

Implementation of *Musyarakah* Financing for MSMEs as an Effort for National Economic Recovery Due to the Covid-19 Pandemic

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Abstract: Covid-19 Pandemic gave great impact on human life especially in economic sector. Through Financing in Islamic Banking many people try to survive their business but still on sharia guidance. This research aims to determine the implementation of *musyarakah* financing for MSMEs as a struggle to improve the national economy due to the COVID-19 pandemic. The result shows that *musyarakah* financing in Islamic Banking is able to support national economic recovery and be one of solutions for MSMEs players to survive due to the Covid-19 Pandemic.

Keywords: Musyarakah Financing, National Economic Recovery, Covid-19

1 Introduction

The Covid-19 pandemic has had a very significant impact around the world, namely on global and national economic growth. In 2020, during the COVID-19 pandemic, economic growth in Indonesia experienced the deepest contraction of -2.70% compared to 2019, while in 2020-quarter I, growth was at 3.10% [1].

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

Based on data from the Indonesian Ministry of Cooperatives and SMEs as of September 2021, the highest number of MSMEs in Sumatra is in three provinces, North Sumatra with 418,904 units, South Sumatra Province with 208,990 units, while Lampung Province with 150,715 units. So what should be appreciated is the growing number of MSMEs in Lampung Province. Lampung Province experienced an increase in the number of MSMEs from 2020-2021 as many as 40,356 units.

The dominance of MSME problems during the Covid-19 pandemic is the declining capital and purchasing power of the people. Capital assistance for MSMEs can be provided by Islamic Banking through a *musyarakah* contract by carrying out sharia principles. *Musyarakah*

financing has a role that can move the dynamics of the micro-economy in the community and from this economic acceleration it can have a good and positive impact on the community, including reducing unemployment.

This study will discuss how the role of *musyarakah* financing in becoming one of solutions for economic recovery due to covid-19 since it is in line with national economic recovery program by government in PP No.23 Year 2020.

2 Scope of the Research

This paper investigates Implementation of *Musyarakah* Financing for MSMEs as an Effort for National Economic Recovery Due to the Covid-19 Pandemic in BSI (Indonesia Sharia Banking) Bandar Lampung City and Metro City, Lampung Province.

3. Literature Review

Musyarakah

Another term for *Musyarakah* is *Syirkah* or *Shirkah*. *Musyarakah* according to language means "*al-ikhtilath*" which means to mix or mixing. The purpose of mixing is that someone mixes his wealth with the property of others so that it is difficult to distinguish between one part and another [2].

Etymologically, *Musyarakah* is a merger, mixing or union. *Musyarakah* means partnership cooperation or in English it is called *partnership*. (Mardani, 2014). There are several pillars of *Musyarakah* that must be fulfilled in a transaction, as follows::

- a. Contract actors, business partners
- b. The object of the contract: capital (mal), work (drabah)
- c. *Shighar*: Ijab and Qabul
- d. Profit ratio (profit sharing) [3]

The terms related to *musyarakah* according to Hanafiyah are divided into four parts as follows:

- a. All forms of musharaka both with wealth, property and others must meet these two conditions:
 1. The object being contracted, must be accepted as representative.
 2. Profits, the distribution of profits, must be clear and can be known by two parties, for example half, one third and the other.
- b. *Musyarakah* mal (wealth) must fulfill:
 - 1) The capital used as the object of the *musyarakah* contract is from payment (*nuqud*), such as junaih, riyal and rupiah.
 - 2) The amount of capital (principal asset) when the musharaka contract is carried out should be clear (same or different)
- c. *Syirkah mufawadhah* has some criteria:
 - 1) Capital (principal property) in *syirkah mufawadhah* must be the same for those who does *syirkah* experts to *kafalah*.
 - 2) For those who are used as the object of the contract, general *syirkah* is required, namely for all types of sales buy or trade.

National Economic Recovery

MSMEs are a business form carried out by individuals or business entities and have special criteria in grouping their business types. The grouping of MSMEs is regulated by Law No. 20 of 2008 :

- a) Micro Enterprises are productive businesses owned by individuals or business entities individuals who have a maximum net worth of IDR. 50,000,000 and annual sales of a maximum of IDR. 300,000,000.
- b) Small Business is a stand-alone productive business, which is managed by individual or business entity that is not part of the subsidiary or branch. and Has criteria, wealth of at most IDR. 500,000,000 and sales proceeds an annual maximum of IDR 2,500,000,000.
- c) Medium Enterprises are productive businesses that stand alone, managed by individual or business entity that is not a subsidiary or branch of the company and Has criteria, wealth of at most IDR. 10,000,000,000 excluding land and building a place of business and has the most annual sales IDR 50,000,000,000.

