



**Islamic Banking and Halal MSME Development:
Financial Access and Inclusion**

Muhammad Khozin Ahyar

Politeknik Negeri Samarinda, Indonesia

Email: khozinahyar@polnes.ac.id

Catur Kurniawan

Politeknik Negeri Samarinda, Indonesia

Email: catur@polnes.ac.id

Dimas Riski Efendi

Politeknik Negeri Samarinda, Indonesia

Email: dimasriskiefendi@gmail.com

Abstract

This study examines the accessibility of MSME financing in Islamic banks, focusing on the transformations accelerated by the Covid-19 pandemic. As community activities were restricted, Islamic banks rapidly digitized their services to maintain customer engagement. Despite digital advancements, financing processes, especially for MSMEs, still heavily rely on face-to-face interactions, which pose challenges for MSME clients with limited access to information, capital, and guarantees. Using a quantitative approach with SmartPLS, the research investigates the impact of various financial inclusion indicators on MSME financing. The outer model test confirmed the validity and reliability of all variables ($AVE > 0.50$, Cronbach's Alpha > 0.75). The inner model test revealed that office networks and IRDPK significantly influenced MSME financing, while ATM availability showed a moderate effect. Additionally, the IRPBY variable did not exert a positive impact. This study highlights the crucial role of Islamic bank office networks in facilitating MSME access to financing, especially in the halal sector, and suggests that further digital innovations could enhance accessibility.

Keywords: MSMEs, Access, Financing, Financial Inclusion.

Introduction

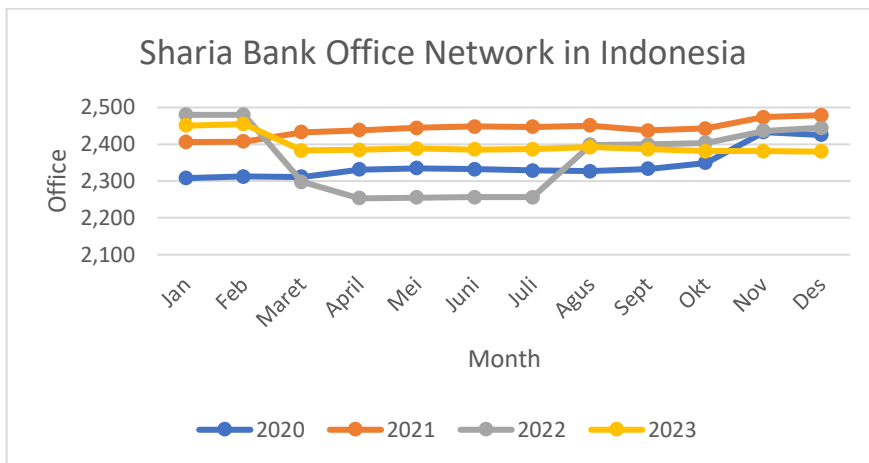
The year 2020 to the beginning of 2023 is a very difficult year for the world community due to the existence of COVID-19. All countries are

experiencing difficulties in dealing with COVID-19 patient cases that continue to increase every day. As a result of the outbreak, the governments of each country were forced to impose lockdown policies or activities from home, such as Works From Home (WFH) and school from home. As a result of this extraordinary event, all sectors of activities were completely paralyzed at the beginning of the outbreak, especially the economic sector.

One of the most affected economic sector actors is MSME (Micro, Small and Medium Enterprises). When the COVID-19 outbreak spread widely around the world, MSME actors were forced to temporarily close their businesses due to the implementation of lockdown and WFH policies. MSME actors who depend on their income from the business they run are forced to rack their brains so that their business can continue to run and generate income. Meanwhile, they also still have to pay installments and pay production costs incurred. Similar conditions also occur in Islamic banking which still has to serve customers in the midst of the Covid-19 pandemic. MSME customers who partner with Islamic banks also have difficulties in business. However, at the same time, Islamic banks are also experiencing difficulties in running their business as a result of restrictions on community activities.

Islamic banks as intermediary institutions have an important role in helping MSME actors so that their businesses can remain stable and develop after the pandemic. Through various financing models and schemes, Islamic banks should have an important role in empowering MSMEs during the COVID-19 pandemic. Affordability to access to Islamic financial institution products is an important thing in supporting the development of MSMEs in Indonesia (Anggraeni et al., 2013; Khozin Ahyar, 2019; Nengsih, 2015).

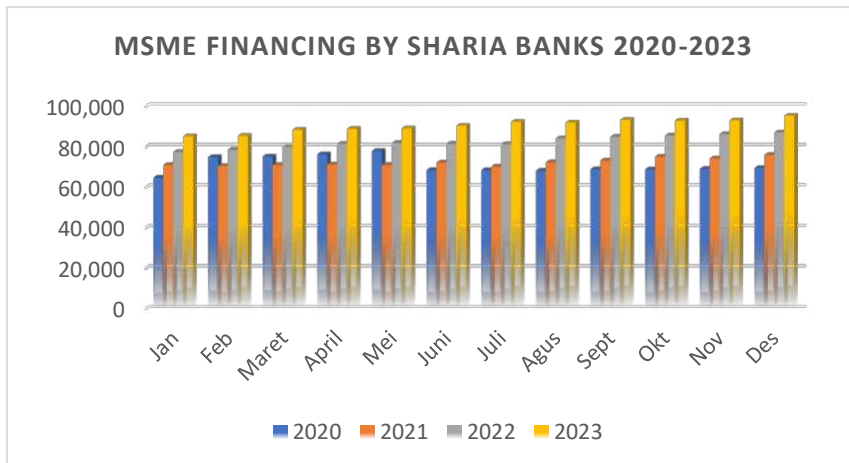
In several studies, one of the indicators that can describe the affordability of Islamic banks is the number of Islamic bank offices (Darmawan et al., 2019; Soetiono & Setiawan, 2018). The number of Islamic banking office networks can be a real access for the community, so that with this ease of access, the public/customers can more easily take advantage of formal financial services from Islamic banking (OJK, 2017; Soetiono & Setiawan, 2018). The network of Islamic banking offices, which is one of the public accesses, when viewed from Islamic Banking Statistics, is always changing or fluctuating in number (graph 1).



