

ANALYSIS OF THE CREDIT FINANCING DISTRIBUTION MODEL FOR SMEs AT BANK SYARIAH INDONESIA (BRANCH OFFICE PONOROGO)

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Abstract

This study aims to find out what the financing model of People's Business Credit (KUR) at Bank Syariah Indonesia KCP Ponorogo is like and find out its application to Micro, Small and Medium Enterprises Units in Ponorogo. This research uses a descriptive method of analysis using a qualitative approach. This study used primary and secondary data, with observational data collection techniques, interviews, and documentation. 1) Based on the results of the study, it was concluded that 1) Sharia Microfinance Products have many products, one of which is the People's Business Credit (KUR) program. There are several models of People's Business Credit Financing (KUR) at Bank Syariah Indonesia (BSI) KCP Ponorogo such as, KUR Super Mikro, KUR Mikro, KUR Kecil. 2) In its application, Bank Syariah Indonesia (BSI) KCP Ponorogo has several requirements such as Identity Card (KTP), Family Card (KK), marriage certificate, current account, business letter, and guarantee. The Bank has an obligation to monitor what has been given to customers, because the funds must be used according to the initial agreement.

Keywords: *People's Business Credit (KUR), Financing, Micro Small and Medium Enterprise Unit.*

INTRODUCTION

The development of Micro, Small and Medium Enterprises will not be separated from the name of capital or financial problems, namely the influence of initial capital which has a significant impact on long-term growth. Capital problems experienced by small and medium entrepreneurs are very influential in developing their business. This obstacle can be caused by the distance of the bank location for entrepreneurs who live in rural areas, so that it is difficult for entrepreneurs to receive information from the bank about existing credit/financing. The IMF has also explored the constraints on SME financing, emphasizing that lack of collateral, higher interest rates, and rigid repayment schedules are major barriers. The report suggests that improving access to finance through better credit information and tailored financial products is crucial for SME growth (OECD, 2023).

The large number of SMEs business actors who can absorb the number of workers, will lead to the growth of economic development and increased welfare. However, Gina and Effendi found that limited capital funds and education factors for micro, small and medium enterprises are obstacles in business development, where these obstacles are difficult to avoid for the business actors themselves. In reality, what happens among the

lower middle class is not all of them have the capital to start their business, in order to increase development and productivity in the business. So that the lower middle class really needs funds for their business capital in the form of credit loans, one of which is credit at a banking institution. Business actors really need business capital funds, one of which is to increase income, because in starting a business, business actors really need business capital or initial capital.

The government began launching the People's Business Credit (KUR) program in 2007 in response to Presidential Instruction No. 6 of 2007 concerning policies to accelerate the development of the real sector and empower micro, small and medium enterprises. Government and banking on October 10, 2007 as amended by addendum on May 14, 2008 concerning credit guarantee / financing to every real sector and micro, small and medium enterprise units. The government passed Law No. 20 of 2008 concerning micro, small and medium enterprises (UMKM). The establishment of the law intends to empower micro, small and medium enterprises in order to increase their business (Mudassir, 2020).

The application of People's Business Credit(KUR) in financial institutions encounters several significant issues. Firstly, there is the presence of *riba*(interest) in transactions, which contradicts Islamic financial principles. Additionally, certain elements of *haram*(forbidden) and *gharar*(excessive uncertainty) are present in these financial products, which are explicitly warned against in the Qur'an, particularly in Sura Al-Muthaffifin (1-3). These verses condemn fraudulent practices and the withholding of rightful dues, highlighting the ethical and religious implications of such financial dealings. After entrepreneurs become aware of KUR, another prevalent issue is their difficulty in repaying borrowed funds. This repayment challenge often arises from the misapplication of the borrowed funds, which are not always utilized according to the actual needs of the entrepreneurs. This misallocation leads to inefficient use of resources, further complicating the financial stability of these businesses and their ability to meet repayment schedules.

Financial institutions should design and offer products that comply with Islamic financial principles, eliminating *riba*, *haram* elements, and *gharar*. This involves creating transparent, fair, and interest-free lending models that align with ethical standards outlined in the Qur'an. Providing comprehensive financial education and guidance to entrepreneurs about the proper use and management of borrowed funds is crucial. This can include training on financial planning, investment strategies, and aligning fund usage with business needs to ensure productive and efficient utilization of resources. Azharudin (2021) highlights that Bank Syariah Indonesia (BSI) operates as a service office focused on developing businesses by mobilizing public funds and engaging in consumer activities based on sharia principles. Among its various products, BSI offers the People's Business Credit (KUR) program. However, despite the alignment with sharia principles, several problems persist in the implementation of KUR.

