

## **Analysis Of The Implementation Of Productive Finance In Sharia Commercial Bank (Bus) In Padang City**

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### **Abstract**

The implementation of financing in Islamic commercial banks in Padang City is an important aspect of the development of a sharia-based economy. This study aims to analyze the implementation of financing contracts, specifically mudharabah and musyarakah contracts, in the context of productive financing for Micro, Small, and Medium Enterprises. (UMKM). The research method used is qualitative with a case study approach, involving in-depth interviews with bank representatives and observations of field practices. The research results show that out of the five existing sharia commercial banks, only two banks actively implement mudharabah and musyarakah contracts. Although both contracts are in line with sharia principles and the fatwa of the National Sharia Council (DSN), there are several challenges in their implementation. One of the main issues is the lack of public understanding regarding Sharia financing products, which results in low interest in utilizing these services. In addition, this research also found that transparency and education about sharia financing products need to be improved so that the public is more trusting and participates in the sharia financial system. Thus, strengthening the implementation of financing in Islamic commercial banks in Padang City will not only support local economic growth but also enhance financial inclusion among the community. This research contributes to the development of literature on Islamic banking and provides recommendations for better financial

practices in the future.

**Keywords:** *Implementation, Financing Agreement, Islamic Bank, Implementation of Mudharabah and Musyarakah*

### **Abstrak**

Implementasi pembiayaan pada bank umum syariah di Kota Padang merupakan aspek penting dalam pengembangan ekonomi berbasis syariah. Penelitian ini bertujuan untuk menganalisis penerapan akad pembiayaan, khususnya akad mudharabah dan musyarakah, dalam konteks pembiayaan produktif bagi Usaha Mikro, Kecil, dan Menengah (UMKM). Metode penelitian yang digunakan adalah kualitatif dengan pendekatan studi kasus, melibatkan wawancara mendalam dengan pihak bank serta observasi terhadap praktik di lapangan. Hasil penelitian menunjukkan bahwa dari lima bank umum syariah yang ada, hanya dua bank yang secara aktif menerapkan akad mudharabah dan musyarakah. Meskipun kedua akad ini sejalan dengan prinsip syariah dan fatwa Dewan Syariah Nasional (DSN), terdapat beberapa tantangan dalam implementasinya. Salah satu isu utama adalah kurangnya pemahaman masyarakat mengenai produk pembiayaan syariah, yang mengakibatkan rendahnya minat untuk memanfaatkan layanan tersebut. Selain itu, penelitian ini juga menemukan bahwa transparansi dan edukasi tentang produk pembiayaan syariah perlu ditingkatkan agar masyarakat lebih percaya dan berpartisipasi dalam sistem keuangan syariah. Dengan demikian, penguatan implementasi pembiayaan di bank umum syariah di Kota Padang tidak hanya akan mendukung pertumbuhan ekonomi lokal tetapi juga meningkatkan inklusi keuangan di kalangan masyarakat. Penelitian ini berkontribusi pada pengembangan literatur tentang perbankan syariah dan memberikan rekomendasi bagi praktik keuangan yang lebih baik di masa depan.

**Kata Kunci:** *Perjanjian Pembiayaan, Bank Islam, Pelaksanaan Mudharabah dan Musyarakah*

## **A. INTRODUCTION**

The discourse on Islamic financial system or sharia financial system began to emerge when a small-scale financial institution was introduced in Mid Gamar Egypt from 1963 to 1967, which was then followed by the establishment of the Tabung Haji institution in Malaysia in 1971. Following this success, in the 70s several Islamic financial institutions were established, and the most important of them was the IDB (*Islamic Development Bank*) under the sponsorship of the OIC (Organization of the Islamic Conference).

This industry (Islamic financial industry) has grown impressively since then.<sup>1</sup>

**Table 1 Data on Islamic General Banks and UUS in Indonesia**

Tabel 3. Jaringan Kantor Individual Perbankan Syariah - SPS Juni 2023 (Individual Islamic Commercial Bank and Islamic Business Unit - June 2023)				
Kelompok Bank / Group of Banks		KPO/KC HOO/BO	KCPI/UPS SBO/SSU	KK CO
<b>Bank Umum Syariah / Islamic Commercial Bank</b>		<b>392</b>	<b>1.543</b>	<b>-</b>
1	PT. Bank Aceh Syariah	27	132	-
2	PT BPD Riau Kepri Syariah	21	144	-
3	PT BPD Nusa Tenggara Barat Syariah	12	27	-
4	PT. Bank Muamalat Indonesia	80	128	-
5	PT. Bank Victoria Syariah	2	-	-
6	PT. Bank Jabar Banten Syariah	11	60	-
7	PT. Bank Syariah Indonesia, Tbk	154	947	-
8	PT. Bank Mega Syariah	30	35	-
9	PT. Bank Panin Dubai Syariah, Tbk	10	-	-
10	PT. Bank Syariah Bukopin	13	10	-
11	PT. BCA Syariah	15	60	-
12	PT. Bank Tabungan Pensiunan Nasional Syariah,	16	-	-
13	PT. Bank Aladin Syariah, Tbk	1	-	-
<b>Unit Usaha Syariah / Islamic Business Unit</b>		<b>185</b>	<b>214</b>	<b>52</b>
14	PT Bank Danamon Indonesia, Tbk	10	4	-
15	PT Bank Permata, Tbk	16	6	-
16	PT Bank Maybank Indonesia, Tbk	17	2	-
17	PT Bank CIMB Niaga, Tbk	24	3	6
18	PT Bank OCBC NISP, Tbk	10	-	-
19	PT BPD DKI	6	14	6
20	PT BPD Daerah Istimewa Yogyakarta	1	7	4
21	PT BPD Jawa Tengah	5	16	7
22	PT BPD Jawa Timur, Tbk	7	10	-
23	PT BPD Jambi	1	2	-
24	PT BPD Sumatera Utara	6	16	-
25	PT BPD Nagari	5	6	-
26	PT BPD Sumatera Selatan dan Bangka Belitung	4	7	7
27	PT BPD Kalimantan Selatan	2	9	4
28	PT BPD Kalimantan Barat	4	4	-
29	PT BPD Kalimantan Timur	2	35	-
30	PT BPD Sulawesi Selatan dan Sulawesi Barat	-	7	1
31	PT Bank Sinarmas	31	-	12
32	PT Bank Tabungan Negara (Penseo), Tbk.	33	66	5
33	PT Bank Jago, Tbk	1	-	-
<b>Bank Pembiayaan Rakyat Syariah / Sharia Rural Bank</b>				
<b>TOTAL</b>		<b>577</b>	<b>1.757</b>	<b>52</b>

Source: Financial Services Authority 2023

Indonesia has 13 Islamic commercial banks with a distribution of 392 branches and head offices and 1543 representative branch offices or the like. While for the Islamic Business Unit (UUS) in Indonesia there are 20 UUS with a distribution of 186 branches and head offices, 214 representative branch offices or the like and 52 cash offices. Thus, in Indonesia there are 33 Islamic Commercial Banks (BUS) and Islamic Business Units (UUS) BUS and UUS with a distribution of 577 branches and head offices, 1757 representative

<sup>1</sup> Agus Triyanta, "Implementasi Kepatuhan Syariah Dalam Perbankan Islam (Syariah) (Studi Perbandingan Antara Malaysia Dan Indonesia)," *Jurnal Hukum* 16, no. 1 (2009): 209–28.

branch offices or the like and 52 cash offices.<sup>2</sup>

Based on Financial Services Authority Regulation Number: 16/POJK.03/2022 Concerning Sharia Commercial Banks which regulates the products and operations that must be implemented by sharia banks. The presence of sharia banks is expected to meet the needs of Muslims in implementing Islamic teachings in *their entirety*.

The perception of Islam in financial transactions by prioritizing ethics is seen by most Muslims as a religious obligation. The ability of Islamic financial institutions to successfully attract investors depends not only on the level of the institution's ability to generate profits, but also on the perception that the institution is serious about observing the boundaries outlined by Islam.<sup>3</sup>

Various policy facilities have been issued by BI in order to realize the blueprint for Indonesian Islamic banking, including BI requesting that Islamic banking practices always refer to the principles of *Good Corporate Governance* (GCG).