Graph 1. Number of Sharia Bank Office Networks

Source: OJK (2023)

Based on graph 1 above, it is known that during 2020 to 2023, there was a fluctuation in the number of bank offices in Indonesia. The number of Islamic bank office networks in Indonesia in 2022 is lower than in 2021 to 2023. However, from March 2021 to July 2021, Islamic banks in Indonesia experienced the lowest number of offices. This condition is different from MSME financing in Islamic banks. The amount of Islamic bank financing distributed to MSMEs tends to increase during this period. Although there was a decrease from February to May in 2021, in the following year the number increased higher than the same period (month) in 2020 (Graph 2). Based on this presentation, the author aims to analyze the variables of financial inclusion on MSME financing in Islamic banks in Indonesia.



Graph 2. Amount of MSME Financing in Sharia Banks

Source: OJK (2023)

Literature Review

Financial Inclusion in Islamic Bank

Financial inclusion is the affordability of public access to formal financial services. If associated with Islamic banks, then Islamic financial inclusion is the affordability of the public to financial services in Islamic banks. Conceptually, there is no difference between financial inclusion and sharia financial inclusion. However, the difference between the two lies in the operational principles and the products offered. Islamic financial inclusion operates based on Islamic sharia principles that prohibit *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). In addition, Islamic financial products such as *murabahah* (financing based on profit margins), *mudharabah* (profit-sharing partnerships), and *ijarah* (rent) are different from conventional financial products which generally involve interest and do not have sharia restrictions. Therefore, Islamic financial inclusion not only ensures access to financial services, but also ensures that they are in accordance with Islamic values and laws.

The implementation of financial inclusion in Indonesia is very diverse and has been implemented for a long time, some of which are the existence of cooperatives and also KUR or Kredit Usaha Rakyat (Wahid, 2014). Likewise in Islamic finance, the concept of Baitul Maal wat Tamwil (BMT) is part of the implementation of Islamic financial inclusion. The existence of cooperatives, BMT and KUR can help increase Islamic financial inclusion in Indonesia (Nengsih, 2015; Wahid, 2014).

As a form of seriousness of regulators and the government in increasing Islamic financial inclusion, OJK has issued OJK Regulation (POJK) Number 76 of 2016 concerning Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and/or the Community. The government itself has issued a Presidential Regulation (Presidential Regulation) that provides a definition related to inclusive finance.

OJK as the regulator of the financial services industry in Indonesia always routinely conducts financial literacy and inclusion surveys. Every survey conducted always has an increase in the financial inclusion index in the Islamic banking sector (table 1 and table 2). This indicates that the efforts made by the relevant authorities and other stakeholders have succeeded in increasing financial inclusion in Islamic banking.

Table 1. Sharia Financial Literacy and Inclusion Index

Sharia Index	2019	2022
Literacy	8.93%	9.14%
Inclusion	9.10%	12.12%

Sumber: OJK (2022)

Some literature states that financial inclusion is driven by several things, such as the presence of office networks, ATM machines, and banking agents.

(Dz., 2018; Khozin Ahyar & Hakim, 2021; Widyandri & Laila, 2022). There is also some literature that states that mobile banking is also part of the components that can increase financial inclusion (Bharali & Borman, 2017; Hasanah & Istikomah, 2023; S & Balaji, 2022; Widyandri & Laila, 2022; Zheng et al., 2023).

Table 2. Public Inclusion in Sharia Financial Products and Services in 2019

Sharia Financial Products/Services	Knowledge	Usage
Wadiah/Mudharabah Savings	23.02%	8.63%
Mudharabah Deposit	1.14%	0.02%
Wadiah Giro/Mudharabah	0.85%	0.03%
KUR Syariah	4.89%	0.26%
Sharia Home Ownership Financing	2.25%	0.08%
Sharia Microfinance	1.77%	0.03%
Sharia Motor Vehicle Financing	3.96%	0.08%
Revenue Sharing Financing	1.12%	0.03%
Sharia Rent-Lease Financing	1.11%	0.00%
Sharia Buying and Selling Financing	0.92%	0.02%
Gadai/Rahn	1.75%	0.05%
Rent/Ijarah	0.87%	0.01%
BMT Savings	1.77%	0.05%
BWM Financing	0.67%	0.02%

Source: OJK (2021)

Islamic Financing in Islamic Bank

Islamic Financial Activities are usually spearheaded by Islamic banks. Broadly speaking, there are three activities/businesses carried out by Islamic banks, namely funding, financing and service services. Funding activities (fundraising) of Islamic banks are aimed at mobilization and investment of savings that are fair and can be guaranteed for all parties. Another business activity carried out by Islamic banks is financing. Financing products are carried out in accordance with the functions of Islamic banks contained in UU Number 21 of 2008 Article 4 (1), namely distributing funds to people whose business activities do not conflict with sharia principles. Sharia principles in Islamic banking practices have also been regulated in the fatwa issued by DSN MUI.

