

## The Effectiveness of Sharia Financing in BMD Syariah on the Development of MSMEs

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### Abstract

This study aims to analyze the effectiveness of sharia financing implemented by BMD Syariah in supporting the development of Micro, Small, and Medium Enterprises (MSMEs). The background of this research is based on the community's need for access to financing that is fair, usury-free, and in accordance with Sharia principles, especially for lower-income groups that formal financial institutions have not reached. The research method employed is a qualitative descriptive approach with a field study design, incorporating observation, interviews, and documentation. The study's results show that Sharia financing in BMD Syariah, through the Murabahah, Mudharabah, Ar-Rahn, and Al-Ijarah contracts, has proven effective in enhancing the business capacity, income, and welfare of MSME actors. However, there are still challenges, including low Islamic financial literacy and the risk of problematic financing. This study concludes that BMD Syariah plays a strategic role in promoting financial inclusion and community economic empowerment, grounded in Sharia values.

### Keywords

Sharia Financing; Sharia BMD; MSMEs; Effectiveness; Microfinance

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## 1. INTRODUCTION

The development of Islamic financial institutions in Indonesia has shown significant progress, accompanied by increasing public awareness of the importance of a financial system based on the principles of justice, benefit, and freedom from the practice of usury. Juridically, this development is strengthened by the existence of national regulations, such as Law No. 21 of 2008 concerning Sharia Banking, which emphasizes that Islamic financial business activities must be carried out in accordance with Sharia principles. (Faisal, 2020)

These principles include the prohibition of *riba*, *gharar*, and *maysir*, as well as an emphasis on the importance of justice and balance in the *muamalah* relationship. In this context, micro-Islamic financial institutions hold a strategic position in supporting equitable economic development, particularly for the lower-middle-income community. (Ibrahim & Salam, 2021)



One of the micro Islamic financial institutions that plays an active role in community economic empowerment is BMD Syariah. This institution exists as an alternative source of financing for Micro, Small, and Medium Enterprises (MSMEs), which often experience limited access to capital from conventional financial institutions. (Yulia, 2018) From the perspective of Sharia economic law, the financing provided by BMD Syariah involves more than a simple creditor-debtor relationship. However, a partnership relationship established through Sharia contracts that are valid and legally binding, both under Islamic law and Indonesian positive law. These contracts are carried out with the principles of willingness (*ridha*), clarity of the contract's object, and fairness in the distribution of risks and benefits. (Rojikin, 2022)

Sharia financing in BMD Syariah developed in response to public concerns about the practice of usury, which is widely found in informal financing systems, such as loan sharks or *tithe banks*. This practice is contrary to the principles of Sharia economic law that reject exploitation and injustice in financial transactions. (Usman, 2021) Therefore, BMD Syariah seeks to present a financing system that not only complies with the provisions of *fiqh muamalah* but also aligns with the fatwa of the National Sharia Council-Indonesian Ulema Council (DSN-MUI), which serves as a normative reference for the implementation of Islamic financial activities in Indonesia. Thus, the financing carried out has both sharia legitimacy and legal certainty. (Supriatna et al., 2020)

In practice, BMD Syariah implements various financing contracts, including *Murabahah*, *Mudharabah*, *Ar-Rahn*, and *Al-Ijarah*, each of which has a clear legal basis in Islamic law and has been endorsed by a fatwa from the DSN-MUI. The application of these contracts demonstrates compliance with Sharia principles, which is a fundamental aspect of Sharia economic law. This compliance is important not only to maintain the *halal* nature of transactions but also to protect the rights and obligations of the parties involved in the financing contract, thereby creating certainty and legal justice in economic activities. (Ramaditya et al., 2025)

Based on this background, this study focuses on examining the Sharia financing mechanism in BMD Syariah from the perspective of Sharia economic law, including the types of contracts used, the effectiveness of financing for the development of MSMEs, and the factors that support and hinder its implementation. (Indriana & Wahyudi, 2022) This study also aims to assess the extent to which financing practices in BMD Syariah comply with the principles of Sharia economic law and applicable regulations, particularly in the aspects of contracts, risk management, and settlement of problematic financing. (Saputri et al., 2025)

The purpose of this research is to analyze the effectiveness of Sharia financing in BMD Syariah and its impact on enhancing business capacity and the welfare of MSME actors within the framework of Sharia economic law. In addition, this study aims to identify both supporting and inhibiting factors in

the implementation of Sharia financing, thereby providing a basis for the formulation of policy recommendations and strategies for the development of micro Islamic financial institutions, grounded in the principles of justice, legal certainty, and the benefit of the people. (Ikaputri, 2023)

Academically, this research is expected to enrich the study of Sharia economic law, particularly in relation to the implementation of Sharia financing in microfinance institutions. Practically, the results of this research are expected to serve as evaluation and reference material for BMD Syariah and similar Islamic financial institutions in enhancing sharia compliance, improving the quality of financing services, and contributing to the sustainable economic empowerment of the community.