The objective of this research is to examine the underlying problems associated with the application of People's Business Credit (KUR) in financial institutions, focusing on the presence of *riba*, *haram* elements, and *gharar*, as well as the challenges faced by entrepreneurs in repaying borrowed funds. This study aims to propose solutions that align with Islamic financial principles and enhance the effectiveness of KUR by ensuring proper fund utilization and improving financial literacy among entrepreneurs. The ultimate goal is to foster a more ethical, efficient, and supportive financial ecosystem for UMKM (Micro, Small, and Medium Enterprises).

LITERATURE REVIEW

Azharuddin (2021), in his research discusses the Implementation of People's Business Credit Fund (KUR) Financing through the Murabahah Agreement at Bank Syariah Indonesia (BSI) Sarolangun Sub-Branch Office. In his research he used qualitative methods with descriptive presentation. The result of his research is the mechanism of murabahah contract in financing products starting from completing the requirements in applying for murabahah financing Bank Syariah Indonesia Sarolangun. The stages of the financing process flow start from initiation, data collection, financing evaluation, financing decisions and financing contracts.

Shafira Saleh (2021), in her research she discusses the Microfinancing Akad Model at Sharia Banks (Case Study of BRi Syariah KCP. Palopo). In his research he used qualitative research with the Analytical Hierarchy Process method. In his research, he concluded that to find out the decision to choose a microfinance contract model using the AHP method, namely that the best decision in choosing a microfinance contract model is a *mudharabah* contract.

Devi Anggraeni (2019) in her research discusses the Analysis of UMKM Financing Models Through the Role of Microfinance Institutions, she uses an exploratory descriptive method. In his research, he concluded that Microfinance Institutions (LKM) focus more on disbursing funds and returning funds to UMKM, as well as lack of attention to other functions as facilitators in improving financial management capabilities, production and operation capabilities, product quality.

Misbachul Huda (2019), in his research he discussed the Implementation of Sharia Micro People's Business Credit (KUR) Financing in Micro Business Development at BRI Syariah KCP Madiun. In his research he used qualitative descriptive methods with interviews, documentation. Based on the research conducted, it is known that the implementation of Sharia Micro KUR Financing at BRI Syariah KCP Madiun is going well. Sharia Micro KUR Financing Procedures at BRI Syariah KCP Madiun are carried out through several stages, namely: the stage of applying for financing, the BI Checking stage, the survey stage, the financing analysis stage using the 5Cs. Sharia Micro KUR financing plays a role in helping the micro business cycle continue to run, business turnover is smooth, business turnover increases, and can develop customer businesses.

The People's Business Credit (KUR) program in Indonesia is a government initiative designed to provide accessible financing to micro, small, and medium enterprises (MSMEs). While both conventional and Islamic (Sharia) banks participate in this program, their approaches to financing differ fundamentally due to their underlying principles and operations. For fundamental principles, conventional banks operate on the principle of charging interest on loans (*riba*). They provide KUR financing by offering loans with a predetermined interest rate. The primary focus is on profitability through interest income. Meanwhile, Islamic banks operate based on Sharia principles, which prohibit *riba* (interest). Instead, they use profit-and-loss sharing (PLS) schemes, leasing (*ijarah*), and sale-based contracts (*murabaha*). The focus is on ethical financing and shared risk.

For financing models, Credit KUR is the financing model involves granting loans to MSMEs with an interest rate subsidized by the government. The repayment includes the principal amount plus the interest, calculated over the loan period. Meanwhile, Islamic KUR uses Sharia-compliant contracts such as: *Murabahah, Mudarabah: Ijarah and etc.* For risk and profit sharing, the risk in conventional banks is primarily borne by the borrower, as they are obligated to repay the loan with interest, regardless of their business performance. Meanwhile, the risk in Islamic Bank is shared between the bank and the borrower. In profit-and-loss sharing schemes like *mudarabah* and *musharakah*, the bank shares in the business risk, thus aligning the interests of both parties. By incorporating these recent references and elaborating on the differences between KUR in conventional and Islamic banks, the paper will provide a clearer, more up-to-date analysis of the KUR financing model at Bank Syariah Indonesia, enhancing both its relevance and depth.