The financing pool of Islamic banks generally uses contracts based on profit sharing, buying and selling, and rent. The profit-sharing-based financing contract consists of *mudharabah*, *musyarakah* and *musyarakah mutanaqishah* (MMQ). In a contract based on buying and selling, it consists of *murabahah*, *salam* and *istishna*. Rent-based contracts consist of *ijarah* and *Ijarah Muntahiya Bit Tamlik* (IMBT). Contracts in sharia financing have their own characteristics that customers can choose according to their needs.

Over time, financing in Islamic banks has also innovated so that financing distribution can be more effective and efficient. Several Islamic banks already have financing services or products whose applications are made online through

mobile banking. This is an innovation made so that access to financing can be more accessible to the community.

Micro, Small, Medium Enterprise (MSMEs)

Micro, Small and Medium Enterprises (MSMEs) are defined as productive businesses owned by individuals and/or individual business entities and/or individual business entities that meet the criteria for micro businesses as regulated by UU. Based on article 1 paragraph 1 of UU Number 20 of 2008 concerning MSMEs, micro businesses are defined as productive businesses owned by individuals or individual business entities that have a maximum business capital of 50 million rupiah and have a maximum annual sales of 300 million rupiah. Unlike micro, a small business is defined in the law when it has a business capital of between 50 million rupiah to 500 million rupiah and has annual sales revenue of 300 million rupiah to 2.5 billion rupiah. Meanwhile, for medium businesses, businesses that have a business capital of between 500 million rupiah to 10 billion rupiah and annual sales of between 1.5 billion rupiah and 50 billion rupiah. The definition of MSMEs based on business capital and annual sales results has changed based on Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Micro, Small and Medium Business Cooperatives.

Table (3). Differences in Business Capital and Turnover Based on MSME Regulations

Enterprise	UU Number 7/2008	Government Regulation Number 7/2021
Micro	Maximum Business Capital. IDR 50 million Max Annual Turnover. IDR 300 million	Maximum Business Capital. IDR1 Billion Max Annual Turnover. IDR2 Billion
Small	Business Capital IDR 50 million – IDR 500 million Annual Turnover IDR 300 million – IDR 2.5 billion	Business Capital IDR 1 Billion – IDR 5 Billion Annual Turnover IDR 2 Billion – IDR 15 Billion
Medium	Business Capital IDR 500 million – IDR 10 Billion Annual Turnover IDR 2.5 Billion – IDR 50 Billion	Business Capital IDR 5 Billion – IDR 10 Billion Annual Turnover IDR 15 Billion – IDR 50 Billion

Source: Government Regulation Number 7 of 2021

The existence of MSMEs in Indonesia is currently an economic force that plays an important role in building the economy. In the digital era like today, the

development of various businesses through e-commerce in Indonesia is very rapid. MSME actors are predicted to continue to grow in the digital era like today. This is due to the growth of digital platforms (e-commerce), so that people are increasingly easier in terms of selling products, especially in terms of promoting the products sold.

Recently, the issue of MSMEs has become increasingly prominent due to the government wanting to develop more new entrepreneurs who can support the nation's economy. In addition, the issue of the Omnibus Law on Job Creation which requires MSMEs to also carry out halal certification is the biggest issue regarding MSMEs. Apart from that, issues regarding the affordability of MSMEs to formal financial sources are also still relevant issues until now even though the government already has Sharia KUR/KUR programs and other similar programs.

Apart from these issues, KNEKS (National Committee for Sharia Economics and Finance) also wants these MSME actors to be integrated with the halal ecosystem in Indonesia. Not only in terms of halal product certification, but also in financial management carried out in accordance with sharia. The use of Islamic financial products in MSMEs makes the Islamic economy in Indonesia even more perfect because of its integrated ecosystem.

Methods

This research aims to analyze the influence of financial inclusion indicators on MSME financing at Islamic banks in Indonesia. The research method used is a quantitative method using secondary data. The data was analyzed using the Smart PLS analysis tool. The methodology of this study uses SmartPLS with a simple regression analysis model and inner and outer model testing methods because it has advantages in analyzing the relationship between latent variables and the validity of measurement indicators. The outer model is used to test the validity and reliability of indicators that measure latent variables, ensuring that each indicator consistently and accurately reflects its theoretical construction. This is important so that the results of the research can be trusted and relied upon.

Testing the inner model was carried out to evaluate the strength and direction of the relationship between latent variables, which allowed researchers to understand the direct and indirect influence of these variables. Using PLS-SEM (Structural Equation Model) with inner and outer model testing is very suitable for this study because it can handle complex models with many variables and indicators, 160 tis160 able to provide robust results even though the sample size is relatively small. This technique also does not require the assumption of a multivariate normal distribution, making it more flexible and easy to apply to empirical data that often does not meet classical statistical assumptions. This model is also used because the majority of previous studies used qualitative methods in their research (Aisyah et al., 2020; Ramadan, 2021; Eriyant &

Latifah, 2022), So that this research can be a differentiator or renewal in research on this theme.

The data was obtained from the Sharia Banking Statistics (SPS) published by OJK from 2020 to 2023. The period was chosen, because if seen, there is an interesting number that continues to grow in the midst of the health crisis which also has an impact on economic activity in Indikator. The data is the outstanding financing of MSMEs in Islamic banks, the number of offices, the number of ATMs, the number of deposit accounts and the number of financing accounts in Islamic banks. The data used in this study are sharia financing, the number of offices and ATMs of Islamic banks and also indicators of Islamic indikator inclusion. The data on the Islamic indikator inclusion indikator was obtained from the transformation of the calculation formula that has been used by Bank Indikator in Indikator's Economic and Indikator Statistics. The indikator inclusion indicators used are the amount of Islamic bank deposits per 1000 adults and the amount of Islamic bank financing per 1000 adults.

