



## Price Difference in Buying Fruits With Many Amount And A Little According to The Islamic Law Perspective: Case Studi at Market 26 Ilir Palembang

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### ABSTRACT

**Purpose:**The purpose of this article is to find out the differences in the price of fruit with large and small perspectives of Islamic law in the 26 ilir Palembang market and what factors cause the difference in fruit prices for traders in the 26 ilir Palembang market.

**Design/Method/Approach :**A qualitative approach was applied to this study. The data collection techniques use observation, interviews, and questionnaires

**Findings:** the difference in the price of buying and selling fruit from the perspective of Islamic law in Palembang 26 ilir is permissible (mubah), because it is in accordance with the concept of buying and selling in Islam where the fulfillment of the conditions in pricing is in accordance with the principles of buying and selling in Islam. The process of buying and selling carried out has also fulfilled the pillars and conditions in Islam, so the sale and purchase of this law is legal, and the factors that cause the price of fruit differ in fruit traders in the 26 ilir Palembang market, namely fruit quality, the effect of fertilizer increase, merchant's trading location and the number also fruit traders take fruit from other fruit sellers and resell them.

**Originality/Values:** The main contribution of provide information to the public about differences in selling prices of fruit in the market.

## **INTRODUCTION**

The Indonesian nation is experiencing a crisis from all lines of life. One of the phenomenal and acute is the problem of community economic welfare issues. Facing the era of free competition or free market, people are expected to be able to compete productively, creatively and innovatively.

The development of the types and forms of muamalah carried out by humans since ancient times until now in line with the development of human needs and knowledge itself. On that basis, it is found in various ethnic groups of various types and forms of muamalah whose essence is mutual social interaction in an effort to meet their individual needs.

Trading is an effort to maximize profits and minimize costs (capital). Traders often determine the choice of establishment strategy based on research into profits, survival and business continuity. This concept has an impact on the treatment of those who use the goods and services offered, namely buyers. Economy or trade is an activity that has been running for a long time as a process of human activity as individuals or communities to seek profit, fulfill their desires and their needs. Most people if trading always wants to achieve large profits.

Business or business is not new, because since fourteen centuries ago Islam has encouraged its people to conduct business activities. The Messenger of Allah himself was at the beginning of his life involved in the business world as a partner of a businessman named Khadijah. Islam in its historical context has taken a long journey that can not be separated from an economic system, as the others carried out by the Prophet Muhammad from childhood with his mother Abu Talib, they traded in various corners of the Arabian peninsula, Then, continued to make a cooperative relationship between the Prophet Muhammad with SitiKhadijah both before and after her marriage.

Muslims are currently experiencing various phenomena that inevitably have to be dealt with along with the rapid growth with the development of the business world itself. This phenomenon is none other than the business competition. Business competition is a natural thing to happen in the business world. Business competition has various possibilities or impacts. If the competition is carried out in a healthy manner then of course it will lead to a fair business competition as well, but if the competition is carried out fraudulently then of course the impact will cause harm to certain parties that are disadvantaged. Islam talks about business competition, in Islam every human

being is shown to compete in business but Islam outlines that the business in question should be in terms of goodness rather than vice versa which can plunge the people into shaitan.

Palembang Ilir 26 Market is one of the markets where traders carry out buying and selling activities, including Muslim traders who conduct daily trading activities, many ways are done by Palembang Ilir 26 Market traders to attract buyers to buy their merchandise. Looking at the number of fruit trades in the 26 ilir market in Palembang with various kinds of fruit merchandise and various selling prices, for example the trade case that Mr. Rahmat sold was selling oranges at 11,000 / kg. If there are people who want to buy 2 kg, the price may be reduced slightly to 21,000 which should be 22,000 / 2 kg, Mr. Aam sells oranges at 10,000 / kg, and Mrs. Siti sells oranges at 12,000 / kg, and if anyone wants to buy 2 kg can be given 22,500 which should be 24,000 / 2kg. The price difference between trades resulted in the emergence of business competition among fruit traders in the 26 ilir market in Palembang. Many traders do various ways to attract consumers to buy at their place, one of them with different selling prices among traders in the 26 ilir Palembang market.

