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STRATEGY TO INCREASE MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) THROUGH THE ROLE OF SHARIA FINANCIAL INSTITUTIONS IN KSPPS AL-ISHLAH MITRA SEJAHTERA DUKUPUNTANG BRANCH

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KEYWORDS

MSMEs, Improvement, Strategy, KSPPS

ABSTRACT

The purpose of this study is to find out how KSPPS Al-Ishlah Mitra Sejahtera Dukupuntang Branch implements strategies to improve Micro, Small and Medium Enterprises (MSMEs) and to find out the obstacles and efforts in implementing strategies to improve the Micro, Small and Medium Enterprises. The results of this study are that KSPPS Al-Ishlah plays a role in terms of improving the business of MSME actors for members and the community around KSPPS, the income of cooperative members increases, especially MSME actors, reviving businesses that are almost dead or declining and reducing unemployment rates, and there are several obstacles faced by KSPPS Al-Ishlah Mitra Sejahtera Dukupuntang branch towards improving MSMEs, namely the increasing number of members, installments that are stuck from members which cause capital turnover to be hampered and the limited capital owned by MSME cooperatives.
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INTRODUCTION

Islamic economics (sharia) is a social science that studies the problems of people's economies that are inspired by Islamic values, Some experts define sharia economics as a science that studies human behavior in an effort to meet needs with limited means of meeting needs within the framework of Islamic sharia. Another definition that formulates that sharia economics is a science that studies the behavior of a Muslim in an Islamic society framed by Islamic law (Ghofur, 2017)

Poverty is part of the development problem, where poverty is caused by unemployment and underdevelopment which then increases into inequality in various aspects and socio-economic dimensions (Khasanah, 2010). According to Tohari (2013), Microfinance Institutions are institutions that provide financial services for micro-entrepreneurs and low-income people, both formal, semi-formal and informal. Or in other words, MFIs are institutions that carry out activities to provide financial services for small and micro entrepreneurs and low-income communities that are not served by formal financial institutions and have been market-oriented for business purposes (Amalia, 2016).

The development of entrepreneurship in the Internet sector is explained by the digital economy which is closely related to the industrial revolution, which builds technological developments along with the development of more modern and simple entrepreneurship. (Chotib Bagus, A. P, 2023). Further problems faced by MSMEs include the introduction and penetration of the export market that is not optimal, lack of understanding of product design in accordance with market characteristics, legal problems related to patents, sales contract procedures and regulations applicable in export destination countries. *Intermediate problems*, namely problems from related agencies to solve basic problems in order to be able to face advanced problems better. These problems, among others, in terms of financial management, (Lestari, F. D, 2022).

The weak living standards of the lower middle class, have encouraged the emergence of Islamic financial institutions that are not only business-oriented, but also social. The institution is KSPPS which can help in improving the economy through financing for additional capital for people who want to establish Micro, Small and Medium Enterprises (MSMEs). (Octavia.R, 2014).

The existence of KSPPS which has a place and positive things that are quite strategic in developing the improvement of the economyof small and medium communities must always be nurtured and maintained so that it will be one of the best alternatives in solving obstacles to the development of micro, small and medium enterprises, especially in terms of capital. The empowerment is through optimizing the use of existing products, services and services in Islamic microfinance institutions. The aim of this research is to find out how KSPPS Al-Ishlah Mitra Sejahtera Dukupuntang Branch implements a strategy to increase Micro, Small and Medium Enterprises (MSMEs) and to find out the obstacles and efforts in implementing

the strategy to increase Micro, Small and Medium Enterprises (MSMEs) at KSPPS Al-Ishlah Mitra Sejahtera Dukupuntang Branch.

LITERATURE REVIEW

Previous research conducted by (Muhammad Sholahuddin, March 2013) entitled Challenges of Sharia Banking in Its Role in Developing MSMEs. The results of the study are known that there are several challenges faced by Islamic banking in carrying out its role. Islamic banking has implemented a strategy to play a role in developing MSMEs, but quantitatively until January 2013 has not been so satisfactory. The similarity with the research to be carried out is to use qualitative methods. As well as discussing the challenges and role of Islamic banking in financing MSMEs. The difference lies in the object and subject of the research.

