

Strategy for Innovation and Empowerment by BMT for MSMEs in Wonogiri for 2019-2022

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ABSTRACT

The research objectives include: a) To find out the role of BMT in carrying out innovation and empowerment of Wonogiri SMEs in 2019-2022; b) To find out the constraints of BMT in carrying out innovation and empowerment of Wonogiri SMEs in 2018-2022. The type of research the researcher uses is descriptive-qualitative to understand phenomena regarding the research subject, such as the behavior and ways of words and language researchers in a particular (natural) context using various natural methods. Sources of data used in qualitative research are humans as respondents. Data collection techniques through; a) Interviews/interviews, b) Observations, c) Documentation. In this study, the data analysis technique used by the researcher used the Miles and Huberman model. Data analysis in qualitative research is carried out at the time of data collection and after the completion of data collection within a certain period. The results obtained are BMT Mitra Mandiri in empowerment through training carried out by BMT Mitra Mandiri by collaborating with Human Resources companies. Constraints obtained are intense competition, customers being late in making installments, dishonesty committed by customers where the submissions are not by the implementation in the field, and the marketing process is challenging to motivate MSME actors to carry out innovation strategies so that consumers gain confidence to make purchases.

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1. Introduction

A very fundamental economic role cannot separate the stability of a country. The country's development and growth are viewed from its economic aspects or indicators. The growth of an economy originates from developments in the real sector related to every business actor, both large-scale (multinational) or macro and micro companies. Business actors are actors and benchmarks for driving a country's economy to experience economic growth[1].

Factors causing an economy's growth include financial institutions, which have a significant role in the development and growth of modern industrial society. Large-scale production of investment needs also requires significant sources of capital. Therefore, large sources of capital can only be resolved through the role of financial institutions[2].

Financial institutions are a measure for every business actor to obtain additional capital with a loan or credit mechanism with a saving mechanism so that it has an economic impact on the distribution of economic resources in society[3].

The BPS (Central Statistics Agency) provided the results of a survey conducted in August 2020 regarding the number of poor people with the criteria of monthly per-capita spending below the Indonesian poverty line with a figure of 26.58 million/person (10.12%), experiencing a decrease of 1, 19 million/person in February, namely 27.77 million/person (10,645).

One of the efforts to overcome poverty is to carry out a strategy of innovation and empowerment through financial service providers for people in the small sector who do not yet have access to optimally use banking facilities in the form of financing or credit[4].

Islamic Microfinance Institutions (LKMS) are financial institutions with activities to collect and distribute profit-based public funds or informal non-banking Islamic financial institutions. An Islamic microfinance institution is based on the people's economy to connect productive and investment businesses in increasing small-scale business actors based on Sharia principles and cooperatives.

Bank Muamalat has an alliance program using Sharia micro-networks (BMT) as one of the channeling strategies for financing. Linkage is the principal strategic program with the MSME business target. The collateral provided for this program is limited, small scale, not incorporated, far away, and has weak administration. The presence of BMT in helping MSMEs is an effective and efficient step because it acts as a mediation between the MSME sector and Islamic banks. The characteristics of BMT are following the needs of MSMEs, which provide savings, financing, payment, and deposit services and serve MSMEs based on contextual and flexible procedures and mechanisms[5].

The innovative strategy undertaken by BMT is to increase the distribution of productive financings such as mudharabah or deliberations. BMT provides assistance, counseling, and supervision of micro businesses. BMT provides exceptional training in the form of knowledge and skills for business actors. Products from the community are assisted so that they follow current needs. BMT helps develop service quality.

Research observations on Wonogiri SMEs from 2019-2022 in the culinary sector have several obstacles, including insufficient capital strength due to a 2-year pandemic, insufficient skills that are not strong, and quality human resources in managing a business that is still lacking. In addition, MSME business actors experience problems accessing information and productive resources such as technology, so development experiences obstacles.

The services provided by BMT are focused on empowering and developing productive businesses and investing in improving the economic quality of small entrepreneurs. BMT has a philosophical foundation with an empowerment orientation so that partnerships are formed essentially with customers. This makes other financial services different from both sharia and conventional types, which focus more on the profit side or profit sharing with a high percentage[6].

BMTs have the capital to compete with other financial institutions as an alternative. This is due to support from the local government in developing an Islamic cooperative. However, there are still obstacles faced by BMTs, namely capital difficulties, the limited number of human resources who have competency certification in the fields of cooperatives and Sharia finance, public understanding of the Sharia financial system, which is still very low, and the weakness of the supervisory system carried out by cooperative supervisory authorities. For this reason, a BMT business development strategy is needed by increasing HR capabilities, strengthening cooperative business management, and educating the community through collaboration with community leaders and religious leaders. Apart from that, the provision of human resources, strengthening of supervisory and supervisory authorities, and facilitating the DPS certification process carried out by the government and related authorities, are essential for BMT[7].

