Available at http://jurnal.stie-aas.ac.id/index.php/jie
Jurnal Ilmiah Ekonomi Islam, 7(03), 2021, 1499-1504

Determinants of Micro and Small Business Financing In Sharia Commercial Banks In Indonesia

Uus Ahmad Husaeni[1*)], Selviana Zakiah[2)], Farid Faisal[3)]
[1,3]Faculty of Islamic Economic and Business, Universitas Suryakancana, West Java, Indonesia
[2]Postgraduate Program in Islamic Department, State Islamic University of Sunan Gunung Djati Bandung
*Correspondence email: uusahmadhusaeni@unsur.ac.id

Abstract

This study aims to examine and analyze the effect of bank size, efficiency, liquidity, and BI rate on MSME financing at Sharia Commercial Banks (BUS) in Indonesia. Research data in the form of secondary data obtained from the official website of Bank Indonesia. The data is analyzed using multiple linear regression analysis. Before the information is further explored, several classic assumption tests are performed, including normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. Based on testing the hypothesis using the t-test it was concluded that bank size has a positive effect on MSME financing, efficiency does not affect MSME financing, liquidity has a positive impact on MSME financing, and the BI rate has a positive impact on MSME financing.

Keywords: *Assets, BI rate, efficiency, liquidity, MSME financing*

Citation suggestions: Husaeni, U. A., Zakiah, S., & Faisal, F. (2021). Determinants of Micro and Small Business Financing In Sharia Commercial Banks In Indonesia. *Jurnal Ilmiah Ekonomi Islam, 7*(03), 1499-1504. doi:http://dx.doi.org/10.29040/jiei.v7i3.3510

DOI: http://dx.doi.org/10.29040/jiei.v7i3.3510

1. INTRODUCTION

The Micro and Small Business Sector (MSME) has an essential role in driving economic development in Indonesia. With the MSME sector, unemployment in Indonesia has decreased. The MSME sector has proven to be a formidable economic pillar. It was confirmed that during the 1998 financial crisis in Indonesia, only the MSME sector survived the collapse of the economy. MSMEs have strengths that are not owned by large scale companies (Sobana & Husaeni, 2019). In today's difficult time, MSMEs are flexible enough to respond to rising fuel prices and other production factors. The contribution of MSMEs in increasing Gross Domestic Product and foreign exchange is also no doubt. Given the role and contribution of MSMEs to the nation's economy, MSMEs are the main agenda for Indonesia's economic development. Currently, government policy has shown alignments to MSMEs (Husaeni & Dewi, 2019).

To strengthen the MSME sector in Indonesia, of course, MSMEs need the support of one from the banking sector. Banking carries out its function as a financial intermediary where one of its operations is to extend credit or financing to the public. Distribution of funding to MSMEs is considered very important considering the need for working capital needed by MSMEs. But in reality, to access bank financing for MSMEs is not easy. As stated by Husaeni (2017), MSMEs are still faced with several problems, one of which concerns access to funding sources from formal financial institutions, especially from banks.

Technically, banks' difficulty to channel MSME financing is due to insufficient collateral owned by the MSME. This difficulty is experienced not only by conventional banks but also Islamic commercial banks. Furthermore, Bank Indonesia regulations that require banks to know their customers well, fears of the emergence of non-performing financing and other business risks, including the risk of bankers' professionalism reputation, are indeed a factor if banks are still not optimal in working on this MSME share (Yusup, 2019). On the SME side itself, Islamic banking is still considered very difficult to access. To

obtain funding, some MSMEs think that banks still have quite complicated terms and procedures. Although on the other hand, many of the financing facilities have been disbursed by banks, for example, the ease of accessing financing without collateral, the requirement for fixed income through the submission of income slip photocopies is not yet wholly owned by these MSME entrepreneurs. As a result, banks prioritize those who have a regular income by distributing their consumer financing (Husaeni, 2017). Meanwhile, MSME entrepreneurs, with all the harsh qualities attached to them, can only hope for funding to develop their business.