## **2. METHOD**

This study employs a descriptive qualitative method with a field study approach to gain a comprehensive understanding of Sharia financing practices in BMD Syariah. The qualitative approach was chosen because this research does not focus on measuring numbers, but on exploring the meaning, process, and dynamics that occur in the implementation of sharia financing. Through field studies, researchers can directly observe financing mechanisms, interactions between institutions and customers, and the application of sharia principles in BMD Sharia operational activities. (Elitear & Koto, 2016)

The data sources in this study comprise both primary and secondary data. Primary data was obtained through interviews with BMD Syariah management and customers to obtain direct information related to financing procedures, the type of contract used, and the impact of financing on customer businesses. Meanwhile, secondary data are obtained from official documents of institutions, financial reports, as well as various scientific literature, including journals, books, and regulations relevant to Sharia financing. The combination of these two types of data is used to strengthen the validity and depth of the research analysis. (Yuliani, 2018)

Data collection was conducted through direct observation of financing activities, semi-structured interviews to gather in-depth information systematically, and documentation to support empirical data. The collected data is then analyzed using an interactive analysis model, which includes the stages of data reduction, data presentation, and concluding. (Tersiana, 2018) At this stage, data are compiled systematically to produce research findings that are objective, structured, and can fully describe the effectiveness of sharia financing in BMD Syariah.

## **3. FINDINGS AND DISCUSSION**

### **3.1. Institution Profile**

#### **Brief History of BMD Sharia Cooperative**

At the beginning of the establishment of this cooperative in the form of Koppontren or Islamic Boarding School Cooperative, with the initial capital from the P2KER fund rolled out by the government in 2000, which was Rp. With a capital of 40,000,000 and the principal deposit and compulsory members, this cooperative began operating its business around the Dolopo Market in Madiun. In 2016, PAD transformed the cooperative's form from the original Islamic Boarding School Cooperative to the Sharia Savings and Loan and Financing Cooperative (KSPPS). (Setiawan, 2022)

And in 2019 and 2020 PAD was carried out again, namely the change of form from KSPPS to Consumer Cooperative, change of the name of the Cooperative from the original name "Baitul Maal Daarussalaam" to "Berkah Mulia Dinar Syariah" or abbreviated as BMD Syariah, as well as the membership area which was originally only one district to cross regency/city in one province of East Java. (Gunarto, personal communication, 2025)

In 2021, the assisted cooperatives of the BMD Syariah Cooperative in the Ponorogo, Magetan, and Ngawi areas, namely the Bina Mitra Darussalam Syariah Savings and Loan Cooperative, decided to merge and merge with the Berkah Mulia Dinar Syariah Cooperative (BMD Syariah) in Madiun. This is intended to facilitate coordination and strengthen the cooperative's network and capital. (Alamsyah, 2022)

Some of the achievements that the Consumer Cooperative has obtained "Berkah Mulia Dinar Syariah" (BMD Syariah) are:

- a. In 2006, he was selected as the second winner of class C of the Madiun district cooperative competition.
- b. In 2010, he received the title of First Winner of the Koppontren at the Madiun Regency level.
- c. In 2014, it received the title of Outstanding Cooperative at the Madiun Regency level.
- d. In 2018, it received the title of Outstanding Savings and Loan Cooperative Second Place at the East Java Provincial level.

With the shift in the form of cooperatives from savings and loan cooperatives to consumer cooperatives, the main business is now in the real sector. In contrast, the savings and loan unit becomes a companion or complementary business. For this reason, in early 2021, real sector businesses began to be intensified, including business units (mini markets) and bottled drinking water or bottled water businesses. (Gunarto, personal communication, 2025)

### **Motto**

The BMD Syariah Cooperative has the motto "Safe, Halal & Calm".

### **Vision**

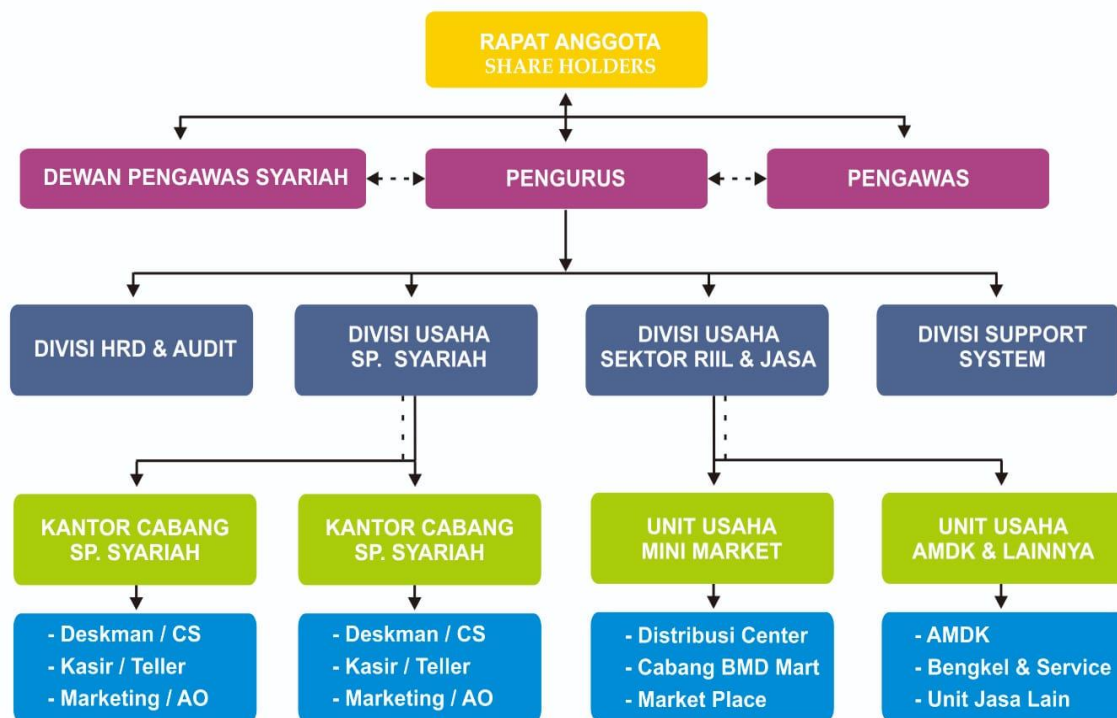
The vision of the BMD Sharia Cooperative is "To become a large, sturdy, and independent Sharia Cooperative."