Previous research conducted by (Hendra Asep Sumantri, 2017) entitled The Role of BMT Kota Mandiri in financing and fostering Yusri Tanjung Glassware Trading business in Bengkulu Panorama Market. The results of the study are known that the management of coaching for financing is not carried out by the city BMT , even though it needs to be done by the independent city BMT as a form of implementing risk management from financing carried out by the independent city BMT , especially the trade entrepreneurs glassware said that it is in dire need of financing management guidance. The similarity with the research to be carried out is to use qualitative methods. As well as focusing on the Role of BMT Kota Mandiri in financing and fostering micro businesses . The difference lies in the object and subject of the research.

Previous research conducted by (Twin Fitersya, 2014) entitled The Role of KSPPS Pandan Madani in Increasing the Productivity of Small Businesses in the Panorama Bengkulu Market in 2013-2014. The results of the study are known that it is hoped that KSPPS Pandan Madani will maximize the role of KSPPS in order to increase the productivity of small businesses in order to increase the assumption of KSPPS Pandan Madani's income . The KSPPS Pandan Madani should direct customers. The similarity with the research to be carried out is to use qualitative methods. As well as discussing and reviewing the role of KSPPS in small businesses. The difference lies in the object and subject of the research

Strategy

Strategy can be defined as a set of critical options for the planning and implementation of a series of action plans and resource allocation that are essential in achieving basic goals and objectives, taking into account the competitive, comparative, and synergistic advantages that are ideal for sustainability, as the ideal overall long-term direction, scope, and perspective of an individual or organization (Triton, 2019).

Increasing MSMEs

Improvement is a process, way or act to raise something or an activity to advance something in a better direction than before, while the definition of MSMEs (Micro, Small and Medium Enterprises) is an economic activity that processes raw materials, raw materials, semi-finished

goods, and or finished goods into goods with a higher value for their use, including building design and industrial engineering activities.

Increasing MSMEs (Micro, Small, and Medium Enterprises) refers to various efforts made to develop and strengthen the capacity of small businesses in various aspects. This could include increased access to capital, skills training, product innovation, marketing, and the use of technology.

The Role of KSPPS

The definition of role according to the definition of experts states that role is a dynamic aspect of position or status. The role determines the opportunities given by the community to him. Roles are governed by applicable norms (Dwi Norwoko, 2018)

Sharia Savings, Loans and Financing Cooperatives (KSPPS) or formerly known as Sharia Financial Services Cooperatives (KJKS) are cooperatives whose business activities are engaged in financing, investment and deposits according to the profit sharing (sharia) pattern. KSPPS plays an important role in facilitating the economic growth of the community, especially among cooperative members

RESEARCH METHODS

The research employed a qualitative case study approach. Case studies are considered suitable empirical methodologies for studying community participation as they utilize various research methods, including interviews, observations, and secondary data collection (Creswell, 1998). Additionally, this research utilized a field research approach. Field research involves the study of social life as it occurs (Nugrahani, 2014). This method is termed field research because the researcher must directly engage with the community or local institution (Raco, 2010). The aim of this study was to delve deeply into the strategies employed by the Al-Ishlah Mitra Sejahtera Credit Union, Dukupuntang branch, in developing micro, small, and medium enterprises (MSMEs).

RESULTS AND DISCUSSION

Implementation of the Strategy for Increasing Micro, Small and Medium Enterprises (MSMEs) at KSPPS Al-Ishlah Mitra Sejahtera Dukupuntang Branch

Based on the interview with the Branch Manager of KSPPS Al-Ishlah Mitra Sejahtera, Ms. Lillah Haryati, SH.I, KSPPS Al-Ishlah Mitra Sejahtera, Dukupuntang Branch, has demonstrated its role in providing significant benefits to members who receive financing for MSMEs (Micro, Small, and Medium Enterprises). This indicates their success in fulfilling one of their missions, which is to apply Sharia principles in economic activities, empower small and medium entrepreneurs, and foster a structured and sustainable concern from the capable to the underprivileged.