The purpose of this study was to find out how the Islamic Law Review of the differences in fruit prices in the 26 ilir Palembang market and to find out what factors caused the difference in fruit prices in the 26 Ilir Palembang market.

SitiMujiatun with the title Buy and Sell in an Islamic perspective: Salam and Istisna` in the journal Journal of Accounting and Business Research Vol. N0 13 September 2, 2013. The results of his research are that the legal basis for buying and selling istisna` is the same as buying and selling greetings. At sale and purchase istisna` the goods do not yet exist and are still being produced. On this basis, the Hanafi School in principle, buying and selling istisna` is not allowed. However, it is permissible because the practice in society has become a culture and in it there is no gharar or deception. Ramli with the title Buy and Sell Bonded in Kediri Subdistrict according to Islamic perspective in the journal El HikamVol 10 No. 1 of 2017. The results of the research are the practice of bonded labor in Kediri Subdistrict included in tempo trading, which is done in the first three forms, Buying and Selling Tempo Without Interest includes buying and selling which is permitted in Islam, because it does not conflict with the Koran and hadith. Second, the Sale and Purchase of Flowering Tempo, including buying and selling tempo which is not permitted (forbidden) in Islam, because there is an element of interest (riba) which is forbidden in Islam. Third,

the sale and purchase of interest, including the sale and purchase of tempo which is not permitted (forbidden) in Islam, because there is an element of usury that multiplies and there are two contracts in one contract.

## **MATERIALS AND METHODS**

This type of research uses field research. Descriptive qualitative research methods. The primary data source was obtained from fruit traders in the 26 ilir market in Palembang. Secondary data sources are books relating to muamalah activities and other supporting literature. The population in this study were all Muslim fruit traders selling at the 26 ilir market in Palembang totaling 95 traders. The sample in this study was 10 fruit traders in the 26 ilir Palembang market in determining the sample using non random sampling. Data collection techniques used in this study were: observation, questionnaire, interview and documentation. Analyzing data with deductive techniques, namely drawing conclusions that begin by simply revealing information that is simple to the facts and limited in preparing arguments that end statements that are general.

## **RESULTS AND DISCUSSION**

The law of buying and selling with price differences in large and small amounts is permissible (Mubah). Q.S. Al-Baqarah verse 275 which reads: *"People who eat usury cannot stand but rather like the founding of a person possessed by a viciouslan-taran (pressure) insanity. That is because they say that buying and selling is the same as usury. Though Allah has justified the sale and purchase and forbid usury. Anyone who gets a warning from his Lord, then he stops, then what he has obtained first becomes his and his affairs (it's up to) to God. Whoever repeats, they are the inhabitants of hell, they are eternal in it."* (QS Al-Baqarah: 275).

The above verse expressly provides a description of the law of halal sale and usury. Allah SWT Decisively justifies buying and selling and forbidding usury, even though both (buying and selling) are both looking for economic benefits, but there are fundamental and significant differences, especially from the point of view of how to obtain profits in addition to liability risk of losses that may arise from economic business itself whatever form of buying and selling is permissible (mubah) as long as the harmony and conditions are met.

The price difference that occurs in the sale and purchase of fruits in the 26 Ilir market in Palembang does not make buying and selling fruit a fasid (damaged). Contextually, the buying and selling of fruits that occur in the 26 Ilir market in Palembang is in accordance with the trading order namely the seller

and the buyer, there is a shighat (consent and qabul), in which the buyer gives money to the seller which shows the existence of a replacement exchange rate of goods and the seller gives the goods to the buyers in an agreement to buy and sell these fruits.

