

Optimization of Profit-Sharing Financing for the Recovery of MSMEs in Islamic Banks During the Covid-19 Pandemic

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ABSTRACT

This study aims to analyze the development and optimization of profit-sharing financing by Islamic banks to support MSMEs' recovery during the Covid-19 pandemic. Using a qualitative library research approach, the study collected secondary data from OJK, academic journals, and relevant reports. Descriptive qualitative analysis reveals that while profit-sharing financing slightly declined during the pandemic, it remains a strategic instrument for promoting MSME resilience. Optimizing profit-sharing schemes, such as mudharabah and musyarakah, requires stronger bank-customer partnerships and adaptive financial strategies to support real sector recovery.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis perkembangan dan optimalisasi pembiayaan bagi hasil oleh bank syariah untuk mendukung pemulihan UMKM selama pandemi Covid-19. Dengan menggunakan pendekatan penelitian kepustakaan kualitatif, studi ini mengumpulkan data sekunder dari OJK, jurnal akademik, dan laporan yang relevan. Analisis kualitatif deskriptif menunjukkan bahwa meskipun pembiayaan bagi hasil sedikit menurun selama pandemi, pembiayaan bagi hasil tetap menjadi instrumen strategis untuk mendorong ketahanan UMKM. Optimalisasi skema bagi hasil, seperti mudharabah dan musyarakah, membutuhkan kemitraan bank-nasabah yang lebih kuat dan strategi keuangan yang adaptif untuk mendukung pemulihan sektor riil.

1. Introduction

The emergence of Islamic banks has become a benchmark for the revival and success and existence of the Sharia economy. The first Islamic bank in Indonesia, Bank Muamalat, is a pioneer in the emergence of other Islamic banks. When the development of conventional banking is widespread, Bank Muamalat remains unwavering by continuing to implement Islamic sharia. The operational characteristics of the Islamic banking system based on the principle of profit sharing are a mutually beneficial banking system solution between the community and the bank, in transactions Islamic banks emphasize aspects of justice, ethics in investing, in production holding the values of togetherness and brotherhood, and avoid speculative forms in financial transaction activities.

The provision of various services and products by Islamic banks with more diverse financial schemes makes Islamic banking a credible and attractive banking system solution for all levels of Indonesian society including non-Muslims. Islamic banks use the Qur'an and hadiths as a foundation and if examined more deeply, Islamic banks can be implemented universally. This is because there are no parties who are harmed/oppressed. Therefore, it is not only intended for Muslims but the Islamic banking system can be an option for non-Muslims as well or even secular countries to utilize it and implement it in their countries. (Lucky Nugroho. et al, 2020)

The rise of thought, discussion, and study of Islamic economics has had a major influence on the growth of Sharia-based business systems in general

and Islamic banks in particular. The existence of this system has been experimented with in several countries, such as Iran, Pakistan, and Sudan, as well as Malaysia, and without exception in Indonesia. Islamic banks are one of the instruments used to enforce Islamic economic rules. As part of the economic system, the institution is part of the overall social system. Therefore, its existence must be seen in the context of the overall existence of society, as well as the values that apply in the society concerned. Economics is a science that is full of value orientation. Business activities developed by Muslims must refer to Sharia's rules and laws. Business in Sharia is not only related to the prohibition of businesses related to alcohol, pornography, gambling, and other activities that according to Islamic views as immoral and anti-social. However, Sharia business is intended to make a positive contribution to the achievement of better socio-economic goals of society. Sharia business is run to create a good business climate and free from fraudulent practices. Sharia business is a requisite and value-oriented business activity. Reporting of activities and results must be reported/ conducted based on Sharia principles. To achieve the establishment of these main objectives, it is necessary to prepare an accounting system for Sharia-based business practices. Sharia-based business in this country is starting to grow. The growth is evident in the financial sector. We have recorded Sharia Commercial Banks (BUS), Sharia Business Units (UUS), Sharia People's Financing Banks (BPRS), and Baitul Maal Wattamwil (BMT). This institution has managed millions and even billions of rupiahs and the community by Sharia principles. (Muhamad, 2009)