The development of Islamic banking shows a positive trend, even in this case the development of Islamic banking can compete. Although relatively new, Islamic banking can compete with conventional banking. This is explained by OJK in the output provided in the form of the following graphs:<sup>4</sup>

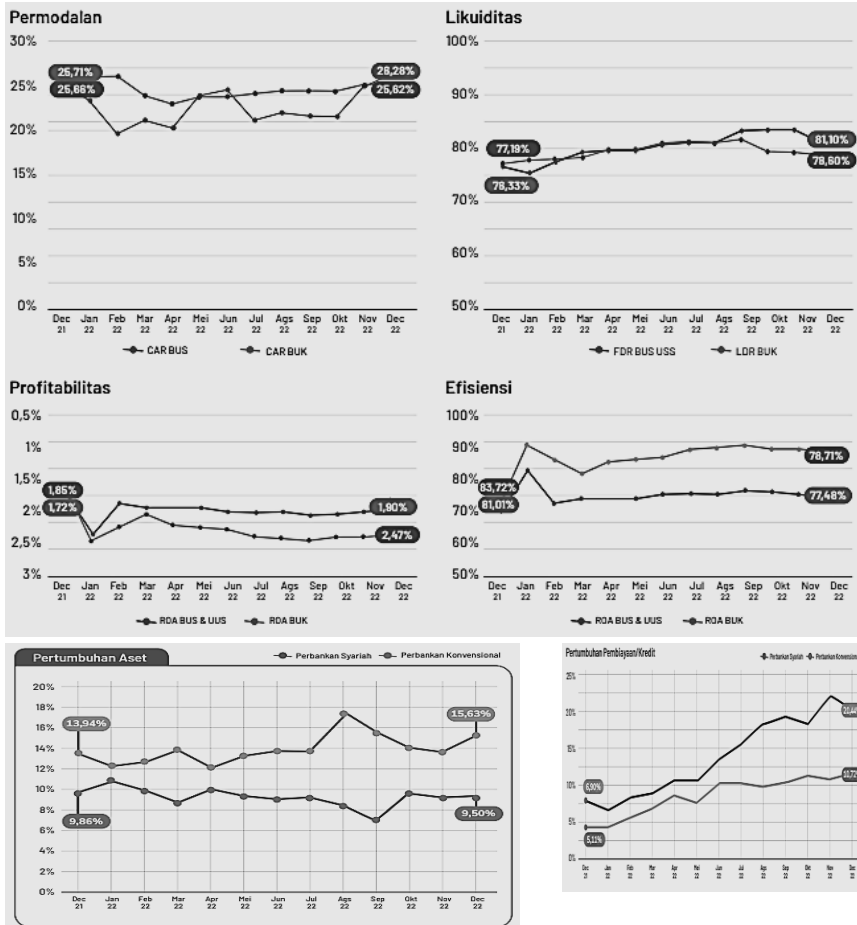
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<sup>2</sup> OJK, *Laporan Perkembangan Keuangan Syariah Indonesia 2022*, Departemen Perbankan Syariah Otoritas Jasa KEUANGAN (Jakarta: Otoritas Jasa Keuangan (OJK) Press, 2022).

<sup>3</sup> Rahmat Ilyas, "Peran Dewan Pengawas Syariah Dalam Perbankan Syariah," *JPS (Jurnal Perbankan Syariah)* 2, no. 1 (2021): 42–53, <https://doi.org/10.46367/jps.v2i1.295>.

<sup>4</sup> OJK, *Laporan Perkembangan Keuangan Syariah Indonesia 2022*.

Figure 1 1of the Development of Islamic Banking and Conventional Banking



Source: Financial Services Authority 2022

Based on the graph above, when compared to conventional banking, the performance of Islamic banking is better based on several factors. Islamic banking assets increased by 15.63% (YoY) in 2022 compared to 9.50% (YoY) in conventional banking. In line with that, the expansion of Islamic banking financing also showed a better trend than conventional banking, which was 20.44% (YoY) in December 2022 compared to conventional banking growth of 10.72% (YoY).

The resilience and faster recovery of Islamic banking services

from the crisis is shown by relatively strong and stable growth during the post-COVID-19 pandemic recovery period showing continued increasing development. However, when compared to conventional banking, Islamic banking shows a slower growth rate of third party fund deposits (DPK).<sup>5</sup>

Islamic banking was able to maintain a capital adequacy ratio (CAR) of 26.28%, indicating its resilience in the face of internal and international uncertainty. The *Financing to Debt Ratio* (FDR) of Islamic Commercial Banks was 81.10%, higher than the ratio of Conventional Commercial Banks of 78.60%, indicating an improving trend in liquidity indicators. Operating Costs to Operating Income (BOPO) of BUS and UUS were considered more efficient at the end of 2022 at 78.71%, exceeding the BOPO ratio in conventional banks with a ratio of 77.48%.<sup>6</sup>

The Islamic banking sector, which is now worth IDR802.26 trillion, has experienced better growth and demonstrated its ability to survive in unstable economic conditions. The average growth rate of Islamic banking assets over the past four years has been in the double digits. In 2022, Islamic banking assets to the national banking industry increased to 7.09 percent, exceeding the upper limit of 7 percent from the previous year of 6.74 percent. Positive growth occurred in Islamic Commercial Banks (BUS), Islamic Business Units (UUS), and Islamic Rural Financing Banks (BPRS). However, 28 of the 33 Islamic banks, eight BUS and twenty UUS, remain connected to conventional banks as holding companies or similar companies.<sup>7</sup>

The growth of Islamic banking which shows better improvement cannot be separated from the sharia compliance that must be maintained.<sup>8</sup> To ensure the implementation of sharia principles in sharia banking activities, there is one affiliated party,

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<sup>5</sup> OJK.

<sup>6</sup> OJK.

<sup>7</sup> OJK.

<sup>8</sup> Ega Belahag Yusuf, Muhammad Iqbal Fasa, and Suharto, "Inovasi Layanan Perbankan Syariah Berbasis Teknologi Sebagai Wujud Penerapan Green Banking," *Istithmar* 7, no. 1 (2023): 34–41, <https://doi.org/10.30762/istithmar.v7i1.444>.

namely DPS as a party that provides its services to Islamic banks or sharia business units (UUS).<sup>9</sup> This council is the party responsible for information on bank management's compliance with sharia principles (Hafid ah, 2019).

As mandated in Law Number 40 of 2007 concerning Limited Liability Companies and Law Number 21 of 2008 concerning Islamic Banking, which states that Islamic banks must have 3 DPS (Tutik, 2018). The role of DPS is very strategic in the practice of sharia compliance in Islamic banking institutions in Indonesia (Ilyas, 2021). One of the growths carried out by Islamic banking is on the side of Islamic financing. Islamic banking itself has several financing products (Ulpah, 2021). The following is the development of Islamic banking financing presented in the following table:

Table 2: Data on the increase in Islamic banking financing in 2022

Akad	Nominal (Miliar Rp)	Pertumbuhan 2022 (yoy)	Pertumbuhan 2021 (yoy)
Murabahah	242.229	21,71%	9,39%
Musarakah	226.787	19,54%	7,50%
Mudharabah	10.572	1,51%	-14,03%
Qardh	13.872	13,94%	0,66%
Ijarah	8.132	15,92%	-19,26%
Istishna	3.141	20,87%	6,67%
Multijasa	1.205	30,93%	5,52%
Salam*	2.138	-	-
Total	508.075	20,44%	6,90%

Source:<sup>10</sup>

Based on the table above, it can be seen that the growth of Islamic banking financing in Indonesia in 2022 in the largest financing is still in murabahah financing with a nominal value of 242,229 (billion), in the second largest financing is in musarakah financing of 226,787 (billion), in the third position is in qard financing with a

<sup>9</sup> Irwan Misbach, "Kedudukan Dan Fungsi Dewan Pengawas Syariah Dalam Mengawasi Transaksi Lembaga Keuangan Syariah Di Indonesia," *Rumah Jurnal UIN Alauddin Makassar* 5, no. 1 (2019): 1689–99.

<sup>10</sup> OJK, Indonesian Sharia Financial Development Report 2022 .

nominal value of 13,872 (billion) followed by ijarah, istishna, salam and multi-services. In addition, in the growth of financing in Islamic banks, the largest growth was in multi-service financing of 30.93% followed by murabahah financing with a growth of 21.71%.

