority sets the procedure of collateral, which is still difficult for SMEs to enter the formal MFIs. By looking at a promising market trends as well as the BI policy in early 2006, Islamic banks can actually entering the SME market directly while also accommodating the lower classes with a linkage program. While the problem of bias collateral difficulties overcome by developing social capital by empowering business groups, non-governmental groups (KSP) that apply jointly and severally liable with the double pressure that is on the bank and the group. Therefore, need for an intermediary institution of Sharia with the same forces that entered the SME sector is to protect the interests of small entrepreneurs of practices the banking unfair and certainly meet syaiah principle. Financing program / project financing for productive activities are supposed to achieve the target, which is to increase the production volume will increase productivity in the real sector resulting in a multiplier effect (labor demand and business ikutannya) to the surrounding environment and is able to drive

economic growth. Therefore, the necessary integration of financing programs that are no longer relying on one single institution. While the obstacles and challenges that arise from Islamic banking in Bandar Lampung is: (1) a relatively small share of Islamic banking, (2) lack of qualified human resources, (3) the paradigm of conventional banks are still strong, (4) There are chased a target BEP, (5) lack of socialization, and (6) the limited network. The constraints are more policy caused by the differences in the operational implementation of Islamic banking and conventional banking so that the necessary role that should be a maximum of a policy maker. Some of the provisions that still need to be considered among them is in terms of the rules on liquidity issues related instruments; monetary instruments in accordance with Islamic principles for the purposes of execution of tasks of central banks; accounting standards, auditing, and reporting; as well as regulations concerning the precautionary principle and so on.

D.2. Islamic Financing Constraints and Obstacles in the Development of SMEs in Bandar Lampung Some of the constraints faced by banks in providing financing to SMEs, which most banks, especially large banks, with a business focus or orientation on large loans, facing the limitations of analysts financing small and marketing field of SMEs, in addition to network constraints office limited, most of which are in big cities. In addition, the banks generally have a standard rule in the provision of financing, for example, requests additional collateral, a borrower's financial statements, and securities licensing, etc., including provisions to prudential prudential others who must be obeyed. Another side, the majority of micro small and medium enterprises, especially small and micro enterprises, generally haven't learned the system and procedure for the grant of financing of the bank so that the application for financing they often incomplete and returned the bank. As a result, arise the impression that banking procedures too convoluted and very long in the granting of finance to micro small and medium enterprises. On the other hand, banking also has minimal information about a business or a potential commodity to be financed and other micro small and medium enterprises data. Another obstacle is the relatively high cost of operations for the granting of financing to small and micro enterprises compared to financing for

large businesses. This occurs because the amount of administrative work that must be done is not much different, but the value of the given financing is relatively small. Although Islamic banks have a wide range of benefits and advantages in moving the rate of the economy through micro small and medium enterprises sector, but keep in mind that the influence of Islamic banks against the growth of the national economy only 0.23% or less than 1%. According to Analysis from bank Indonesia that the new Islamic bank will be able to affect national economy could even affect inflation if the role Islamic banks in the growth of the national economy bekiar between 10%-20%. While in micro small and medium enterprises sector (which is a stimulator of the economy) the role of Sharia financing current also assessed the maximum yet. As has been explained earlier that the current penyaluran pembiayaan on a sector in the city of Bandar Lampung micro small and medium enterprises still dominated by conventional banks. As for the reasons that hinder the Islamic financing sector role in optimizing micro small and medium enterprises in the city of Bandar Lampung is as follows:

The availability of human resources who understand the aspect of jurisprudence financial aspects at once in Indonesia is still very limited (less qualified human resources). Rampant development of Islamic banks in Indonesia are not balanced by adequate resources. Most of the resources that exist in Islamic banks, especially bank conventional opened branches of Sharia (Islamic windows) set of conventional economics so that the accelerated application of Islamic law in the banking practice less rapid be accommodated in the banking system, so that the ability of the development of Islamic banks to be slow⁸.

Socialization of Islamic banks were less especially to the community bottom layer as the holder of an important role of SMEs sector. Socialization is not simply introduce Islamic banks to the public but more importantly introduce a mechanism, a product of Islamic banks and financial instruments, including financing for the SME sector. Islamic banks are less active in the financing, The sophistication of information technology is still behind when compared with conventional banks. The government's policy on the development of Islamic banks rated laimban

for self-government still favors the conventional banking by reason of the existence of conventional banks during this effect on the national economy as well as the government's lack of knowledge about their own Islamic banks. The existence of the information or information asymetris one direction between Islamic banks with customers so that there is no synchronization in running its activities. The role of Islamic banks as micro small and medium enterprises sector partners who hadn't judged it means Islamic banks only help in terms of financing of the Fund but did not participate it helps to advance the micro small and medium enterprises in increasing its revenues. The number of Islamic banks are still limited means an obstacle because most sectors of micro small and medium enterprises located in rural areas. Barriers such as those mentioned above that which causes the development of Islamic banks although theoretically hampered Islamic banks have a competitive advantage (competitive advantage) in the national economy. Therefore, it needs cooperation between key government decision makers, Islamic banks, as well as the community. Thus, Islamic finance will be able to compete with conventional banks and ultimately will really be able to influence the growth of the national economy through the growth of the real sector. Micro small and medium businesses in today's economy has a very important position, for their contribution to employment and Gross Regional Domestic Product (GDP) in Bandar Lampung, as well as flexibility and toughness in the face of the prolonged economic crisis.

