

# Sharia Financial Management Alternative Sources In Encouraging Micro, Small, And Medium Enterprises Expansion In Indonesia

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## Abstract

Micro, Small, And Medium Enterprises (MSME) is one of the pillars of the Indonesian economy. Data in 2021 shows that the number of MSME in Indonesia has reached 64.2 million business units. However, it does not mean that MSME in Indonesia is far from all the problems. One of the problems experienced by MSME is that many business entrepreneurs do not understand how to manage the finances and assets they get. Hence, many MSME in Indonesia has gone bankruptcy. This study use qulitative methods. The data are obtained from existing scientific journals, and provided by related parties as well as books that discuss financial management and MSME. The results obtained from this study are about how MSME practices simple and easy to understand accounting activities and applies Islamic values. On the other hand, this study explains the way MSME subjects invest with limited capital and also how to get capital that is far from riba (Interest).

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## 1. Introduction

MSMEs are at the forefront of the world economy as well as Indonesia, because the economy of a country must have a solid foundation to make its people prosperous and one of the forces that can improve a country's economy is based on MSMEs, then comes to mind , why? What are the basic reasons for MSMEs to become the main pillars of the economy? Surely these questions continue to run in our minds and it's no wonder sometimes the fronts between minds continue to stick out, the answer is clear because through MSMEs tens and even hundreds of jobs are created so that people who are not absorbed under the auspices of government or private companies are able to generate financially through MSMEs that are controlled by the government. established, it is clear that MSMEs have a very high role in advancing the Indonesian economy. In recruiting workers or employees, MSMEs do not have high standards so that it is easy for everyone to find work through these MSMEs and without realizing it really helps the country's poverty problem. Currently, Indonesia has 64.2 million units of MSMEs which have been spread almost all over the country, and almost all businesses in Indonesia are dominated by the MSME sector. (Rudiatoro, 2012).

From this productivity figure, Indonesian MSMEs should have a major contribution in advancing the Indonesian economy and make the poverty rate in Indonesia continue to decline because the jobs it creates are able to reduce the poverty rate, but in fact a myriad of problems are still emerging in the control or operation of MSMEs themselves. , it is still not certain that the main cause of the problem has not been resolved, but it cannot be denied that these problems originate from the internal and external problems of the MSMEs themselves, which causes MSMEs to sometimes find it difficult to develop or even relatively slow development. One of the problem factors that almost all MSMEs feel is the difficulty of managing the money they get and also they often neglect the bookkeeping process or recording every transaction in and out of funds.

From these problems, it is clear that the use of money by MSMEs is unwise and messy. Without realizing that the problems that arise as a result of finances or finances are roots that continue to spread if they are not handled continuously, because finance is the heart of every business activity, it is necessary to use finance properly and manage it according to needs and priorities so as to prioritize and consider matters basis, it can advance and develop the MSMEs. (Huda & Heykal, 2010).

Islamic Financial Management has a very important role, the market is by managing money so that MSME actors can control financial flows well, of course in financial management basic things are needed that must be applied, for example, must comply with the provisions and demands and recommendations of Islamic law, starting from how to get the money and how to manage it based on Islamic advice. In general, Islamic financial management is about how MSME actors control the management of the money and assets they get which is then followed up by how they manage it and use the money, so that with the existence of a Syariah Finance system on MSMEs, they are able to add awareness to MSME leaders about managing finances well and not neglecting the basic components applied in Islamic law. (Rodoni & Hamid, 2008). In managing finances, there are several elements that are very necessary and must be considered in as much detail as possible regarding how the owner invests his money and so on. In the case of MSMEs themselves, investment is something that is foreign to the perpetrators, this is because the income of MSMEs is very limited and is considered very minimal from large-scale companies so of course, they do not think about investing in the results of their hard work, all they think about is how to earn more money to make ends meet. (Arif, 2011).