One of the main functions of Islamic banks is to distribute financing to the public as stipulated in Law Number 21 of 2008. The distribution of financing is one of the main businesses, and therefore the main source of income for Islamic banks. In line with the relatively new development of Islamic banking in Indonesia, Islamic financing with all types of contracts and characteristics is still not well understood by the public, and even by Islamic bank officials themselves. A good understanding of financing, especially by employees and officials of Islamic banks, will greatly determine the quality of financing, which in turn will have an impact on the profit of Islamic banks. To fulfill professional responsibilities, Islamic Bankers can adopt prudential principles that are best practices as guidelines issued by The Basel Committee. Basel provides general guidelines on

how to manage financing risk properly. By creating an adequate financing risk environment. Then ensure that the distribution of financing is carried out with a good process. As well as conducting adequate financing administration, measurement, and monitoring of the implementation process. Islamic banks must ensure that there is sufficient control over financing risk. In addition to these principles, Islamic banking must also add one specific principle, namely ensuring that Sharia provisions in the distribution of financing have been fulfilled. (Ikatan Bankir Indonesia, 2015)

The basic idea of the Islamic banking system can be stated simply. The operation of Islamic financial institutions is mainly based on the principle of PLS (profit-and-loss-sharing). This profit-and-loss sharing principle in Islamic finance is highly recommended and is an appropriate and relevant solution to the problem of allocating limited funds, whether in the form of loans or savings with a view to effective business management and financing. Islamic banks do not charge interest but encourage participation in the business being financed. Depositors also share in the bank's profits according to a predetermined ratio. Thus there is a partnership between the Islamic bank and the depositors on the one hand, and between the bank and the investment customers as managers of the depositors' resources in various productive businesses on the other. (Lewis & Algaoud, 2001)

The concept of profit and loss sharing which is the soul or driving force for Islamic banks is actually the main difference between Islamic banks and conventional banks. If in Conventional Banks everything is certain in terms of income that will be obtained by the bank or the customer, then the profit-sharing concept cannot provide certainty of income. The income that will be obtained will fluctuate following the performance or productivity of the business or economic activities carried out. Financing with a profit-sharing model is minimally used by Islamic banks, profit-sharing financing is not the main channel of financing in Islamic banks. As the data below.

Table 1.
Financing Distribution to Non-Bank Third Parties, at Islamic Banks in the August 2020 Period

No	Product of Finance	Portion of Financing	Contribution
1	Murabahah	168,338	45,69

2	Qard	9,242	2,51
3	Istisnha'	2,270	0,62
4	Ijarah	8,808	2,39
5	Mudharabah	12,085	3,28
6	Musyarakah	167,717	45,52
7	Number	368,460	100

Source: OJK. Sharia Banking Statistics August 2020 (Data processed) Billion Rupiah

The data above shows the distribution of financing in Islamic Banks channeled to non-bank third parties, in the August 2020 period, showing that a lot of financing was channeled to non-profit-sharing financing. The largest murabahah financing reached 45.69 percent. The profit-sharing agreement consists of mudharabah and musyarakah financing, 179,802 financing with a contribution of 48.80 percent financing. While non profit-sharing financing consisting of murabahah, Qard, Istisnha, and Ijarah, contributed 51.20 percent or a financing distribution of 188,658. This shows that profit-sharing financing in Islamic banks is not dominant.

The beginning of the presence of Islamic banks in Indonesia is known as profit-sharing banks, Banks that carry out their activities do not use interest, but rather a profit and loss sharing model. The emergence of Islamic banks as profit-sharing banks is an alternative choice for customers who want a usury-free banking system, and funds can be channeled for real sector needs. The concept of profit sharing in Islamic banks is a system that is considered more appropriate and transparent and provides justice for all parties. The income earned by all parties is based on the real income received by Islamic banking. Businesses financed by Islamic banks using profit sharing do not provide nominal certainty, the results can be large, minimal, or even experience losses. The concept of profit sharing can be used for productive financing because business activities cannot provide certainty of financing. In the current conditions, since the emergence of the COVID-19 outbreak many businesses have been affected, businesses have experienced a decrease in income, resulting in Islamic bank customers having difficulty fulfilling their obligations. The MSME sector is also among the parties that have been affected by the consequences of the covid-19 outbreak, many MSMEs have to close their

businesses during the pandemic, and have difficulty selling their goods, resulting in decreased income, obligations will be difficult to fulfill. MSME players still have to fulfill their obligation payments, even in conditions like today. Despite the regulation of the Financial Services Authority (OJK), which issued a policy to provide relief for bank customers affected by Covid-19. If profit sharing, the role of Islamic banking in increasing customer businesses will be maximized, especially when customers experience difficulties in their business. The emergence of the COVID-19 outbreak has an impact on financing in Islamic banks, including Islamic bank customers for business activities, especially for MSME players.