Based on the data above, it can be concluded that financing products in Islamic banking are still dominated by murabahah financing. Where this financing is based on margins based on a sale and purchase agreement. According to <sup>11</sup> the findings, murabahah *syndrome* is still a problem in Islamic financing products where around 90 percent of total financing is still concentrated in murabahah financing. While PLS-based financing or often referred to as profit sharing is still very small. <sup>12</sup> added that profit sharing-based financing in Islamic banking is considered by most banking industries to be able to cause higher risks and uncertainties compared to a sale and purchase system with profit/margin (murabahah). In fact, ideally Islamic banks implement profit sharing-based financing. If not, Islamic banking will gradually lose its identity.

The above shows that murabahah *syndrome* is still a serious problem in the implementation of financing in Islamic banking. <sup>13</sup> found some literature and research on murabahah *syndrome* in Islamic banking. That the financial statements of Islamic banks are characterized by low profitability where the asset portfolio is mostly from short-term transactions and transactions based on buying and selling.

Where it can be interpreted that Islamic banking has shifted from the practice of profit sharing which is the identity of Islamic banking to conventional transaction practices which are lower risk.

Based on the above facts, it can be understood that Islamic banking still dominates consumer-based financing so that productive financing is less felt by the community. So for example, research <sup>14</sup> shows that profit sharing is not a consideration for the community in

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<sup>11</sup> Miah & Suzuki (2020)

<sup>12</sup> Miah & Suzuki (2020)

<sup>13</sup> Bakhouché et al., (2022)

<sup>14</sup> The Last Supper (2019)



choosing Islamic banking or conventional banking. This indicates that the community is less familiar with the principle of profit sharing in Islamic banking. In fact, in the basic principles of Islamic microeconomics lessons, for example in books <sup>15</sup> on the aspect of financing sources, the curve presented is the comparison between profit sharing and interest. This is clearly a big question why the principle of profit sharing is not *a role model* for Islamic banking in implementing its financing, even this can be a means of socialization for Islamic banking and even for Islamic economic practitioners.

Based on its implementation, in fact, some Islamic banks currently do not follow Islamic rules, for example, there are differences in goods proposed to the government and some have not been proposed by the government. <sup>16</sup> The requirement to implement Islamic values for Islamic Commercial Banks (BUS) has been regulated by the Indonesian Ulema Council (MUI) and the state as one of the advantages and potentials of Islamic banks. <sup>17</sup> Islamic bank financing products aim to stabilize or advance the economy and customer needs through the principle of justice. <sup>18</sup>

Compliance with Islamic values is a must for Islamic banks to follow Islamic norms as a form of responsibility towards DSN decisions in realizing Islamic-based financing products. Sharia compliance as one way to implement Islamic banking financing through responsibility for the welfare of the people. <sup>19</sup>

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<sup>15</sup> The Greatest Showman (2017)

<sup>16</sup> Nurul Muyasaroh, "Eksistensi Bank Syariah Dalam Perspektif Undang-Undang No.21 Tahun 2008 Tentang Perbankan Syariah," *Syarikat: Jurnal Rumpun Ekonomi Syariah* 5, no. 2 (2022): 12–31, [https://doi.org/10.25299/syarikat.2022.vol5\(2\).10657](https://doi.org/10.25299/syarikat.2022.vol5(2).10657).

<sup>17</sup> Sulistyowati and Nabila Rahma Putri, "Peluang Dan Tantangan Lembaga Keuangan Syariah Non Bank Dalam Perspektif Islam," *Wadiah* 5, no. 2 (2021): 38–66, <https://doi.org/10.30762/wadiah.v5i2.3511>.

<sup>18</sup> Nada Rakhima Salsabila, Achmad Diny Hidayatullah, and Nur Syafiqah Hussin, "Bank Syariah Sebagai Alternatif Pembiayaan Untuk Meningkatkan Ekonomi Umat," *Jurnal Ekonomi Islam* 14, no. 1 (2023): 96–114, <https://doi.org/10.22236/jei.v14i1.9144>.

<sup>19</sup> Hasina Tazkiya and Rifqi Muhammad, "Analisis Sharia Governance & Struktur Modal Terhadap Tingkat Kepatuhan Syariah Berdasarkan Standar AAOIFI," *Kajian Bisnis Sekolah Tinggi Ilmu Ekonomi Widya Wiwaha* 31, no. 1 (2023): 33–50, <https://doi.org/10.32477/jkb.v31i1.583>.

If it runs well based on the established sharia principles, then Islamic banking has carried out its sharia obligations to ensure the implementation of sharia values in the implementation of sharia financing carried out.<sup>20</sup> The implementation of Islamic-based financing must be based on Islamic values and avoid transactions that conflict with Islamic values, such as usury or Gharar.<sup>21</sup> The prohibition of usury is explained in Qs. Ar-Rum verse 39 below:

It means: *The usury that you give so that it may grow on the property of others, does not grow in the sight of Allah. As for the zakat that you give with the intention of gaining the pleasure of Allah, (meaning) they are the ones who multiply (its reward).*

Based on Tahlili's interpretation, it can be accessed<sup>22</sup> that this verse explains usury which is meant as a gift or giving to get more. Usury is the return of more than a debt. This excess is sometimes intended as a gift, with the hope that the gift will grow in the hands of the person who owes it, then that person will return to give the person who paid the debt more than what was given to him. Such usury was often practiced in the days of *ignorance*. In this verse it is emphasized that such business behavior does not receive blessings from Allah. He did not receive a reward from Him because the gift was not sincere. Therefore, the scholars view this verse as the first verse in the stage of prohibiting usury until it is expressly prohibited.

Apart from usury, the prohibition on gharar acts is also stated in Surah Al-An'am verse 152 as follows:

It means: *Do not approach (use) the wealth of an orphan, except in a more beneficial way, until he reaches (the age of) adulthood. Perfect the measurements and scales fairly. We do not burden a*

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<sup>20</sup> Muhammad Masruron and Nurul Aulia Adinda Safitri, "Analisis Perkembangan Perbankan Syariah Di Indonesia Di Masa Pandemi Covid-19," *Al Birru: Jurnal Keuangan Dan Perbankan Syariah* I, no. 1 (2021): 1–20.

<sup>21</sup> M A Lestari, S N Azizah, and ..., "Analisis Kepatuhan Syariah Dalam Produk Simpanan Dan Pembiayaan Pada Bmt Khonsa," *Al-Infaq: Jurnal Ekonomi ...* 14, no. 1 (2023): 1–11, <https://jurnalfai-uikabogor.org/index.php/alinqaf/article/view/941%0Ahttps://jurnalfai-uikabogor.org/index.php/alinqaf/article/download/941/810>.

<sup>22</sup> qur'an.nu.ac.id, "Tafsir Qur'an Dan Terjemahan," 2024.

*person according to his ability. When you speak, do it fairly even if it is your relative. Fulfill God's promises too. Thus he commanded you so that you take heed.*

The verse of the Qur'an above clearly forbids all business transactions that contain elements of fraud in any form against other parties, this may be in any form of deception or crime, or obtaining undue profits or risks that lead to uncertainty in a business or the like.

Gharar is prohibited in Islam, therefore conducting transactions or giving conditions in contracts that contain elements of *Gharar* is prohibited. As the hadith states: Rasulullah SAW forbade buying and selling that contains *Gharar*. Businesses that are carried out with the nature of *Gharar* are "businesses that do not fulfill agreements and cannot be trusted, in a state of danger, unknown price, goods, safety (condition of goods), time of obtaining them. *Gharar* business which is translated as speculation is equated with gambling because of the uncertainty of both parties (seller and buyer).<sup>23</sup>

Islamic banks are required to implement Islamic values related to business implementation. The requirement is always reviewed and supervised by the Sharia Supervisory Boar.<sup>24</sup> The overall consultative function focuses on product implementation based on Sharia principles. The direction of supervision is to regulate the flow and all bank activities based on what has become the direction of the Sharia Supervisory Board. This board is tasked with Islamic values.<sup>25</sup>

Therefore, it can be concluded that Islamic banks are a way for humans to avoid usury. Sharia compliance is the difference

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<sup>23</sup> Hadist Shohih and Ro'fah Setyowati, "Perspektif Hukum Islam Mengenai Praktik Gharar Dalam Transaksi Perbankan Syariah," *Dialogia Iuridica: Jurnal Hukum Bisnis Dan Investasi* 12, no. 2 (2021): 69–82, <https://doi.org/10.28932/di.v12i2.3323>.

<sup>24</sup> Akhmad Faozan, "Implementasi Good Corporate Governance Dan Peran Dewan Pengawas Syariah Di Bank Syariah," *La\_Riba* 7, no. 1 (2018): 1–14, <https://doi.org/10.20885/lariba.vol7.iss1.art1>.