In establishing a business or MSME capital is the most concrete problem that often occurs and makes it an obstacle and even an obstacle that must be faced by MSME actors, where the majority of MSME owners have their basic capital from borrowing from a financial institution, both formal and non-formal financial institutions, and usually, they prefer to make lending transactions to non-formal institutions because borrowing money from non-formal institutions has an uncomplicated process so that MSME actors decide to borrow from moneylenders even though they know that the interest charged is so high that the range can be adjusted. reaching 20% of the total loans lent but they still choose money because the process is very easy and uncomplicated, and in the end, MSMEs have a negative impact because they borrow from moneylenders because when they are due they are to pay without any reason. MSME traders do not specify that their wares will have fans every day, and if they get a profit they have to cover their forest. From these very complex problems, BMT as a microfinance institution provides solutions that can help MSME actors to obtain capital without interest and use Islamic principles. (Niode, 2009). The presence of BMT in the midst of the uproar of society makes BMT an alternative that is able to overcome every problem faced by MSME actors. in Indonesia to be of higher quality.

## **2. Research Method**

The research carried out is a research that refers to library research which is sourced from some literature that has been done previously and also uses some data that has been published by the institutions concerned with complex discussions related to financial management, especially in Islamic financial management. and also Micro, Small and Medium Enterprises (MSMEs). The references reviewed by the researcher come from books, magazines, news, online news portals that are continuous with the subject matter of this research. The nature of this research is quantitative research that explains and describes the application of Islamic financial management

as the main foundation in the process of advancing and providing expansion for MSMEs throughout Indonesia.

The main data source in this study is secondary data that can be obtained from several institutions that have provided data related to the material in this study, which later the concept will be arranged according to the research needs described in order to get the essence of the discussion in this research. For data collection, this research was obtained from existing data from related institutions which will be explained in detail and concretely.

The research technique used in analyzing the data in this study is a qualitative descriptive technique, where this technique describes all the data that has been obtained and collected directly related to Islamic financial management and SMEs, and after that an explanation of the findings obtained and described to explain the results is being discuss.

### **3. Results and Discussions**

#### **Problems Faced by MSMEs**

Micro, Small and Medium Enterprises (MSMEs) can be said to be one of the main guidelines that are able to provide new breakthroughs and boost the economy in Indonesia, of course this is based on the declining unemployment rate in Indonesia, through SMEs unemployment in Indonesia can be absorbed by it so clearly. the poverty rate is also decreasing. In other words, through MSMEs, they are able to create massive employment opportunities for small people with academic abilities that are above standard. (Soemitra, 2009). However, this does not mean that MSMEs in Indonesia do not have problems that continue to stick out, even all the problems faced by MSME actors are complex and difficult. Sometimes some MSMEs have ambiguity in operating their business so that not infrequently 30% of 100% MSME owners go out of business because of the lack of a mature concept from various aspects behind it. Creating the ability of MSMEs to continue to be on the wheels of the national economy is not yet stable and maximal, so it cannot be said that MSMEs can be the main solution. This can be observed even though many parties are involved in the MSME development process, but the basic tasks in developing MSMEs that are delegated to agencies are colored by negative news, for example, the politicization of MSMEs, and the gift of JPS subsidized funds that are not transparent and do not go in the same direction. (Aksoru & Agapyong, 2012).

Another problem that is very popular among MSMEs today is how difficult it is for these business actors to obtain capital to open new businesses or not a few of them are trying to develop their businesses that have been established for a long time. This continues to be an endless question, of course, the main factor is that the regulations provided by financial institutions are very difficult to reach with a convoluted process that slows down the pace of development in improving the quality and quantity of MSMEs in Indonesia. Capital is a factor that has a relatively crucial role in the production process, because it is common for finance to be the main trigger in various aspects of life, of course, every entrepreneur expects capital that is relatively easy so that the process of establishing his business is not hampered by capital. Without sufficient capital, it will affect the smooth running of the business and accordingly will affect the income earned. (Hariandja, 2018).