Vice President Ma'ruf Amin said that the economic impact caused by COVID-19 is the right moment for Islamic banks and financial institutions to play a role in helping economic recovery. The transition period from large-scale social restrictions (PSBB) to a new order of normality is considered by Ma'ruf Amin to be the right moment for Islamic banks to play a role in economic recovery in the country. This is the right moment for Islamic banks and Islamic financial institutions to play a role in making recovery efforts so that more realistic programs need to be prepared," said Vice President Ma'ruf. Vice President Ma'ruf said that currently, the government has seen the danger of an economic downturn that is as great as the downturn in the health sector due to Covid-19. Therefore, the government is taking steps to face and overcome both simultaneously. The trick is to implement a new order of normality in the midst of a pandemic by prioritizing health protocols. "As an effort to cope with the economic impact, the government has carried out stimulus and relaxation programs including for Islamic banks," said Ma'ruf. Vice President Ma'ruf also requested that the functions of Islamic banks continue to be carried out according to applicable rules even though the COVID-19 pandemic is still ongoing. One of them is maintaining the intermediary function, namely between parties who save funds and parties who need funds. "Because many people have funds but are unable to develop their funds and many people have the ability but do not have funds. So this is where the function of Islamic banks is to carry out the intermediation," he said. In addition, Islamic banks are also required to maintain the suitability of Sharia principles in their operations and maintain an image or reputation as an Islamic bank. This includes sharia management which must be good so that there is no bad perception of the management

of Islamic banks. (<https://nasional.kontan.co.id>, 2020)

The impact of the Covid-19 Pandemic on the banking intermediation function, based on the results of a comparative study at Bank Syariah Mandiri, Bank Mega Syariah, Bank Syariah Bukopin, Bank Victoria Syariah and BJB Syariah, shows that the Bank's intermediation function, namely Financing and DPK, all Banks show turmoil. On the financing side, Bank Syariah Mandiri and Bank Mega Syariah from January to March 2020 tended to increase. Meanwhile, Bank Bukopin Syariah, Victoria Bank Syariah, and Bank BJB Syariah showed fluctuations. On the Fund Raising (DPK) side, Bank Syariah Bukopin showed a decrease from January to March 2020. Meanwhile, Bank Mandiri Syariah, Bank Mega Syariah, Bank Syariah BJB, and Bank Victoria Syariah showed fluctuations. The impact of the COVID-19 pandemic on banking operational strategy management. Based on the results of a comparative study on Bank Syariah Mandiri, Bank Mega Syariah, Bank Syariah Bukopin, Bank Victoria Syariah, and Bank BJB Syariah, it shows that: First, all banks implement economic stimulus related to restructuring financing for customers affected by the Covid19 pandemic based on POJK No.11 / POJK.03 / 2020. Second, the development of digital mobile banking applications in the five Islamic banks .(Ningsih & Mahfudz, 2020)

The Corona or Covid-19 virus pandemic has continued to hit the Indonesian economy since March 2020. Felt in all industries, the impact is now affecting Islamic banking. Finance Minister Sri Mulyani revealed that Islamic banking will experience pressure. This is because there is an increased credit risk that makes the condition of Islamic banking depressed. "The impact of this pandemic is felt in Islamic banking in the country. Currently, Islamic banking is revising its growth target. Because there is an increase in the risk of Islamic institutions due to the pandemic and this economic activity and an increase in the risk of the ability of Islamic institutions to be depressed," Sri Mulyani said in Jakarta. She continued, that the COVID-19 pandemic caused a tremendous shock in many countries. All socio-economic sectors and Islamic finance are a challenge for the government so that they are not depressed again. "The government is making breakthroughs from the fiscal and monetary side and looking for sources of state budget financing under the pressure of extraordinary COVID needs," she explained. He added that Islamic financial institutions must be

able to rise. Islamic financial institutions continue to improve themselves and increase their role in improving people's welfare. Sharia product strategy sharing must be improved," she explained. (<https://economy.okezone.com>, 2020)

