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AL-AMWAL

Improving The Welfare of SMEs Through Islamic Bank Financing

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Abstract

Micro, small and medium enterprises (MSMEs) are one of the efforts to advance the Indonesian economy, especially in the city of Cirebon. Business and economic ventures that are run are able to create and expand employment opportunities to encourage economic growth, strive to help increase community income and realize national stability. For this reason, the role of banks, especially Islamic banking, is highly needed in order to encourage MSMEs to become even more advanced. This study uses a qualitative approach to data collection techniques through: interviews with Islamic banks and MSMEs in Cirebon, as well as observation, and documentation. The validity of the data is processed by triangulation, which is a data validity checking technique that utilizes something else outside the data for checking or comparison purposes. The results of the study explained that the financing procedures carried out by the Islamic banking are not complicated and show an increase in business that can be seen from the increasing number of customers, growing businesses and the addition of employees. The results show that the role of banks in terms of distribution needs to be intensified even more because it has been proven that MSMEs are stronger in dealing with the world economy and supporting the national economy.

Key words: *Islamic banking, Sharia financing, MSMEs*

Abstrak

Usaha mikro, kecil dan menengah (UMKM) merupakan salah satu upaya memajukan perekonomian Indonesia, khususnya di kota Cirebon. Bisnis dan usaha ekonomi yang dijalankan mampu menciptakan dan memperluas kesempatan kerja untuk mendorong pertumbuhan ekonomi, berusaha untuk membantu meningkatkan pendapatan masyarakat dan mewujudkan stabilitas nasional. Untuk alasan ini, peran Bank, khususnya perbankan Syariah, sangat dibutuhkan untuk mendorong UMKM agar menjadi lebih maju. Penelitian ini menggunakan pendekatan kualitatif, teknik pengumpulan data melalui: wawancara dengan Bank-perbankan Islam dan UMKM di Cirebon, serta observasi, dan dokumentasi. Validitas data menggunakan triangulasi, yang merupakan teknik pemeriksaan validitas data yang memanfaatkan sesuatu yang lain di luar data untuk keperluan pengecekan atau perbandingan. Hasil penelitian menjelaskan bahwa prosedur pembiayaan yang dilakukan oleh perbankan Syariah tidak rumit dan menunjukkan peningkatan dalam bisnis yang dapat dilihat dari meningkatnya jumlah pelanggan, menumbuhkan usaha dan penambahan karyawan. Hasilnya menunjukkan bahwa peran Bank dalam hal distribusi perlu diintensifkan bahkan lebih karena telah terbukti bahwa UMKM lebih kuat dalam menghadapi perekonomian dunia dan mendukung perekonomian nasional.

Kata Kunci: Bank Syariah, Pembiayaan Syariah, UMKM

INTRODUCTION

Micro, small and medium enterprises (MSMEs) are a form of business to advance the Indonesian economy. Business and economic ventures that are run are able to absorb job seekers, encourage economic growth, to help increase people's income and to realize national stability. MSMEs in the Indonesian economy are businesses that operate on a small to medium scale (medium) with high competition (Rinofah, 2015).

SMEs participate in supporting Indonesia's economy. The majority of business businesses are filled with small business businesses and the rest are medium and large businesses. This very important role of MSMEs needs to be supported in both managerial and capital technical aspects which are different from large companies that focus on technology rather than human labor (Suci, 2017).

Islamic banking supports MSME capital through small business financing. Islamic banking increasingly exists after having a legal basis with the enactment of Law No.21 of 2008 so that it will be faster in its development. Based on data from the Bank Indonesia Indonesia Sharia Banking Directory statistics, asset growth of 328% in 2005 and to the end of 2009 was an encouraging number. Islamic banking is able to exist and develop rapidly within a period of 4 years, has shown its existence with the presence of 11 commercial banks and Islamic banks, 23 Islamic business units (UUS) and 151 BPRS with the number of offices with a network of 3073 units.

The contribution of Islamic banks in the distribution of financing to the real sector is very large. This is indicated by Islamic bank financing data in 2010 of 52.6 trillion or a portion of 77.1% for the business sector. In late 2010, financing received by MSMEs reached 46.8%, the number of accounts reached more than 600,000 accounts or 69% of the total Islamic banking financing accounts (Kara, 2013).