MSMEs do not require a very large amount of capital, so financial institutions should be able to provide easier access to MSMEs to obtain business capital. One that can be used as a solution to this problem is to use capital originating from BMT, where in addition to adopting a sharia system that clearly avoids usury and injustice, it is also easier than Banks in general. One of the

obstacles to the inequality and difficulty for financial institutions to issue loans is that there are still many MSMEs that do not have official permits, creating doubts. (Utari and Martini, 2014:).

MSMEs themselves are faced with very complex problems, one of which has quite a negative effect on MSME actors, namely how business owners manage and account for/record all cash flows that run in the business. One of the most visible factors that occur in the current era is because the education level of MSME actors in Indonesia is quite low so it is undeniable that cash flow recording is considered a minor problem for MSME actors, besides that MSME actors still consider that recording cash flow is a very important thing. complicated to do and takes a long time with complicated procedures. Related to the previous problem where MSMEs have mediocre human resource capabilities. One of the factors that play a crucial role in business is human resources (Anggreani, 2013). So far, the development of human resources in MSMEs is the effort of many parties to help develop MSME businesses. This is mostly done by increasing knowledge in several fields such as marketing, production engineering, finance. Meanwhile, the skills of MSME actors themselves or in the field of HR management have received less attention. (Narsa, 2012)

In essence, improving the quality of human resources is crucial for every type of business, this is based on qualified human resources who can master all skill needs and are able to become market leaders on a national and international scale. In addition to the quality of human resources, business owners also provide important roles and impacts for MSMEs where leadership from business owners is the main milestone in selecting and filtering human resources to be employed. (Ramdhansyah & Silalahi, 2013). Good leadership can have a significant impact on the development and growth of a business unit, where from all the limitations that a business unit has, if it has the characteristics of a multi-talented leader, it will provide a bright spot for every problem it has by using its resources. Good leadership can grow good human resources and make the performance of a business unit even better and of course will bring the business to be more classy and prestigious. On the other hand, training is very much needed in an effort to develop human resources, both related to the products of the business or administrative training. The goal is to help MSME owners to manage and develop their business so that in the future it can grow even more. (Widjaja, 2018).

### **Sharia Financial Management**

Financial problems are one of the problems that often arise and are often presented to business units, both large-scale companies and limited to SMEs. In addition, financial problems also often afflict individuals and households, so it is not surprising that the resolution of these problems is very necessary. Financial literacy is closely related to financial management where the higher the level of financial literacy, the better the financial management. Financial management itself can be applied at every level, both within the scope of individuals and companies. In implementing financial management, there are several options that can be applied in a company or financial institution according to the level of need and suitability of the type of entity owned. One of the possible options to be applied in relation to the objective of solving financial problems is sharia financial management, which is a financial managerial activity to achieve goals by taking into account various aspects and principles that have a sharia philosophy. (Suci, 2017)

Every activity related to managing and earning money must be based on the law justified by Islam so that there is a blessing in it. In explaining the financial system with sharia principles, it must be based on the principles set out in the Koran which are then under the auspices of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), namely: (Layli, 2011)

1. Every trade must be based on mutual liking or consensual between the two parties so that the parties do not feel aggrieved or wronged.
2. Enforcement of the principle of justice, both in terms of measurements, scales, currency measurements and profit sharing.
3. Love, help, and universal brotherhood.
4. In trading activities, do not invest in prohibit businesses, such as businesses that damage mental and moral values, such as drugs and pornography. Likewise, trade commodities must be halal and good products.
5. There should be no elements of usury, maysir and gharar.
6. Do not interfere with worship to Allah and all buying and selling activities must be intended to get blessings and in the name of Allah.

