

THE ROLE OF ISLAMIC BANKS IN PROMOTING THE GROWTH OF MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES (MSMEs) IN INDONESIA (A REVIEW OF THE MAQASHID AL-SHARIAH)

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Abstract :

This study aims to analyze the role of Islamic banks in promoting the growth of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia from the perspective of maqashid sharia. This research employs a qualitative descriptive approach using literature review and secondary data analysis obtained from the Financial Services Authority (OJK), Bank Indonesia, and relevant scientific publications from 2018–2023. The results indicate that Islamic bank financing, particularly through murabahah, musyarakah, and mudharabah contracts, significantly contributes to improving MSMEs' access to capital and fostering economic justice. However, challenges remain in terms of low Islamic financial literacy and the dominance of sale-based contracts over profit-sharing schemes. This study is expected to provide academic and practical contributions to the development of Islamic banking oriented toward public welfare

Keywords: *Islamic Banking, MSMEs, Sharia Financing, Maqashid Sharia*

المخلص:

يهدف هذا البحث إلى تحليل دور البنوك الإسلامية في تعزيز نمو المشاريع الصغيرة والمتوسطة في إندونيسيا من منظور مقاصد الشريعة الإسلامية. طريقة البحث المستخدمة هي (UMKM) نهج وصفية نوعية من خلال دراسة المراجع وتحليل البيانات الثانوية المستمدة من تقارير هيئة الخدمات وبنك إندونيسيا، بالإضافة إلى المنشورات العلمية ذات الصلة للفترة 2018– (OJK) المالية أظهرت نتائج البحث أن تمويل البنوك الإسلامية، لا سيما من خلال عقود المراجحة والمشاركة. 2023. والمضاربة، له مساهمة كبيرة في تحسين وصول الشركات الصغيرة والمتوسطة إلى رأس المال ودعم تحقيق العدالة الاقتصادية. ومع ذلك، لا تزال هناك عقبات تتمثل في انخفاض مستوى المعرفة المالية الإسلامية وهيمنة عقود البيع والشراء مقارنة بالعقود القائمة على تقاسم الأرباح. من المتوقع أن تقدم هذه الدراسة مساهمة أكاديمية وعملية في تطوير الصيرفة الإسلامية التي تركز بشكل أكبر على مصلحة المجتمع.

الكلمات المفتاحية: البنوك الإسلامية، الشركات الصغيرة والمتوسطة، التمويل الإسلامي، مقاصد الشريعة

Abstrak :

Penelitian ini bertujuan untuk menganalisis peran bank syariah dalam mendorong

pertumbuhan Usaha Mikro, Kecil, dan Menengah (UMKM) di Indonesia dengan menggunakan perspektif maqashid syariah. Metode penelitian yang digunakan adalah pendekatan kualitatif deskriptif melalui studi kepustakaan dan analisis data sekunder yang bersumber dari laporan Otoritas Jasa Keuangan (OJK), Bank Indonesia, serta publikasi ilmiah terkait periode 2018–2023. Hasil penelitian menunjukkan bahwa pembiayaan bank syariah, khususnya melalui akad murabahah, musyarakah, dan mudharabah, memiliki kontribusi signifikan dalam meningkatkan akses permodalan UMKM serta mendukung terciptanya keadilan ekonomi. Namun demikian, masih terdapat kendala berupa rendahnya literasi keuangan syariah dan dominasi akad jual beli dibandingkan akad berbasis bagi hasil. Penelitian ini diharapkan dapat memberikan kontribusi akademik dan praktis dalam pengembangan perbankan syariah yang lebih berorientasi pada kemaslahatan umat.

Kata kunci: *Bank Syariah, UMKM, Pembiayaan Syariah, Maqashid Syariah*

INTRODUCTION

The development of the Islamic economy in Indonesia shows a positive trend in line with growing public awareness of financial systems that comply with Sharia principles. As one of the main pillars of the Islamic economy, Islamic banks not only function as financial intermediaries but also play a social role in promoting economic justice and welfare. The existence of Islamic banks is expected to provide solutions to the financing challenges faced by the MSME sector.

SMEs are a sector that makes a significant contribution to the national economy, both in terms of employment and the generation of Gross Domestic Product (GDP). However, limited access to formal financing sources remains a major challenge for SMEs. In this context, Islamic banks offer a financing system based on partnership and fairness through the profit-sharing principle.

Success in the banking industry can be attributed to how banks maintain relationships with customers and understand their needs. For banks, micro, small, and medium-sized enterprises (MSMEs) represent a relatively promising market. Small and medium-sized enterprises (SMEs) serve as the backbone of economic activity in the effort to restore economic conditions. MSMEs have an extensive network across the country, enabling citizens to reach and develop their potential, which in turn allows the community to enjoy a better and more advanced life. Micro, small, and medium enterprises (MSMEs) are a sector facing numerous development challenges, ranging from product sales to investment issues.

The Maqashid al-Sharia serve as a crucial conceptual framework for assessing the extent to which Islamic banking activities align with the primary objectives of Islamic law – namely, safeguarding religion, life, intellect, lineage, and wealth. Therefore, this study aims to examine the role of Islamic banks in supporting SME growth in Indonesia from the perspective of the Maqashid al-Sharia.