Sharia Commercial Bank is a bank where fundraising and distribution of funds provide and imposes compensation based on sharia principles, namely buying and selling and profit-sharing. Sharia banks' primary focus is on sharia principles, namely Islamic law, which originates in the Koran and hadith, which prohibit usury and investing in businesses classified as haram (Husaeni, 2016).

Seeing the importance of financing for the development and strengthening of the MSME sector in Indonesia and the role of the Sharia Commercial Bank in developing the MSME sector, it is necessary to study the factors that influence the distribution of MSME financing to Islamic Commercial Banks in Indonesia. By reviewing and analyzing the characteristics that determine the distribution of MSME financing to Sharia Commercial Banks in Indonesia, it is expected that solutions to various problems relating to the limitations of Sharia Commercial Banks in channelling funding to the MSME sector in Indonesia can be sought.

Predictable factors affect the distribution of MSME financing including bank size, efficiency, liquidity and the BI rate. The bank's size shows the bank's ability to finance profitable investments and the prospects of the bank going forward. One indicator of bank size is total assets. Assets are productive assets managed in the company, and these assets are obtained from sources of debt or capital (Husaeni, 2017). Akbar (2013) and Ferdinandus (2013) found that bank size influenced MSME credit distribution.

The next factor which is predicted to influence the financing of MSMEs channelled by Islamic banks is efficiency. Bank efficiency describes whether bank management has used all of its production factors effectively and efficiently. Satria and Subegti (2010) found that bank efficiency affects commercial bank credit distribution in Indonesia.

The liquidity factor is also proven to affect MSME financing. Liquidity is the company's ability to meet short-term obligations or continue operational activities when the company must pay off its responsibilities to reduce its operating funds. Liquidity arrangements are intended so that the bank can at all times fulfil immediate obligations. Barus and Lu (2013) in their research proved that LDR (Loan to Deposit Ratio) as an indicator of liquidity has a significant effect on the distribution of MSME loans to commercial banks in Indonesia.

If bank size, efficiency and liquidity are internal factors of the bank, then the external factor predicting MSME financing is the BI rate. The BI rate is a policy interest rate that describes the monetary policy measures adopted by BI that are announced to the public. The BI rate increase causes banks to increase their credit supply because banks will obtain income from greater loan interest. And vice versa, a decrease in the BI rate causes a reduction in loans given because banks will get smaller loan interest. Putra and Rustariyuni (2015) in their research proved that the BI rate had a significant influence on the distribution of working capital loans to rural banks in the province of Bali. Pradana (2013) and Sari (2013) in their research found that the BI rate had a significant effect on the credit extended.

2. LITERATURE REVIEW

Bank size measured by total assets has a positive effect on MSME financing. The greater the Sharia Commercial Bank's extent, which is reflected in its total assets, the greater the funding channelled to MSMEs. This is in line with Akbar (2013) and Ferdinandus (2013) research which proves that bank size has a positive effect on MSME credit distribution.

The smaller the ratio of BOPO (Operational Costs and Operating Income) shows, the more efficient Sharia Commercial Bank. The more efficient the Sharia Commercial Bank means, the greater the Sharia Commercial Bank distributes financing to the MSME sector. This is in line with Satria and Subegti's research (2010) which found that bank efficiency harms commercial bank lending in Indonesia.

The higher the FDR (Financing to Deposit Ratio) ratio, indicating that most of the funds raised by Sharia Commercial Banks are embedded in loans including loans to the MSME sector, will cause Sharia

Commercial Banks to become more illiquid because their third party funds are embedded in financing. If the Sharia Commercial Bank is increasingly illiquid, the Sharia Commercial Bank will reduce the disbursement of the funding to the public, including funding to the MSME sector. This is in line with Barus and Lu's research (2013) which has proven that LDR as an indicator of liquidity harms MSME lending to commercial banks in Indonesia.

