

## Strategy For Developing MSME Through Sharia Microfinance Institutions

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### ABSTRACT

Providing access to financing to Micro, Small and Medium Enterprises (MSMEs) carried out by banking financial institutions and microfinance institutions can have a positive impact on the development of MSMEs. The development of MSMEs can be carried out by offering financing products based on sharia principles. This research aims to determine the strategies and obstacles of LKMS Mahirah Muamalah in helping the development of MSMEs in the City of Banda Aceh. This research uses a qualitative descriptive method with field research data collection through interviews, observation and documentation. The research results show that LKMS Mahirah Muamalah carries out 3 types of strategies, namely: information provision strategy, provision of financing products, and service strategy. Then the obstacles faced by LKMS Mahirah Muamalah are divided into 2, namely intern (There is still a lack of human resources/employees, distribution of financing is still limited), as for extern obstacles: There is still minimal public literacy regarding LKMS, weak understanding and management skills of MSMEs.

**Keywords:** Strategy, MSMEs development, obstacles

### ABSTRAK

Pemberian akses pembiayaan pada Usaha Mikro Kecil Menengah (UMKM) yang dilakukan oleh lembaga-lembaga keuangan perbankan dan lembaga keuangan mikro dapat memberikan dampak positif terhadap pengembangan UMKM. Pengembangan UMKM dapat dilakukan dengan menawarkan produk-produk pembiayaan yang berdasarkan prinsip syariah. Penelitian bertujuan untuk mengetahui strategi dan kendala LKMS Mahirah Muamalah dalam membantu pengembangan UMKM yang ada di Kota Banda Aceh. Penelitian menggunakan metode deskriptif kualitatif dengan pengumpulan data field research melalui wawancara, observasi, dan dokumentasi. Hasil penelitian menunjukkan bahwa LKMS Mahirah Muamalah melakukan tiga jenis strategi, yaitu: strategi penyediaan informasi, penyediaan produk pembiayaan, dan strategi pelayanan. Kemudian kendala yang dihadapi LKMS Mahirah Muamalah dibagi menjadi dua yakni, kendala internal seperti kurangnya SDI/karyawan, penyaluran pembiayaan masih terbatas dan secara eksternal seperti minimnya literasi masyarakat terhadap LKMS, lemahnya pemahaman dan skil manajemen UMKM.

**Kata Kunci:** Strategi, pengembangan UMKM, kendala

### INTRODUCTION

Microfinance institutions have a different function from banks or similar, which have a small scale and are intended for the micro and small business sector. This is included

in Baitul Mal Wattamwil, Sharia Cooperatives and Sharia People's Credit Banks (BPRS). Islamic Microfinance Institution (LKMS) is an institution that carries out activities in the field of microfinance, by managing stakeholder money that is distributed as a form of financing according to Islamic principles. In contrast to large-scale financial institutions such as banks which have large-scale capital (Jenita, 2017). The existence of financial institutions in Indonesia can support national economic activities, including microfinance institutions (MFIs) both based on sharia principles (MFIs) and conventional (MFIs). The presence of financial institutions cannot be excluded from the real sector or economic activities of the community, one example of the relationship between micro, small and medium enterprises (MSMEs) and LKM/LKMS, where in terms of capital, so far MSMEs have used LKMS as a source of capital, because most MSMEs cannot meet the requirements to obtain financing from banks. The LKMS institution has the characteristic of having a Sharia Supervisory Board, the business at LKMS is not only based on profit orientation, but also falah orientation, namely prosperity in the world and happiness in the hereafter, then LKMS only invests in halal sectors that do not cause harm (Nasrullah & Solihin, 2021).

Characteristics of microfinance institutions that are more flexible in several matters such as bureaucracy, products, services and collateral. LKM/LKMS are believed to be able to increase funding or financial access for low-income communities, this is as the purpose of LKMS: According to Law Number 1 of 2013, namely (a) increasing access to micro-scale funding for the community, (b) helping to increase economic empowerment and community productivity, and (c) helping to increase income and community welfare, especially for low-income communities (UU No. 1/2013).