The model used in this research is multiple regression. When using SmartPLS, the first step is to look for an analysis model. Next, the research analyzes using two models, namely the outer model and the inner model. Outer model testing is used to analyze the validity and reliability of the data to be analyzed. Data can be said to be valid and reliable if AVE is more than 0.50 and Cronbach's alpha and ρ_a are more than 0.70. Then in testing the inner model 161 tis used to analyze multicollinearity, R-Square, F-Square and Path Coefficient. The condition that must be met for a variable to be free from multicollinearity is when the VIF value is less than ten (10) (Ghazali, 2021; Jr. et al., 2021).

In the R-Square testing model, the model can be said to be weak when the R-Square value is greater than 0.25. The model can be said to be moderate if the R-Square value is greater than 0.50. The model is said to be strong if the R-Square value is greater than 0.75. The F-Square assessment or 161 tis161e used to determine how much influence the independent variable has in influencing the dependent variable. The independent variable has a small influence when the F-Square value is more than 0.02. Then when the F-Square value is greater than 0.15, then the influence of the independent variable is moderate. If the F-Square value is more than 0.35, then the influence of the independent variable on the 161 tis161en tis strong (Ghazali, 2021; Jr. et al., 2021).

Results and Discussions

Based on the results of the analysis using SmartPLS, the model can be seen as follows:

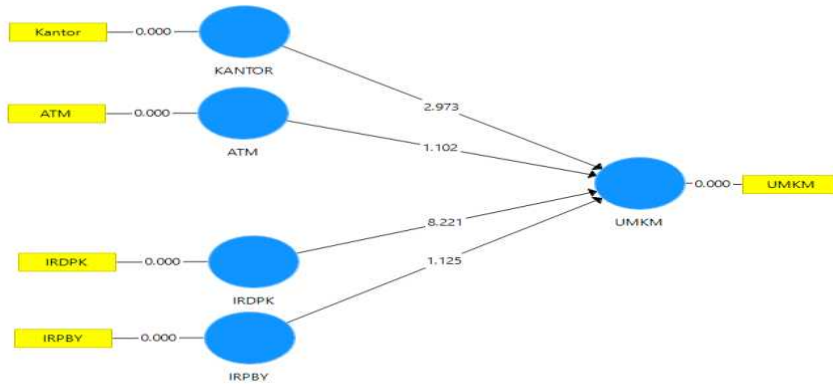


Figure 1. Research Model
Source: Data Processed (2024)

Outer Model Testing

Validity and Reliability Testing

In the validity and reliability test, there are several indicators and test criteria used. The validity testing criteria are carried out by looking at the AVE construct, while the reliability testing criteria can be done by looking at Cronbach's Alpha and rho_A. The results of the analysis can be seen in the following table:

Table 4. Validity and Reliability Test Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
ATM	1.000	1.000	1.000	1.000
IRDPK	1.000	1.000	1.000	1.000
IRPBY	1.000	1.000	1.000	1.000
KANTOR	1.000	1.000	1.000	1.000
UMKM	1.000	1.000	1.000	1.000

Source: Data Processed (2024)

In this test, the variable can be said to be valid if the AVE > 0.50, if you look at the test table above, it can be concluded that all variables can be said to be valid. This is because the AVE value in all variables is above 0.50. Meanwhile, for the reliability test of the indikator, it can be said that 162 is met if *Cronbach's Alpha* and rho_A > 0.70, if you look at the test table above, it can be concluded that the variable is said to be reliable. This is because all *Cronbach's Alpha* and

rho_A values are above 0.70. Thus, all variables in this study can be said to be valid and reliable.

Inner Model Testing

Multicollinearity Testing

The results of the multicollinearity test can be seen in table 5 below. In the Multicollinearity test, there are several conditions that must be met, namely by looking at the VIF. A variable can be said to pass Multicollinearity if the VIF value < 10 . If you look at the test table above, it can be said that all variables escape Multicollinearity.

Table 5. Multicollinearity Test Results

	VIF
ATM	1.000
IRDPK	1.000
IRPBY	1.000
Kantor	1.000
UMKM	1.000

Source: Data Processed (2024)

R-Square Testing

Table 6. R-Square Test Results

	R Square	R Square Adjusted
UMKM	0.915	0.907

Source: Data Processed (2024)

In the R-Square test, there are several scoring criteria, namely if $R > 0.25$ (Weak model), if $R > 0.50$ (Medium model), and if $R > 0.75$ (Strong model). If you look at the table above, the R-Square value is in the range of 0.915 which means that the model can be said to be strong.

Table 7. F-Square Test Results

	UMKM
ATM	0.020
IRDPK	0.842
IRPBY	0.015
KANTOR	0.115
UMKM	

Source: Data Processed (2024)

The F-Square test is used to determine how much influence the independent variable has in influencing the dependent variable. In this test, there

are test criteria, namely if $F > 0.02$ (small influence), if $F > 0.15$ (moderate/medium influence), and if $F > 0.35$ (large/strong influence). If you look at the test above, it can be concluded that the influence of ATMs $>$ UMKM/MSME can be said to be small, then the influence of the UMKM/MSME $>$ KANTOR/Office is moderate, the IRDPK $>$ UMKM/MSME can be said to be large/strong, while IRPBY $>$ UMKM have no effect.