The financing channeled by Islamic banking is relatively unaffected by the financial crisis that hit the world. This is due to three things; firstly, consistently focused on the real sector, secondly, concentrated on domestic economic ventures where it is dominated by small business sector financing, and thirdly, on Islamic banking financing or profit sharing occurs at the beginning of the contract. A good understanding of the effects of these factors, especially factors macro that can explain the impact of the movement of these macro indicators on Indonesian Islamic banking financing.

Based on this description, this research focuses more on macroeconomic factors. Macro-related things such as inflation or price increases over a certain period of time. The nominal interest rate is caused by high inflation, which in turn reduces the real money balance. If inflation occurs, the government increases the BI interest rate or the BI rate will have an impact on the increase in interest rates by commercial banks, causing the business world to experience a decline. Whereas Sharia SBI is a certificate or proof of short-term deposit or deposit with a wadiah contract.

The amount of funds collected by Islamic banks in SBI Sharia, the amount of funding allocated by Islamic banks is likely to decrease. Therefore, research will be conducted with the title: "The role of Islamic banking in improving the welfare of MSMEs through Financing in the City of Cirebon".

Based on business phenomena this study aims to determine: (1). To find out the financing distribution process carried out by Islamic banking; (2). To analyze the welfare of MSMEs through sharia financing in Cirebon.

Contribution of research results is expected to be useful or useful both in practical and scientific development, for related parties as follows: For writers to have recommendations that can be used as research results for future research. Can add insight into the author's knowledge, for academics, practical implications can be input and recommendations for economic development and additional material for the campus academic community, for the development of knowledge as a broad contribution to the methods and concepts of economic and social science. Can provide additional information or input to create various kinds of knowledge

LITERATUR REVIEW

Welfares Theory

Prosperity is a human condition where the people are prosperous, healthy and peaceful, so to achieve that condition the person needs an effort according to his ability. Economic activity that is inseparable from the market is basically concerned with the benefits of economic actors from the market. So it is very difficult to find a prosperous economy when viewed from existing market mechanisms. Welfare is one aspect that is quite important to maintain and foster social and economic stability, these conditions are also needed to minimize the occurrence of social jealousy in society.

The economy has a duty to provide rational principles for business as an economic activity, so that economic activity does not only lead to the needs of individuals and short-term human life, but also gives a surplus to the welfare of many people in the State. Welfare economics is a normative branch of economics. The area of welfare economics deals with the question of what is bad and what is good. The field of study is very different from the field of study of the positive economics branch. Like labor economics, economic history, international trade, monetary and macroeconomics. Every positive economics tries to explain various empirical phenomena.

There are two types of welfare economics, namely conventional welfare economics and Islamic welfare economy. Conventional welfare economics only emphasizes material well-being, ignoring spiritual and moral well-being. Sharia welfare economy aims at achieving overall human welfare, namely material welfare, spiritual and moral welfare. The concept of sharia welfare economy is not only based on manifestations of economic values, but also moral and spiritual values, social values and Islamic political values. Thus the Islamic welfare economy has a more comprehensive concept(Sodiq, 2015)

Conventional economic theory often links the high level of welfare with an increasingly high quality of life. The higher income causes the higher welfare as seen from the amount of consumption. Through this understanding welfare theory is only focused on meeting the needs of food consumption, which is said according to economists to see welfare as an indication of individual income (flow of income) and purchasing power of the community. Based on this understanding, the concept of welfare has a narrow understanding because by only seeing income as an indicator of economic prosperity means that welfare is seen as the opposite of poverty conditions. Though understanding the concept of welfare is not only seen from the absolute side (economic welfare) alone.

The variety of the concept of welfare in society can mean that welfare has a relative understanding. The concept of welfare cannot be separated from the quality of life of the community, where the quality of life of the community can be influenced by the socio-political and economic conditions of the community. It was concluded that the notion of welfare measures was initially measured only through physical and income aspects, but the development of the current age welfare was measured through several indicators such as health, education and socio-economic aspects(Widyastuti, 2012).