Aceh Province has the authority to develop and regulate the implementation of Islamic law based on UU No. 11/2006 concerning the Government of Aceh. In order to realize a just and prosperous economy for the Acehnese people under the auspices of Islamic law, Aceh Qanun No. 11/2018 regulates the activities of financial institutions operating in Aceh, requiring all financial institutions in Aceh to carry out their operational activities in accordance with sharia principles, whether in the form of banks, non-banks, or other forms, so that the implementation of Islamic law in Aceh can run in a comprehensive manner (Qanun No. 11 of 2018). MSMEs actors in Aceh experience development every year, starting from 2019-2021. Figure 1, the development of MSMEs in Banda Aceh City shows that it continues to increase every year. This can be said in terms of the real sector, the economy, especially MSMEs, can support welfare and improve the economy, and is also a sector that can increase regional income and help turn the wheels of the economy which can reduce unemployment rates and reduce poverty rates.

**Figure 1**  
**Development of MSMEs in Banda Aceh (2019-2021)**

| Number     | Year | MSMEs  |
|------------|------|--------|
| 1          | 2019 | 10,944 |
| 2          | 2020 | 12,012 |
| 3          | 2021 | 16,970 |
| Total MSME |      | 39,926 |

Source: Dinas Koperasi & UMK Aceh, Diolah 2022

Mahirah Muamalah was established on December 15, 2017 with notarial deed number 13, which is one of the LKMS as a city government-owned business entity (BUMK)

in an effort to improve the economy of the city of Banda Aceh. Mahirah Muamalah Syariah presents various products in managing public finances based on sharia, as well as carrying out fundraising activities based on principles based on Islamic law, laws and regulations issued by the government and the financial services authority (OJK) as the supervisor and supervisor of national banking (Yanuar & Munzir, 2019).

**Figure 2**  
**Indicators of LKMS Mahirah Muamalah Period 2019-2021**

| Number | Indicator Types     | 2019    | 2020    | 2021    |
|--------|---------------------|---------|---------|---------|
| 1      | Number of Customers | 4, 782  | 7, 503  | 10,047M |
| 2      | Funding Disbursed   | 10 M    | 18, 4 M | 28 M    |
| 3      | Third-party funds   | 24, 2M  | 33, 3 M | 40,3 M  |
| 4      | Total Assets        | 26, 7 M | 38, 2 M | 51,3 M  |

Source: LKMS Mahirah Muamalah, 2022

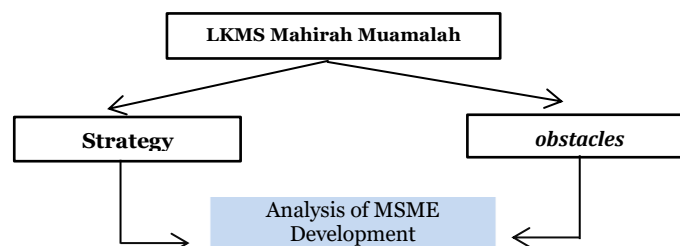
As an indicator of the number of customers in LKMS Mahirah Muamalah's finances, it has continued to increase since 2019-2021 (Figure 2), this shows an increase in customers and finances of LKMS Mahirah Muamalah. The same goal is that the City Government established Mahirah Muamalah Sharia as an effort to increase and accelerate access to micro businesses and to avoid loan shark practices so that the community is free from the clutches of middlemen. Since the establishment of LKMS Mahirah Muamalah, the Banda Aceh city government has succeeded in freeing MSME actors from these practices. The since 2018, the number of loan sharks in the city of Banda Aceh was 80%, decreasing to 14% in 2019, and in the following years (2020-2021) the number of loan sharks was 2% (<https://infopublik.id>)

Research related to the role of LKMS conducted by Paramita & Zulkarnain (2018) in meeting the capital needs of MSMEs in Bogor City. Namely, the role of Islamic microfinance institutions in fulfilling the capital needs of MSMEs, shows that the financing products provided by LKMS can increase MSME assets if managed productively. Then the Bogor City Government provides policies for developing MSMEs, including: providing access to capital, coaching and training, increasing product promotion, expanding marketing and providing facilities and infrastructure. However, the strategies and policies implemented have not been maximized so that they have not been fully felt by the MSME actors in the city.