To reduce the impact of covid-19 on banking activities, including Islamic banking, the Financial Services Authority (OJK), has issued several regulations. POJK No. 18/POJK.03/2020 concerning Written Orders for Handling Bank Problems This POJK mandates OJK to take the necessary steps to maintain financial system stability, especially in the banking sector amid the threat of economic downturn as a result of the spread of the COVID-19 virus pandemic. This POJK generally consists of 5 The scope of regulation applies to Banks, namely Conventional Commercial Banks (BUK), Sharia Commercial Banks (BUS), Rural Banks (BPR), Sharia People's Financing Banks (BPRS), and branch offices of banks domiciled abroad. Written Orders are given to Banks that meet the criteria based on OJK's assessment. OJK's authority to give Written Orders to Banks to: Conduct a merger, consolidation, acquisition, and/or integration; and/or Accept a merger, consolidation, acquisition, and/or integration. Obligation to the Bank given the Written Order to prepare an action plan, as well as to implement and maintain the smooth process of merger, consolidation, acquisition, and/or integration by the action plan. (<https://www.ojk.go.id>, 2020)

POJK No.11/POJK.03/2020 (POJK Stimulus Covid-19)

- 1) Loans/financing restructured by POJK Stimulus Covid-19 are reported in the Financial Information Service System (SLIK) with the Credit or Financing Nature Code column filled in "1 = Restructured Credit or Financing" and the Remarks column filled in "Covid-19".
- 2) The treatment of Restructured Loans/Financing by POJK Stimulus is excluded from the calculation of low-quality assets or Loan at Risk (LAR) in the assessment of the bank's health level.
- 3) Governance of Credit/Financing Restructuring Approval by POJK Stimulus Covid-19. To accelerate the credit restructuring approval process that refers to POJK stimulus Covid-19 and to avoid accumulation if the approval mechanism must be carried out by higher officials, banks can approve credit restructuring with several governance alternatives while still

paying attention to the principles of objectivity, independence, avoiding conflicts of interest, and fairness.

Adjustments to the Implementation of Some Banking Provisions During the Relaxation Period

- 1) The obligation to fulfill the Capital Conservation Buffer in the capital component of 2.5% of Risk Weighted Assets (RWA) for BUKU 3 and BUKU 4 banks is temporarily eliminated until March 31, 2021.
- 2) The obligation to fulfill the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for BUKU 3, BUKU 4, and Foreign Banks must be maintained at a minimum of 85% until March 31, 2021. Banks are required to develop action plans to restore the fulfillment of LCR and NSFR to 100% by April 30, 2021.
- 3) Quality Assessment of Repossessed Collateral (AYDA) based on the period of ownership may be temporarily suspended until March 31, 2021. After the deadline, the quality assessment of the repossessed assets will refer to the provisions regarding the quality assessment of bank assets based on the period of ownership by the bank since the repossessed assets were executed without taking into account the relaxation period.
- 4) The obligation of Provision of Education Funds by banks for 2020 can be less than 5% of the human resource cost budget.

Postponement of Basel III Reforms Implementation

In line with the Press Release issued by the Basel Committee on Banking Supervision (BCBS) on March 27, 2020, the implementation of the Basel III Reforms standard in Indonesia, which includes the calculation of risk-weighted assets (RWA) for operational risk, RWA calculation for credit risk, RWA calculation for market risk and credit valuation adjustment (CVA), has been postponed to January 1, 2023.

Thus, in calculating the Minimum Capital Adequacy Requirement (CAR) until the December 2022 data period, banks still refer to the provisions regarding RWA that are currently applicable.

Relaxation Policy for Rural Banks and Sharia People's Financing Banks

- 1) BPR and BPRS may form a general Provision for Earning Assets (PPAP) of less than 0.5% (zero point five percent) or not form a general PPAP for productive assets with current quality in the form of placements with other banks and

loans or financing with Current quality for monthly reports since April 2020 position.

- 2) Provision of funds in the form of Placement of Interbank Funds (PDAB) to overcome liquidity problems in BPR and BPRS is exempted from the provisions of BMPK or BMPD, a maximum of 30% (thirty percent) of the capital of BPR and BPRS, for all related and unrelated parties. Valid until March 31, 2021.
- 3) The calculation of AYDA based on the period of ownership may be temporarily suspended until March 31, 2021. Furthermore, BPR/BPRS can use the percentage of AYDA value as of March 31, 2020, as a deduction factor for core capital and is expected to help banks strengthen capital due to losses as a result of Covid-19. Valid until March 31, 2021.
- 4) BPR and BPRS can provide funds for education, training, and development of human resources in 2020 less than 5 percent of the realization of HR costs in the previous year.