This MSME empowerment is adjusted to the potential, problems, and characteristics following the MSME empowerment program in small and medium industrial areas. This empowerment model is beneficial because it is very different from the community's process.

The data researchers found from the Wonogiri Regency Government explained that from 2019 to 2020 until now, MSMEs have experienced extraordinary developments in several sub-districts in Wonogiri. This development is good news because the COVID-19 pandemic has hit many people who have experienced losses in doing business. Apart from that, we buy from people who have also decreased. It was explained that as many as 163,713 MSME actors suffered losses due to the pandemic (<https://wonogirikab.go.id/>). One of BMT's strategies to help MSMEs due to the pandemic is by adding capital through the BRI Syariah (BSI) collaboration. Besides that, they also assist customers when starting a business.

Based on the explanation of BMT's strategy of innovation and empowerment, the authors will conduct research related to the concept of financing by BMT, financing practices, and the parties' responsibilities in financing. As a result, researchers will conduct research with the title "Innovation and Empowerment Strategy by BMT for MSMEs in Wonogiri in 2019-2022".

2. Method

The type of research used by researchers is descriptive-qualitative to understand phenomena regarding research subjects such as behavior and ways of words and language in a particular (natural) context using various natural methods[8].

Researchers work to adjust the field of study that is the object of their research. The researcher works by collecting cumulatively inductive data, which will produce a complete report. Reporting is made by similar grouping data and given a different code. The data were collected by way of interviews (interviews), observation (observation), and documentation (collection of evidence, selection, processing, and storage of information).

In this study, the data analysis technique used by researchers used the Miles and Huberman model. Data analysis in qualitative research is carried out when data collection takes place and after completing data collection within a certain period. At the time of the interview, the researcher analyzed the answers interviewed. Miles and Huberman suggest that activities in qualitative data analysis are carried out interactively and continuously until complete so that the data is saturated. Data analysis activities include data reduction, display, and conclusion dropping/verification[9].

3. Results and Discussion

A. The Role of BMT in Implementing Innovation and Empowerment of Wonogiri MSMEs in 2019-2022

Based on the results of research conducted by researchers regarding the role of BMT Mitra Mandiri in innovating and empowering MSMEs in Wonogiri in 2019-2022, 10 MSME data were obtained as samples, including:

Table 1. SMEs Wonogiri 2019

Type of business	Daily Operating Results (Rupiah)	Funding Amount (Rupiah)
Food stalls	500,000	100,000,000
Laundry	800,000	2,500,000
Mini Poms	450,000	2,000,000
Snack Stall	500,000	2,000,000
Small Stall	170,000	1,500,000
Small Stall	150,000	1,000,000
Game Rentals	100,000	500,000

Seamstress	75,000	2,000,000
Culinary	1,000,000	3,000,000
Uduk Rice Shop	70,000	2,000,000

Source: Primary Data 2022

Based on Table 1, the selection of MSMEs is based on the cooperation of BMT Mitra Mandiri in terms of business type, address, business results, and amount of financing. The 10 MSMEs presented by researchers represent several MSMEs, and these 10 MSMEs have also experienced changes in income from 2109-2022. Some MSMEs with high financing have high incomes, such as laundry businesses, food stalls, and culinary. Small financing, such as Pom Mini and culinary, also earns a high income. There are several MSMEs with significant financing but a small income, such as tailors, nasi uduk stalls.

Based on the results of research conducted by researchers in the form of interviews related to the empowerment carried out by BMT Mitra Mandiri towards MSMEs, namely by coaching and funding based on the Sharia system. The purpose of BMT Mitra Mandiri is to collect funds from the community and distribute funds to the community. In addition, BMT Mitra Mandiri develops production and investment businesses to improve economic activity quality.

The quality of economic activities carried out by BMT Mitra Mandiri is to encourage saving activities and support economic financing. BMT Mitra Mandiri, in supporting the economic activities of its customers, has murabahah, mudharabah, deliberation, and multi-service ijarah funding products. With so many products owned by BMT Mitra Mandiri, people are more interested in murabahah financing. Murabahah financing carried out by BMT Mitra Mandiri is the procurement of consumptive business goods, while financing with the type of mudharabah and deliberation is in the form of cooperation between BMT Mitra Mandiri and customers in business capital. Moreover, BMT Mitra Mandiri products in the form of multi-service ijarah our customer's needs, such as financing for education, hospitals, and others.

Empowerment in the form of training conducted by BMT Mitra Mandiri by collaborating with Human Resources companies. The training provided benefits to customers and BMT Mitra Mandiri members related to financial and business management. The training was also given extensive opportunities regarding input or suggestions [10], [11].

BMT Mitra Mandiri in empowerment also assists in marketing training for MSME products through formal activities by conducting business meetings with community members or through non-formal methods such as recitation and other activities that impact the business being run.