Welfare economics theory there are two approaches that can be taken, namely the Neo-Classical approach and the new (modern) welfare economic approach. The Neo-classical approach has been developed by Pigou, Bentham, Sidgwich, Edgeworth, and Marshall. The Neo-Classical Approach assumes that the use value is cardinal and that additional consumption provides a smaller increase in use value (diminishing marginal utility). The Neo-Classical approach further assumes that all individuals have similar use-value functions, therefore it has the meaning to compare individual use-values with those of others. Because of this assumption, it is possible to build a social welfare function by only adding up all the individual use-value functions(Menegaki& Tugcu, 2018)

Pigou's welfare economic theory is part of social welfare that can be directly or indirectly linked to measuring money. While Pareto's social and economic welfare theory, has specified a condition or condition for the creation of an efficient or optimal allocation of resources, which is then known as the Pareto condition. The Pareto condition is an allocation of goods in such a way that when compared to other allocations, the allocation will not harm any party and one of the parties will definitely benefit. On the condition of Pareto it can also be defined as a situation where some or all of the individual parties may no longer benefit from voluntary exchange. Based on this pareto condition, social welfare is defined as a continuation of thinking that is more mainstream than the concepts of prosperity(Thalib, Irwan, & Ro'is, 2016).

Sharia Bank

Banks are derived from Italian etymologically, the word *banca* which means a seat that is used to provide loans in doing business. Banks as a type of financial institution that performs a variety of services, such as providing loans, circulating currencies, providing safeguards on currencies as well as acting as a place to store valuables to finance businesses and others. Banking as a financial institution whose main business is to provide credit and services in the payment traffic and circulation of money, with the aim of fulfilling credit needs with own or other people's capital, while also circulating new currency in the form of bank or demand deposits.

An Islamic bank is a bank that operates in accordance with Islamic principles, namely banks with procedures and operations that follow Islamic sharia requirements. One element that must be shunned in Islam is practices that contain elements of usury (speculation and deception). An Islamic bank is a bank in which its collection and activities in the context of channeling funds provide and emphasize rewards on the basis of sharia principles, namely buying and selling and profit sharing. Sharia banks are banks that carry out business activities based on sharia principles, namely rules of agreement based on Islamic law between banks and other parties for safekeeping or financing of business activities or other activities that are declared in accordance with sharia.

Bank is an institution that plays an important role in the economy that is channeling money from excess money to those who need money as well as exchanging money or demand deposits. Sharia Bank is a bank whose activities, both raising funds and in the context of channeling funds, provide and charge rewards on the basis of sharia principles, namely buying and selling and profit sharing. Sharia Bank is a bank whose activities, both raising funds and in the context of channeling funds, provide and charge rewards on the basis of sharia principles, namely buying and selling and profit sharing (Zainul Arifin, 2012).

Islamic bank is engaged in the collection and distribution of funds using Islamic principles such as emphasis on the principle of sharing instead of flowers. Islamic bank with savings and loan, based on Islamic principles that rule by Islamic rule where the agreement between the bank, depositors and who receive funding are in accordance with the rules of sharia (Arfiani & Mulazid, 2017).

Islamic banks impose rules of agreement based on Islamic law between banks and other parties for safekeeping and or financing of business activities, or other activities that are declared in accordance with sharia. Rules agreement based on Islamic rules that do business with other parties either to store or provide financing for business activities or other activities. The concept of transaction costs is the cost of interest and non-interest expense in conventional banks is equal to the cost for the results and the costs of non profit-sharing being owned Islamic bank (Antonio, 2001).

Based on the description above, it is concluded that Islamic banks conducting their business must use or based on sharia principles that must avoid interest and usury and place more emphasis on the principle of profit sharing. Islamic banks have the aim of making Islamic economic activities or transactions, especially muamalat related to banking, in the welfare of society. To realize justice in the economic field by means of prospering its business and income through investment activities. In addition, it seeks to improve the quality of life of the community through the opening of new jobs and large business opportunities. To overcome the problem of poverty, which in general is a major program for advancing the family's economy (Huda, 2012).

Based on the description of these definitions, it can be concluded that Islamic banks are banks that carry out business activities based on sharia principles in their collection and distribution activities to provide and emphasize rewards on the basis of sharia principles, namely buying and selling and profit sharing. So it can be said that Islamic banks are an institution tasked with meeting human needs in accordance with Islamic sharia. There are still many definitions of Islamic banks that have been put forward by experts, basically these definitions do not differ from one another to have operations in accordance with Islamic principles.

Islamic banks aim to: (1) direct the economic activities of the people to conduct Islamic transactions, especially those related to banking, (2) to create a justice in the economic field by leveling income through investment activities; (3) to improve the quality of life of the people by opening up great business opportunities; (4) to overcome the problem of poverty, which in general is the main program of developing countries, (5) to maintain monetary economic stability; (6) to save the dependence of Muslims on conventional banks.(Afif & Mawardi, 2015).