<sup>25</sup> Dani El Qori, "Mekanisme Pengawasan Dewan Pengawas Syariah Terhadap Bank Pembangunan Daerah (BPD) Daerah Istimewa Yogyakarta," *Jurnal Studi Keislaman* 11, no. 1 (2019): 266–95.

between Islamic banks and conventional banks. Therefore, Islamic banks are an alternative for customers to make Islamic banks their choice for the financing they apply.<sup>26</sup> As is known, Islamic banking uses Islamic law to form an economy that is in accordance with Islamic principles.<sup>27</sup> Islamic values through Islamic banks have been formulated based on their flow, namely to monitor the position of Islamic compliance, which can be applied as an instrument in the progress of Islamic banks.<sup>28</sup> Sharia values facilitate customers in the justice system. Sharia values cannot be removed from the Sharia Supervisory Board and the National Sharia Council which formulate laws to determine whether or not the products and stages implemented are in accordance with the provisions of Islamic values.<sup>29</sup>

In view of these problems, this study will analyze the implementation of productive financing at Islamic Commercial Banks (BUS) in Padang City. As well as the approval process for productive financing at Islamic Commercial Banks (BUS) in Padang City. This research was conducted at the Branch Office/Office of Islamic Commercial Banks (BUS) located in Padang City. There are 5 Islamic Commercial Banks (BUS) in Padang City, namely Bank Muamalat Indonesia (BMI), Bank Syariah Indonesia (BSI), Bank Syariah Bukopin, Bank Mega Syariah and Bank Tabungan Pensiun Nasional (BTPN) Syariah, however, the focus of the research is only on two banks, namely (Bank Bukopin Syariah and Bank Mega Syariah). Based on data from West<sup>30</sup> Sumatra Province, there are 12 Islamic

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<sup>26</sup> Maimun Maimun and Dara Tzahira, "Prinsip Dasar Perbankan Syariah," *Al-Hiwalah: Journal Syariah Economic Law* 1, no. 2 (2022): 125–42, <https://doi.org/10.47766/alhiwalah.v1i2.878>.

<sup>27</sup> Agus Salim Harahap and Saparuddin Siregar, "Kepatuhan Syariah Aspek Bagi Hasil Perbankan Syariah," in *Seminar Nasional Teknologi Komputer & Sains (SAINTEKS) 2020*, 2020, 573–78.

<sup>28</sup> Hamdi Agustin, "Analisis Penerapan Nilai-Nilai Islam Pada Bank Syariah Di Pekanbaru," *Jurnal Tabarru': Islamic Banking and Finance* 2, no. 2 (2019): 28–37, [https://doi.org/10.25299/jtb.2019.vol2\(2\).4397](https://doi.org/10.25299/jtb.2019.vol2(2).4397).

<sup>29</sup> Fitri Nur Latifah and Ruslianor Maika, "Textbook of Strategic Management of Islamic Banking," *Textbook of Strategic Management of Islamic Banking* (press.umsida.ac.id, 2022), <https://doi.org/10.21070/2022/978-623-464-041-0>.

<sup>30</sup> BPS West Sumatra (2021)

Commercial Banks (BUS) and Islamic Business Units (UUS). Sharia banking assets and financing in West Sumatra in 2021 grew by 14.12 percent compared to the previous year (YoY) and 16.65 percent (YoY), respectively.

Third party funds (TPF) of Islamic banking grew by 14.36 percent (YoY) and the *non-performing finance* (NPF) ratio was 1.82 percent. The performance of Islamic banking increased quite sharply, while conventional banking grew slowly. This means that the people of West Sumatra have started to be interested in Islamic banking. The growth of Islamic banking in West Sumatra during 2021 was also higher than the national average. The growth of assets, financing, and TPF of Islamic banking nationally was 12.28 percent (YoY), 6.28 percent (YoY), and 13.20 percent (YoY), respectively. In contrast, the growth of conventional banking was actually below the national average, except for credit. The growth of assets, credit, and TPF of conventional banking nationally was 10 percent (YoY), 4.78 percent (YoY), and 11.93 percent (YoY), respectively.<sup>31</sup>

## B. RESEARCH METHODS

Qualitative descriptive research is a type of research aimed at describing phenomena or events that occur without the intention of testing hypotheses or variables. This research emphasizes a deep understanding of the phenomena being studied through qualitative data, obtained from interviews, observations, and document analysis. In the context of the implementation of mudharabah and musyarakah financing in Islamic commercial banks in Padang City, this method can be used to explore how Islamic commercial banks in Padang City implement these two types of financing in their operations.<sup>32</sup>

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<sup>31</sup> Yola Sastra, "The Performance of Islamic Banking in West Sumatra Grows Significantly," *kompas.com*, 2021.

<sup>32</sup> Rukanda Ahmad Sulanjana, "Banking & Management Review 1308 Analisis Implementasi Akad Pembiayaan Mudharabah Dan Musyarakah Pada Bank Umum Syariah Di Kota Bandung," *Banking & Management Review Ekuitas* 9, no. 2 (2020): 1308–18.

## C. RESULTS AND DISCUSSION

### 1. Theoretical Framework

#### a. Islamic Banking

Banking has an important role in development, especially in supporting the country's economic growth. Banking law is a positive law that regulates everything related to banks. A bank is a financial institution that collects public funds and channels them back to the community. In accordance with Article 1 of Law No. 7 of 1992 Law No. 10 of 1998 concerning Banking (hereinafter referred to as the Banking Law) states that: A bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of many people <sup>33</sup>.

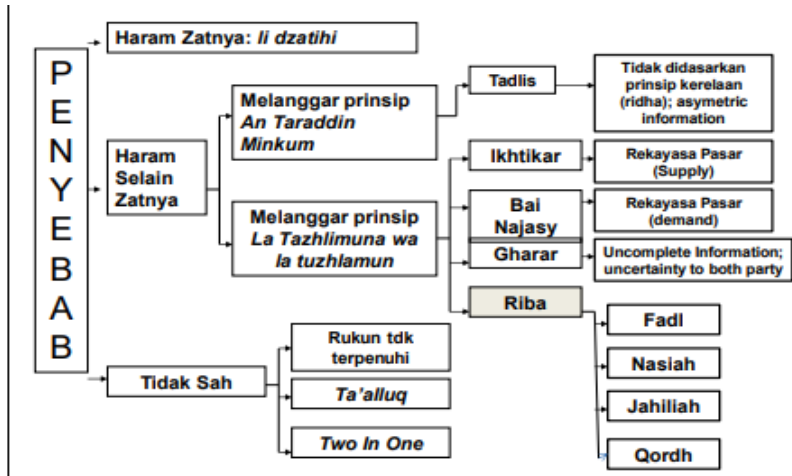
The meaning is, if an interaction is first carried out according to Islamic rules, then its activity is considered permissible, unless there are consequences and causes based on the evidence of the Quran or Hadith that do not allow it. Therefore, related to muamalat, all transactions are permitted except those that are considered haram. The prohibition of transactions is due to the elements of its content (*haram li-dzatihi*), it is not allowed to be done and is allowed if it is in it (*haram li-ghairih*) and also the agreement is not approved/illegal <sup>34</sup>. The following is a description of the causes of prohibited transactions in banking:

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<sup>33</sup> Sri Mahargiyantie, "Peran Strategis Bank Syariah Indonesia Dalam Ekonomi Syariah Di Indonesia," *Al-Misbah* 1 (2020): 199–208.

<sup>34</sup> (Nikensari, 2012)

**Figure 3 Causes of Prohibited Transactions** <sup>35</sup>



b. Islamic General Bank

M is one of the financial institutions that provides support for funding transactions. The main difference between the Sharia People's Financing Bank (BPRS) is often seen, and the General Bank is a funding flow and is not allowed to accept deposits such as savings accounts. There are fully functional Islamic banks and Sharia Business Units (UUS) through regular commercial banks, both of which are based on the Islamic general bank system. This section is comparable to conventional banks, or the like which are regulated by law. Sharia Banking requires all individuals who carry out activities to collect fees from local residents based on the form of savings or investment based on Islamic values to have an OJK permit <sup>36</sup>.

c. Islamic Banking Financing

Financing is a sharia banking product that has a fairly high risk if the customer is unable to pay the installments, resulting in 127 problematic financing. Problematic financing is a condition where the customer is unable to pay part or all

<sup>35</sup> Nikensari.