According to Permana & Adhiem (2019) in the results of a study on the development strategy of Baitul Mal Wattamwil as an alternative for MSMEs in East Java and West Java, the results show that BMT still has many weaknesses in developing its business, such as capital problems, a weak supervisory system, SDI that lacks competence in the sharia field, and public literacy regarding the sharia financial system which is still very low. The role as Baitul Mal (custody of zakat, infak and alms funds) is still very low and there is a need to cooperate with related parties to resolve this. Bariroh (2023), conducted research related to Baitul Mal Wattamwil's strategy in developing MSMEs. The results showed that the implementation of MSME development strategies was divided into 3, including: Communication, both direct and indirect, is carried out by the BMT to MSMEs, such as: distributing brochures, providing online media, and holding events that can be attended by MSME actors, developing and mentoring MSMEs, and supervising to ensure that MSMEs do not violate the rules, both MT rules and Islamic law rules.

## RESEARCH FRAMEWORK

**Figure 3**  
**Scheme of the Framework of Thought**



## RESEARCH METHODS

This type of research is descriptive with a qualitative approach, where the location of the research was conducted at LKMS Mahirah Muamalah, Banda Aceh City, Mohammad Daud Beureueh Number 7, Kuta Alam District. The object of this study is PT LKMS Mahirah Muamalah, while the subjects or informants in this study are LKMS Mahirah Muamalah Banda Aceh and MSME actors related to MSME development strategies in Banda Aceh. Then the data used in this study are primary data and secondary. Data analysis methods as data reduction data (data reduction) as a process of selecting, focusing on simplification, abstraction and transformation of raw data that emerge from written notes in the field when the research process is taking place (Moleong, 2000). Then, data display is an activity of presenting research data, so that researchers can draw temporary conclusions and plan further actions if it turns out that there is still incomplete data, that needs clarification, or that has not been obtained at all (Salim & Syahrums, 2012). Finally, drawing conclusions (verification/drawing conclusions) is a way to answer the problem being studied, but whether or not the contents of the conclusion are appropriate needs to be proven again in accordance with existing reality (Anggito & Setiawan, 2018).

## RESULTS AND DISCUSSION

### Mahirah Muamalah Islamic Microfinance Institution

PT LKMS Mahirah Muamalah is one of the Islamic microfinance institutions owned by the Banda Aceh City Government, since December 15, 2017 with Notary Deed Number 13. LKMS Mahirah Muamalah was inaugurated (April 27, 2018) and its operational activities have been running until now. The aim of the inauguration of LKMS Mahirah Muamalah is to make it easier for MSMEs to obtain financing in the form of business capital as a driver of economic growth for the people of Banda Aceh City. Mahirah Muamalah carries out fundraising activities based on Islamic law, laws and regulations issued by the government and the Financial Services Authority (OJK) as the national banking supervisor and administrator. Mahirah Muamalah carries out operational activities in terms of collecting funds from the public (funding), distributing funds back to the public (financing), and providing service (service). In collecting (funding) and distributing funds (financing), Mahirah Muamalah provides products for collecting and distributing funds. This illustration

can be seen from Figure 4 and Figure 5 which show the types of products provided by Mahirah Muamalah.

**Figure 4**  
**Mahirah Muamalah Fund Collection Products**

| Number | Types of Fundraising Products   |
|--------|---|
| 1      | Muamalah Investment Savings Products  |
| 2      | Wadi'ah Deposit Fund Products   |
| 3      | Social Fund Products <ul style="list-style-type: none"> <li>1. Corporate Social Responsibility</li> <li>2. Alhasan Investment</li> <li>3. Infaq</li> <li>4. Waqaf</li> </ul>  |
| 4      | Deposito Product <ul style="list-style-type: none"> <li>1. Depo Muamalah Investment</li> <li>2. Depo Mahirah Investment</li> <li>3. Investment Product <ul style="list-style-type: none"> <li>a. Murabahah</li> <li>b. Mudharabah</li> <li>c. Qard Alhasan</li> </ul> </li> </ul> |