The concept of Islamic financial management itself is closely related to the concept of sharia consumption where one of them is prioritizing needs over wants or commonly called daruriyah needs. Daruriyah needs become the level of needs at the primary level. If this level of need is not met, it will threaten the safety of mankind both in this world and in the hereafter. From this explanation, in spending money and managing finances, it is possible to prioritize primary needs first. One of the scopes in Islamic finance and Islamic financial management is the process or method of obtaining the finance/property. In Islam, property has a very unique nature where every property we have in this world belongs to Allah. So the way to get it must be in accordance with the ways that have been approved by Allah. (Husen, 2017).

An important aspect in Islamic financial management is how someone manages finances where living in the midst of digital sophistication currently requires a mature strategy in managing finances and assets, including investing. Sharia investment is a business carried out by a person by investing his capital in a company or business that is in accordance with sharia principles with the aim of obtaining profit and social benefits. Investment is often interpreted as an activity to set aside some funds to be placed in investment facilities in the hope that later they will be able to reap economic value in the future. Universally, investors will determine in the process of investing their funds with financial considerations, namely considering only returns and risks. However, as Muslims, we cannot solely invest the wealth we have with the point of view of how much profit will be obtained later, but there are procedures that have been recorded regarding how a Muslim invests his property. (Syarif and Budhiningsih, 2009).

In modern times, Muslims actually have more choices to invest their wealth either through the capital market or individually or with experts so there is no reason for them to make investments that are prohibited by religion. The main purpose of investing this property in accordance with the path justified by Allah is to protect and keep us away from the injustices that we consciously or unconsciously do. The other goals of Islamic investment or sharia investment are the creation of continuity in investment, the creation of maximum profit or the expected profit (actual profit), the creation of prosperity for shareholders, and the contribution to the development of the nation. (Purwanti, 2012).

### **Application of Islamic Financial Management in MSMEs**

Talking about the financial condition of MSMEs cannot be separated from the problems that continue to stick out and raise question marks in it. This problem does not just arise due to the administrative complexity in managing the business, but the problem arises from how MSME actors do not understand the financial management they generate from each sale and purchase

transaction. The reason is that the financial cases that occur to MSME actors are not only limited to wrong and less significant management, but the lack of knowledge they get in the process of recording transaction activities on every sale and purchase they do, as a result, the recording becomes neglected, expenses and income become unstable, the flow of cash flows with unclear directions, even though there are many ways and options that can be done by MSME actors in an effort to implement accounting, namely accounting that can be used easily to understand and understand. (Yuniarta, 2017).

One of the reasons MSMEs ignore this is due to the assumptions of those who consider the accounting application difficult. In fact, several studies explain that applying accounting to MSMEs is not as complicated as accounting for large companies. In implementing recording, MSMEs must pay attention to several aspects. First, MSME actors must record every expenditure that occurs every day, month, even yearly. Expenditures that are recorded are operational costs, purchases of raw materials, to the salaries of the employees which then the process can be grouped into one table with the aim of knowing how much money has been spent. Second, as important as recording the expenses of the MSME owners, MSMEs must record all income generated from the sale of a product and service offered in another notebook or on another sheet in the same book. Third, to combine both expenditure and income records, MSME actors must also have a ledger to find out the benefits derived from these business activities. Fourth, MSME actors must have a book that records the stock of goods whose main purpose is to provide information regarding the availability of goods, especially in the field of buying and selling. (Hidayat, 2014)

Living in the current era of digitization is actually very easy for MSME actors to do bookkeeping. This is because there are many applications offered through smartphones in carrying out the bookkeeping or recording process, and in operation it is also fairly easy and can be downloaded for free. One of the main factors for MSME actors apart from the difficult and complicated implementation is that not a few MSME actors are unfamiliar with technology or in other languages, so that their smartphones are not able to provide advantages that can help in improving their MSMEs. Basically, MSME actors have two choices in implementing the accounting system they want to implement, namely conventional accounting and sharia accounting. Sharia accounting is an accounting concept, system and technique that helps an institution or organization to keep its goals, functions and operations running in accordance with sharia provisions, able to maintain the rights of stockholders in it and encourage institutions to achieve true prosperity in the world and hereafter.