<sup>36</sup> (Hakim, 2021)

of the amount of money from the agreed amount with a time exceeding the payment limit or installments that have been set.<sup>37</sup>

The concept of Islamic banking is known as banking that uses a profit-sharing and loss-sharing mechanism, or known as *Profit and Loss Sharing* (PLS), namely the relationship that is built between customers and banks is a partnership relationship, so that when partners (customers or banks) experience profits, they will be shared with other partners (banks or customers), of course with a portion according to the agreement, likewise when experiencing losses, they will be divided based on the agreement made at the beginning of the contract (Hakim, 2021:4).

Islamic banking is developed based on Islamic law by fulfilling its philosophical basis, namely productive, fair and business ethics/morality . From these three philosophical bases, Islamic banking derives it in the form of Islamic banking products with different schemes which are expected to be able to move the real sector which is a reflection of the actual conditions in the field.<sup>38</sup>

Islamic general banks are established based on their deed of establishment, so they are not included in conventional banks, including non-Islamic public banks such as Bank Syariah Mandiri, and the like<sup>39</sup>.

One of the main tasks of a bank is financing, which implementation of financing to the community. Financing in Islamic banking itself is closely related to the payment culture determined by Islamic institutions so that the financing provided is right on the needs of the community.

This study focuses on business-based financing with a profit-sharing system. The results of this study will see whether the bank will force the financing agreement activity

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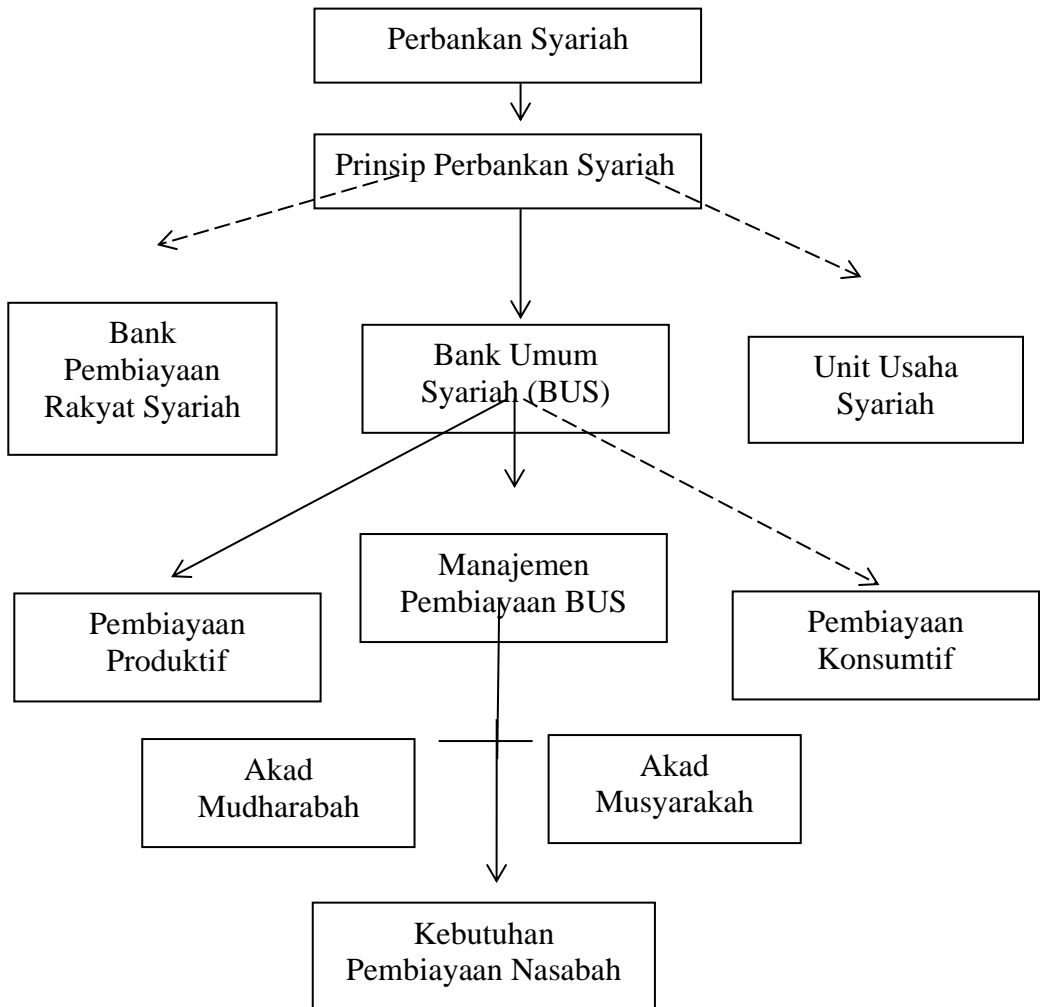
<sup>37</sup> (Ditha Nada Pratama, 2017)

<sup>38</sup> (Hakim, 2021:10)

<sup>39</sup> Andrianto and Firmansyah, *Manajemen Bank Syariah (Implementasi Teori Dan Praktek)*.



on the buying and selling system or agree to financing on the profit-sharing/shirkah aspect. Based on the approval process for productive financing at Islamic General Banks (BUS) in West Sumatra Province, the following theoretical framework can be formulated in this research. among them is :



Information:

—: Researched

- - - : Not Researched

## 2. RESULTS

The features in this study are separated into three respondent characteristics: gender, age, and occupation. The table below shows the characteristics of the respondents.

In this section, the research results that have been obtained during the research process will be presented which will be grouped into three sub-sections. The first part will present a general overview of Sharia Commercial Banks in Padang City. The second part relates to the search results of the volunteers consisting of 4 volunteers. Finally, the results of interviews conducted by researchers are related to the implementation of productive financing products carried out by sharia banking and succeeded in interviewing 2 sharia banks in the city of Padang.

### **Implementation of Productive Financing in Sharia Commercial Banks in West Sumatra**

In this sub-chapter, productive financing for MSMEs will be discussed which is applied to Sharia Commercial Banks (BUS) in Padang City, namely as follows:

#### **Bank Mega Syariah**

Based on the results of interviews and research by volunteers, it is known that productive financing with the principle of profit sharing is carried out by Bank Mega Syariah in the small and medium enterprise (SME) category. Based on this, the productive financing procedures at Bank Mega Syariah are as follows:

Solicitation or field survey stage

The solicitation or field survey stage is the stage where Bank Mega Syariah makes visits or offers cooperation with institutions or individual prospective customers. Solicitation is carried out by Bank Mega Syariah

employees by sending offer letters and conducting field surveys to agencies or individual prospective customers. The things surveyed are as follows:

The survey area (Province/Regency/City/sub-district) which is the target of the survey and the distance traveled from Bank Mega Syariah. Also accompanied by an attached plan of the surveyed area.

Source of income, creating a prominent source of regional/community income, for example: taxes (if there are many companies), plantations, agriculture, fisheries, natural resources and so on. Company and location, create the name of the business entity as well as the type of business/industry and address/location of the company. The business entities referred to include government-owned or privately owned business entities. Apart from that, it explains the classification of companies whether they are large, medium or small companies. This is done to make it easier to map market potential.

Trade areas (markets/shops), create locations for market areas, shops and other trade areas. Also makes the type of merchandise that dominates in that trading area. Government Offices, explaining the number/name of government offices and other government-owned offices as well as the location/address of the office in question Office/other business entity, create the name of the office/other business entity (for example: foundation, cooperative and so on) and the type of business/product produced. Others, create other information that is considered to support marketing, for example: tourist areas, there are ports in the area and so on.

### **Application submission stage**

After the offer by Bank Mega Syariah is accepted by the public (potential customers), the prospective customer can submit an application for project financing using the

musyarakah principle to Bank Mega Syariah. In principle, requests for musyarakah financing are submitted in writing by submitting a Musyarakah Application Letter (SPM), however, if this method is difficult or impossible to do, the application can be submitted orally directly by the customer to Bank Mega Syariah officers.

In the musyarakah request letter, the customer will explain the need for funds as working capital for a particular project. The customer explains the project to be carried out, the parties involved, and the business objectives. Also the parties involved in the business, the customer's experience in carrying out similar businesses or the customer's experience in other businesses, the profits that can be achieved from this business, and the source of funds to return the capital to the bank. Customers in project financing using the musyarakah principle can be business entities or individuals.