## Mission

The missions carried out by the BMD Syariah Cooperative in realizing its vision are:

- Uphold sharia principles and Islamic business ethics in doing business and cooperating.
- Providing an outlet and alternative for the general public to use Islamic banking services without having to doubt their security and legality.
- Providing confidence for colleagues in work and a sense of security for all who enjoy the services of this institution.
- Increasing community independence, raising the status and welfare of the ummah, while still being based on a sense of togetherness and justice.
- To become a trusted institution and to be the choice of partners and the community in doing business and work.
- Increase capital independently, expand assets to create a professional and skilled workforce, and become a healthy institution that is accepted by all levels of society and groups, upholding the spirit of Islam, professionalism, and independence.

**Organizational structure** (*Manajemen - BMD Syariah, 2022*)



Keterangan :

-----> : Garis Koordinasi

————> : Garis Komando

### 3.2. BMD Sharia cooperative products (K. Ahsani, personal communication, 2025)

#### a. Storage

##### 1) Simpanan Ummah

Savings Umat is a savings product intended for anyone with easy and flexible services.

#### b. Advantages and disadvantages

- (1) A safe short-term investment facility, and God willing, it will bring more blessings.
- (2) Sharia-compliant savings with a profit-sharing system that adheres to Sharia, God willing, is more reassuring.
- (3) Funds will be invested in halal and *toyyibah businesses*.
- (4) Easy deposits and withdrawals can be made at any time of time.
- (5) Halal and competitive profit sharing can be enjoyed every month.
- (6) On-site pick-up service (Home Service) and Roof savings for the busy.
- (7) Balance checks and profit sharing can be done through call service and office centers.

#### c. Facilities

- (1) Interbank transfer services are more cost-effective and economical.
- (2) Home Service.
- (3) Getting ATM and Mobile System facilities.
- (4) Western Union service.
- (5) PPOB services and interbank transfer services
- (6) Other Bank ATM Cash Withdrawal Services.
- (7) Rooftop Savings Facility.

#### d. Requirements for opening a savings account

- (1) Complete the savings account opening application form.
- (2) Submit a copy of your identity card (KTP, driver's license, student card).
- (3) The initial deposit is at least Rp. 50,000 without an ATM card and Rp. 100,000 with an ATM card.

### **Student and Santri Savings** (*Manajemen - BMD Syariah, 2022*)

Student and Santri Savings is a savings product designed to help students prepare for their future.

#### a) Facilities

- (1) Interbank transfer services are more cost-effective and economical.
- (2) Home Service.
- (3) Getting ATM and Mobile System facilities.
- (4) Western Union service.
- (5) PPOB services and interbank transfer services

(6) Other Bank ATM Cash Withdrawal Services.

(7) Rooftop Savings Facility.

b) Requirements for opening a savings account

(1) Complete the savings account opening application form.

(2) Submit a copy of your identity card (KTP, driver's license, student card).

(3) The initial deposit is at least Rp. 50,000 without an ATM card and Rp. 100,000 with an ATM card.

**Hajj and Umrah Savings "Arafah"**

a) Advantages and Advantages

BMD Syariah Hajj and Umrah Bailout Fund: Due to the increasing number of prospective Indonesian pilgrims, BMD Syariah offers Hajj and Umrah bailout services to its members. This service product is one of the alternative financing options for BMD Syariah members, allowing them to immediately register as prospective pilgrims and obtain a portion of the Hajj departure quota. Therefore, for members of BMD Syariah Indonesia, it is crucial not to miss this excellent opportunity.

b) Facilities

(1) Assisted with registration until you get a departure quota.

(2) The administrative process at the Ministry of Religion is assisted by its management.

(3) Ease of online transactions for all BMD Syariah branches.

(4) Get Home Service facilities for those who are busy.

(5) Getting ATM and Mobile System facilities.

(6) Western Union service.

(7) PPOB services and interbank transfer services.

(8) Other Bank ATM cash withdrawal services.

c) Savings Opening Requirements

To open the "Arafah Hajj Savings" account, you only need to submit a photocopy of your ID card/driver's license, along with a minimum initial deposit of Rp. One hundred thousand members can open a Hajj Savings account if the member's balance has reached Rp. Five million five hundred thousand members can apply for a hajj bailout from BMD Syariah. The conditions set by BMD Syariah for obtaining the Hajj bailout are very easy; members are only required to have a "Hajj Arafah Savings" account with a minimum balance of Rp. 5,500,000, and other document requirements are:

(1) Fill out the application form.