One of the added values in providing blessings for implementing the sharia accounting system is that there is an element of truth in it. The intended truth is the truth in applying and carrying out the recording process, correct in the transaction process where the goods being traded do not have or contain things that are prohibited by Islam. In Islamic financial management, it has been explained how a person is able to manage the money or assets they have but by using methods that are justified by Allah. The majority of MSME actors do not understand and do not care about this, this is because the income they get is only limited to financing their daily lives and little to fulfill their wishes. The rules and rules of consumption in the Islamic economic system adhere to the notion of balance in various norms of life, so that MSME actors can balance their needs and invest. In this phenomenon, MSME actors can use their investment costs as initial capital in increasing the existing MSMEs or creating other types of businesses that can increase income. (Syafriada, 2014).

In an effort to obtain finances and enrich themselves, actually one of the most important factors is how the person tries so that if MSME actors do not take actions that have the potential to grow and develop MSMEs themselves, then it can be said that MSMEs that are owned forever are like walking in a different place. without new transformations and new colors, therefore investment is very important as an effort to change new colors for MSMEs. Actually, there are many strategies for MSMEs to take investment actions, one of which is by entrusting the money to the BMT which will then be managed to invest in other customers with a profit-sharing system, or BMT being a bridge between sahi al- mall and mudarib. Small capital is the reason for MSMEs not being able to invest, but actually there are many types of investments that MSME actors can make to increase their income. Investment in Indonesia itself has begun to be glimpsed so that it has popularity from various circles, even at the student level.

Very limited capital with a minimal amount is no longer an obstacle in investing at this time because there are many options offered to many people in growing their capital to invest. One of the investments that can be made with minimal capital is gold. It is unavoidable and undeniable that gold is one of the elements that can be invested, but the main trigger is the price of gold which is not cheap so to have it only from certain circles, but in buying gold we can pay attention to the karat . Investing money in gold is easier, this is because gold does not have so many regulations that make it difficult for people, especially the middle and lower classes. It is also certain that the value of gold will continue to rise and is relatively stable every year so that MSME players will feel calm and safe because they invest in gold. Investing or investing can be done in MSMEs, but this type of investment is not as easy as investing in gold because there are so many calculations that must be done starting from how much capital must be invested, how much profit will be achieved, and what if it collabs later, so that SMEs must be very careful in making investments. ( Naili Rahmawati, 2015)

One of the main factors that can be used as a leap in investing in MSMEs is how the quality of the human resources of the business itself is in carrying out its business activities, the more serious and determined a person is in running his business, it is possible that the business will be bigger and increase its level. On the other hand, what must be considered is the estimate for carrying out the investment. This is because MSMEs do not have official regulations in investing, so that both parties must agree on the value of the profits given by investors so that neither party feels disadvantaged. In addition to the two financial problems above, MSME actors must also be able to choose from which side of the source of capital they will receive, as Muslim MSME actors we are required to obtain business capital that is far from usury. Riba is an economic activity that is hated by Allah and His Messenger so that transactions relating to usury are unlawful. One of the reasons why usury is prohibited is that there is an element of injustice in it, and usury can also be the root of every financial problem you have.

According to sharia, there are many ways that entrepreneurs do in obtaining capital but not all of them can be found and applied in Indonesia. However, there are two institutions which in general have spread to all regions and villages to make it easier for MSME actors to obtain capital and loans, namely BMT and also sharia cooperatives. According to several experts, BMT is a microfinance institution that includes investment, investment and in its operations BMT has two unique characteristics, namely profit oriented and social oriented. From the understanding and also its function, it can be said that BMT is a financial institution that provides capital to all MSME actors on the basis of Islamic values and sided with the community. In capital loans, BMT uses a profit-sharing system in which the BMT lends money to customers but with an agreement that the profits will be divided according to a predetermined agreement. (Ulfah, 2016)