RESEARCH METHOD

This study employs a qualitative method with a descriptive approach. The data used consists of secondary data obtained from reports by the OJK and Bank Indonesia, textbooks on Islamic economics, and national and international academic journals. Data collection was conducted through documentary research, while data analysis utilized content analysis.

RESULTS AND DISCUSSION

The Development of SME Financing by Islamic Banks

The development of SMEs in Indonesia's Islamic banking sector shows positive growth, driven by increased awareness of Sharia principles and the focus of banks such as Bank Syariah Indonesia (BSI), which is increasing financing and helping SMEs advance through digitalization and exports. Although the disbursement of financing to productive SMEs remains low, Islamic banks offer working capital financing, mentoring, and digital marketing to support SMEs, in line with the overall growth of the national Islamic financial assets.

SMEs are the most common type of business in Indonesia and can employ a large number of people. The process of developing these SMEs requires significant funding, so many SMEs obtain financing through bank loans, from both private and state-owned banks.

Table 1. MSME Criteria

Business Scale	Criteria	
	Assets	Annual Revenue
Micro Enterprise	Maximum IDR 50 million	Maximum IDR 300 million
Small Enterprise	> IDR 50 million - IDR 500 million	> IDR 300 million - IDR 2.5 billion
Medium Enterprise	> IDR 500 million - IDR 10 billion	> IDR 2.5 billion - IDR 50 billion
Large Enterprise	> IDR 10 billion	> IDR 50 billion

Source: www.depkop.go.id

Key Trends in the Development of Sharia SMEs:

1. Growth in Financing
 - a. BSI as a Pioneer: Bank Syariah Indonesia (BSI) has recorded significant growth in SME financing, demonstrating the sector's positive potential.
 - b. Priority Sectors: Sharia financing primarily targets the trade, agriculture, halal food and beverage, and healthcare services sectors.
2. Focus on Empowerment and Upgrading SMEs

- a. More Than Just Funding: Sharia banks provide more than just financing; they also actively mentor, build capacity, and assist with marketing to help SMEs compete globally.
 - b. Digitalization and Exports: BSI and other Islamic banks are driving the digitalization of services and involving SMEs in international events to open access to export markets.
3. Islamic Bank Strategies
- a. Working Capital Financing: Working capital financing is a key focus, utilizing contracts such as murabahah, ijarah, and musyarakah.
 - b. Digital Platforms: Providing digital channels and supporting tools to enhance operational efficiency and market reach.
 - c. Halal Ecosystem: Building a robust Islamic financial ecosystem to support SMEs across the entire halal industry value chain.
4. Challenges and Opportunities
- a. Significant Opportunities: Many SMEs remain underserved by conventional banking, creating significant opportunities for Islamic banks.
 - b. Efficiency Challenges: Sharia banking must continue to improve efficiency to remain competitive against conventional banking, especially during economic instability

Thus, the development of MSMEs in Islamic banks shows a positive trend with increased financing and inclusive services, driven by the commitment of banks such as Bank Syariah Indonesia (BSI) to empower MSMEs through financing, digitalization, and market access, making them the driving force behind the people's economy

Based on data from the Financial Services Authority (OJK) on Islamic Banking Statistics, SME financing by Islamic banks has shown an upward trend during the 2018–2023 period. This increase reflects the commitment of Islamic banks to supporting the real sector and productive community enterprises.

Table 2. Development of Islamic Bank SME Financing in Indonesia

Year	Total Financing (IDR Trillion)	Growth (%)
2018	112.5	–
2019	118.9	5.7
2020	120.4	1.3
2021	127.6	6.0
2022	134.2	5.2
2023	142.8	6.4

The data shows that despite the economic slowdown caused by the COVID-19 pandemic in 2020, SME financing by Islamic banks continued to experience

positive growth. This demonstrates the resilience of the Islamic financing model.

Analysis of Financing Contracts

SME financing at Islamic banks is still dominated by murabahah contracts. This is due to the relatively low risk level and the certainty of profit margins for the bank. However, the dominance of the murabahah contract indicates that the principle of risk sharing, which is a hallmark of Islamic banking, has not yet been fully optimized.

The musyarakah and mudharabah contracts, which are profit-sharing based, actually better reflect the values of justice and partnership. However, their implementation faces obstacles in the form of information asymmetry, low managerial capacity among SMEs, and limitations in monitoring systems.

A Critical Review from the Maqashid Sharia Perspective

From the perspective of maqashid sharia, SME financing by Islamic banks has contributed to the preservation of wealth (hifdz al-mal) and the improvement of the community's economic well-being. However, the business orientation of Islamic banks, which still tends to resemble that of conventional banks, reveals a gap between ideal objectives and actual practices.

Therefore, there is a need to transform the business model of Islamic banks to focus more on the economic empowerment of the Muslim community, improving Islamic financial literacy, and strengthening partnership-based contracts. This approach not only improves the banks' financial performance but also strengthens the social legitimacy of Islamic banking.

CONCLUSION

Islamic banks play a strategic role in driving the growth of MSMEs in Indonesia through financing that complies with Sharia principles. Although their contribution is quite significant, efforts are still needed to improve Sharia financial literacy and innovate profit-sharing-based financing products. This study recommends that Islamic banks place greater emphasis on the maqashid al-Sharia approach in developing their financing products and policies

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