- (2) Photocopy of Husband/Wife's ID Card.
- (3) Photocopy of Marriage Certificate.
- (4) Photocopy of Family Card and Health Letter.

### **Qurban and Aqiqah Savings**

Qurban and Aqiqah savings are savings products designed for individuals who wish to prepare for the days of qurban and aqiqah in a more organized and planned manner.

#### **a) Advantages and disadvantages**

- (1) A safe short-term investment facility, and God willing, it will bring more blessings.
- (2) Sharia-compliant savings with a profit-sharing system that adheres to Sharia, God willing, is more reassuring.
- (3) Funds will be invested in halal and *toyyibah businesses*.
- (4) Easy deposits and withdrawals can be made at any time of time.
- (5) Halal and competitive profit sharing can be enjoyed every month.
- (6) On-site pick-up service (Home Service) and Roof savings for the busy.
- (7) Balance checks and profit sharing can be done through call service and office centers.

#### **b) Facilities**

- (1) Interbank transfer services are more cost-effective and economical.
- (2) Home Service.
- (3) Getting ATM and Mobile System facilities.
- (4) Western Union service.
- (5) PPOB services and interbank transfer services
- (6) Other Bank ATM Cash Withdrawal Services.
- (7) Rooftop Savings Facility.

#### **c) Requirements for opening a savings account**

- (1) Complete the savings account opening application form.
- (2) Submit a copy of your identity card (KTP, driver's license, student card).
- (3) Minimum initial deposit of Rp. 50,000.

### **Eid al-Fitr Savings**

Eid al-Fitr savings is a savings product designed for individuals who want to prepare for Eid al-Fitr in a more well-planned manner.

#### **a) Advantages and disadvantages**

- (1) A safe short-term investment facility, and God willing, it will bring more blessings.
- (2) Sharia-compliant savings with a profit-sharing system that adheres to Sharia, God willing, is more reassuring.



- (3) Funds will be invested in halal and *toyyibah* businesses.
  - (4) Easy deposits and withdrawals can be made at any time of time.
  - (5) Halal and competitive profit sharing can be enjoyed every month.
  - (6) On-site pick-up service (Home Service) and Roof savings for the busy.
  - (7) Balance checks and profit sharing can be done through call service and office centers.
- b) Facilities
- (1) Interbank transfer services are more cost-effective and economical.
  - (2) Home Service.
  - (3) Getting ATM and Mobile System facilities.
  - (4) Western Union service.
  - (5) PPOB services and interbank transfer services
  - (6) Other Bank ATM Cash Withdrawal Services.
  - (7) Rooftop Savings Facility.
- c) Requirements for opening a savings account
- (1) Complete the savings account opening application form.
  - (2) Submit a copy of your identity card (KTP, driver's license, student card).
  - (3) Minimum initial deposit of Rp. 100,000.

### 3.3. Sharia Investment (K. Ahsani, personal communication, 2025)

#### Term Savings

Term deposits are savings products designed for individuals seeking long-term investment services with terms ranging from 1 to 12 months.

a. Advantages and disadvantages

- (1) A safe short-term investment facility, and God willing, it will bring more blessings.
- (2) Sharia savings with a profit-sharing system that adheres to Sharia, God willing, are more peaceful.
- (3) Funds will be invested in halal and *toyyibah* businesses.
- (4) Easy deposits and withdrawals can be made at any time of time.
- (5) Halal and competitive profit sharing can be enjoyed every month.
- (6) On-site pick-up service (Home Service) and rooftop savings for the busy.
- (7) Balance checks and profit sharing can be done through the call service and the Office Center.
- (8) Autosave (automatic fund transfer: current account and savings).

b. Facilities

- (1) Transfer services between banks are more cost-effective and economical. Pick-up services are available on-site (Home Service).

- (2) Online Transaction Facilities for All BMD Syariah Branches.
  - (3) Getting ATM and Mobile System facilities.
  - (4) Western Union service.
  - (5) PPOB Services and Interbank Transfer Services.
  - (6) Other Bank ATM Cash Withdrawal Services.
  - (7) Rooftop savings facilities.
  - (8) Automatic Roll Over (ARO): Without the customer's involvement, the deposit will automatically be extended.
- c. Savings opening requirements
- (1) Fill out the Savings Opening Application Form.
  - (2) Submit a copy of the identity card (KTP, driver's license, student card).
  - (3) Minimum initial deposit is Rp. 100,000.

### **3.4. Financing**

#### **Murabahah**

Financing is provided as an investment opportunity and is not a commercial venture, such as home repairs, land investments, or building projects, among others.

- a. Advantages & Advantages
- (1) All financing uses sharia contracts and principles, which, God willing, are ridiculous, safe, halal, and bring blessings.
  - (2) Easy, Light, Fast, Halal, and Calming, where the number of installments and the term can be adjusted to the income and ability of prospective members.
  - (3) Get a return on profit (CTR) every four months for partners who are active and orderly in installment payments.
  - (4) Financing is insured; if a partner dies and the financing has not been paid off, the insurance company will remove and close the financing, ensuring that the member's dependents will not be responsible for the outstanding balance.
  - (5) Premature closure will be discounted and penalty-free.
- b. Types of Financing
- The types of financing that can be provided with this scheme are:
- (1) Financing the purchase of merchandise.
  - (2) Financing the purchase of production machinery.
  - (3) Financing of capital goods, etc.
- c. Savings Opening Requirements
- (1) Photocopy of Husband/Wife's ID Card (2 Sheets)

- (2) Copy of Marriage Certificate (2 Sheets)
- (3) Photocopy of Family Card ( 2 Sheets)
- (4) Copy of Guarantee: Certificate of Ownership (SHM), BPKB, and STNK

### **Mudharabah**

Financing is provided as working capital or additional capital for productive businesses, including the trade, industry, agriculture, and plantation sectors.