Source: LKMS Mahirah Muamalah, 2023

**Figure 5**  
**Mahirah Muamalah Fund Distribution Products**

| Number | Jenis-Jenis Produk Penyaluran Dana   |
|--------|--|
| 1      | Mudharabah Financing   |
| 2      | Murabahah Financing  |
| 3      | Multi-Service Ijarah Financing <ul style="list-style-type: none"> <li>1. Worship</li> <li>2. Marriage</li> <li>3. Education</li> <li>4. Tourism</li> </ul> |

Source: LKMS Mahirah Muamalah, 2023

## **Mahirah Muamalah Strategy in Helping Explain MSMEs in Banda Aceh**

### **1. Information Provision Strategy**

The information provision strategy carried out by LKMS Mahirah Muamalah is to facilitate the provision of information to MSME actors regarding financing products provided to the community or MSME actors who want to open a business or increase their business capital. Mahirah Muamalah promotes financing products by conducting outreach to villages and markets by putting up banners and distributing financing product brochures directly to traders. The socialization strategy carried out by Mahirah Muamalah has had a positive impact on institutions and also the people of Banda Aceh. The implementation of a socialization strategy with a system of going directly to villages and markets can expand information about the existence and objectives of LKMS to the community, especially MSME actors.

Then in providing information related to financing products, Mahirah Muamalah also uses online media and social media, this information provision strategy will make it easier for the public to find out information about LKMS, both information related to products and information about new innovations provided. Having an Instagram account and website has a positive impact on LKMS because delivering information through online media will

be easier to spread in cyberspace. The delivery of information provided is also broader because it can be made viral so that it can be freely accessed by anyone (Alkamal et al. 2022). Implementing this strategy is part of Mahirah Muamalah's aim to convey information regarding the business activities carried out. The aim of choosing the right media can be a kind of campaign or advertisement to inform consumers to make it easier to understand in order to determine their attitude in choosing the appropriate product produced by the company (Tjiptono, 2015).

## **2. Product Provision Strategy**

LKMS Mahirah Muamalah provides 7 (seven) types of sharia-based financing products provided to customers, namely: (1) murabahah financing; (2) super micro stall financing; (3) community economic business program financing; (4) village revolving fund financing; (5) youth entrepreneur financing, (6) village mothers development program; and (7) ultra micro financing. In the community economic business program, the goal of LKMS is a financing program provided to the community to help MSME actors by providing capital distribution to advance their businesses or to create businesses. Of the 7 types of financing, each has advantages for prospective MSME customers. Murabahah financing products are the main superior products using the murabahah bil-wakilah contract. Super micro stall products are a special financing program for the development of micro and small businesses for stall owners in traditional markets. The village revolving fund program is a collaborative program between the village government and LKMS Mahirah Muamalah, Banda Aceh with the aim of developing community businesses in the fields of trade, fisheries, micro/small industries, services and household businesses.

Among the seven Mahirah Muamalah financing schemes, murabahah financing products are the most popular with potential customers. This murabahah financing has a relatively lower margin compared to other financing. MSMEs generally need a lot of additional equipment to complete their business, so this scheme is suitable for purchasing goods for customer needs. The murabahah bil wakalah contract is implemented by LKMS by representing the purchase of goods to the customer for the purchase of goods, while the details of the price of the goods required are handed over to Mahirah Muamalah. This agreement is a simplification of the financing process to make it easier for customers to determine their business equipment needs (Alkamal et al, 2022). The creation of various types of financing products can provide added value for Mahirah Muamalah, where LKMS is successful in analyzing the micro-financing market segmentation in Banda Aceh. The product development strategy aims to understand and meet customer needs according to developments in the times (Amelia, 2020). Similar results and differences in institutions studied by Negoro & Wahyudi (2021) at Baitut Tamwil Tazakka provide several types of financing products, and murabahah financing products are one of the superior products. This is due to the relatively lower margin than other financing products, ease of transactions in accordance with sharia and transparency carried out to maintain trust.

## **3. Service Strategy**

The service strategy implemented by LKMS Mahirah Muamalah is to use family services by visiting the homes or businesses of MSME actors. This strategy is a superior



strategy for Mahirah Muamalah which operates in the field of micro-business financing. Mahirah Muamalah has served the micro-financing needs of prospective customers who apply for business capital financing. This approach can be done routinely to monitor the implementation including the collection of refund deposits from customers.