The function of Islamic banks in the Islamic paradigm has the following functions: (1) Investment management, according to the profit-sharing contract (mudharabah) which carries out investment from other parties, receives a percentage of the profit only in the case of profit, in the event of a loss entirely at the risk of the provider of funds, while the bank does not share it; (2) Investments, Islamic banks invest in the business world by using investment tools that are consistent with sharia; (3) Financial services, Islamic banks can also offer various other financial services based on wages (fee based) in a representative contract or lease; (4) Social services, the concept of Islamic banking requires Islamic banks to implement social services in accordance with Islamic teachings (Mulazid, 2016).

The role of Islamic banks is to refine Islamic banking operations so as to further enhance public confidence. In addition, it also plays a role in increasing the awareness of Islamic society, thereby expanding the sharia banking segment and market. The role of Islamic banks is also very strong in establishing cooperation with scholars because after all the role of scholars especially in Indonesia is very dominant for Islamic life(Rusydia, 2016).

Sharia Financing

Sharia financing is generally considered to be a provision of money based on an agreement or agreement between an Islamic bank party and another party or customer. So that the obligation arises for other parties or customers as borrowers to return the money within a certain period and profit sharing agreed. Credit according to the term credit in English means lending money. Credit comes from the word credo in Roman which means trust, the term is derived from the science of jurisprudence namely 'qard' which means to lend money on the basis of trust (Warninda, Ekaputra, & Rokhim, 2019).

Financing institutions as financiers place trust in someone to carry out the mandate given. The money must be used properly, correctly, fairly with a clear agreement and benefit both parties. The fundamental difference between financing provided by conventional banks and Islamic banks is in the expected benefitsFinancing institutions as financiers place trust in someone to carry out the mandate given. The money must be used properly, correctly, fairly with a clear agreement and benefit both parties. The fundamental difference between financing provided by conventional banks

and Islamic banks is in the expected benefits. In conventional banks the expected benefits through interest, while for Islamic banks the benefits obtained in the form of profit sharing (Rahman & Rochmanika, 2012).

Funding can be done for macro and micro purposes. Macro financing aims to improve the community's economy, which means there is an easy access to get the funding. These funds are useful for those who need to increase business. In addition, funding can be rolled out in the community, meaning that those who are deficient get from those who have excess funds. In addition, the existence of financing can increase productivity, absorb labor and income distribution (Huda, 2012).

Micro financing aims to maximize profits. Every business needs financing to drive business operations so that the ultimate goal is to achieve profits. Efforts to minimize the risk of lack of capital can be overcome by financing, by getting it from other parties in this case the bank. Utilization of economic resources can be developed by combining natural resources and human resources and capital resources. The three resources must be available, if there are no capital resources, then the solution can be ascertained through financing. The role of financing in this case is as a bridge between the shortage and the excess funds (Rimadhani & Erza, 2017).

Other financing objectives consist of two interrelated functions of financing, namely profitability and safety. Profitability aims to obtain the results of financing in the form of profits gained from profit sharing obtained from businesses managed with customers. Safety is related to the safety of the achievements or facilities provided must be absolutely guaranteed so that the goal of profitability can be truly achieved without significant obstacles (Naceur, Barajas, & Massara, 2015).

Micro, Small and Medium Enterprises (MSMEs)

The business world consists of micro businesses, small businesses, medium businesses and large businesses that carry out economic activities in Indonesia. Whereas what is meant by small business is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or not a branch of the company that is owned, controlled, or becomes a part either directly or indirectly of a medium-sized business or large business that meets the criteria of a small business.

A medium-scale business is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or is a part either directly or indirectly with a small business or large business with a net worth or annual sales results. Large businesses are productive economic ventures carried out by business entities with net assets or annual sales results greater than medium-sized businesses, which include state-owned or private national businesses, joint ventures, and foreign businesses that carry out economic activities in Indonesia.

Micro, Small and Medium Enterprises (MSMEs) have different definitions in each literature according to several institutions or even laws. In accordance with Law number 20 of 2008 concerning Micro, Small and Medium Enterprises, MSMEs are defined as follows: 1) Micro businesses are productive businesses owned by individuals and / or individual business entities that meet the criteria for Micro Business as stipulated in this Law. . 2) Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branch companies that are owned, controlled, or become a part either directly or

indirectly of Medium Enterprises or Large Enterprises that meet Small Business criteria as referred to in the Act. 3) Medium Business is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or becomes a part either directly or indirectly with a Small Business or Large Business with the amount of wealth net or annual sales results as provided for in this Act. The criteria for the success of MSMEs lies in the number of sales turnover. The rapid development of MSMEs impacts on increasing competition. This competition tends to make the business lead to the same level of profit. But it could under certain conditions lead to losing the competition (Prasetyo & Suryoko, 2018).