#### **a. Advantages & Advantages**

- (1) All financing uses sharia contracts and principles, which, God willing, are ridiculous, safe, halal, and bring blessings.
- (2) Easy, Light, Fast, Halal, and Soothing, with the number of installments and term adjustable to suit the income and ability of potential partners.
- (3) Get a return on profit (CTR) every four months for members who are active and orderly in installment payments.
- (4) Financing is insured; if a member dies and the financing has not been paid off, the financing will be removed and closed by the insurance company, so that the partner's dependents will be paid off the financing.
- (5) Premature closure will be discounted and penalty-free.

#### **b. Types of Financing**

Mudharabah financing can be used to finance investments and working capital in all business fields, especially to accommodate the need for funds in the business sector that cannot be financed through the buying and selling financing scheme (Murabahah), as there are no goods that can be bought and sold.

Financing cooperation between BMD Syariah as shahibulmaal / fund owner and customer as business executor (mudharib). The project/business is productive and compliant with Islamic principles. The profit sharing of the project/effort is carried out according to a mutually agreed ratio.

#### **c. Savings Opening Requirements**

- (1) Photocopy of Husband/Wife's ID Card (2 Sheets)
- (2) Copy of Marriage Certificate (2 Sheets)
- (3) Photocopy of Family Card ( 2 Sheets)
- (4) Copy of Guarantee: Certificate of Ownership (SHM), BPKB, and STNK

### **Ar-Rahn**

Financing is provided to meet consumptive (secondary) needs, including movable goods and other necessities, such as education costs and medical expenses.

#### **a. Advantages & Advantages**

- (1) All financing uses sharia contracts and principles, which, God willing, are ridiculous, safe, halal, and bring blessings.
- (2) Easy, Light, Fast, Halal, and Soothing, with the number of installments and term adjustable to suit the income and ability of potential partners.
- (3) Get a return on profit (CTR) every four months for partners who are active and orderly in installment payments.
- (4) Financing is insured; if a partner dies and the financing has not been paid off, the financing will be removed and closed by the insurer, ensuring that the partner's dependents are not responsible for the outstanding balance.
- (5) Premature closure will be discounted and penalty-free.

#### **b. Types of Financing**

The types of financing that can be provided with this scheme are:

- (1) Financing that is consumptive or urgent.
- (2) Gold Mortgage Financing.

#### **c. Savings Opening Requirements**

- (1) Photocopy of Husband/Wife's ID Card (2 Sheets)
- (2) Copy of Marriage Certificate (2 Sheets)
- (3) Photocopy of Family Card ( 2 Sheets)
- (4) Copy of Guarantee: Certificate of Ownership (SHM), BPKB, and STNK

### **Al-Ijarah**

Financing is designed for partners who wish to own a new motorcycle, offering a straightforward process and affordable monthly rental fees.

#### **a. Advantages & Advantages**

- (1) All financing uses sharia contracts and principles, which, God willing, are ridiculous, safe, halal, and bring blessings.
- (2) Easy, Light, Fast, Halal, and Soothing, with the number of installments and term adjustable to suit the income and ability of potential partners.
- (3) Get a return on profit (CTR) every four months for members who are active and orderly in installment payments.

- (4) Financing is insured; if a partner dies and the financing has not been paid off, the financing will be removed and closed by insurance so that the member's dependents will be paid off the financing.
- (5) Premature closure will be discounted and penalty-free.
- b. Types of Financing  
The types of financing that can be provided with this scheme are:
  - (1) New Motor Vehicle Financing.
  - (2) Heavy equipment and transportation financing.
- c. Savings Opening Requirements
  - (1) Photocopy of Husband/Wife's ID Card (2 Sheets)
  - (2) Copy of Marriage Certificate (2 Sheets)
  - (3) Photocopy of Family Card ( 2 Sheets)
  - (4) Copy of Guarantee: Certificate of Ownership (SHM), BPKB, and STNK

#### **Ar Qordhul Hasan**

Non-profit or social financing is provided to individuals who cannot afford it but are still willing to try and start a business, allowing them to continue advancing their operations.