Further provisions regarding the above policy will be issued in the form of POJK and OJK Circular Letters to banks. Previously, OJK had issued credit restructuring policies for banks and loan restructuring in finance companies. As of May 18, 2020, 95 banks have implemented credit restructuring on 4.9 million debtors with an outstanding value of IDR 458.8 trillion. Meanwhile, for finance companies, as of May 26, 2020, 183 finance companies have restructured 2.1 million contracts with an outstanding amount of IDR 66.78 trillion. (<https://www.ojk.go.id>, 2020)

From the description above, researchers are interested in deepening the optimization of profit-sharing financing in Islamic banks, especially in the midst of the COVID-19 outbreak. The purpose of this study is to determine the development of profit-sharing financing in Islamic banks during the COVID-19 pandemic, namely from March 2020 to August 2020. Then to find out the optimization of profit-sharing financing for the real sector of MSMEs during the COVID-19 pandemic.

Before conducting research, the author tries to examine the literature of previous scientific works related to the title under study. Previous studies that have been carried out previously need to be stated as a comparison of the research conducted by the author. Appropriate scientific works considered relevant to the research include:

The current Covid-19 pandemic inevitably has an impact on various sectors. At the global economic level, the COVID-19 pandemic has had a

very significant impact on the domestic economy of nation-states and the existence of MSMEs. The Organisation for Economic Co-operation and Development (OECD) report states that this pandemic has implications for the threat of a major economic crisis characterized by the cessation of production activities in many countries and the fall in public consumption levels. No country can predict when the Covid-19 pandemic will end. The simple way to adjust to being able to survive in the midst of a pandemic is to take the right steps and develop short-term and long-term strategies to survive while continuing to hope that the COVID-19 virus will be found and mass-produced. Short-term policies that can be implemented are financial assistance either in the form of soft loans tailored to the conditions of business actors or direct cash assistance by involving the government and the private sector. Long-term strategies are focused on the introduction and use of digital technology for MSMEs as well as preparation for entering the Industry 4.0 era to respond to current developments, including marketing and introducing MSME products to be more widely recognized. (Pakpahan, AK, 2020)

Hani Tahliani in her research entitled *The Challenges of Islamic Banking in Facing the Covid-19 Pandemic*, states that there are many losses caused by the virus, Covid-19 not only disrupts human health, but the covid-19 virus also disrupts the economy in Indonesia, one of which is the Islamic banking industry. The impact of the COVID-19 pandemic has increased various business risks for Islamic banking. Amid the ongoing COVID-19 pandemic, the Islamic banking industry needs to adapt and develop new strategies that are by the current conditions to remain relevant and be able to see opportunities from every challenge that exists. First, the Islamic banking industry must adjust business patterns to the digitalization of bank services, both digitalization in fundraising and financing. Second, suppress/minimize Non-Performing financing (NPF) payments so that they can survive during the Covid-19 pandemic. Third, looking for new alternative markets, at least markets that are not significantly affected by the COVID-19 pandemic, so that the Islamic banking industry can still survive amid the COVID-19 pandemic attack. (Tahliani, 2020)

Muhammad Ubaidillah and Rizqon Halal Syah Aji in their paper entitled *A Review of the Implementation of the Extension of the Angsusran Period for Financing in Islamic Banks in the Covid-19 Pandemic Situation*, stated that the Koran letter

Al Baqarah verse 280 has provided financial solutions to creditors to provide leeway to debtors affected by Covid-19. This verse has been translated into formal regulations in Indonesia, namely Law Number 2 of 2020 and POJK Number 11/POJK.03/2020. Both regulations are the legal basis for banks to provide credit or financing restructuring to debtors affected by the COVID-19 pandemic. Credit or financing restructuring needs to be provided so that the level of public consumption is maintained and does not experience a large decline. When consumption levels can be maintained, economic growth can also be maintained at an optimal level. However, these regulations are not enough if the implementation in the field is not by what has been proclaimed. Therefore, the government must be present directly to monitor the implementation of the rules it has made. (Ubaidillah & Syah Aji, 2020)

Mohammad Dio Awaludin Jauhar in his research entitled *Financing the Profit-Sharing System of Islamic Financial Institutions in Micro, Small and Medium Enterprises (MSMEs) in Jember Regency*, concluded that overall, 4 Islamic financial institutions have profit-sharing system financing, namely mudharabah financing and musyarakah financing as one of the products of Islamic financial institutions in providing services to their business partners. The percentage of financing provided by the 4 Islamic financial institutions is by Bank Indonesia Regulation Number 14/22/PBI/2012 concerning the Provision of Credit or Financing by Commercial Banks and Technical Assistance in the context of Micro, Small, and Medium Enterprises Development Article 2 Paragraph 3c which states that in 2015: the ratio of MSME Credit or Financing to total Credit or Financing is at least 5% (five percent). Regarding the method of profit sharing, the 7 institutions have their ways of determining profit sharing. BMT UGT Sidogiri uses the method of profit sharing with gross profit divided, while BRI Syariah and KUD Trikarsa Jaya use the method of profit sharing with net profit divided, while Bank Jatim Syariah uses the method of profit sharing with sales divided. (Jauhar & Roziq, 2019)