RESEARCH METHOD

To analyze the data using field research methods with a qualitative approach, the author adopts a descriptive analysis method. This method involves several steps: formulating and interpreting the data obtained, compiling and clarifying the data, and analyzing and presenting it to provide a clear picture of the People's Business Credit (KUR) financing model at Bank Syariah Indonesia (BSI) Ponorogo. Here are the detailed steps involved and the rationale behind using a qualitative approach:

Data Collection Methods: Firstly, Interviews; Conducting semi-structured interviews with key stakeholders such as bank employees, KUR recipients, and financial analysts. Interviews allow the researcher to gain in-depth insights into participants' experiences and perspectives regarding the KUR financing model. According to Kvale and Brinkmann (2009), interviews are a powerful method for gathering qualitative data because they enable the researcher to explore complex phenomena in detail. Secondly, Observation; Participating in or observing the daily operations at BSI KCP Ponorogo to understand the practical implementation of the KUR financing model. Non-participant observation can provide contextual understanding and uncover dynamics that might not be

evident through interviews alone (Creswell & Poth, 2018). Thirdly, Document Analysis; Reviewing internal reports, policy documents, and financial records related to the KUR financing model. Document analysis helps triangulate data obtained from interviews and observations and provides a comprehensive understanding of the financing processes (Bowen, 2009).

Data Analysis: Firstly, Formulating and Interpreting Data; Organizing the collected data into themes and categories that reflect the core aspects of the KUR financing model. This step involves coding the data and identifying patterns and relationships (Miles, Huberman, & Saldaña, 2014). Secondly, Compiling and Clarifying Data; Summarizing the findings and clarifying any ambiguities by cross-referencing different data sources. This step ensures the reliability and validity of the data (Yin, 2018). Thirdly, Analyzing and Presenting Data; Using descriptive analysis to present the data in a narrative format. This includes creating tables, charts, and other visual aids to illustrate key findings. Descriptive analysis helps in providing a clear and comprehensive picture of the KUR financing model (Marshall & Rossman, 2016).

By integrating these qualitative research methods, the author aims to provide a detailed and nuanced analysis of the KUR financing model at BSI KCP Ponorogo. This approach ensures that the findings are grounded in the lived experiences of the participants and the operational realities of the bank.

RESULTS AND DISCUSSION

Products available at Bank Syariah Indonesia (BSI) such as savings, Hajj and Umrah, financing, investment, transactions, gold, and business / entrepreneurship, can accommodate the community's needs for sharia-based financing. The distribution of People's Business Credit (KUR) financing at Bank Syariah Indonesia (BSI) KCP is carried out with working capital and investment. Working capital and investment financing is medium and long-term financing facilities for the procurement of goods (expansion, establishment of new projects). The advantages are that the financing process is fast and easy and handled by a Relationship Manager who is competent in their field, attractive margins/results, financing period according to customer needs.

People's Business Credit (KUR) financing products at Bank Syariah Indonesia are divided into several products such as BSI KUR Super Mikro is a financing facility intended for Micro, small and medium enterprises to meet working capital and investment needs with a ceiling of up to Rp. 10 million. BSI KUR Mikro, for ceilings ranging from Rp. 10 Million to Rp. 100 Million. BSI KUR Kecil, for the ceiling starts from Rp 50 million to Rp 500 million. Such as the results of the researcher's interview with the Head of the Working Capital and Investment Financing Sector regarding the People's Business Credit (KUR) financing model at Bank Syariah Indonesia (BSI):

“KUR itu ada tiga macam, KUR Super Mikro dari 5 juta sampai 10 juta, KUR Mikro diatas 10 juta sapai 100 juta, KUR Kecil dari 100 juta sampai 500 juta, modelnya cumin itu tok, untuk usaha yang baru berjlan selama 6 bulan atau

belum 1 tahun blm bisa mengambil KUR yang di atas 10 juta cumin bisa mengambil diatas 5 juta sampai 10 juta, kalua sudah 1 tahun baru bisa mengaccept atasnya baru bisa”

From several models of People's Business Credit Financing (KUR) at Sharia Banks consisting of, Super Micro KUR, Micro KUR, and Small KUR. Of these three financing models, there is a model that is in great demand or used by customers in developing their business, namely the Micro KUR Financing model starting from 10 million to 100 million. As stated by Mr. Arif Mufida:

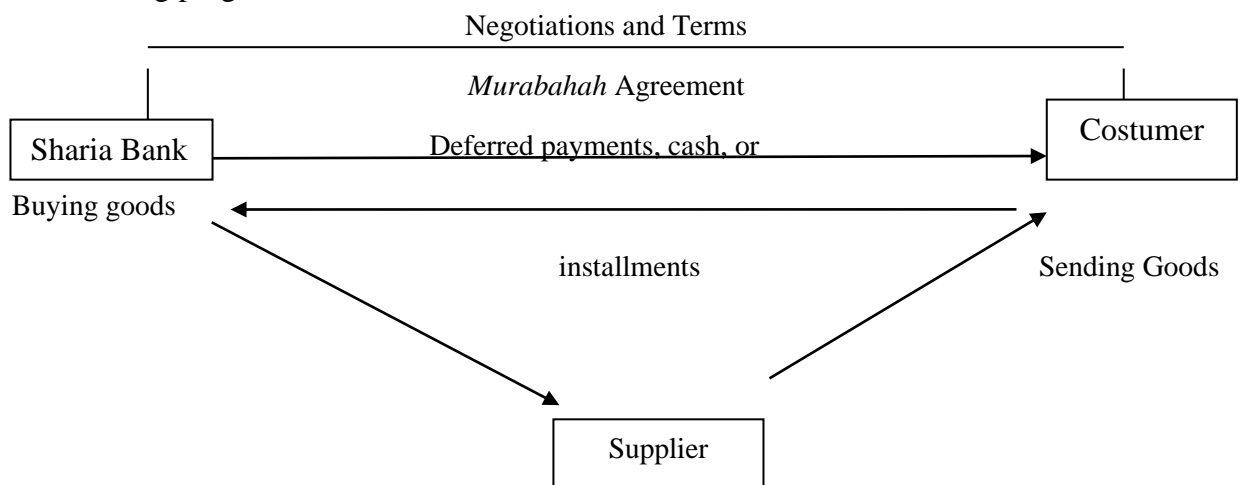
“Yang sering diminati masyarakat yaa KUR Mikro yang dari 10 juta samapai 100 juta”

Table of Number of KUR Customers at BSI Ponorogo

No.	Credit Financing Distribution Model	Quantity
1	Super Micro People's Business Credit	54 Customer
2	Micro People's Business Credit	230 Customer
3	Small People's Business Credit	224 Customer
4	Micro, Small and Medium Enterprises Unit	19086 Customer

Source: Bank Syariah Indonesia KCP Ponorogo

As the table data above explains that, there are many customers who use or take the People's Business Credit Financing (KUR) program at Bank Syariah Indonesia (BSI) KCP Ponorogo, the Micro People's Business Credit (KUR) Model which is very much in demand by Micro, Small and Medium Enterprises customers. There are several flows that must be passed by customers in applying for the People's Business Credit (KUR) financing program as shown below:



There are several requirements that must be completed from the customer where these requirements have been set by the government through the bank such as: Identity Card (KTP), Family Card (KK), marriage certificate, bank statement, business certificate, and guarantee.

The implementation of People's Business Credit Financing (KUR) is carried out to develop Micro, Small and Medium Enterprises in Ponorogo Regency, which is carried out by providing access to capital for MSME actors. This is done so that business benefits owned by MSME actors can increase their business and use the capital that has been given according to the initial agreement.

CONCLUSION

From the results of research conducted by researchers at Bank Syariah Indonesia (BSI) KCP Ponorogo, it can be concluded that Bank Syariah Indonesia KCP Ponorogo has various financial programs in it, one of which is Sharia Microfinancing. This Sharia Microfinancing Program has many products, one of which is the People's Business Credit (KUR). There are several models of People's Business Credit Financing at BSI KCP Ponorogo such as, Super Micro KUR, Micro KUR, and Small KUR. The most used transactions by customers in taking People's Business Credit Financing is the Micro Model People's Business Credit.

In applying People's Business Credit Financing (KUR) to customers, the bank has several requirements that must be completed by the customers themselves. These requirements include Identity Card (KTP), Family Card (KK), marriage certificate, bank statement, business certificate, and guarantee. In its application, Bank Syariah Indonesia (BSI) also uses a Murabahah contract. The Bank has an obligation to monitor what has been given to customers, because the funds must be used according to the initial agreement.

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