- a. Advantages & Advantages
  - (1) All financing uses sharia contracts and principles, which, God willing, are ridiculous, safe, halal, and bring blessings.
  - (2) Easy, Light, Fast, Halal, and Soothing, with the number of installments and term adjustable to suit the income and ability of potential partners.
  - (3) Get a return on profit (CTR) every four months for members who are active and orderly in installment payments.
  - (4) Financing is insured; if a partner dies and the financing has not been paid off, the insurance company will remove and close the financing, ensuring that the member's dependents will not be responsible for the outstanding balance.
  - (5) Premature closure will be discounted and penalty-free.
- b. Types of Financing  
Financing is provided to individuals experiencing poverty or those who do not receive services or interest and profit sharing.
- c. Savings Opening Requirements
  - (1) Photocopy of Husband/Wife's ID Card (2 sheets).
  - (2) Copy of Marriage Certificate (2 sheets).
  - (3) Photocopy of Family Card ( 2 Lembar)

- (4) Copy of Guarantee: Certificate of Ownership (SHM), BPKB, and STNK

### **3.5. Real Sector** (Gunarto, personal communication, 2025)

#### **BMD CarWash**

BMD Carwash is a vehicle wash service that provides the best cleaning experience for different types of vehicles. With a commitment to providing the best service, BMD Carwash not only prioritizes vehicle cleanliness but also offers high-quality washing equipment for sale and purchase options. BMD Carwash's professional team, equipped with the latest skills and equipment, ensures that the vehicle shines like new after a thorough washing process. This service offers a diverse range of vehicles, including cars, motorcycles, and commercial vehicles. Additionally, BMD Carwash is a trusted destination for consumers seeking high-quality washing equipment. With the best collection of washing equipment, BMD Carwash ensures customers can maintain their vehicles with reliable and efficient equipment. Location in Jl. Raya Ketawang No.171, Ketawang, Dolopo District, Madiun Regency, East Java 63174. Operating Hours: Monday – Sunday 08.00 – 22.00 WIB.

#### **Jadda Fried Chicken**

Ayam Jadda Fried Chicken is a culinary destination that presents unique and delicious flavors in the world of fried chicken. With a commitment to serving high-quality dishes, Ayam Jadda processes selected chicken with frying techniques, creating crispy skin and juicy meat. The mainstay menu of Ayam Jadda Fried Chicken is not only limited to classic fried chicken, but also presents an innovative and interesting variety of flavors. Each serving is guaranteed to provide a satisfying culinary experience and captivate the taste buds of the customers.

In addition to its special flavor, Ayam Jadda Fried Chicken also creates a cozy and welcoming atmosphere, making it the perfect place to relax and enjoy a meal with family, friends, or colleagues. With a commitment to quality, taste, and the best service, Ayam Jadda Fried Chicken is ready to indulge your taste buds on every visit. Location: Jl. Raya Ketawang No.171, Ketawang, Dolopo District, Madiun Regency, East Java 63174. Operating Hours: Monday – Thursday & Saturday – Sunday, 08:00 – 22:00 WIB.

#### **BMD Mart**

BMD Mart started operations on August 7, 2021. By raising the concept of a modern retail store to serve the needs of members for daily staples. BMD Mart is expected to keep pace with modern stores that are now emerging. With the motto of being frugal and friendly, it is hoped that later members can enjoy affordable prices, good service, comfortable shopping environments, and other conveniences. Location: Jl. Raya Ponorogo-Geger No. 453, Krajan, Dolopo, Dolopo District, Madiun Regency, East Java 63174. Operating Hours: Monday – Sunday 07.00 – 22.00 WIB.

### **AMDK BMD Fresh**

The BMD Syariah Bottled Water Factory (AMDK) began operations at the end of 2020. Starting from the proposal of members who want BMD Syariah to have its own Bottled Drinking Water that can meet the needs of members spread across the former Madiun Presidency. Departing from this desire, BMD Sharia AMDK was established from the beginning, and it continues to collaborate with other parties for its production. Until finally, in early 2021, it began to pioneer the establishment of a bottled water factory in the Balerejo area, Madiun. Location : Jl. Raya Madiun – Nganjuk, Kalibedah, Balerejo, Balerejo District, Madiun Regency, East Java 63152. Operating Hours: Monday – Sunday, 07:00 – 16:00.

### **BMD Auto Car**

This division is the development of the Real Sector in the automotive sector. Later, this division will meet all needs related to automation, ranging from motorcycle repair shops, car washing, car polishing/detailing, buying and selling used cars, car rental, and everything that involves automation. It is hoped that in the future, this division will meet the needs of its members for all automation-related products, offering affordable prices and high-quality products. Location: Sidorejo, Dolopo, Dolopo District, Madiun Regency, East Java 63174. Operating Hours: Monday – Sunday 07.00 – 16.00 WIB.

### **Educational Tourism**

By carrying the concept of Tourism and Education, "Basekan Farm & Ranch" is here for you. From the beginning, Basekan Farm was a cattle farm used by BMD Syariah to meet the needs of Qurbani cows for its members. It has since been transformed into a contemporary educational tourism destination that is both feasible and mandatory to visit. Its proximity to the city of Madiun, its natural surroundings, and affordable tickets and facilities make Basekan Farm & Ranch a worthwhile visit. Basekan Farm & Ranch has a wide range of services, including:

Glamping House	Canteen and restaurant
Family Meeting and Reunion Facilities	Riding
Children's and adult swimming pools	Playground
Cow Pen	Mini/ATV Rickshaws
Fish Pond	Organic Vegetables

Location in Bajarsari Wetan Village, Dagangan District, Madiun Regency, East Java 63172. Operating Hours: Monday – Sunday 07.30 – 17.30 WIB.