BMT Mitra Mandiri explained that the innovations made to MSME business actors consisted of providing material on product promotion strategies, product quality, market segmentation and also related to financial management to make it easy for business actors to manage incoming and outgoing cash.

B. BMT Obstacles in Implementing Innovation and Empowerment of Wonogiri MSMEs in 2019-2022

Based on research results regarding the constraints obtained, the development of the times and the formation of more financial and non-financial institutions make the competition tighter. Existing or newly formed financial institutions are already a big part of and have much cooperation with several MSMEs in Wonogiri. The problem often occurs when the customer is late making installments for more than three months and still does not make payments, which impacts the flow of money in BMT Mitra Mandiri.

Competition between one financial institution and another has an impact in the form of limited space for marketing. On the other hand, competitors provide more facilities to consumers in terms of terms, processes, amounts, and related procedures that are much easier.

The obstacle BMT Mitra Mandiri faces is the form of dishonesty committed by customers where the submissions made are not in accordance with the implementation in the field. This has impacted the delay in installment payments, while BMT Mitra Mandiri has given complete trust to customers during the checking process. The shighat al-'aqd contract is a consent granted. Ijab is the beginning of the explanation from someone who makes a contract to illustrate his desire to hold a contract. Kabul itself is a word issued by the contracting party that is spoken after the consent is made. Explanation of consent granted is the exchange of something with another by involving sellers and buyers of an object being traded.

The obstacles BMT Mitra Mandiri faces include the marketing process because it is difficult to motivate MSME actors to carry out innovation strategies so that consumers gain confidence to make purchases. The innovation strategy provided by BMT Mitra Mandiri aims to create opportunities for business actors and develop from time to time.

The financing that is experiencing problems is the distribution of funds by financing institutions such as Islamic banks in the implementation of financing payments by customers that are not current (jammed), the debtor does not fulfill the conditions promised and does not pay according to the agreed time provisions so that it has negative consequences in the agreement to the parties [12], [13].

Non-performing financing is one of the risks that every bank is aware of because this risk is often also referred to as credit risk. Robert Tampubolon explains that credit risk is the exposure that arises as a result of the failure of the counterparty to fulfill its obligations. On the one hand, this risk can originate from bank functional activities such as lending, treasury, investment activities, and trade finance service activities, which are recorded in the bank's books. On the other hand, this risk arises due to the poor performance of one or more debtors. The debtor's poor performance can be in the form of the debtor's inability or unwillingness to fulfill part or all of the previously agreed credit agreements. In this case, the bank's concern is not only the financial condition and market value of the credit guarantee, including collateral but also the debtor's character.

Based on the facts in the field, BMT has implemented handling of problematic financing by rescuing problematic financing at BMT, ensuring whether it is billed by mail or telephone, making visits to members' homes to find out the reasons for problematic financing, and ensuring that BMT has made efforts to save it through:

a. First, rescheduling is a solution for customers who are unable to pay at the agreed time and amount with reasons acceptable to BMT, then, BMT will make a policy regarding changing schedules, installment times, changing the amount of installments, and extending the installment period. In completing the financing by rescheduling the BMT is not allowed to increase the amount of the remaining financing bills. This is intended to not add to the burden on the customer in determining the payment time, which will be rearranged. It must follow the agreement of both parties and not harm any party.

b. Second, restructuring this solution is given to members who are having difficulty paying installments. The BMT will change the amount of the financing ceiling, namely reducing the amount of the payment ceiling.

4. Conclusion

In the economic sector, BMT Mitra Mandiri also has an economic empowerment program for the poor. Al-Qordh products are referred to as the poor with business potential but not strong in terms of capital. Apart from that, BMT Mitra Mandiri also provides business training regularly (continuity). All implementations of the products in BMT Mitra Mandiri by looking at the characteristics of the customer. Empowerment in the form of training conducted by BMT Mitra Mandiri by collaborating with Human Resources companies. The training provided benefits to customers and BMT Mitra Mandiri members related to financial and business management. The training was also given extensive opportunities regarding input or suggestions. After being empowered and innovated by BMT Bina

Mandiri, there was a change in income earned by business actors. The increase in income obtained is around 50% -100%.

Obstacles obtained are that the development of the era and the formation of more and more financial and non-financial institutions make the competition tighter. The problem often occurs when the customer is late making installments for more than three months and still does not make payments, which impacts the flow of money in BMT Mitra Mandiri. The obstacle BMT Mitra Mandiri faces is the form of dishonesty committed by customers where the submissions made are not by the implementation in the field. The obstacles BMT Mitra Mandiri faces include the marketing process because it is challenging to motivate MSME actors to carry out innovation strategies so that consumers gain confidence to make purchases. The innovation strategy provided by BMT Mitra Mandiri aims to create opportunities for business actors and develop from time to time.

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