Micro and medium enterprises are often seen as a problem. Overview in the perspective of capability or capability is considered to be lacking. So the government feels the need to pay special attention. Protection and business assistance seems to be a must, given the large number of workers absorbed in this sector. Efforts in overcoming these problems need a basic agenda and strategy in the form of strengthening and empowerment whose purpose is to build the independence of small businesses. But viewed from another perspective, small businesses are considered to have better performance than large businesses. This can be seen from his ability to pay off debt obligations (Irjayanti & Azis, 2012).

The ability of MSMEs in facing crises and national economic development is caused by: (1) Micro Sector can be developed in almost all business sectors and spread throughout Indonesia; (2) Due to the nature of its very wide distribution (both the business sector and its region) the micro sector also plays a very important role in equalizing employment opportunities; (3) including the businesses of cooperative members which are generally flexible with a business scale that is not large, the simplicity of specifications and the technology used can more easily adjust to changes or developments that occur; (4) is a capital-intensive industry because in its production cost structure, the scattered component is a variable cost that easily adjusts to changes / developments that occur; (5) Most of the products produced are products that are directly related to the primary needs of the community; (6) more appropriate and close to life at the grassroots level so that efforts to rid people of backwardness will be more effective (AlMaimani & Johari, 2015).

The development of SMEs in Indonesia can not be separated from a wide variety of problems. There are several common problems faced by small and medium entrepreneurs such as limited working capital and or investment capital, difficulties in getting good quality and affordable raw materials, limited technology, good quality human resources (management and production techniques), information market, and difficulties in marketing. The intensity and nature of the problems can differ not only according to the type of product or market served, but also differ between locations / regions, between centers, sectors / between sectors or types of activities, and between business units in the same activity / sector (Irjayanti & Azis, 2012)

But the fulfillment of capital requirements, the constraints are four problems as follows: (1) The low or limited access to information, services, financial facilities provided by the formal financial, both banks and non-banks; (2) The terms and procedures of banking too complicated so that the loans obtained do not match needs in terms of both amount and time, most banks still place material collateral as one of the requirements and tend to override business feasibility, (3) The interest rate charged is

still high, (4) Lack of guidance, especially in financial management, such as financial planning, proposal preparation and so on (Rahman & Rochmanika, 2012).

Relevant Research

To be able to pay attention to the importance of this research, the authors present relevant research information related to the next research. The relevant studies are:

1. Title: Knowledge Management Practices in Indian Manufacturing MSMEs: Challenges and opportunities. Possession of knowledge is important in industries, but management of knowledge becomes even more important in manufacturing Micro, Small and Medium Scale Enterprises (MSMEs), even as they try to stay ahead in competitive global and domestic markets. Many organizations like ministries/government departments, bilateral & multilateral agencies, academic, research & development institutions, implementing & executing agencies and industrial associations have played a vital role in shaping the knowledge base of Indian manufacturing SMEs. However, it has been observed that there is very little awareness about the activities of these key organizations among SMEs and academia. This paper aims to bridge the gap between knowledge sources and recipients by creating that awareness between the two. This study also explains how effectively MSMEs and academia can mutually enrich exchange of knowledge, opportunities and networks (Chawan & Vasudevan, 2014).
2. Title: An evaluation of SMEs satisfaction toward Jordanian Islamic banks service quality. Islamic financial industry should improve its service quality since it is a crucial success factor affecting the competitiveness of an organization. Therefore, it is the main objective of this study to evaluate the level of satisfaction of Jordanian Small and Medium Sized Enterprises (SMEs) toward the quality of services offered by Jordanian Islamic banks, by applying different dimensions and criteria mentioned in the CARTER model. This study was conducted using questionnaires which were distributed to the SMEs. One Sample t - Test was then used to test the hypotheses of the study. The main results of the study revealed that Islamic Banks are doing well in satisfying its SMEs' customers in six dimensions of the model, namely Compliance, Assurance, Reliability, Tangibility, Empathy, and Responsiveness. However, in general Jordanian SME respondents considered all dimensions in the CARTER model as satisfactory; those dimensions which were particularly clearly judged by the respondents as being most satisfactory are Assurance, Compliance, and Empathy, while those rated as least satisfactory are the dimensions of Reliability, Responsiveness, and Tangibility (Maswadeh, 2015).
3. Research with the title The Effect of Macroeconomic Variables on the Distribution of General and MSME Credit in Yogyakarta Special Region This study is to determine the effect of macroeconomic factors on financing. The results showed that macroeconomic factors influence MSME financing (Rinofah, 2015).
4. Research entitled Development of a model for increasing MSME competitiveness in Indonesia: Quantitative validation of the model. The research aims to confirm the competitiveness model of MSME. This research uses a quantitative approach with a sample of 19 provinces in Indonesia. The result needs to be adjusted from the MSME competitiveness model that has been previously designed (Lantu, Triady, Utami, & Ghazali, 2016).
5. Title: Influence of Inflation and the BI Rate on Financing of Micro and Small and Medium Enterprises (Case Study in Sharia Commercial Banks). This study aimed