The BI rate increase has caused Sharia Commercial Banks to increase their financing offer, including to the MSME sector because Sharia Commercial Banks will get more generous profit sharing. And vice versa, the decline in the BI rate causes a decrease in MSME financing provided because Islamic Commercial Banks will get smaller profit sharing. This is in line with Putra and Rustariyuni's research (2015) which proves that the BI rate positively affects working capital loans distributed by rural banks in Bali Province. Likewise, Pradana (2013) and Sari (2013) 's research also proved that the BI rate has a positive effect on lending.

3. METHOD

The dependent variable in this study is MSME financing. Simultaneously, the independent variables are bank size, efficiency, liquidity and the BI rate. The MSME financing variable is measured by the amount of funding channelled by the Sharia Commercial Bank to the MSME in the observation period. The bank size variable is measured by the Sharia Commercial Bank's total assets in the observation period. The efficiency variable is measured by the BOPO ratio of the Sharia Commercial Bank in the observation period, the liquidity variable is measured by the FDR ratio of the Sharia Commercial Bank in the observation period, and the BI rate variable is measured at the interest rate set by Bank Indonesia in the observation period.

This study's population are all Sharia Commercial Banks in Indonesia that are statistically registered at Bank Indonesia from 2018 to 2020. This study's sample is the average or combined data from all Sharia Commercial Banks in Indonesia sourced from Sharia Commercial Bank Monthly Report for three years in a row. Since the data is monthly data, 36 observations are obtained.

The data used in this study are secondary data from Bank Indonesia, sourced from the Sharia Commercial Bank Monthly Report. Bank Indonesia publishes this secondary data through the official website www.bi.go.id in the form of Sharia Banking Statistics. The data for the BI rate variable is also obtained from the official website of Bank Indonesia. Study documentation is used in this research. The documentation study was carried out by collecting the necessary research data from Sharia Banking Statistics through the website www.bi.go.id. Multiple regression analysis was used to examine the effect of variable bank size, efficiency, liquidity and BI rate on MSME Sharia Commercial Bank financing in Indonesia during the observation period, namely 2018 to 2020.

Data analysis was assisted by using SPSS Statistics 20. Before testing the hypothesis, to determine the regression model's accuracy, it is necessary to test the classical assumptions, which include normality test, multicollinearity test, heteroscedasticity test and autocorrelation test.

4. RESULTS AND DISCUSSIONS

Results

Multiple Regression Analysis

The multiple linear regression analysis in this study aims to calculate the magnitude of influence between the four independent variables namely bank size (X1), efficiency (X2), liquidity (X3), and BI rate (X4), to the dependent variable, namely MSME financing (Y) which performed using the SPSS for Windows 20. The results of the multiple linear regression analysis are shown in Table 1. Based on the results of the multiple linear regression analysis in Table 1, the regression equation is obtained as follows:

$Y = a + b1X1 + b2X2 + b3X3 + b4X4$

$Y = -1695367.288 + 0.404 - 768.567\ X2 + 13953.649\ X3 + 47083.399\ X4$

From the multiple linear regression equation results above, it can be concluded: 1) The constant value (a) is 0.196. That is, if the bank size variable (X1), efficiency (X2), liquidity (X3), BI rate (X4), and empathy (X5) value is 0, the level of MSME financing is negative, that is -1695367.288; 2) The story of MSME financing will increase by 0.404 units for each additional one unit X1 (bank size). So if the bank size increases by 1 unit, the level of MSME financing will increase by 0.404 units assuming other variables are considered constant; 3) The story of MSME financing will decrease by 768,567 units for each additional one unit X2 (efficiency). So if efficiency increases by 1

unit, the level of MSME financing will decline by 768,567 units assuming other variables are considered constant; 4) The story of MSME financing will increase by 13953,649 companies for each additional one unit X3 (liquidity). If liquidity has increased by 1 unit, the level of MSME financing will increase by 13953,649 units assuming other variables are considered constant; 5) The MSME financing level will increase by 47083,399 companies for each additional one company of X4 (BI rate). So, if the BI rate increases by 1 unit, the level of MSME financing will increase by 47083,399 units assuming the other variables are considered constant.