As Mahirah Muamalah's goal, implementing strategies is not only to gain profits, but can continue to increase cooperation which can benefit both parties (Alkamal et al., 2022). This is related to the aim of improving the quality of quality services to grow consumer trust in the products or services offered, as well as to retain consumers (Herlambang, 2016). The results of this service strategy study are similar to the research of Siswadi et al. (2019) which states that service quality is one of the factors that plays a role in building customer satisfaction and is used as a final assessment of a person that influences customer interest.

## **Obstacles of LKMS Mahirah Muamalah in Helping Develop MSMEs in Banda Aceh**

### **1. Internal Obstacles**

The internal obstacles experienced by Mahirah Muamalah are in terms of human resources (HR) which have limited employees, especially for marketing activities in information provision strategies to conducting socialization to villages and markets. The obstacles faced are almost the same as the results of previous research by Novita (2021) which stated that BMT Kube Sejahtera is still less than optimal in conducting socialization to the community, the process of borrowing funds or financing only has a small budget, some people are still hesitant to use BMT services, the quality of human resources is lacking in influencing public perception of BMT Kube Sejahtera 001 Bandar Setia Village, Percut Sei Tuan District, Deli Serdang Regency. Similarly, Suriandi's research (2018) stated that the inhibiting factor is the lack of socialization, Baitul Maal Wattamwil (BMT) in West Nusa Tenggara must carry out socialization and promotion that is quite intensive so that the community or customers can use or utilize BMT products properly so that the goal of providing benefits to the community can be achieved.

### **2. External Obstacles**

The external obstacles experienced by LKMS Mahirah Muamalah in helping to develop MSMEs are the lack of understanding of the Acehnese people regarding financial institutions that use sharia principles, resulting in many Acehnese people still using business capital loan services from loan sharks, this is because the community considers the operational mechanism of LKMS to be the same as the conventional concept. In assisting the development of MSMEs in Banda Aceh City, Mahirah Muamalah saw that MSME actors still lacked skills and knowledge regarding management to see market conditions that hinder the development of MSME growth in Banda Aceh City, so LKMS must provide training so that MSME actors can compete well (Alkamal et al., 2022). Then the external obstacles experienced by Mahirah Muamalah in developing MSME actors are the Covid-19 pandemic. The Covid-19 outbreak has greatly affected the development of MSME actors' businesses because of the orderly taking of mass movement space (lockdown), so that many Mahirah Muamalah customers, especially those who work as business actors, have stopped carrying out business activities. The results of the MSME

study are similar to those previously conducted by Sari et al. (2019) which stated that the condition of MSMEs in Patrang District, Jember Regency still has limited capital, lack of knowledge in financial management (financial knowledge), financial management skills (financial skills), low financial attitudes and behavior (financial behavior), limited access to information and technology, and narrow market reach which are still limiting factors in the scope of MSMEs.

## CONCLUSION

Strategy in developing MSMEs in Banda Aceh City, LKMS Mahirah Muamalah uses 3 types of strategies, namely (1) Information provision strategy, namely through outreach to villages, markets and putting up banners and distributing brochures. Through the online media website and social media Instagram Mahirah Muamalah can reach the UMKM layer in Banda Aceh City; (2) Product provision strategy, namely LKMS Mahirah Muamalah provides 7 types of financing products given to customers, such as murabahah financing, super micro shop financing, financing for people's economic business programs, financing for village revolving funds, financing for youth entrepreneurship, village mothers' development programs and ultra micro financing. Among the 7 types of financing, the murabahah financing product is a superior product; (3) Service Strategy, LKMS Mahirah Muamalah uses services by visiting people who want to apply for financing or customers who want to pay off loans (jemput bola).

Meanwhile, the internal constraints of LKMS Mahirah Muamalah are in terms of human resources (HR) which have limitations in conducting outreach to villages and markets. Then the external obstacles experienced by LKMS Mahirah Muamalah are: (1) Lack of public understanding of financial institutions that use sharia principles; (2) Lack of skills and knowledge of MSME actors about management to see market conditions, thus inhibiting the development of MSME growth in Banda Aceh.

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