to analyze the effects of inflation and BI rate on MSME financing in (BUS) from period 2010-2015. The research sample was taken from six banks. The method of sampling was done by using purposive sampling, which is sampling technique with a certain considerations. The hypothesis testing methods used were multiple linear regression analysis. Partial results of this study indicated that inflation has a significant effect on MSME financing, while the BI Rate no significant effect on the financing of MSME. Simultaneously, inflation and BI rate influenced MSME financing (Jayanti & DEKY, 2016).

Research conducted is different from some of these studies because it is more focused on Islamic bank financing and the welfare of MSMEs. Aiming to find out access to Islamic bank financing, especially financing distribution for MSMEs and to analyze welfare improvement through Islamic bank financing.

METHODE

This study uses a qualitative approach that does not carry out calculations in analysis but takes the form of interactions with the cycle process. Data preparation does not use statistics. Descriptive research methods are used to describe findings that are not only satisfied when only knowing the problem, but want to know also how the event occurred.

The object of this research is several Islamic banks in Cirebon with a focus on the role of Islamic banking in improving the welfare of MSMEs through financing in the city of Cirebon. The choice of location for this research is based on the number of MSME actors who obtain financing at Islamic banks. So this makes it easier at the time of data collection. This research was conducted for three months (June-August 2017).

The type of data collected in the form of qualitative, this study includes two data sources, namely primary data and secondary data. Primary data obtained from interviews with employees of Islamic banks and SMEs in the city of Cirebon, who represented from many communities and was considered representative so that relevant data was obtained. While secondary data refers to sources supporting theories about banking, the people who receive capital assistance, which is taken from books and scientific journals.

Data collection techniques carried out by observation, interviews and documentation. Observation is data collection based on observations then systematically recorded directly on the phenomena investigated by plunging directly into the field under study, namely coming directly to MSME actors and to Islamic Banks. While interviews are used to obtain several types of data with direct communication techniques. The interview is based on guidelines or references to the core issues being asked. The target of the interview is business actors, the community, small traders from each of them to get data on financing. To get data on the reality of improving business. While documentation is looking for data about things or variables in the form of notes, transcripts, books, minutes, agenda and so on.

The analysis technique used is descriptive analysis which analyzes the results in the form of descriptive words derived from observations and interview informants with observed behavior. After the data is obtained, then analyzed with descriptive-qualitative techniques. Descriptive analysis is used to describe sharia banks which are then described as a narrative, then note the sides of the data that must or do require further analysis. Whereas qualitative is carried out with consideration; the first is a qualitative

approach that is easier to find in a field where multiple realities are found, both methods allow direct closeness between respondents and researchers and thirdly, this approach is more adaptable and sensitive to the patterns encountered. Therefore, this qualitative pattern is more appropriate to be applied in this study.

RESULT AND DISCUSSION

Distribution of Islamic Bank Financing

Distribution of financing is the main activity of banks in achieving to help MSMEs in developing their businesses. The form of distribution is not only one bank but conventional banks and Islamic banks for MSMEs. Financing is one of the functions of banks, namely channeling to parties that need this function is the most important thing for banks because funds from third parties are managed in order to get results in accordance with the mandatory requirements for banks to be more careful in their distribution and adjusted to the principle of prudence namely 5C (Collateral, Capital, Character, Capacity and Conditional).

Financing faces the risk of loss, the NPF (non-performance financing) ratio is a ratio that is highly related to financing or distribution problems and because each increase in the ratio has an impact on whether or not the refund is distributed. The higher the ratio, the higher the risk, which means the greater the possibility of bad loans, otherwise the lower or smaller, the smaller the risk of bad credit.