Hypothesis Testing Results

Table 1. Recapitulation Results of Linear Regression Test and Partial Regression between Bank Size Variables (X_1), Efficiency (X_2), Liquidity (X_3), BI Rate (X_4) to MSME Financing (Y)

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	tCount	Sig.	Decision on H_0
	B	Std. Error	Beta			
Constant	-1695367.288	427936.685		-4.671	.835	
X1	.404	.029	.974	13.877	.000	Accepted
X2	-768.567	6046.167	-.131	-.323	.916	Rejected
X3	13953.549	3047.565	.189	5.097	.006	Accepted
X4	47083.399	32754.090	.432	3.366	.021	Accepted
N	: 36					
R	: 0.982					
R *Square*	: 0.965					
Adjusted R *Square*	: 0.960					
F_{Count}	: 56.794					
Signification	: 0.000					

Source: Data processed (SPSS 20), 2021

Partial regression test was used to determine the significant effect of the independent variable (X) on the dependent variable (Y) using the t-test and the results of the regression coefficient (b). The most dominant variable can be known based on the linear regression results through the regression coefficient (b), which has the most considerable value and the smallest significant value. If t count > t table or -test < -table, the result is substantial and means H0 is rejected, and H1 is accepted. Meanwhile, if t count < t table or –test > -table then the result is not significant and means that H0 is accepted and H1 is rejected or significance value < α (0.05), then H0 is rejected. The results of the t-test can be seen in Table 1 which has the following conclusions: 1) There is a significant influence between the bank size variable (X1) and the MSME financing variable (Y); 2) There is no significant effect between the efficiency variable (X2) and the MSME financing variable (Y); 3) There is a significant influence between the liquidity variable (X3) and the MSME financing variable (Y); 4) There is a significant influence between the BI rate variable (X4) and the MSME financing variable (Y). And it can be seen that from the four independent variables the most dominant influence on MSME financing (Y) is the bank size variable (X1) because it has the most considerable t value of 13.877 at a probability of 0.000 among the four independent variables.

Based on Table 1, the calculated F value of 56,794. While the F table (α = 0.05; db regression = 4: db residual = 36) is 3,274. Because F test > F table is 56,794> 3,274 or Sig. F (0.000) <α = 0.05, the results are significant. This means that H0 is rejected and H1 is accepted. Thus it can be concluded that the independent variables namely bank size (X1), efficiency (X2), liquidity (X3), and BI rate (X4) together have a significant effect on MSME financing (Y).

Determination Coefficient Test (R^2 Test)

The coefficient of determination (R2) essentially measures how far the model's ability to explain the variation of the dependent variable. The coefficient of determination is between zero and one (0 <R2 <1). Based on table 2, the magnitude of R2 (coefficient of determination) is 0.966. This means that 96.6% of MSME financing variables (Y) will be influenced by

the independent variables, namely company size (X1), efficiency (X2), liquidity (X3), and BI rate (X4). While the remaining 3.4% of MSME financing variables (Y) will be influenced by other variables not discussed in this study.

Table 2. Correlation and Determination Coefficients

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.983[a]	.966	.961	.89854	1.940

a. Predictors: (Constant), X1, X3, X2, X4

b. Dependent Variable: Y

Source: Data processed (SPSS 20), 2019

In addition to the coefficient of determination also obtained correlation coefficients which indicate the magnitude of the relationship between independent variables namely company size (X1), efficiency (X2), liquidity (X3), and BI rate (X4) with MSME financing (Y), R-value (correlation coefficient) equal to 0.983, this correlation value shows that the relationship between the independent variables namely company size (X1), efficiency (X2), liquidity (X3), and BI rate (X4) with MSME financing (Y) included in the rugged category because it is in the interval 0.9-1. The relationship between independent variables namely company size (X1), efficiency (X2), liquidity (X3), and BI rate (X4) with MSME financing (Y) is positive, meaning that if the independent variable is increasingly increased, then MSME financing will also increase.