Path Coefficient Test

Table 8. Path Coefficient Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
ATM -> UMKM	-0.149	-0.154	0.135	1.102	0.271
IRDPK -> UMKM	0.974	0.966	0.118	8.221	0.000
IRPBY -> UMKM	0.135	0.149	0.120	1.125	0.261
KANTOR -> UMKM	-0.126	-0.127	0.042	2.973	0.003

Source: Data Processed (2024)

Path coefficient is used to find out whether the independent variable has a relationship/influence on the dependent variable or does not have a relationship/influence. To find out whether each variable has an influence or not, it is by looking at the value of the P-Value. A variable can be said to have a positive relationship or influence if the P-Value is < 0.05 . If you look at the test above, it can be concluded that ATMs do not have a positive influence or relationship with UMKM/MSME, this can be said that the number of ATMs that are scattered or the large number of ATMs does not have an influence on UMKM/MSME activities. IRPBY does not have a positive influence or relationship with UMKM/MSME. IRDPK has a positive influence or relationship with UMKM/MSME. KANTOR/Office have a positive influence or relationship with UMKM, this can be said that the number of existing / scattered offices has a strong relationship with UMKM/MSME activities.

Discussion

One of the indicators of financial inclusion in several surveys that have been carried out is the access indicator. Access indicators are reflected in the number of service offices and the number of ATMs spread throughout Indonesia (Annisa et al., 2019; Beik & Arsyianti, 2016; Soetiono & Setiawan, 2018). The results of the data analysis in the previous section provide an overview that currently the existence of Islamic bank service offices still has a considerable and significant influence on the distribution of MSME financing. This is because the existence of an Islamic bank service office can provide more detailed and clear

information when MSME customers apply for financing at Islamic banks. These results are in line with research conducted by (Ahyar, 2019) which states that the existence of a network of Islamic bank offices is still needed. The existence of an affordable network of Islamic bank offices will make it easier for MSME actors to access various financing models/types at Islamic banks, especially for MSME actors engaged in the halal industry.

In contrast to office services, the existence of ATMs currently does not have an influence on the distribution of MSME financing. This is because ATMs owned by Islamic banks are still very limited. In addition, the function of ATMs is also the cause of its indifference to financing for MSMEs in Islamic banks. So far, ATMs only function as a place for cash deposits, independent cash deposits, non-cash transactions, and there are even several points in Indonesia that have ATMs that function as a place to open deposit accounts independently.

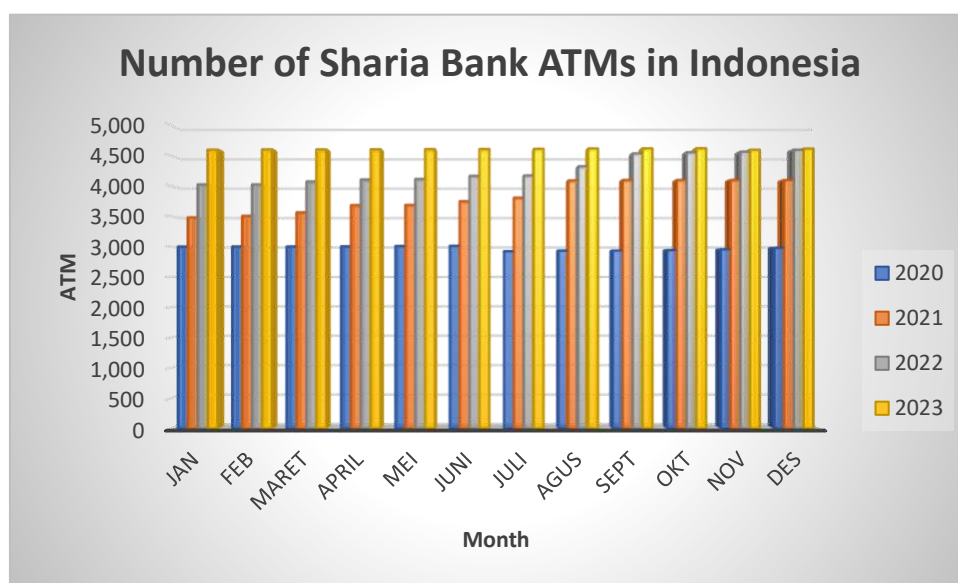


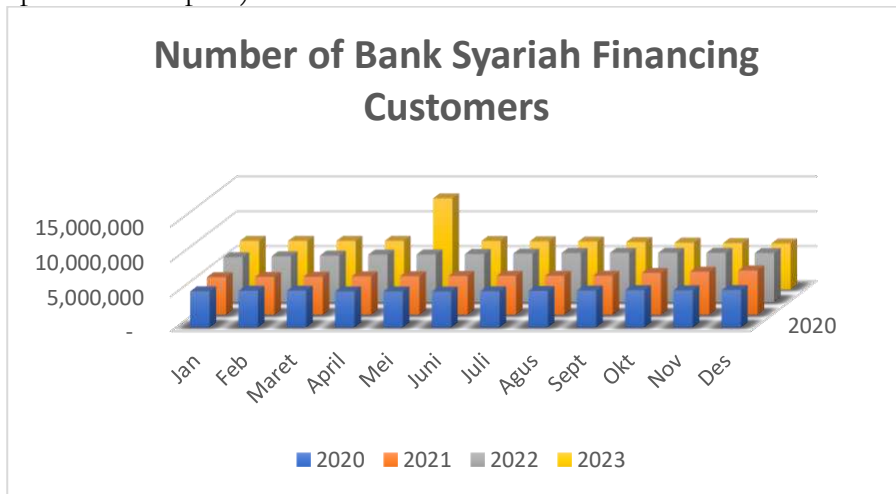
Figure 3. Number of Sharia Bank ATMs in Indonesia

Source: Data Processed (2024)