However, for MSME actors who borrow money from banking or small-scale financial institutions, it is not easy because there are several conditions and procedures that must be met, including the eligibility for borrowers to obtain these funds. One factor that is always taken into consideration by BMT is the ability of MSME actors to manage the capital they borrow, because not a few borrowers commit fraud in minimizing returns. These two factors make BMTs have to be extra tight in funding MSME actors, so MSME actors are advised to be serious in applying for their loans and fully committed to making profit sharing returns that have been agreed upon by both parties. The application for a loan to BMT itself does not have as much difference as borrowing from a banking financial institution, it's just that in applying for a loan to a sharia microfinance institution, the loan limit will also be smaller than that of a bank. In addition, in determining the feasibility of providing loans, it is also not like in banking which explores financial capabilities in depth. Indeed, Islamic financial institutions have provided many MSME actors to obtain business capital so that MSME actors can develop their businesses without having to use usury.

### **Benefits of Islamic Financial Management for MSMEs**

Islamic finance management is a concept that aims to provide convenience to economic actors in managing the income they get from buying and selling activities or other economic activities. Several elements that include in financial management activities are how to get money to how to manage and use the money as described above. From the explanation above, it is found that there are several benefits of implementing Islamic financial management, especially for MSMEs. One of the important elements in Islamic financial management is the importance of someone recording all the transaction activities they carry out where the aim is to control the financial flows that occur in carrying out economic activities or buying and selling. The benefit of writing down all transaction activities according to Maqasid Syariah is to maintain the assets that have been obtained. One of the benefits of implementing sharia financial management is to assist Muslims in managing the assets entrusted by God to humans in ways that are in accordance with sharia provisions as well. It is undeniable that the existing economic system in Indonesia is more in favor of big business actors and not so in favor of MSME actors. So that Islamic finance becomes one of the solutions in an effort to improve the business quality of MSME actors in Indonesia. One of them is the number of BMTs or sharia cooperatives operating in Indonesia that provide convenience, and all existing regulations are in favor of the lower middle class. This is one of the benefits obtained from implementing Islamic financial management where the elements in getting their assets are human values and are far from tyrannical. (Antonio, 2018)

Connection Among Institution Finance Sharia (LKS) and MSME very important for noticed. Thing this because MSME is effort which managed by small entrepreneurs, and with small capital, but has a major contribution as one of the pillars of the Indonesian economy. On the other hand, they are vulnerable businesses due to lack of access to capital, small production capacity and relatively narrow market share. Capital is one of the main problems of MSMEs. On the other hand, the Institute Finance Sharia (LKS), no only oriented on search only profit, but also has a human side, namely empowering para businessman SMEs. T posts this describe connection mutualism symbiosis between Islamic financial institutions and MSMEs. Some of the things that this paper wants to raise are the definition of LKS, the development of LKS, the form of empowerment that can be used carried out on MSMEs and the potential for collaboration between LKS and MSMEs. Islamic Financial Institutions have a big role in raising funds from Public and then channel it as capital effort, thus creating economic growth. This illustrates how financial institutions play a role very important in development economy country. With capital, can change object which no



beneficial Becomes object which beneficial. An example is a vacant lot, it only has potential, but cannot be taken advantage of. The land can only be productive if there is capital. For example, turning the vacant land into a plantation area or shop-house building.

The problem is that for access capital the relatively difficult carried out by small or micro businesses, due to several things, such as;

1. System administration bank which convoluted and require existence collateral commensurate with the money lent.
2. Perpetrator effort small on generally is group root grass from people who are not familiar with the technical languages of banking.