Discussions

Based on the hypothesis testing results, this study accepts the first hypothesis that bank size has a positive effect on MSME financing. This indicates that the increase or decrease in total assets as an indicator of bank size during the study period positively impacts MSME financing channelled by Islamic Commercial Banks. If an increase in the total assets of a Sharia Commercial Bank, MSME financing disbursed will also increase. Vice versa, a decrease in total assets will cause a reduction in MSME financing channelled by Islamic Commercial Banks. This study's results support the research of Akbar (2013) and Ferdinandus (2013), which proved that bank size has a positive effect on MSME credit distribution.

Based on the hypothesis testing results, this study rejects the second hypothesis that bank efficiency harms MSME financing. The results showed that bank efficiency did not affect MSME financing channelled by Islamic Commercial Banks. This indicates that the efficiency factor is not a determinant for Islamic Commercial Banks in conducting financing to the MSME sector. From observational data, it can be observed that the ups and downs of BOPO (Operational Costs and Operating Income) as indicators of efficiency are not accompanied by the ups and downs of MSME financing channelled by Islamic Commercial Banks. This study's results are not in line with Satria and Subegti (2010), who found that bank efficiency harms commercial bank lending in Indonesia.

The third hypothesis, which states that liquidity has a positive effect on MSME financing, is accepted. The results showed that FDR's liquidity (Finance to Deposit Ratio) positively impacted MSME financing channelled by Islamic Commercial Banks. This indicates that if there is an increase in FDR, MSME financing will also increase, and vice versa if the FDR goes down, it will also decrease MSME financing channelled by Islamic Commercial Banks. Whereas in theory, the higher the FDR at a bank, the lower the bank liquidity. If banks are in a low liquidity condition or increasingly illiquid, how can banks increase MSME financing? And vice versa, if the more down the FDR at a bank, it will result in higher liquidity of the bank concerned. Of course, banks with high liquidity can increase MSME financing because of the availability of funds owned by banks. This finding is not in line with Barus and Lu (2013). In their research, they proved that LDR as an indicator of liquidity harmed the distribution of MSME loans to commercial banks in Indonesia.

The fourth hypothesis, which states that the BI rate positively affects MSME financing, is accepted. The results showed that the BI rate affects the funding of MSMEs channelled by Islamic Commercial Banks. This indicates that the ups and downs of the BI rate are a determining factor for Sharia Commercial Banks in providing financing to the MSME sector. In theory, the BI rate increase will cause Sharia Commercial Banks to increase MSME financing because Sharia Commercial Banks will obtain more generous revenue sharing. And vice versa, a decrease in the BI rate causes a reduction in provided funding because Sharia Commercial Banks will receive a smaller revenue share. Therefore, based on this study's results, an increase or decrease in the BI rate will significantly

affect the increase or decrease in MSME financing. The results of this study are in line with the research of Putra and Rustariyuni (2015) which proves that the BI rate has a positive influence on working capital loans disbursed by Commercial Banks in Bali Province.

5. CONCLUSIONS

Based on the results of the study there is a simultaneous influence (together) between variables of company size (X1), efficiency (X2), liquidity (X3), and BI rate (X4) with MSME financing (Y). The multiple linear regression analysis results obtained F Count value of 56,794> F table 3,274 significance of 0,000, which value <of the significance level value of α (0.05). The results of the analysis in this study also show the size of the support of company size variables (X1), efficiency (X2), liquidity (X3), and BI rate (X4) with MSME financing (Y) which is shown from the R Square value of 0.966. This means company size variables (X1), efficiency (X2), liquidity (X3), and BI rate (X4) simultaneously (together) provide 96.6% support for MSME financing (Y). While the remaining 3.4% is influenced by other variables not examined in this study.

6. REFERENCES

Akbar, G.R. (2013). Analisis Faktor-Faktor Yang Mempengaruhi Porsi Pembiayaan Usaha Mikro Kecil dan Menengah Yang Disalurkan Oleh Bank Umum Syariah di Indonesia. Departemen Manajemen Fakultas Ekonomi Indonesia.