For business entity customers, apart from the Musyarakah Application Letter (SPM), customers also include company data which includes a photocopy of bank accounts for the last 3 months, a photocopy of the deed of business establishment, identity of the management, legality of the business, financial reports for the last 3 months, past performance for the last 12 months. , business plan for the next 12 months, project financing object data must be equipped with cash flow, income assumptions, costs, losses/profits, including obstacles and obstacles that may be faced in managing the project, and the applicant's NPWP.

Meanwhile, for individual customers, apart from the Musyarakah Application Letter (SPM), customers also include a photocopy of their identity and that of their partner, a photocopy of their Family Card and Marriage Certificate, a photocopy of their bank account for the last 3 months, business legality, financial reports for the last 3 years, past

performance for the last 12 months, business plan for the next 12 months, financing object data, namely business specifications that must be equipped with cash flow, income assumptions, costs, losses/profits, including obstacles and obstacles that may be faced in managing the business, and the applicant's NPWP.

### **Investigation Phase**

An investigation was carried out after a clear conclusion was reached that a musyarakah financing application submitted by the applicant was deemed worthy of follow-up. After Bank Mega Syariah receives a Musyarakah Application Letter (SPM) from the customer, the Account officer/marketing from Bank Mega Syariah will carry out an investigation, namely checking the condition of the prospective customer in the field.

The investigation is carried out by interviewing the applicant (potential customer) regarding capital and ownership, management composition, business entity, company history, business field, relationship with Bank Mega Syariah, relationship with other banks, company groups, and business/project objects which include the nature of the business/ project, business/project benefits, business/project location, production process/business pattern, raw materials and nature of purchase, equipment and production capacity, goods to be produced/traded, marketing and sales conditions and labor.

### **Analysis Stage**

Financing analysis is a series of activities in order to assess information, data and facts in the field regarding the submission of a financing application by a customer. After checking the condition of prospective customers in the field, Bank Mega Syariah's administration department will then carry out an analysis of the financing applications submitted by prospective customers.

## **Termination Stage**

Regarding the business presentation by the account officer/marketing section, the financing committee will provide an assessment of whether the project is worthy of financing or not. If the project is deemed unfeasible, and does not meet the criteria for financing, then all documents must be returned to the customer, and the account officer/marketing officer conveys the rejection of the project to the customer. If the customer's request is deemed worthy and meets the criteria, the financing committee will give approval by issuing a decision containing the customer's identity, namely name, management (main commissioner, commissioner, main director, directors), type and amount of financing, purpose of use and collateral ratio with conditions signed by the financing committee.

After being declared eligible or meeting the criteria based on the approval of the financing committee, the account officer/marketing department will send a Letter of Confirmation of Financing Approval (SP3) to the customer and ask the customer to complete other documents if they are still needed by the bank. The Financing Approval Confirmation Letter (SP3), contains notification that the Bank Mega Syariah financing committee has approved the provision of musyarakah financing facilities with terms and conditions that include: Financing structure which includes: type, purpose, financing limit, profit sharing (ratio), time period, payment method and guarantee. Conditions for signing the financing agreement:

The customer has submitted a Letter of Confirmation of Financing Approval (SP3) which has been signed by an authorized official on a stamp of Rp. 6,000,-. The customer has submitted original proof of ownership and everything related to the guarantee as well as all the identities of the management, shareholders and collateral owners. The guarantee has been checked for the authenticity of the

certificate and is not in dispute The customer has deposited reserve fees for notary payments, insurance fees and other fees arising from this transaction. Has opened an account at Bank Mega Syariah for financial activities on behalf of customers.

### **Thawing Stage**

After the musyarakah contract has been signed, the customer can request disbursement of funds by submitting a Request for Realization of Musyarakah Financing (SPRPM) to Bank Mega Syariah's financing committee, which contains a request for disbursement of funds to start project implementation, with the following terms and conditions: All requirements for signing the contract as mentioned above have been fulfilled. Has signed a notarial financing agreement. The collateral has been notarially bound, at least there has been a notarial statement stating that all collateral can be completely bound and is in the process of implementing the binding. Sign cash receipts for each disbursement. The collateral has been covered by insurance according to Bank Mega Syariah's banker's clause All business transactions are through Bank Mega Syariah Disbursement is carried out based on proof of purchasing orders (PO) from customers.

Maximum disbursement is 70% of the purchasing order (PO) value. The financing administration section provides information that the musyarakah contract has been implemented, and the account officer/marketing can approve the disbursement of funds to customers.

After receiving funds from the bank, the customer will submit a cash receipt (Tantuna) for musyarakah financing to the bank, which contains: complete customer information, description of the financing facility and handover of the money to the customer.

## **Bank Bukopin Syariah**

Like Bank Mega Syariah, productive financing at Bank Bukopin Syariah also applies productive financing for Small and Medium Enterprises (UKM). The majority of productive financing uses musyarakah contracts. Based on the above, the financing procedures at Bank Bukopin Syariah are as follows:

### **Provision**

Intended for individuals and business entities. Time period according to project completion. Financing value of at least Rp. 500 million. Collateral use value 125% of the financing ceiling.

### **Document Completeness**

Individual, Photocopy of personal identity Photocopy of marriage certificate Photocopy of family card, Financial reports for the last 3 years Financing object data, NPWP, Copy of bank statement/savings account for the last 3 years.

### **Business entity**

Photocopy of the deed of business establishment Identity of the management Business legality, Financial reports for the last 3 years, Financing object data, NPWP Copy of bank statement/savings account for the last 3 years

Mudharabah Financing Analysis The analysis used by Bank KB Bukopin Syariah Bisnis Padang Area is the 5C analysis, namely:

Character Analysis (Character).

Character is the character/attributes of a prospective mudharib (business manager), both in personal life and in the business environment. Capacity Analysis (ability). Capacity is the ability that a prospective mudharib (business manager) has in running his business in order to obtain the expected profit. Capital Analysis (capital). Capital is the amount of funds/equity capital owned by the prospective mudharib. Analysis of Conditions and Business (Condition of Economy).



It is a political, social, economic and cultural situation that can influence the smooth operation of a mudharib company at any given time. Collateral Analysis (collateral) Is collateral given to the bank as security for the financing received by the bank.

The principle that must be considered from the 5C analysis is character, because if the prospective recipient of financing is deemed to have bad character but has sufficient income, then the application for financing will be rejected.

### **Mudharabah Financing Application Decision.**

Based on the analysis that has been carried out, through the financing application process, the bank will provide information on whether the financing decision is accepted or rejected. If approved, a letter of approval will be written and if rejected, a rejection letter will be written by the financing administration department.

### **Mudharabah Financing Agreement**

The contract is carried out after the bank approves the application proposed by the prospective customer, then the bank provides a letter of approval and carries out a qobul agreement containing written terms that have been agreed upon between the bank and the customer. After an agreement is reached, the customer and the bank must agree on profit sharing, and profit sharing must not use the estimated value, but must use the realized profit value.

### **Mudharabah Financing Disbursement**

After carrying out the qobul agreement, the final step is the disbursement of funds which are given in stages according to the progress of the business. Usually disbursement can be done immediately or gradually.