This is where the role of Islamic financial institutions in the future, namely the ability to reach the lower class without any mechanism that is too heavy and language that is easier to understand. In fact, the amount of funds raised by financial institutions in Indonesia is relatively large, and if all of them were allocated to MSMEs, it would be more than sufficient. for more empower MSME the. As reported from News One with Title “Total Assets Institution Finance Achieved Rp. 7,800 T trillion rupiah”. From the total amount of Rp. 7,800 trillion in total financial assets, the portion owned by Islamic financial institutions is only 3.49 percent, while the amount of bank financing in MSME sector Keep going experiencing growth. On the year 2021 amounted to 633.945 trillion, to 737.355 trillion in 2009, and in 2010 experienced an increase of 926,782 trillion. The increase in assets and financing for MSMEs does not only occur in conventional banks, but also in LKS. For example, the number of Islamic Commercial Banks increased from 2 bank in year 2000, increase Becomes number 1 89 in 2022. Asset which owned by the institution finance sharia even also experience progress from time to time. On year 2022 recorded amount the asset 876 trillion, with total collection fund from party third number 1 16 trillion and total financing of 106 trillion. Amount the development from times previously (Laskmana, 2019)

Mechanism Mudharabah and musyarakah financing can be used for business financing in any form, whether in the form of manufacturing, agriculture, and other etc. During no contrary to sharia Islam (for example, funds are not allowed to be used for pork slaughter business). Banking financing sharia in Indonesia, based on data from Service Authority Finance period 2021, grew positively that is as big as 36.22 percent or as big as 567.87 T trillion. Based on data which got from Authority Service Finance (OJK) for the 2021 period, the amount of financing for various types of sectors has increased to 321.175 trillion Rupiah and the trend is still increasing from year to year. The thing this could be seen and compared with previous years. In 2020, the amount of financing in various economic sectors as big as 134.886 trillion, and in the year of 2018 increased to 212,987 trillion.

The 1997 monetary crisis made many people aware of the importance of developing an economy based on effort in sector real, that is sector effort which is real movement in the midst of society, such as agriculture, traditional trade, cooperatives, small industries, and so on. Development is no longer left to the financier big but to various parties, especially Effort Micro, Small and Medium or SMEs. During this MSME difficult accept help in field capital. There is There are several reasons why capital from conventional banks is dominated by conglomerates. It is an open secret that entrepreneurs who are close to power (public policymakers) have easier access to sources of capital, thus sacrificing capital that should be aimed at small and medium-sized entrepreneurs. Capital is often allocated to things that character nonproductive and non-real benefits that benefit many people, but to speculative businesses in the amount of billions of rupiah, causing the collapse of the private sector in 1997-1999 due to the soaring interest expense.

At that time, many banks experienced setbacks due to bad loans caused by a lot of burden accounts receivable which no one can pay consequences because of the monetary crisis. This is the basis for the government at that time in taking policy for pouring out funds to help liquidity BLBI (Help Bank Indonesia liquidity). This is different from Islamic financial institutions such as BMT, which issue financing to the real sector for MSMEs. MSMEs are resistant to crises because there are several factors, such as MSMEs being able to produce goods, consumption, and services that are very close to the needs of the community and MSMEs' ability to utilize local resources, such as human resources, raw materials, equipment, and capital.

Empowerment of the MSME sector in addition to benefiting both parties also benefits the state ideology which is civic understanding and national resilience against crisis finance. With empowerment in the sector real, so economic production and distribution will increase and can be enjoyed equitably and significantly. Therefore, financial institutions are needed that are easily accessible to the perpetrator's effort small. In here role from the institution finance sharia required, that is to collect funds from Public in the form savings, then channel it in the form of loans or capital. Islamic financial institutions apply a profit-sharing system which in this system does not allow borrowing for real non-business needs because conception financing mudharabah only possible if party the borrower needs capital for effort. From effort which developed the, generate profits, and profits from the business are divided according to the mutually agreed agreement (akad). Based on these assumptions, this profit-sharing system cannot be applied to prospective borrowers to meet consumptive needs, like School Tuition especially just for buy dress for Eid. This lending scheme is not through a mudharabah financing scheme, but through a murabahah (contract sell buy) as well as can also with qardh contract al-hasan or loan pure non for results, where return only debt tree just. (Wrihatnolo & Dwijowijoto, 2017)