Hermawan Riyanto in his research entitled *Optimization of Profit-Sharing Based Financing at Islamic Foreign Exchange Banks in Indonesia* states that there are several problems related to profit-sharing schemes in mudharabah and musyarakah financing including moral problems, cost problems, technical problems, lack of interest in profit-sharing schemes, unwillingness of customers to share

profits and efficiency problems. To minimize moral problems, Islamic Commercial Banks must carry out the 5C analysis strategy (Character, Capacity, Capital, Condition of economy, Collateral), in a short period and apply Incentive-Compatible Constraints. Meanwhile, to overcome the cost problem, the Islamic Commercial Bank can choose to provide financing in the short term and emphasize more Off-Site Monitoring, while On-Site Monitoring is carried out periodically. For technical problems, Islamic Commercial Banks can provide training to employees who are responsible for financing and also provide training to prospective customers on how to manage businesses and how to make financial reports properly and structured. Breakthroughs and further research are still needed to try to make financing with profit-sharing schemes (mudharabah or musyarakah) attractive to the public. This of course requires active participation from practitioners and academics to find the best solution. So that Islamic bank products are in demand by the general public, especially the Indonesian people, in financing with profit-sharing schemes (mudharabah or musyarakah). (Riyanto, 2016)

2. The Conceptual Framework

In general, the principle of profit sharing in Islamic banking can be carried out in four main contracts, namely: musyarakah, mudharabah, muzara'ah, and musaqah. However, according to Syafii Antonio, the most widely used principles are musyarakah and mudharabah. Meanwhile, Nurhayati and Wasilah stated that technically mudharabah is a business cooperation contract between fund owners and fund managers to carry out business activities, the profit is divided on the basis of a profit sharing ratio according to the agreement of both parties, while in the event of a loss will be borne by the fund owner. Then according to Adiwirman Karim, musyarakah is all forms of business involving two or more parties in which they jointly combine all forms of resources, both tangible and intangible. Profits and losses are shared according to predetermined proportions. Through profit-sharing financing channels, Islamic banks will earn income in the form of profit sharing which is the bank's share. Financing according to its quality is essentially based on the risk of the possibility of the condition and compliance of the financing customer in fulfilling the obligations to pay profit sharing, and pay off the financing. So that it can cause problematic financing. According to Siamat (2005), non-performing financing is a

loan that has difficulty repaying due to deliberate factors and or due to external factors beyond the control of the borrowing customer. (Yudha, ATRC& Rijal, 2018)

3. Methods

The type of research used in this research is a literature study, which is sourced from several kinds of literature that are considered relevant to the research theme. The nature of the research used in this research is qualitative, which describes the distribution of profit-sharing financing in Islamic Banks, especially since the emergence of the COVID-19 outbreak. As well as the role and optimization of profit-sharing financing for the development of the MSME real sector in the midst of the COVID-19 outbreak.

The data source used in this research is secondary data, data obtained from several sources relevant to profit-sharing financing at Islamic Banks. Data sources from institutions that have presented previous data, including data sources from the Financial Services Authority, books, journals, websites, and others that support research related to profit-sharing financing channeled by Islamic banks since the emergence of the COVID-19 outbreak. Then sources that support themes related to efforts to optimize profit-sharing financing in Islamic banks in restoring and restoring the real sector economy that is their financing customers.

The data collection technique used in this research is the collection of pre-existing data, especially about the Islamic banking statistical report presented by OJK regarding profit-sharing financing products. Then the researchers processed the data from the data obtained. Then collecting data through documentation from sources related to financing at Islamic banks during the Covid-19 pandemic. As well as efforts to optimize profit-sharing financing to recover the financing it distributes for productive activities, especially for MSMEs.

The data analysis technique used in this research is descriptive qualitative, which describes the development of profit-sharing financing products in Islamic banks since the emergence of the COVID-19 outbreak, namely from March to August 2020. The data obtained is then processed by the researcher and then the results obtained are described. Then described the efforts to optimize profit-sharing financing by Islamic banks in restoring the economy of MSMEs affected by the emergence of the COVID-19 pandemic.