### **3.6. Background of Sharia Financing at BMD Syariah**

Financing at BMD Syariah is growing in response to the community's need for secure and reliable access to finance. BMD Syariah was established with a mission to facilitate the lower communities that are not reached by traditional Islamic banks or BPR services. BMD Syariah operates with a microfinance model based on sharia principles, such as Baitul Maal wat Tamwil (BMT). This model involves the

provision of money or bills that are equated to an agreement between a bank and another party, where the financed party is obliged to return the money or bill after a certain period in exchange for a profit or interest.

The financing process at BMD Syariah involves several important steps, including a survey of the potential customer's place of business, an analysis of aspects of customer characteristics (5C: *character, capacity, capital, collateral, condition*), and an evaluation of business feasibility. This is all aimed at preventing the risk of problematic financing and ensuring transparency in the process of disbursing funds. However, BMD Syariah also faces challenges related to the low level of public financial literacy, so that public education and awareness about the mechanism of distributing sharia funds remains a priority.

With sharia principles as its foundation, BMD Syariah is committed to providing effective and reliable financial solutions, thereby improving the quality of economic activities for small and medium-sized entrepreneurs. Through close cooperation with the local community, BMD Syariah has successfully realized its vision and continues to grow into one of the most effective Islamic financial institutions in rural areas.

#### **Financing Targets at BMD Syariah**

BMD Syariah in Ponorogo has a primary target for financing, specifically Micro, Small, and Medium Enterprises (MSMEs), particularly traders and farmers. By providing access to financing in accordance with Sharia principles, BMD Syariah aims to increase the economic capacity of MSME actors who often face obstacles in obtaining capital from conventional financial institutions. Through this financing program, it is hoped that traders can expand their businesses and farmers can increase agricultural yields, which will ultimately contribute to local economic growth and community welfare. With the right financial support, BMD Syariah is committed to helping MSMEs sustainably develop their businesses.

#### **Financing Contract at BMD Syariah**

BMD Syariah implements several financing contracts in accordance with Sharia principles to support the community's economic activities. One of the contracts used is Murabahah, a buying and selling system that allows BMD Syariah to purchase goods needed by customers and resells them with additional agreed-upon profits. In addition to Murabahah, BMD Syariah also uses Mudharabah as one of the financing alternatives. In this contract, BMD Syariah provides funds to entrepreneurs (customers) to be managed in productive businesses. The proceeds of the business are then divided according to the agreement, providing entrepreneurs with opportunities to develop their businesses with adequate capital support.



BMD Syariah also utilizes Ar-Rahn, a pawn system that enables customers to apply for loans by guaranteeing their personal property. If the customer successfully pays off the debt, they can reclaim the collateral. However, if it fails, the collateral will belong to BMD Syariah. In addition to these three contracts, BMD Syariah also provides Al-Ijarah contracts for motor vehicles. This contract allows customers to rent a vehicle with an option of ownership at the end of the rental period. With an easy process and competitive rental fees, Al-Ijarah is the solution for those who want to own a vehicle without having to pay a large amount outright. Through these various contracts, BMD Syariah is committed to supporting the community's sustainable economic growth, in accordance with Sharia principles.

#### **Requirements for Applying for Financing at BMD Syariah**

To apply for financing at BMD Syariah, customers must meet specific document requirements. First, customers must submit a photocopy of their husband's and wife's ID cards as proof of identity. Additionally, a copy of the marriage certificate is required to verify the marriage status, as well as a copy of the family card that accurately reflects the family data. Finally, customers must attach a photocopy of the guarantee, which can be in the form of a document of ownership of valuable assets that will be used as collateral in the financing process. Meeting these requirements can make the application process easier for customers and increase the chances of obtaining financing approval from BMD Syariah.

#### **Financing Procedures at BMD Syariah**

The procedure for applying for financing at BMD Syariah involves several systematic steps to ensure the customer's eligibility and the guarantee submitted. First, customers must complete the application form in full and bring the necessary documents, including a copy of their ID card, marriage certificate, family card, and a copy of the guarantee. After that, BMD Syariah officers will survey to assess the feasibility of the guarantee, examining the value and condition of the goods submitted as collateral. If all the previous steps are eligible, then a feasibility approval will be obtained from BMD Syariah. The process concludes with the delivery of goods or the signing of a financing contract, which signifies that the financing has been approved and the customer can begin utilizing the provided funds in accordance with the agreement.

#### **The Influence and Impact of Sharia BMD Financing on MSMEs**

Financing at BMD Syariah has a significant influence on the local economy, especially for Micro, Small, and Medium Enterprises (MSMEs). By utilizing Sharia contracts such as Murabahah, Mudharabah, Ar-Rahn, and Al-Ijarah, BMD Syariah provides easier and more affordable financial access to individuals who previously found it challenging to obtain financing from conventional financial institutions. This not only helps increase the business capital of MSME actors but also

encourages local economic growth by creating new jobs and increasing people's purchasing power.

The impact of financing at BMD Syariah that can be problematic is when dealing with customers who fail to make installment payments. Customers' inability to meet payment obligations is often caused by internal factors, such as a lack of business skills or poor financial management, as well as external factors, including unfavorable market conditions and the public's limited purchasing power. When there is a delay in payment, BMD Syariah must apply sanctions to encourage payment discipline, namely a fine of 1% of the total financing amount multiplied by the number of months in arrears. When non-performing financing not only harms Islamic financial institutions but also affects the reputation and trust of customers in these institutions, effective management of this problem is necessary.