One of the development efforts by KSPPS Al-Ishlah Mitra Sejahtera, Dukupuntang Branch, includes conducting field surveys on a conditional or periodic basis. The institution conducts an initial field survey before granting financing to prospective financing clients. Additionally, they provide guidance by offering direction and motivation to financing clients/members. The enhancements made by the Dukupuntang Branch are not limited to providing capital but also include assisting members in areas such as bookkeeping, marketing, and motivational guidance to improve their business quality. This financing program, initiated by KSPPS, requires the realization of supporting factors to ensure its success and improve the business quality of clients and the surrounding community.

The strategies employed by KSPPS Al-Ishlah Mitra Sejahtera, Dukupuntang Branch, to develop and enhance financing for MSMEs are as follows:

a. Visiting Clients Directly

This strategy involves KSPPS representatives visiting clients directly to identify and support MSME players who genuinely require financing to develop and enhance their business productivity.

b. Recommendations from Existing Partners

This approach involves utilizing the data of existing partners who are already known or connecting with one partner through another. They exchange information when other partners require financing for business development.

c. Types of Businesses Financed

This strategy is used to screen the types of businesses eligible for financing by KSPPS Al-Ishlah, ensuring they align with Islamic Sharia principles.

d. Promotions

KSPPS Al-Ishlah Mitra Sejahtera utilizes several promotional methods, including:

1. **Brochures**

   Brochures are distributed to traders in the Dukupuntang area, particularly to inform the community about financing products and attract more clients to expand the reach.

2. **Other Media**

   Promotion is not limited to manual methods such as distributing brochures. KSPPS Al-Ishlah also uses other media, such as newspapers, the internet (Instagram), banners, and more. In this increasingly advanced era, KSPPS continues to develop its information dissemination through advanced technology to meet the practical and sophisticated needs of the community.

Based on the data and interviews above, it can be concluded that KSPPS Al-Ishlah, Dukupuntang Branch, has played a role in improving the welfare of the community members who have applied for financing at KSPPS. This is evidenced by the fact that two members who applied for financing at KSPPS experienced improvements in their businesses.

From the explanation above, it can be observed that the strategies to enhance MSMEs for the community and other business actors have shown progress. With the availability of financing, business actors can achieve their own benefits, particularly in increasing business income.

Challenges and Efforts in Implementing MSME Development Strategies at KSPPS Al-Ishlah Mitra Sejahtera, Dukupuntang Branch

Some common challenges faced by KSPPS Al-Ishlah Mitra Sejahtera in their efforts to develop MSMEs are as follows:

1. **Limited Access to Capital**
   MSMEs often face difficulties in obtaining the necessary capital to grow their businesses. KSPPS may struggle to provide loans in sufficient amounts to meet the capital needs of MSMEs.
2. **Lack of Managerial Knowledge**
   Many MSMEs are founded by business owners with specific technical skills but lack adequate managerial knowledge. This can limit their ability to manage their businesses effectively and efficiently.
3. **Market Access and Marketing**
   MSMEs often struggle to market their products effectively and reach wider markets. While KSPPS can provide training and support in marketing, this remains a significant challenge.
4. **Limited Infrastructure and Technology**
   Some MSMEs may face obstacles in accessing the necessary technology and infrastructure to improve production processes and operational efficiency.
5. **Regulations and Bureaucracy**
   At times, both MSMEs and KSPPS encounter challenges from complex regulations and bureaucratic procedures, which can slow down operational processes and business development.
6. **Difficulty in Securing Qualified Human Resources**
   MSMEs often face challenges in recruiting and retaining skilled human resources, which can impact their productivity and business growth.
7. **The Proliferation of Microfinance Managed by Conventional Banks and Community Readiness**
   The spread of microfinance services offered by conventional banks and the readiness of the community to accept and understand them pose challenges. Some members of the community still associate Sharia financing with charitable activities like zakat or donations and assume it to be free due to its religious nuances.
8. **Lack of Honesty Among Members or Clients Regarding Financial Data or Profits**
   Some members or clients may not provide accurate financial or profit data, creating obstacles in implementing effective strategies.