4. Result and Discussion

a. Development of Profit-Sharing Financing in Islamic Banks Since the Emergence of the Covid-19 Outbreak

Table 2
Growth of Profit-Sharing Financing in Islamic Banks
March 2020 Period - August 2020 Period

No	Type of Sharia Banking	Profit Sharing Financing	March 2020	August 2020	Growth
1	Islamic Banking Public*	Mudharabah	4,671	4,137	-11,43
		Musyarakah	86,441	89,445	3,47
2	Islamic Banking Units*	Mudharabah	8,847	7,948	-10,16
		Musyarakah	76,129	78,272	2,81
3	BPR Syariah**	Mudharabah	249,179	280,980	12,76
		Musyarakah	1,198,255	1,327,792	10,81

Source: OJK. Sharia Banking Statistics August 2020 (Data processed) * Billion Rupiah ** Million Rupiah

The data above shows the distribution of profit-sharing financing consisting of Mudharabah financing and Musyarakah financing. Financing channeled by three types of Islamic banks, namely Islamic Commercial Banks (BUS), Islamic Business Units (UUS), and Islamic People's Financing Banks (BPRS), the growth of profit-sharing financing since the emergence of the covid-19 outbreak, from March 2020 to August 2020. The data shows that mudharabah financing at BUS experienced the largest decline of -11.43 percent. Likewise, mudharabah financing at UUS experienced a decrease of -10.16 percent. As for BPRS, both profit-sharing financing contracts experienced growth, mudharabah grew by 12.76 percent and musyarakah grew by 10.81 percent.

Mudharabah is usually applied to fundraising and financing products. On the fundraising side, mudharabah is applied to (1) term savings, which are savings intended for special purposes, such as Hajj savings, sacrificial savings, and so on; (2) ordinary deposits, special deposits (special investment), where the funds deposited by customers are specifically for certain businesses, for example, murabahah only or ijarah only. On the financing side, mudharabah is applied for working capital financing (trade and service working capital) and special investment, also called mudharabah muqayyadah. Mudharabah financing is one of the milestones of Islamic economics that represents Islamic principles to realize community justice through a profit-sharing system. According to Muhammad (2005), the main principle that must be developed by Islamic banks in relation to fund

management is that Islamic banks must be able to provide profit sharing to depositors at least equal to or greater than the prevailing interest rates in conventional banks and be able to withdraw profit sharing from debtors lower than the interest rate applied in conventional banks. (Susana & Prasetyanti, 2011)

Technically, mudharabah-based financing consists of two parties, namely the Islamic bank as the capital owner and the cooperation partner or customer as the capital manager. Islamic banks will provide all financing needs as agreed with cooperation partners or customers for productive needs. Profits will be shared by the contents of the contract or contract that has been mutually agreed upon. Income on profit sharing follows the profit earned by the cooperation partner or customer. If the partner's profit increases, then the bank's income will follow the income. The contextual development of the mudharabah scheme deserves our attention. There are differences in the context that occurred during the time of the Prophet Muhammad SAW and his companions who based the practice of personal mudharabah on trust and kinship so that it took the form of direct investment (direct financing), which is different from the banking model today. Karim said that the mudharabah model at that time emphasized trust in providing financing capital to relatives or personal relationships that were direct in nature. In the present, the mudharabah model uses Islamic banking services whose concept cannot be equated with the context at that time. The bank's very large and extensive work system does not underlie the provision of financing capital on a personal basis but on the basis of a larger economy. (Andi Sri Rezky Wulandari & Abd. Basir, 2020)

Musyarakah is a partnership-based Islamic financial product just like Mudharabah. However, the two financial products have different characteristics and conditions. Another term used for Musyarakah is sharikah or syirkah. Musyarakah is translated into English as a partnership. The term is not specific because Mudharabah is also a partnership. Islamic financial institutions translate it with the term "participation financing" to better underscore one of the aspects of Musyarakah that will be explained next. Musyarakah can be translated into Indonesian as "partnership of investors" or "sharing of investors" (Sjahdeini, 2014)