### **Financing Effectiveness in BMD Syariah**

The effectiveness of financing in BMD Syariah for Micro, Small, and Medium Enterprises (MSMEs) is evident from the significant positive impact on business growth and development. By providing access to financing in accordance with Sharia principles, BMD Syariah helps MSME actors to obtain the necessary capital to develop their businesses. Many MSMEs utilize financing funds to expand their production capacity, thereby enhancing their income and competitiveness in the market. This is particularly important considering the significant contribution of MSMEs to the national economy, including their role in labor absorption and their substantial contribution to the Gross Domestic Product (GDP).

### **3.7. Evaluation And Analysis**

#### **Supporting and inhibiting factors**

Supporting and inhibiting factors in financing at BMD Syariah greatly affect the performance and sustainability of the institution. Here are some key points that explain both aspects.

Supporting Factors for Financing in BMD Syariah : (K. Ahsani, personal communication, 2025)

#### **a. Public Trust**

Public trust in Islamic financial institutions, including BMD Syariah, is a key driver of financing. With the majority of the population being Muslim, the sharia principles applied provide a sense of security and comfort for customers to transact.

#### **b. Competent HR Involvement**

Trained and competent human resources (HR) are essential for operating the Islamic financial institutions effectively. Good skills and knowledge in financing management help reduce risk and improve service efficiency.

c. Regulation and Government Support

Regulations that support the development of Islamic financial institutions, such as those provided by the government, including ease of licensing and incentives, also contribute positively to financing in BMD Syariah. This support helps create a better business climate.

d. Innovative Products That Meet Your Needs

BMD Syariah continues to develop innovative products that cater to the community's needs, including microfinance and digital services. This innovation attracts more customers and improves the accessibility of financial services.

Factors Inhibiting Financing in BMD Syariah : (Gunarto, personal communication, 2025)

a. Lack of Islamic Financial Literacy

The low level of Islamic financial literacy among the community is a significant obstacle. Many customers do not fully understand the principles of Sharia financing, which can lead to misunderstandings in transactions.

b. Competition with Conventional Financial Institutions

Fierce competition with conventional financial institutions that offer similar products at low interest rates presents an opportunity for BMD Syariah to highlight the advantages of sharia principles, which prioritize fairness and transparency in every transaction. By offering financing products that focus not only on financial gains but also on sustainability and community welfare, BMD Syariah can attract customers seeking financing alternatives that align with Islamic values.

**Financing Risks and NPLs (Non-Performing Loans)**

High financing risks, including the occurrence of NPLs, can disrupt the financial stability of BMD Sharia. Non-performing financing is often caused by internal and external factors that affect the customer's ability to meet payment obligations.

By understanding these factors, BMD Syariah can formulate a more effective strategy to improve its financing performance. The success of Sharia financing in BMD Syariah in improving community welfare is highly dependent on the institution's ability to overcome existing challenges while utilizing the various supporting factors available. This includes strengthening human resources, enhancing service quality, and developing products that meet the community's needs and requirements. With the right approach, BMD Syariah can strengthen its market position and make a significant contribution to the local economy.

**Analysis of the impact and influence of financing in BMD Syariah**

Sharia financing in BMD Syariah has a good influence on the growth of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. First, sharia financing provides much-needed access to capital for MSMEs, which often face challenges in obtaining funds from conventional sources. With sharia-based

financing, MSMEs can develop their businesses without being trapped in the practice of usury, thereby creating a fairer and more sustainable business environment.

The analysis reveals that Sharia microfinance can enhance the profits of MSME owners after they receive financing. Additionally, factors such as the frequency and amount of financing also contribute positively to business development. Thus, BMD Syariah not only helps increase the production capacity and income of MSMEs but also plays a role in creating new jobs and reducing the unemployment rate in the community.

However, to maximize this positive impact, BMD Syariah needs to continue to improve financial literacy among MSME actors. This will help them understand how to manage financing properly and minimize the risk of business failure. With the right approach, sharia financing at BMD Syariah can be a driver of economic growth for the people of Indonesia.

#### **4. CONCLUSION**

BMD Syariah, which has been in operation for more than two decades, is an Islamic financial institution that offers a wide range of financing products, including Ar-Rahn and Al-Ijarah, specifically designed to meet the needs of the community and support the development of Micro, Small, and Medium Enterprises (MSMEs). These products not only provide easier access to capital for MSME actors but also apply sharia principles that avoid the practice of usury, thereby creating a healthier business environment.

The effectiveness of Sharia financing at BMD Syariah has been proven to increase people's income and welfare, making a significant contribution to local economic growth. Thus, BMD Syariah plays a crucial role in promoting financial inclusion and community economic empowerment through an ethical and equitable approach.

To enhance the effectiveness of Sharia financing at BMD Syariah, several steps can be taken. First, it is essential to develop educational programs that aim to enhance public understanding of Sharia financing products and their underlying principles. Additionally, a more in-depth risk analysis should be conducted using the 5C principle, along with a more thorough feasibility study. Transparency in the loan process, including fees and terms, is crucial for building customer trust. The implementation of a periodic monitoring system will help in evaluating customer performance and detecting risks early. With these measures, BMD Syariah can increase the effectiveness and positive impact in providing sharia financing.

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