Efforts to Overcome Challenges

Below are some efforts to address the various challenges faced by KSPPS Al-Ishlah in their MSME development efforts:

a. Limited Access to Capital

1. **Building Partnerships:** Collaborate with other financial institutions to expand funding sources.

2. **Providing Flexible Financing Programs:** Offer loan products with lighter and more flexible requirements.
3. **Financial Management Training:** Provide training to MSMEs on how to create compelling business proposals for investors.

b. Lack of Managerial Knowledge

1. **Management Training:** Organize training programs to improve the managerial knowledge of MSMEs.
2. **Mentoring and Guidance:** Connect MSME owners with experienced business mentors.
3. **Use of Management Software:** Introduce tools and software to assist in business management.

c. Market Access and Marketing

1. **Digital Marketing Training:** Provide training on using social media and e-commerce platforms to reach wider markets.
2. **Exhibitions and Bazaars:** Organize events where MSMEs can showcase their products.
3. **Networking and Collaboration:** Encourage MSMEs to form networks or associations to support each other in marketing.

d. Limited Infrastructure and Technology

1. **Investment in Technology:** Encourage investment in relevant technology to improve efficiency.
2. **Access to Infrastructure:** Collaborate with local governments to improve necessary infrastructure for MSMEs.
3. **Technology Training:** Provide training on using the latest technology in production processes.

e. Regulations and Bureaucracy

1. **Policy Advocacy:** Advocate for simplifying regulatory processes that hinder MSMEs.
2. **Regulation Socialization:** Provide clear information about applicable regulations to help MSMEs comply easily.
3. **Support in Obtaining Permits:** Assist MSMEs in navigating the process of obtaining permits and other legal documents.

f. Difficulty in Securing Qualified Human Resources

1. **Internship and Training Programs:** Partner with educational institutions to offer internship programs.
2. **Employee Incentives:** Provide incentives or recognition programs to retain quality employees.
3. **Creating an Attractive Work Environment:** Build a positive work culture to attract and retain talent.

g. Community Unfamiliarity with Sharia Financing

1. **Community Education:** Conduct seminars and workshops to explain the concept of Sharia financing.
2. **Promotion Through Media:** Use social media and other platforms to disseminate information about the benefits of Sharia financing.

3. **Collaboration with Religious Leaders:** Engage religious leaders to explain and educate the community about Sharia financing.

h. Lack of Honesty in Financial Data

1. **Financial Education:** Educate members on the importance of transparency and accountability in financial reporting.
2. **Verification Systems:** Develop systems to verify the financial data reported.
3. **Rewards for Honesty:** Provide recognition or incentives for members who are transparent in providing financial data.

CONCLUSION

As the results of the research conducted by the researcher and based on the explanation above, it can be concluded as follows:

1. KSPPS Al-Ishlah Mitra Sejahtera Dukupuntang branch in implementing the strategy to improve MSMEs plays a role in terms of improving the business of MSME actors for members and the community around KSPPS, the income of cooperative members increases, especially MSME actors, Reviving businesses that are almost dead or declining and Reducing unemployment rates. by implementing strategies including establishing good relations with the surrounding community, secondly building customer trust by providing assistance to the community, thirdly conducting surveys for a certain period of time to small entrepreneurs who have become customers and evaluating how much progress has been achieved by these entrepreneurs.
2. The obstacles found in KSPPS Al-Ishlah Mitra Sejahtera Dukupuntang branch towards increasing MSMEs are Limited Access to Capital, Lack of Managerial Access, difficulty in marketing their products effectively and reaching a wider market, Installment defaults from members which cause capital turnover to be hampered, While the efforts made by KSPPS to overcome the obstacles in efforts to increase Micro, Small and Medium Enterprises include Building Partnerships, KSPPS can work together with other financial institutions to expand financing sources, Organizing training programs to improve MSME managerial knowledge, Providing training on the use of social media and e-commerce to reach a wider market and Working together with local governments to improve the infrastructure needed for MSMEs.

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