Institution finance sharia mature this still just as alternative in Public but ideally future must Become as solution main in alleviation poverty, enhancement economy Public and empowerment SMEs. Islamic financial institutions also adhere to the principles of justice and equality between institutions which give loan with para its customers, different with conventional bank because loan bank conventional enforce flower which at all no see how results effort (profit) which obtained by customer. This is because conventional banks do not apply a profit-sharing system contract. In addition, orientation bank sharia not always profit oriented, but for destination social. Ability institution finance sharia in serve sector effort real here which is really needed by the government. Trust in financial institutions (including owned banks by the government) in providing credit to small entrepreneurs does not arise based on empty ideas but is based on experience. At the international level, starting when Muhammad Y Unus, a winner Nobel Peace, set up bank specifically for small business financing, through Grameen Bank. (Imtihan and Nazaruddin, 2018:).

The urge to empower the MSME sector by Islamic financial institutions is greater than that of conventional banks. Because the principles used are Islamic values, where the element of defense of the weak (mustadh'afin) is more take precedence. Besides that there is ambition Islam which need noticed by economic activist sharia, that is principle "like laa duality baina aghniyaa-i minkum" which means so that so that treasure no turn between people rich between you (Surat al-Hashr: 7). In the future, financing for underprivileged small businesses has the potential to be developed based on these Islamic values. This has been done by Islamic financial institutions. Some of the Islamic financial institutions carry out organizing in several lower-middle business groups. They organize borrowers and provide financing assistance soft. The goal for strengthen capacity they in Thing planning effort in scale micro. So that, LKS (Institution Finance Sharia) can play a role as wrong one partner Entrepreneur small or micro, no only provide light capital

assistance, but also provide guidance and empowerment to the grassroots level. Presence institution finance sharia which easy accessed plus credit micro which held by government, for example program KUR (People's Business Credit), will gradually reduce the practice of moneylenders in the midst of society. So that Here, there is cooperation between the government, BUMN and the private sector (including Islamic financial institutions), to eradicate the practice of moneylenders, as well as empowering small and micro entrepreneurs.

Eradicating crimes committed by moneylenders is very important to practice, the article is that if the practice of loan sharks continues for a long time, many people will be trapped into misguided things, people who borrow through moneylenders will get the same reward as people who lend money, it is nothing but not caused by the high interest set by the loan sharks, while interest in Islam is strictly prohibited because it is included in the category of usury, and usury is a very unjust thing, so to eradicate all that it is necessary to have more existence for Islamic financial management to be able to attract the interest of customers is more, so that the financial solution for those in need is based on sharia finance. In practice, Islamic financial management is very important to implement, without a basis for financial management, the finances obtained do not have a definite flow to the circulation of the money, the same is the case with MSMEs in Indonesia, if a business or business is not based on financial management. If it is good, the financial cash flow will also be unclear, so that as a result, expenses are more than income, it is not surprising that many businesses or businesses have gone bankrupt due to lack of proper financial management. In Indonesia, which is predominantly Muslim, it is necessary to apply Islamic financial management to its financial management, this is based on the fact that this application is able to deliver virtue to the manager, and is able to get closer to the path that has been determined in accordance with sharia principles. Financial management based on sharia principles is the initial foundation for Muslims in running their business, when referring to sharia principles, it is not just a way of managing it which must be in accordance with the provisions and teachings of Muslims, but also how to get it, how to manage it and where the money goes. it is issued and consumed, so to make it happen, it is necessary to have a basic insight into good financial management.

#### **4. Conclusions**

Indeed, MSMEs which are one of the pillars of the economy in Indonesia can be a solution to every problem that Indonesia has, but the fact is that MSMEs themselves have many problems in their operation, especially in financial management. Islamic financial management provides a way out where MSMEs should be able to develop themselves with systems that have been determined by sharia in their financial management, starting from the process of obtaining capital that is not troublesome and in favor of MSME actors and also the process of recording every transaction which aims to find out everything. cash flow running on MSMEs.

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