### **Volunteer Search Results**

The results of volunteer research in this research were carried out through natural observations carried out by four volunteers who had acted as customers who needed to apply for financing to the five banks in Padang. The following is a description of each volunteer:

### **First volunteer**

Name: Friska

Name/Type of Business: Boutique and make up

Financing Needs: business operations have stopped due to a lack of operational working capital. Submissions are allocated to cover operational costs such as fabric materials and so on. Funding requirements amounting to Rp. 55.000,000,-

### **Second volunteer**

Name: Amelia Agustria

Name/Type of Business: Grocery and basic food stores

Financing Requirements: Shop operations are carried out at the volunteer's residence. The shop that is the basic food operation is so small that it cannot be combined. Thus, additional capital is needed to be able to combine these two businesses to make them more efficient. Capital requirement of Rp. 30.000,000,-

### **Third volunteer**

Name: Ardiansyah

Name/Type of Business: Graduation Accessories, clothes and others Financing Requirements: Limited working capital creates

difficulties in operational turnaround. Raw materials are more efficient if purchases are made using a bulk buying system and stock often has to wait for delivery. This results in long production times which often do not reach the target they should be. So the financing will be used to purchase raw materials for the stock. The financing required is Rp. 40,000,000,-

### **Fourth volunteer**

Name: Robi

Name/Type of Business: Restaurant

Financing Requirements: operations are only limited to the condition of the capital owned. So you often get empty

merchandise for operational turnover. Thus, it requires financing of Rp. 35,000,000.-

Based on the needs described above, applications were made by volunteers to five Sharia Commercial Banks (BUS) in Padang City. The results of the volunteers' search will be presented in the following summary:

### **Search Results for Bank Mega Syariah**

Based on the results of searches by volunteers regarding Bank Mega Syariah, it can be described as follows:

*"Financing at Bank Mega Syariah for musyarakah and mudharabah contract production businesses with minimum financing of 100 million. This is because the priority of working capital financing is for Small and Medium Enterprises (UKM). For financing below, use the murabahah principle with a mutually agreed margin."*

*It was revealed that Bank Mega Syariah considers businesses that can be allocated as working capital financing, where the main requirement is that the business has a legal entity or has an official business license with complete financial reporting." (volunteer 1)*

*"You cannot carry out mudharabah financing. Mudharabah is only carried out in financial institutions such as cooperatives and the like. There is musyarakah financing with a minimum financing of 100 million and above with negotiations carried out with bank marketing. "For micro businesses, this can be done through a murabahah contract with a mutually determined margin." (volunteer 2)*

*"Financing applications cannot be approved using a profit sharing system because businesses include micro businesses whose financial cycle is less than 100 million." (volunteer 3)*

*"Working capital applications only apply to businesses with a financial cycle of more than 100 million. Apart from that, financing is consumptive in nature." (volunteer 4)*

Based on the results above, it can be concluded that

Bank Mega Syariah provides working capital financing for mudharabah contracts in financing for the financial sector such as cooperatives and the like. Meanwhile, musyarakah financing is intended for Small and Medium Enterprises with a minimum financing amount of IDR 100,000,000.-. Financing beyond that can be done using a murabahah contract with a margin determined by negotiation between the parties.

### **Search Results for Bank Bukopin Syariah**

Based on the results of searches by volunteers regarding Bank Bukopin Syariah, it can be described as follows:

*"Similar to Bank Mega Syariah, Bank Bukopin Syariah applies working capital-based financing only for Small and Medium Enterprises (SMEs) with a larger amount of 250 million. Under that, financing is directed at a buying and selling system (murabahah) with varying margins. This margin is determined based on the length of the refund tenor." (Volunteer 1).*

*"Receive special business capital financing (mudharabah or musyarakah) with capital of 250 million and above. Profit sharing shirkah can be negotiated with marketing. The conditions applied include checking the business by looking at financial reports, business feasibility and the minimum length of business operation that has been running for at least two years." (Volunteer 2)*

*"Working capital financing only applies to businesses with a minimum capital of 250 million with negotiated proportions and profit sharing amounts." (Volunteer 3)*

*"Financing for micro businesses cannot yet be carried out using a profit sharing system. The profit sharing system is applied to financing for businesses with a minimum amount of 250 million." (Volunteer 4)*

Based on the results of searches by volunteers regarding Bank Bukopin Syariah, it is known that this financing is intended for applications of a minimum of IDR

250,000,000.-. Apart from that, financing is categorized as consumer financing with the principle of a murabahah contract. In detail, the mudharabah principle is applied to businesses in the financial sector such as cooperatives and the like.

Meanwhile, musyarakah financing is carried out with the type of business that has been reviewed financially, the feasibility of the business and the length of business establishment of at least 2 years.

### **Implementation of Productive Financing for Sharia Commercial Bank (BUS) Customers in Padang**

The results of this research are based on natural observations made by volunteers who have been selected by researchers with various funding needs. The aim in this case is to analyze in depth how the Sharia Commercial Banks (BUS) in Padang implement productive financing. The targets and focus of this research are mapped on financing with mudharabah and musyarakah agreements. Based on the results of the volunteers' search, it can be concluded that Bank Mega Syariah provides working capital financing for mudharabah contracts in financing for the financial sector such as cooperatives and the like. Meanwhile, musyarakah financing is intended for Small and Medium Enterprises with a minimum financing amount of IDR 100,000,000.-. Financing beyond that can be done using a murabahah contract with a margin determined by negotiation between the parties.

Based on the results of searches by volunteers regarding Bank Bukopin Syariah, it is known that this financing is intended for applications of a minimum of IDR 250,000,000.-. Apart from that, financing is categorized as consumer financing with the principle of a murabahah contract. In detail, the mudharabah principle is applied to businesses in the financial sector such as cooperatives and the like. Meanwhile,

musyarakah financing is carried out with the type of business that has been reviewed financially, the feasibility of the business and the minimum length of business establishment of 2 years.

Through searches carried out by volunteers as a whole, it can be understood that the working capital system based on mudharabah or musyarakah contracts is definitely implemented by two sharia banks out of five sharia banks in Padang. These two banks are Bank Mega Syariah and Bank Bukopin Syariah. Meanwhile, BTPN Syariah nationally implements a mudharabah and musyarakah system for underprivileged women. However, when investigating the volunteers, it could not be concluded that this was implemented in Padang. So it is certain that only two of the 2 Sharia Banks have implemented a productive financing system based on mudharabah and musyarakah. However, these two banks only allocate small to medium scale businesses with a minimum requirement of 100 and 250 million respectively.

Through the results above, it can be concluded that in Padang its implementation still prioritizes murabahah contract-based financing. Where only two banks apply the principles of productive financing based on mudharabah and musyarakah contracts intended for small and medium businesses. This shows that this financing cannot yet be provided to micro businesses.

Based on DSN MUI Fatwa No.07/DSN-MUI/IV/2000, mudharabah financing is productive financing with a cooperation agreement between Sharia Financial Institutions (LKS) and other parties for productive businesses. Furthermore, this fatwa explains that financing is fully issued by LKS, in this case the Sharia Commercial Bank (BUS), while entrepreneurs or customers act as business managers. Furthermore, based on the DSN MUI fatwa no.08/DSN-MUI/IV/2000, it is stated that the provisions for musyarakah

financing are similar to mudharabah financing. However, the proportion of capital is not specified and the principles implemented are based on the cooperation contract.

Thus, this research confirms the truth of research conducted by Miah & Suzuki, (2020). This research shows that Islamic banks have shown their reluctance towards mudharabah and musyarakah financing models. Although the existing literature concludes that Islamic bank financing is heavily biased towards debt-like contracts such as murabahah and ijarah, the literature does not explain convincingly why debt-like financing dominates the balance sheets of Islamic banks and what strategies are used.

According to <sup>44</sup> that sharia bank financing is highly concentrated in debt financing. More than nine-tenths of total sharia bank financing is channeled in the form of murabahah and ijarah. Therefore, these two sources of financing generate huge revenues for these banks. Moreover, there has been no change in this trend over the years. Debt financing including murabahah, ijarah and istisna are not truly sharia- based products, but these products are in accordance with sharia and Islam. However, Islamic financial institutions have goals that must take precedence over other considerations. If this goal is violated, of course there is a loss of reason to advance to become a different example of banking. As a consequence, this type of banking should be reformed to uphold the spirit of Islamic finance as it should be.

The results of this research are also in line with research conducted on analysis using secondary data on Islamic banks in Indonesia, namely research by. This research states that Islamic banks in Indonesia are still not optimal in their implementation of productive financing for MSME players. This is because sharia banking in Indonesia is still dominated by consumer-based financing.

## **Productive Financing Approval Process for Islamic General Banks (BUS) in Padang**

The research results in this sub are focused on productive financing implemented by sharia banking in Padang in accordance with the theoretical principles of productive financing. These results are based on focused interviews with the two banks that implement productive financing products, namely Bank Mega Syariah and Bank Bukopin Syariah. In implementing their policies, these two banks apply the principles of productive financing with mudharabah and musyarakah agreements for Small and Medium Enterprises (UKM) in Padang. The amount of financing for each of these banks is a minimum of 100 million at Bank Mega Syariah and 250 million at Bank Bukopin Syariah.

Bank approval in implementing productive financing has at least three fundamental analyses. This consists of qualitative analysis, quantitative analysis and analysis of the proposed collateral. In terms of qualitative analysis, these two banks look at the business cycle of customers who apply for productive financing. This was obtained through interviews that these two banks require that customers have been running their business for at least 2 years. Apart from that, operational management is also a consideration for both banks. so that qualitative analysis becomes the basis for consideration for customers who apply for productive financing.