Barus, A.C., & Lu, M. (2013). Pengaruh Spread Tingkat Suku Bunga dan Rasio Keuangan Terhadap Penyaluran Kredit UMKM Pada Bank Umum di Indonesia. *Jurnal Wira Ekonomi Mikroskil*, *3*(1), 11-20.

Ferdinandus, S.J. (2013). Analisis Penghimpunan dan Penyaluran Kredit Terhadap Usaha Mikro Kecil dan Menengah (Studi Kasus Pada Bank-Bank Yang Terdaftar di Bursa Efek Indonesia Periode 2006-2010). Disertasi. Program Studi Doktor Ilmu Ekonomi, Fakultas Ekonomi dan Bisnis, Universitas Padjadjaran, Bandung.

Marimin, A., & Romdhoni, A. H. (2015). Perkembangan bank syariah di Indonesia. *Jurnal Ilmiah Ekonomi Islam*, *1*(02).

Fitria, T. N. (2016). Kontribusi Ekonomi Islam Dalam Pembangunan Ekonomi Nasional. *Jurnal Ilmiah Ekonomi Islam*, *2*(03).

Husaeni, U.A., & Dewi, T.K. (2019). Pengaruh Pembiayaan Mikro Syariah Terhadap Tingkat Perkembangan Usaha Mikro Kecil Menengah (UMKM) Pada Anggota BMT Di Jawa Barat. *Bongaya Journal for Research in Management*, *2*(1), 48-56.

Husaeni, U.A. (2017). Determinan Profitabilitas pada Bank Pembiayaan Rakyat Syariah di Indonesia. *Ekspansi*, *9*(1), 155-163.

Husaeni, U.A. (2017). Determinan Pembiayaan pada Bank Perkreditan Rakyat Syariah di Indonesia. *Esensi: Jurnal Bisnis dan Manajemen*, *7*(1), 49-62.

Husaeni, U.A. (2016). The Variables Effects of Murābaḥah in Islamic Commercial Banks. *International Journal of Nusantara Islam*, *4*(2), 1-16.

Husaeni, U.A. (2017). Analisis Pengaruh Dana Pihak Ketiga Dan Non Performing Financing Terhadap Return On Asset Pada BANK UMUM SYARIAH Di Indonesia. *EQUILIBRIUM: Jurnal Ekonomi Syariah*, *5*(1), 1-16.

Pradana, Y. (2013). Analisis Pengaruh LDR, CAR, ROA dan Faktor Eksternal Perbankan Terhadap Volume KPR Pada Bank Persero Periode 2008-2012. *Diponegoro Jurnal Of Management*, *2*(3), 1-13.

Putra, I.G.O.P., & Rustariyuni, S.D. (2015). Pengaruh DPK, BI Rate dan NPL Terhadap Penyaluran Kredit Modal Kerja Pada BPR di Provinsi Bali Tahun 2009-2014. *E-jurnal Ekonomi Pembangunan Universitas Udayana*, *4*(5), 451-464.

Satria, D., & Subegti, R.B. (2010). Determinasi Penyaluran Kredit Bank Umum di Indonesia Periode 2006-2009. *Jurnal Keuangan dan Perbankan*, *14*(3), 415-423.

Sari, G.N. (2013). Faktor-Faktor Yang Mempengaruhi Penyaluran Kredit Bank Umum Di Indonesia: Periode 2008.1-2012.2. *Jurnal EMBA*, *1*(3), 931-941.

Sobana, D.H., & Husaeni, U.A. (2019). Economic Empowerment of Poor Women With Grameen Bank Patterns on Baitul Mal Wa Tamwil Ibadurrahman. *International Journal of Islamic Economics and Finance Studies*, *2019*(1), 40-59.

Yusup, D. (2019). Analyzing the effect of service quality on customer satisfaction of Islamic banking in west Java province Indonesia. *Management Science Letters*, *9*(13), 2347-2356.