It makes SMEs as the backbone of the main expectations of regional and national economic development in the future. However, many of the development of SMEs is still limited to the capital so that the need for funding to support these developments. Actually many financing facilities on offer, either from conventional banks, microfinance, and not least from Islamic banks. However, of all bids lucrative financing schemes, only about 60% to meet the needs of SMEs because they are not biased properly utilize the offer. It is caused by several limitations of SMEs to obtain financing Islamic banks, one of which is owned by the Collateral or guarantees. Availability guarantee a barrier for SMEs today in the filed financing, For the majority of SMEs do not have enough collateral to meet the filing requirements of such financing. And the banks

are reluctant to finance to people who have limited collateral.

The second reason of the SMEC difficulty obtaining financing from Islamic banks is the lack of aksesbilitas micro small and medium enterprises regarding the lack of legality and administration. Most of the micro small and medium enterprises do not have a regular administration of even many who experience problems in current. They consider that the system for the results offered by Islamic banks are too ribet, because every month they have to calculate what percentage of profit to be deposited to the bank, while the many things that must be done by the owner of the micro small and medium enterprises given the large proportion of micro small and medium enterprises in handle only by one person. In contrast to conventional banks that apply the system of interest. They are not difficult to calculate the return of results ahrus paid each month, because of the huge installments they pay already set in this agreement debt with a fixed amount every month. Furthermore, the lack of equitable financing of

Islamic banks to all regions and the lack of public knowledge mengenai system of Islamic banking is also an inhibitor of factor aksesbilitas micro small and medium enterprises against Islamic banks. For example in on small towns, the local community only a few really know about the system and the advantages of financing Islamic banks. Most of them just knowing that it's only Islamic bank saving up bank in the post office and did not think to ask for financing. It is inseparable from the very limited once the Islamic banks in the area. So most micro small and medium enterprises still focused on financing accounting system. In addition, pricing products Islamic banks which are sometimes even higher than on a conventional bank, also limits product access communities in Islamic banks, because the price relatively damning customer, especially on the customer as The SMEC has a limited income. As for now this is plenty conventional bank financing offers with many small flowers to micro small and medium enterprises. It is inseparable from the dominance of conventional banks are given in terms of the age of the conventional banks, better known by the public rather than Islamic banks.

E. CONCLUSION

Based on the results of the discussions that had been featured before, then some conclusions can be drawn as follows:

From the results of field research on SMEs respondents conclusion that the financing of consumption used for productive activities can reach $\pm 40\%$ of the total SME financing consumption. The number is obtained by adding the percentage of the use of pure MSM consumer financing for business activities (28%), for personal purposes which turned out to be used for business activities (8.7%) and the use of financing for personal use and business activities or the use of "combined" (3 %). Percentage of financing that is in a group of "combined" with the added consideration that SMEs often do not separate the use of financing for private and business purposes.

Banks tend to classify the proposed financing by SMEs, especially small and micro

Although the magnitude of Islamic banking financing extended by Islamic banks in Bandar Lampung fluctuate, however, it still has prospects are quite encouraging. The role of Islamic banking and financing in the development of small and medium micro enterprises (SMEs) in

financing, consumer financing into the grounds for easier consumer financing bank in the analysis of financing and banks are better off because of consumer financing interest rate is relatively higher than financing productive. Moreover, in terms of reporting, particularly in the economic sector, consumer finance easier diklasifi ed, because it will automatically go into the sector "others".

Financing the development of Islamic banking in the development of SMEs in Bandar Lampung during the years 2016-2017 has increased to fluctuate. This reflects that the role of Islamic banking and financing in the improvement of micro, small and medium enterprises (SMEs) in the city of Bandar Lampung is not optimal. On the average development of Islamic banking financing during the period January-December 2016 amounted to 14.23%, whereas the period from January to September 2017 amounted to 18.43%.

Bandar Lampung is needed considering the number of SMEs which have not yet obtained financing facility.

Obstacles and challenges that have been faced by many Islamic banking in Bandar

Lampung in the development of Micro, Small and medium enterprises are: (1) the share of Islamic banking is relatively small, (2) Lack of human resources capable, (3) the paradigm of

bank conventional still strong, (4) There are chased a target BEP, (5) lack of socialization, and (6) the limited network.

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