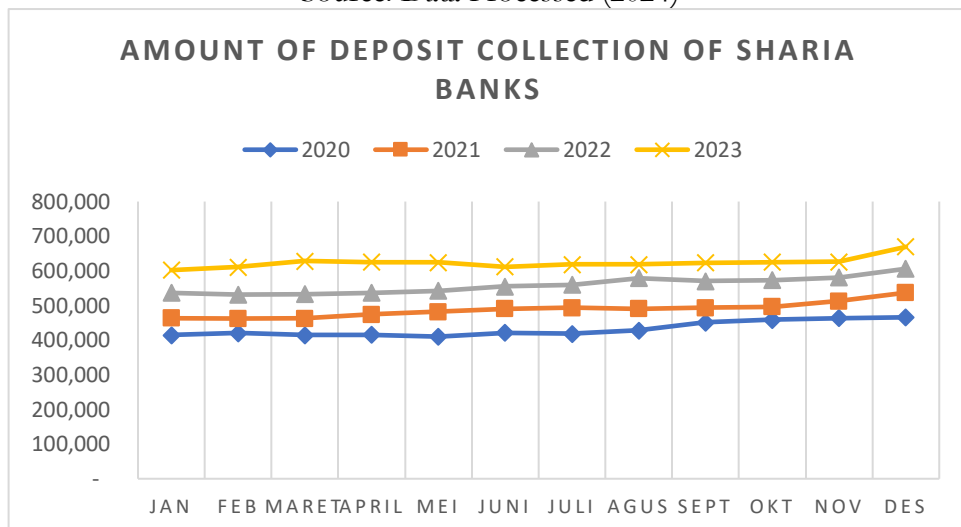
If you look at the graph above, it can be concluded that every year the number of Islamic bank ATMs in Indonesia continues to increase. This indicates that there has been an increase in transactions and customers at Islamic banks, so a wider range of ATMs is needed. Quoting the talk of the Director of Finance and Strategy of PT Bank Syariah Indonesia Tbk at the Economic Outlook 2024 program organized by CNBC Indonesia said that:

“Indeed, for the ATM network of Islamic banks, especially BSI, it is still very limited. But that will be our focus in the future so that all customers can be served well, easily and quickly”.

Third Party Funds of Islamic banks are a collection of funds that come from the community that deposit or entrust their funds to Islamic banks. These Third Party Funds will later be distributed by Islamic banks in the form of financing. This is what makes the ratio of the number of deposit accounts has a great influence on MSME financing in Islamic banks. It can be seen from graph 2 which is very clear that from year to year MSME financing continues to increase until 2023. The graph is supported by the number of financing customers in Islamic banks which has increased from year to year and also the number of deposits collected as a source of funds for Islamic banks in the financing business (Graph 3 and Graph 4).



Graph 4. Number of Sharia Bank Financing Customers
Source: Data Processed (2024)

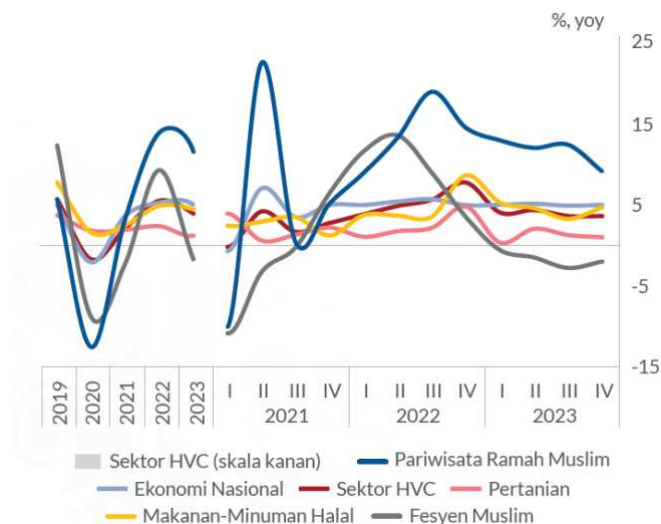


Graph 5. Amount of Deposit Collection of Sharia Banks
Source: Data Processed (2024)

Islamic banks need to make various innovations in order to increase access to sharia financing for MSME actors, especially for those who are members of the halal industry. For example, I am by developing financing that utilizes technology or by developing financial technology (Fintech)-based products. This innovation will make it easier for MSME actors to get sharia financing information and make it easier to carry out the application process. In addition, Islamic banks can also develop the concept of sharia crowdfunding. The development of the current fintech model can be used by Islamic banks in supporting the increase in sharia financing to MSMEs.

Various financing products owned by Islamic banks can be used by MSME actors to access Islamic financial resources in order to develop their halal products. MSME actors can use special MSME financing products offered by Islamic banks, such as KUR Syariah which is a cooperation program between the government and banks. (Anggraeni et al., 2013; Tarmizi et al., 2023) revealed that MSME actors' access to sharia microfinance is very important, because it will have a positive impact on the development of MSMEs. The importance of access to sharia financing for MSMEs is expected to increase the role of Islamic banks to further open access to MSME actors in Indonesia.

Referring to the 2023 Sharia Economics and Finance Review, the national sharia economic performance during 2023 is quite good. The leading sector of HVC (Halal Value Chain) in 2023 will grow by 3.9% (yoy), where this growth is not as strong as in 2022 which grew up to 5.53% (yoy) (Bank Indonesia (BI), 2023). Some of the leading sectors of HVC in Indonesia, the Muslim-Friendly Tourism (PRM) sector is a sector that grows strongly during 2023 (figure 2).