Funds managed by banks come from third party funds, this can reach a range of 80% to 90%. Other sources of funding come from Central Bank policies in the form of bonuses and placement of bank funds. The placement of assets in the form of Bank Indonesia Wadiah Certificates included in the banking book is set at 0% risk.

The results of an interview with Rolina (sharia bank management), the application of good risk management begins with the process of channeling good financing. From this process the potential loss or risk of financing can be avoided. Poses of financing in Islamic banks begins with the process of collecting and verifying the submission data for credit or financing proposals afterwards followed by decision making for approval or not if approved continues in the realization of the disbursement of funds further supervision of the use of funds. This is so that the usage is in accordance with the submission and then the assistance is made so that the customer is able to make the installment payment and pay it off.

The initial step taken in financing is to collect data and verify. At this stage the bank initiates an initial process by setting criteria for customers who carry out financing or credit in accordance with the bank criteria, after doing that stage the next step is to conduct an outreach accompanied by an evaluation and finally a decision.

MSME criteria revealed by Rahmat (one of the marketing at Islamic banks) that MSMEs that can obtain financing from Islamic banks are business feasibility, so any business as long as it meets the eligibility standards can be financed. Until now, most MSMEs that have received funding come from the main sectors and joints of the economy, namely the construction, renovation, agribusiness, service and trade sectors.

Administrative requirements for prospective managers or small and medium entrepreneurs in Islamic banks in Cirebon, among others: For consumer financing with a minimum submission of Rp. 50 million (ceiling), namely: age 21-54, minimum working period of 2 years Photocopy of husband and wife's ID card 2 copies of family card, copy of marriage certificate, husband / wife's approval letter, original salary slip for the last 3 months, certificate of recommendation from the company. Copy of NPWP

(for a ceiling of 100 million. Bank account for the last 3 months Copy of collateral (land, building, or vehicle purchased). Installments do not exceed the base salary.

For cooperative financing, are as follows: Application letter for photocopy of NPWP, SIUP photocopy of TDP, AD / ART cooperative copy and its amendments as well as a letter authorized by the Department which contains the composition of management and financial statements in two years Annual member meeting (RAT) report for the last two years Collateral data Other documents For cooperative financing (PT / CV), among others: Application letter Photocopy of NPWP Copy of SIUP Copy of TDP and other business permit copies Photocopy of KTP directors Deed of establishment and amendments .

Based on the results of interviews with Islamic banks, the applicable guarantee can be in the form of cash deposits, precious metals, property rights or use rights of buildings, buildings, machinery, inventory, equipment and vehicles. However, the provision of financing that was calculated for the first time by the Islamic banks is seen from the business feasibility of the customer.

If the business is indeed very feasible, then there is no need for any collateral, financing is still provided. Then the procedures for implementing and returning principal loans for any business, including financing for working capital for MSMEs, are carried out an analysis of trends and the feasibility of the business being financed. The technical financing provided depends greatly on the financial flows. For example, a bank finances a person who has a business making pottery products to be accommodated by pottery distributors, while payments from the container are made once a month, then the return of financing can be arranged in such a way that payments to the bank are made once a month.

Provision of financing for venture capital, both for small and medium-sized businesses, is registered through government agencies. This is very much in line with the Islamic concept which states that the agreement needs to be written down. To obtain legal provisions regarding the basis of an agreement and deeds of an agreement. Then the profit sharing determined by the bank to the customer conducting the financing is based on the analysis of the customer's business and if the contract used for the financing is the musyarakah system, then the results will certainly be based on the business income financed with the agreed profit sharing portion between the customer and the bank(Warninda et al., 2019).

Murabahah contract financing (trading) in practice the bank profits have been determined at the beginning so that the amount to be paid by the customer is the value of the sale price that is certain and agreed by both parties so that no one is disadvantaged in running their business. Furthermore according to Rahmat (interview results) said that Islamic banks play an important role for financing MSMEs to reduce poverty. The community's business is growing and the people's economy in a city is growing in the future. Increasing the income of the poor by expanding employment and business opportunities.

Bank Indonesia has a program as one of the paths to the development of MSMEs, all banks participate in the development of MSMEs including Islamic banks, ranging from looking for potential to finding the right development patterns for these SMEs, including business development training. Currently the program undertaken is the development through a cluster system, MSME implementers are trained to work and are given guidance so that MSME business positions are identified in the needs chain system.