Musyarakah in the context of banking means a joint agreement between several capital owners to include their share capital in a project. Correlated

with capital, commercial banks as those that operate money as capital, it is certain that the musyarakah used is syirkah al-mal, namely syirkah al-inan and syirkah al-mufawadhah. The operational rules of the musyarakah contract in Islamic banking are implemented in the distribution of funds, where the product is called musyarakah financing, namely equity participation provided by Islamic banks to customers who already have part of the capital. In its implementation, the musyarakah contract begins with a financing application from the customer to the bank. Then, the bank realizes the customer's application and invests according to the amount of capital required by the customer. The calculation of the capital investment provided by the bank is proportional to the capital owned by the customer. Finally, the customer carries out the project with the combined capital. (Chefi Abdul Latif, 2020)

b. Optimization of Revenue-Sharing Financing for MSME Recovery in Islamic Banks Amid the Covid-19 Outbreak

Profit-sharing financing is the main differentiator from credit in conventional banks. If in a conventional bank, credit customers will be charged interest, thus providing certainty of payment from the customer without knowing the customer's condition. The bank will still get income. Whereas profit-sharing financing in Islamic banks does not provide certainty of the amount of results obtained, everything is based on the real results of the business financed by the Islamic bank. The condition of the customer's business is monitored by Islamic banks, to ensure that the financed business can run well. The amount of income is not fixed and cannot be determined at the beginning of the financing contract, even the sharia party will bear losses if there are risks outside the customer's intentions. The status of customers with banks in conventional banks is creditor and debtor, while the relationship between customers and Islamic banks is partners, supporting each other. Profit-sharing financing has considerable risk, but behind it, Islamic banks also have considerable potential to get greater profits. In conditions like this, the role of Islamic banks for profit-sharing financing is needed, they cannot just let go, there is attention and supervision and efforts to improve the business they finance to get maximum results. Mutual trust is the basis that must be built between Islamic banks and profit-sharing financing customers, transparency and openness need to be realized. Profit-sharing financing is considered more appropriate and fair for customers who have

productive business objectives. Every business is uncertain, the same with the profit-sharing system. However, this does not mean that profit-sharing financing has the potential for loss, but there is an opportunity to obtain greater profits. Especially amid the COVID-19 outbreak, many business actors were affected, so they could not fulfill their obligations, in this condition, if using profit-sharing financing there will be a sense of justice for business actors. Then Islamic banks can increase their role in assistance and pay more attention to their customers affected by COVID-19. Islamic banks can provide suggestions, suggestions, and advice that can support the return of the business of financing customers.

Profit-sharing financing in Islamic banks consisting of mudharabah and musyarakah is more appropriate for business actors and will be fairer if carried out properly and professionally by both parties. Profit-sharing financing for productive activities is very appropriate, without exception for MSME actors. The impact of COVID-19 on the economy, especially for MSME players, is so great, in conditions like this they not only need additional capital to continue producing, but more than that, advice, supportive input, and business strategy efforts are needed, Islamic banks as partners can show their role by providing assistance and optimizing their products. Profit-sharing financing can be used as an effort to restore the economy, especially MSMEs, profit-sharing financing will not burden customers. Then Islamic banks can involve themselves and assist MSME customers. So amid the COVID-19 outbreak, those affected do not just need capital assistance, but more than that. The partnership status between Islamic banks and financing customers is an effort so that Islamic banks can play a greater role in economic recovery for MSMEs, not just channeling fund capital, but can do more than that. This is what distinguishes Islamic banks from conventional banks, Islamic banks will supervise and pay maximum attention to their financing customers. Most importantly profit-sharing financing is only more appropriate for productive purposes, for customers who have businesses, including MSMEs.

5. Conclusion and Suggestion

The growth of profit-sharing financing at Islamic Banks since the emergence of the COVID-19 outbreak in March 2020 to August 2020 has shown a decline. At Islamic Commercial Banks (BUS) Mudharabah financing decreased by -11.43 percent, and musyarakah financing grew by 3.47

percent. As for the Sharia Business Unit (UUS), Mudharabah financing decreased by -10.16 percent, while musyarakah financing grew by 2.81 percent. Then the Sharia People's Financing Bank (BPRS), mudharabah financing by 12.76 percent, and musyarakah financing grew by 10.81 percent.

Optimizing profit-sharing financing in Islamic banks can be done to restore the real sector of MSMEs in the midst of the COVID-19 outbreak. In the current condition, the large number of MSMEs affected by the COVID-19 pandemic has resulted in difficulties in obtaining income due to a lack of purchasing power. With profit-sharing financing, the role of Islamic banks as partners is more than just providing capital, but continuing to provide supervision and assistance for MSME players. In the midst of the COVID-19 outbreak, the income of business actors is fluctuating and uncertain, so it is appropriate if profit-sharing financing can be maximized. Increasing Islamic bank profit-sharing financing for MSME players will be fairer for MSME business actors.

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