Looking at the picture above, we still need to be optimistic to take the halal industry market share in optimizing the distribution of Islamic bank financing to MSMEs. A study conducted by Bank Indonesia stated that Islamic bank financing distribution is still growing strongly in line with consumer optimism amid global uncertainty (Bank Indonesia (BI), 2023). Until 2023, financing in Islamic banking will still grow by 15.8% (yoy). Meanwhile, loans to commercial banks only grew by 10.2% (yoy). This proves that financing in Islamic banks is still in demand by the Indonesian people and has the potential to increase in the future. In addition, there is still a lot of potential for MSMEs in Indonesia that can be worked on by Islamic banks through Islamic financing products. For example, the Samarinda sarongs industry is a daily prayer or worship outfit for Muslims in Indonesia. The financing channeled to the Samarinda Sarong industry can provide an example as a perfect sharia economy/halal industry ecosystem. As explained by (Ahyar & Abdullah, 2020) that a product can be said to be halal not only in terms of production, but also management and sources of funding (financing) to grow the business.

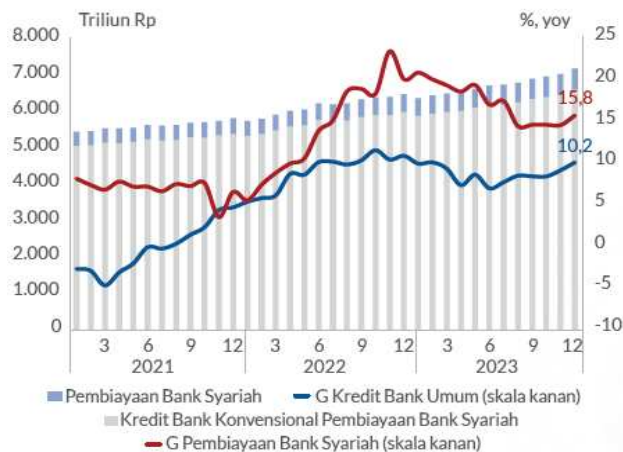


Figure 3. Sharia Banking Financing
Source: (Bank Indonesia (BI), 2023)

Based on figure 4 below, MSME financing in Islamic banking is dominated by the micro and small business sectors. Meanwhile, the medium business sector tends to decrease. This is because the average medium business tends to be quite more established in managing its business, especially from the financial side. The Sharia KUR program and other programs that support MSME actors in the halal industry need to continue to be improved, so that halal MSME actors can reach more Islamic bank products in carrying out their various business transactions. The existence of UUP2SK, UU JPH, and PP BPJPH

further emphasizes the government's seriousness in working on the halal industry in Indonesia. This momentum can be an opportunity for Islamic banks to expand their market to build a national halal industry, especially for MSMEs.

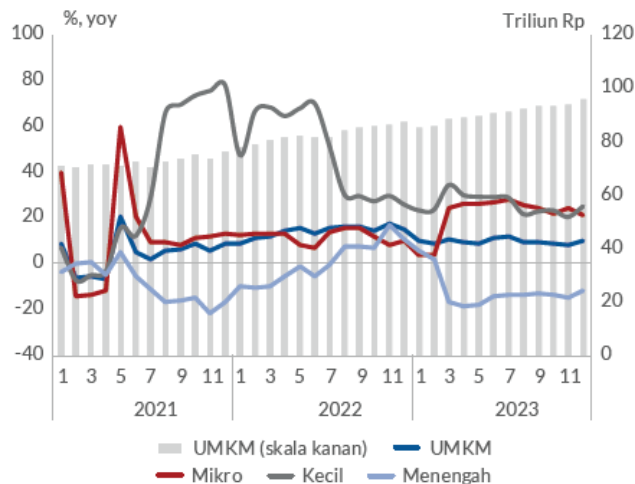


Figure 4. MSME Financing Per Sharia Banking Segment
Source: (Bank Indonesia (BI), 2023)

Conclusion

Based on the presentation of the results of the analysis above, it can be concluded that the office network has a great influence on MSME financing. Likewise, the index of Islamic banking deposit accounts also has a positive influence on MSME financing in Islamic banks. Meanwhile, the ATM network has little influence on MSME financing in Islamic banks. The index of the number of financing accounts has no effect on MSME financing in Islamic banks. Some of the things that can be done by Islamic banks to expand access to sharia financing to MSMEs are to bring the office network closer to MSME actors in the halal industry. In addition, Islamic banks can conduct massive socialization and education to MSME actors in the halal industry about various financing products in Islamic banks. Another way is to simplify the application process and requirements for sharia financing.

References

- 'Aisyah, I. N., Dora, L. S., Kholishoh, & Aziz, A. (2020). Peran Bank Pembiayaan Rakyat Syariah (BPRS) Dalam Pengembangan Umkm Di Indonesia. *Inklusif: Jurnal Pengkajian Penelitian Ekonomi Dan Hukum Islam*, 2.
- Ahyar, M. K. (2019). *Analisis Pengaruh Inklusi Perbankan Syariah terhadap Pembiayaan UMKM Sektor Halal di Indonesia*. 5(2), 19–36.