The dominance of MSMEs in Indonesia needs special attention because the contribution of MSMEs to the national economy is quite large [4]. There are three very important roles of MSMEs in people's lives: as a means of alleviating poverty, leveling the economy of the poor, and contributing to foreign exchange for the country [5].

Covid-19

In Indonesia, the spread of this virus began on March 2, 2020, it is suspected that ~150~ started from an Indonesian citizen who made direct contact with a foreign citizen. Over time, the spread of Covid-19 has experienced a significant increase. It can be seen from the following data. Currently, those who have been infected with Covid-19 in Indonesia on October 2, 2021 based on [6] as many as 4,218,142 million people and those who were declared cured were 4,042,215 people and 142,115 people died. This teaches us to be careful in maintaining cleanliness and also obey government regulations so that this pandemic ends quickly in our country, Indonesia. The largest spread of Covid-19 is on the island of Java, especially in the Surabaya and Jakarta areas. The lack of public awareness in responding to the pandemic or Covid-19 has made the number of deaths and people exposed to COVID-19 increasing day by day.

4. Research methods

The type of research used by the author is qualitative research, in this study it will be seen how the implementation of musyarakah financing by Islamic financial institutions for capital for community business activities is expected to be an effort to recover the national economy despite the Covid-19 pandemic. The author uses the literature study method where the data sources are taken and collected from books, journals, previous research or from websites which are then read and processed into research material.

5. Result and Discussion

5.1 Implementation of *Musyarakah Financing* for MSMEs

The implementation of the musharaka contract in Islamic banking has undergone a transformation compared to the classical musharaka concept. The concept of a musharaka contract can now be combined with other contracts such as the mudharabah contract. These considerations adapt to the needs of an increasingly complex society and the current state of

society. The classical musharaka concept does not have an installment mechanism in the payment of principal capital that has been managed, while the payment of capital is made only once in a contract. This concept is also for payment for the results of the musharaka contract, the payment of which is made at the end of the contract [7].

Requirements for prospective musharaka customers include:

1. Meet the standard criteria as a customer
2. Prospective customer's length of business
3. Prospective customers have run their business for at least 2 years for walk-in clients
4. Prospective customers run their business for a minimum of 1 year and have business management good and get recommendations from existing customers
5. Have a minimum current collectability (collectability 1) 6 consecutive months when he/she have other financing in different financing institutions
6. Prospective customers must have a checking account at the bank concerned
7. The prospective customer's business must comply with sharia principles and not violate sharia
8. Complete and submit document attachments to the bank for analysis financing

5.2 Implementation of Musyarakah Financing on National Economy Recovery

Article 10 paragraph 1 reads that in the context of implementing the PEN program, the Government may place funds aimed at providing liquidity support to banks undertaking credit/financing restructuring or providing credit and working capital financing [8]. Financing at Islamic banks and BPRS can be one solution in the recovery of the national economy because with this financing it can be an additional capital for MSMEs that are hampered in capital due to the Covid-19 pandemic. This includes financing by means of a musharaka contract. The following are musyarakah financing that can provide solutions in the National Economic Recovery due to:

1. Musyarakah financing as being able to encourage the improvement of the entrepreneurship ecosystem, because in Musyarakah there are values of kinship, mutual cooperation and value appropriate to encourage the development of the community's economy.
2. Musyarakah financing can empower micro and medium enterprises productively in Indonesia.
3. Musyarakah financing is able to provide a fair distribution of income and good economic stability.

The other objectives of the financing carried out by Indonesian Islamic banks are to improve the people's economy, provide funds to increase community business, increase productivity and be able to open new jobs and income distribution [9].

6. Conclusion

Musyarakah financing in Indonesia Sharia Banking is able to support and become one of solutions for MSMEs players to survive due to the covid-19 pandemic. Musyarakah contracts can improve the entrepreneurship ecosystem, empower MSMEs productively in Indonesia, provide a fair distribution of income and good economic stability and stabilize the capital of MSME business actors.

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