These results are in accordance with the theory put forward that qualitative analysis includes analysis of aspects of management character and capacity as well as economic conditions. In-depth qualitative analysis is commonly carried out in productive financing. The analysis carried out concerns the potential customer's capabilities in



their field of business and management's ability to ensure that the business to be financed is managed with the right items.

Several aspects analyzed in qualitative analysis include management aspects, productive aspects, marketing aspects, legal aspects and macroeconomic aspects.

These results are also in accordance with research that has been carried out by stating that in order to realize the vision and carry out the mission of Bank Syariah Berkah, management decided that the focus of business activities in 2011 would still be to maintain a consumer retail focus. Consideration of external factors and assumptions about economic conditions in selecting this business focus is that the domestic market is still quite large, the growth of consumer financing is consistently increasing and consumer NPF levels tend to be low. The internal factors considered in selecting this business focus are the internal capabilities of Sharia Banks which are better prepared to manage consumer retail financing.

The next thing that was applied to the two banks in Padang was to apply quantitative analysis. This analysis is emphasized in sharia banking to determine business certainty seen in quantitative aspects. This aspect emphasizes the financial reporting provided by SMEs in running their business. As is known, financial reports are important in assessing the feasibility of a business regarding the success or failure of a business run by a prospective customer. This is also the basis for consideration by the two banks in determining policies to implement minimum financing of IDR 100 million and IDR 250 million. This is based on the bank's level of trust in prospective customers who have accurate legal standing and minimizes the risk of default for its customers.

These results are in accordance with the theory built

by<sup>47</sup> that quantitative analysis is carried out through an assessment of the financial aspects of customers or prospective customers. Financial analysis plays an important role and is the emphasis in financing analysis. Assessment of financial aspects to assess the feasibility of a financing proposal includes balance sheet report, profit/loss report, cash flow report and capital change report, at least for the last 3 (three) accounting periods<sup>48</sup>.

The next thing is the second consideration for Sharia Banks which implement mudharabah and musyarakah-based productive financing, namely by assessing the collateral provided or offered by customers. This collateral determines the amount of financing that will be approved by the Islamic bank. Collateral is prioritized for assets in the form of land and buildings. The asset value must be greater than the financing approved by the bank. It is said that at least the financing value is 70 percent of the total assets owned by the customer. This is implemented by banks in general.

This is in accordance with the DSN-MUI B fatwa No.07/DSN- MUI/IV/2000 concerning mudharabah financing relating to financing procedures, there are several points as follows:

- a. Mudharabah financing is financing distributed by LKS to other parties for a productive business.
- b. In this financing, LKS as shahibul maal (fund owner) finances 100% of the needs of a project (business), while the entrepreneur (customer) acts as mudharib or business manager.
- c. The business period, procedures for returning funds, and profit sharing are determined based on an agreement between both parties (LKS with the entrepreneur).
- d. Mudharib may carry out various kinds of business that have been mutually agreed upon and in accordance with sharia; and LKS does not participate in company or

project management but has the right to provide guidance and supervision.

- e. The amount of financing funds must be clearly stated in cash and not receivables.
- f. LKS as the fund provider bears all losses resulting from mudharabah unless the mudharib (customer) makes an intentional mistake, is negligent, or violates the agreement.
- g. In principle, in mudharabah financing there is no guarantee, but to ensure that the mudharib does not make any deviations, the LKS can ask for a guarantee from the mudharib or a third party. This guarantee can only be disbursed if the mudharib is proven to have violated the matters mutually agreed upon in the contract.
- h. Entrepreneur criteria, financing procedures and profit sharing mechanisms are regulated by the LKS taking into account the DSN fatwa.
- i. Operational costs are borne by the mudharib.
- j. In the event that the funder (LKS) does not carry out its obligations or violates the agreement, the mudharib is entitled to compensation or costs incurred.

MUI/IV/2000 concerning musyarakah financing, the discussion of financing provisions contains several points as follows:

- a. Statements of consent and qabul must be stated by the parties to show their will in entering into a contract (akad), taking into account the following matters:
  - 1) Offers and acceptances must explicitly indicate the purpose of the contract (akad).
  - 2) Acceptance of the offer is made at the time of contract.
  - 3) The contract is stated in writing, through correspondence, or using modern communication methods.
- b. Contracting parties must be legally competent, and pay attention to the following matters:

- 1) Competent in granting or being given representative power.
  - 2) Each partner must provide funds and work, and each partner carries out work as a representative.
  - 3) Each partner has the right to manage musyarakah assets in normal business processes.
  - 4) Each partner authorizes the other partners to manage assets and each is deemed to have been given the authority to carry out musyarakah activities by taking into account the interests of his partner, without committing negligence or intentional mistakes.
  - 5) A partner is not permitted to disburse or invest funds for his or her own benefit.
- c. Object of the contract (capital, work, profits and losses)
- 1) Capital
    - I. The capital provided must be cash, gold, silver or something of the same value. Capital can consist of trading assets, such as goods, property, and so on. If capital is in the form of assets, it must first be valued in cash and agreed upon by the partners.
    - II. The parties may not borrow, lend, donate or gift musyarakah capital to other parties, except on the basis of an agreement.
    - III. In principle, in musyarakah financing there is no guarantee, but to avoid irregularities, LKS can ask for guarantees.
  - 2) Work
    - I. Participation of partners in work is the basis for implementing musyarakah; However, equal portions of work are not a requirement. One partner may do more work than the other, and in this case he may claim an additional share of the profits for himself.
    - II. Each partner carries out work in the musyarakah on behalf of himself and as a representative of his partner.

Their respective positions in the work organization must be explained in the contract.

3) Profit

- I. Profits must be clearly quantified to avoid differences and disputes at the time of profit allocation or termination of musyarakah.
- II. Each partner's profits must be distributed proportionally on the basis of all profits and no predetermined amount is assigned to a partner.
- III. A partner may propose that if profits exceed a certain amount, the excess or percentage be given to him.
- IV. The profit sharing system must be stated clearly in the contract.

4) Loss

Losses must be shared among the partners in proportion according to their respective shares in the capital.

d. Operational Costs and Disputes

- 1) Operational costs are charged to shared capital.
- 2) If one party does not fulfill its obligations or if there is a dispute between the parties, then the resolution will be carried out through the Sharia Arbitration Board after no agreement has been reached through deliberation.

These results are also supported by existing regulations in Indonesia. According to Article 1 paragraph 26 of Law Number 21 of 2008 concerning Sharia Banking, the definition of collateral is additional collateral, either in the form of movable or immovable objects which are handed over by the owner of the collateral to the sharia bank and/or UUS, in order to guarantee the repayment of customer obligations. recipient of the facility. From the provisions of Article 1 number 26 there are two terms, namely collateral and guarantee. The Big Indonesian Dictionary provides the same meaning for the words collateral and guarantee. Collateral,

namely coverage for the loan received. Meanwhile, according to the Decree of the Directors of Bank Indonesia No. 23/69/KEP/DIR dated 28 February 1991 states that collateral is material security, securities, risk guarantees provided by customers to cover repayment of financing.

This result is in accordance with the theory by <sup>49</sup> that when banks provide financing, they always require collateral to bind the financing members. When providing financing, banks must have confidence in the ability of their members to repay the financing as agreed.

#### **D. CONCLUSION**

This research shows that Islamic commercial banks in Padang City have implemented mudharabah and musyarakah financing in accordance with sharia principles, although there are challenges in its implementation. Mudharabah financing, which involves cooperation between the bank and customers in the form of profit-sharing, has been implemented with various models tailored to the needs of the business sector, such as micro, small, and medium enterprises (MSMEs). On the other hand, musyarakah financing, which emphasizes capital cooperation between the bank and customers, also operates according to regulations, although there are some obstacles in terms of risk management and limited funds.

However, in its implementation, there are several factors that affect the effectiveness of this financing, including differing understandings of the sharia concept by customers, lack of socialization regarding sharia products, and a shortage of human resources with the competence to manage sharia-based financing. Islamic banks in Padang City are expected to improve the quality of service and education to customers, as well as strengthen supervision over the implementation of mudharabah and musyarakah financing to be more optimal. Overall, although there are challenges to be faced, mudharabah and musyarakah financing in the general sharia banks of Padang City have been running well and have the potential to develop along with the increasing public

understanding of sharia principles and the support from relevant supervisory and regulatory institutions.

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