- Ahyar, M. K., & Abdullah, A. (2020). Membangun Bisnis dengan Ekosistem Halal. *Jurnal Pasar Modal Dan Bisnis*, 2(2). <https://doi.org/10.37194/jpmb.v2i2.46>
- Anggraeni, L., Puspitasari, H., El Ayyubi, S., & Wiliasih, R. (2013). Akses UMKM terhadap Pembiayaan Mikro Syariah dan Dampaknya terhadap Perkembangan Usaha: Kasus BMT Tadbiirul Ummah, Kabupaten Bogor. *Al-Muzara'ah*, 1(1), 56–67. <https://doi.org/10.29244/jam.1.1.56-67>
- Annisa, Y. N., Setyadi, S., & Arifin, S. (2019). Faktor-Faktor Penentu Inklusi Keuangan Di Indonesia Periode Tahun 2012-2016. *Tirtayasa Ekonomika*, 14(1), 150–170. <https://doi.org/10.35448/jte.v14i1.5425>
- Bank Indonesia (BI). (2023). Kajian Ekonomi dan Keuangan Syariah 2023. In *Departemen Ekonomi dan Keuangan Syariah, Bank Indonesia*.
- Beik, I. S., & Arsyianti, L. D. (2016). Ekonomi Pembangunan Syariah. In *Ekonomi Pembangunan Syariah* (Revisi). Rajawali Pers.
- Bharali, R. K., & Borman, R. (2017). Mobile Banking for Financial Inclusion: Adoption and Challenges. *Splint International Journal of Professionals*, 4(6), 75–80.
- Darmawan, A., Indahsari, N. D., Rejeki, S., Aris, M. R., & Yasin, R. (2019). Analisis Faktor-Faktor yang Mempengaruhi Minat Nasabah Menabung di Bank Jateng Syariah. *Jurnal Fokus Bisnis: Media Pengkajian Manajemen Dan Akuntansi*, 18(01), 43–52. <https://doi.org/10.1017/CBO9781107415324.004>
- Dz., A. S. (2018). Inklusi Keuangan Perbankan Syariah Berbasis Digital-Banking: Optimalisasi dan Tantangan. *Al-Ammwal: Jurnal Ekonomi Dan Perbankan Syari'ah*, 10(1), 63–80. <https://doi.org/10.24235/amwal.v10i1.2813>
- Eriyant, W. F., & Latifah, F. N. (2022). Peran Bank Syariah Terhadap Pembiayaan Umkm Di Masa Pandemi Covid-19. *Jurnal Tabarru': Islamic Banking and Finance*, 5(Usaha Mikro Kecil dan Menengah (UMKM) berperan penting dalam perekonomian di Indonesia).
- Ghazali, I. (2021). *Partial Least Square: Konsep, Teknik Dan Aplikasi Menggunakan Aplikasi SmartPLS 3.2.9 Untuk Penelitian Empiris* (3rd ed.). Badan Penerbit Universitas Diponegoro.
- Hasanah, M., & Istikomah, I. (2023). Digitalization Of Sharia Banking In Improving Financial Inclusion In Indonesia. *Proceeding International Conference On Economics, Business And Information Technology (Icebit)*, 4, 892–895. <https://doi.org/10.31967/prmandala.v4i0.848>
- Jr., J. F. H., Ringle, C. M., Danks, N. P., Hult, G. T. M., Sarstedt, M., & Ray, S. (2021). Partial Least Squares Structural Equation Modeling (PLS-SEM) Using R: A Workbook. In *Structural Equation Modeling: A Multidisciplinary Journal* (Vol. 30, Issue 1). <https://doi.org/https://doi.org/10.1007/978-3-030-80519-7>
- Khozin Ahyar, M. (2019). Analisis Pengaruh Inklusi Perbankan Syariah terhadap

- Pembiayaan UMKM Sektor Halal di Indonesia. *Al-Tijary*, 5(2), 19–36. <https://doi.org/10.21093/at.v5i1.1716>
- Khozin Ahyar, M., & Hakim, A. (2021). Affecting Financial Inclusion in Indonesia Through Third Deposit Funds of Islamic Banking. *Journal of Finance and Islamic Banking* |, 4(2).
- Nengsih, N. (2015). Peran Perbankan Syariah Dalam Mengimplementasikan Keuangan Inklusif di Indonesia. *ETIKONOMI*, 14(2), 221–240. <https://doi.org/10.15408/etk.v14i2.2272>
- OJK. (2017). *Strategi Nasional Literasi Keuangan Indonesia*.
- OJK. (2021). Strategi Nasional Literasi Keuangan Indonesia 2021–2025.
- OJK (2022). Siaran Pers Hasil Survei Nasional Literasi dan Inklusi Keuangan Indonesia 2022.
- Ramadan, M. R. (2021). Merger Bank Syariah dan Pengembangan UMKM di Indonesia. *Jurnal Syntax Transformation*, 2(06). <https://doi.org/10.46799/jst.v2i6.290>
- S, D. L. B., & Balaji, L. (2022). Mobile Banking as a Tool for Financial Inclusion. *Saudi Journal of Business and Management Studies*, 7(9). <https://doi.org/10.36348/sjbms.2022.v07i09.006>
- Soetiono, K. S., & Setiawan, C. (2018). *Literasi dan Inklusi Keuangan Indonesia*. Rajawali Pers.
- Tarmizi, R., Nasaruddin, I. Y., & Sunardi, S. (2023). Analisa Pembiayaan KUR Syariah Dalam Pemberdayaan UMKM Di Masa Pandemi Covid 19. *CICES*, 9(2). <https://doi.org/10.33050/cices.v9i2.2715>
- Wahid, N. (2014). *Keuangan Inklusif: Membongkar Hegemoni Keuangan*. Kepustakaan Populer Gramedia.
- Widyandri, D. B., & Laila, N. (2022). Analisis Pengaruh Mobile Banking Dan Keuangan Inklusif Terhadap Kinerja Keuangan Bank Syariah Di Indonesia Periode 2014-2019. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 9(1). <https://doi.org/10.20473/vol9iss20221pp14-24>
- Zheng, C., Rahman, M. A., Hossain, S., & Moudud-Ul-Huq, S. (2023). Does Fintech-Driven Inclusive Finance Induce Bank Profitability? Empirical Evidence from Developing Countries. *Journal of Risk and Financial Management*, 16(10). <https://doi.org/10.3390/jrfm16100457>