Financing disbursed to customers continue to be monitored, its use for targeted businesses, and also monitored their business conditions are going well, so that customers can make payments refund procedures smoothly. Monitoring conducted by the bank actively or passively. Active monitoring in the form of visits to the customer's business results in the form of the reports submitted to the finance committee. While passive monitoring aims to see the smooth payment of the obligations of customers each month.

Improving UMKM Welfare through Sharia Bank Financing

Community welfare can be measured by looking at the livelihoods, community income and activities carried out by the community in other words that most people judge a person's welfare in terms of his economy. Indonesia has the power to improve prosperity by realizing MSMEs which in turn can help the community's economy and can easily realize the community's business. This is because MSMEs have quite diverse variations and rely on their own strengths. MSMEs can help unemployed people to get jobs. MSMEs have a tendency that is the amount of competition, with so much competition, MSMEs need to innovate and expand their business activities (Irjayanti & Azis, 2012).

Based on trends faced by MSMEs, opportunities and directives must be given in the form of accurate information to determine their own business, such as the products produced, how much and the target market share of the product. Broadly granted access and good direction, MSMEs can compete with other industries both nationally and internationally. This certainly must be supported by financial institutions for SMEs to advance their business. Islamic banking is one of the alternative sectors through which financing is expected to help vital things in advancing MSME businesses with the principle of profit sharing.

Some factors that can limit the space for MSMEs so far are low resources and difficulty in accessing finance and lack of mastery of technology in running their business. MSMEs can exist if they are supported by the ability of trained human resources and adequate capital in accordance with the needs of their business and adjusted to the conditions or realities faced in the field. MSMEs businesses are able to survive without interference from other parties, this applies from generation to generation. Most of the production is not in the form of services but goods using relatively low technology. The business that is run is more on businesses that focus on meeting the needs of the surrounding environment (Chawan & Vasudevan, 2014).

MSME capital is very limited this is due to the difficulty of access to get financing through banks. This is because so far the business that has been run is not professionally meaning that so far it has never done a good bookkeeping so that it cannot measure its business whether it has increased or decreased, with these conditions the role of government and banking is very necessary for its existence (Suci, 2017).

The government provides training to improve capabilities both in financial terms, namely bookkeeping training and management so that they are able to manage their business professionally, while banks, especially Islamic banks, provide financing to increase capital for businesses as well as coaching or mentoring. Bearing in mind that this MSME is one of the sectors that absorbs a lot of labor as well as business actors who are not easily swayed by the economic crisis that has occurred in recent years. The role of Islamic banks for business development can be seen in the financing schemes

that are developed more channeled to the real sector so that the impact will be felt in economic life(Riswandi, 2015)

The dynamics of the economy can be seen clearly in the real sector, because Islamic banking prioritizes or prioritizes financing in the sector by not ignoring Islamic principles, namely profit and loss sharing. The development of MSME businesses after receiving financing owned by Bank Syariah Cirebon can be seen from the sales turnover, the number of workers and the number of customers. This sales turnover is in the form of the average total sales obtained by respondents or SMEs in each month. The average sales turnover obtained by respondents every month after receiving financing continues to increase because they feel helped by the concept of sharia using profit sharing.

Another indicator of business development is the number of customers. Customers here are consumers who routinely or not routinely buy goods at the place of business. The statement of MSMEs said that after receiving sharia financing, the sales turnover increased, merchandise such as batik, clothing and crafts were quite large and predicted to increase. Business types with an average number of customers were the least snack sellers and opening a cake business, there are only a few sellers and quiet. The number of customers in the type of business is stable and instead tends to decline, because customers have started switching to buy snacks to direct agents who are cheaper(Suci, 2017).

CONCLUSION

The system used in terms of financing distribution is twofold, namely for small-scale financing using the sale and purchase agreement (murabahah) financing system, this agreement is used because business actors borrowing in Islamic banks in terms of improving business, then the use of loan funds to increase capital or to expand a business that has been running before. To apply for funding from the bank, the applicant must meet the conditions specified by the bank where they are to borrow funds or apply for financing. For micro-scale financing (<Rp. 5,000,000), Islamic banks have BMM to handle it, namely KUM3 (mosque-based micro-Sharia business community), which can be done by the central and branch offices and for the financing using the Qardhulhasan contract. Business actors can feel helped and can expand their business so that they can use the loan capital to increase capital or to expand their existing businesses. With the existence of business capital loans provided by the banks, business actors can be helped from the problem of lack of capital.

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