But the factor that caused the price difference is actually not permitted, namely because there is no suitable nominal, so rounding occurs. Rounding makes the excess price of staples in small quantities, so the price is different from the calculation that should be. Basically a Muslim is forbidden to eat the wealth of his brother by means of sleaze.

Differences in the buying and selling of fruits on the 26 Ilir Palembang market also do not contain an element of fraud, because of the clarity of prices and objects and the willingness of both parties. If there are those who disagree with this price difference then the seller never forces the buyer, besides the buyer is free to choose the type of fruit or which trader will be bought, therefore in this sale and purchase also applies the right of khiyar, which is terminologically in science Jurisprudence means the right that belongs to two people who enter into a business agreement to choose between two things they like, keep the agreement or cancel it. The wisdom of presenting the right to vote is to prove and reinforce the willingness of the parties bound in the agreement.

The price difference that occurs in the sale and purchase of fruit in the market 26 Ilir Palembang is in accordance with the principles in determining prices and market mechanisms according to the Islamic Economic view, in which in determining this price difference sellers apply it based on the Ar-Ridha principle, namely traders provide material principal to the buyer if the buyer is willing and agreed on a price determined by the seller. The aim of the trader is to make a profit, whereas Islam never gives certain restrictions for a trader in getting someone to buy is not in accordance with the goods, or in accordance with the current price. In determining prices, it must refer to market prices and common interests (fair prices). Based on this advantage derived from the price difference is also in accordance with what is prevailing in the market, besides the sellers do not take advantage in ways that are not justified syara 'namely through endeavor and monopoly (hoarding of goods), fraud, but based on calculations in buying and selling.

The existence of business competition is due to look for profits, meet the desires and needs of life, most people if running a business always want to achieve large profits, and the factor of business competition is that traders often

determine the choice of establishment strategy based on research into profits, survival and business continuity, use as little capital as possible to get the maximum profit. The positive impact is to benefit himself and the negative impact that is detrimental to others both from promoting unhealthy goods, negative issues to fellow traders, and hiding goods defects and many other dishonest acts. and of course this trader is labeled bad by the people

Business competition is a natural thing that happens in the business world. Business competition has various possibilities or impacts caused. If the competition is carried out in a healthy manner then of course it will lead to a fair business competition as well, but if the competition is carried out fraudulently then of course the impact will cause harm to certain parties that are disadvantaged. Islam talks about business competition, in Islam every human being is shown to compete in business but Islam outlines that the business in question should be in terms of goodness rather than vice versa which can plunge the people into shaitan.

No	Merchant Name	Citrus Fruit/ 1Kg	Salak Fruit / 1Kg	Mango / 1Kg	Red Apple/ 1Kg	Fruit Water Guava/ 1Kg
1	Ikbal	13.000	12.000	17.000	32.000	26.000
2	Burhana	12.000	11.000	26.000	31.000	15.000
3	Sarbani	13.000	12.500	17.000	31.000	15.000
4	Nurlaila	10.000	10.500	26.000	30.000	15.500
5	Saroh	12.000	11.000	17.500	30.000	26.000
6	Rahmat	11.000	11.000	18.000	32.000	26.500
7	Aam	10.000	11.000	26.000	30.000	15.000
8	Siti	12.000	12.000	26.000	30.500	26.000
9	Rodiah	10.000	11.000	17.000	30.000	26.000
10	Ujang	12.000	12.000	26.500	32.000	15.000

From the table above, there are differences in the selling prices of the fruits traded by traders in the 26 ilir Palembang market from the lowest price to the highest price sold by traders, the authors take only the fruits that are widely sold in fruit traders in the 26 ilir Palembang market, namely fruit orange, salak, mango, red apple and guava water, author of the direct interview with Mr. Ikbal, Mrs. Burhana, Sarbani, Nurlaila, Saroh, Rahmat, Aam, Siti, Rodiah, and Mr. Ujang. Fruit traders sell their fruit at different prices such as, the lowest price of oranges being sold by Mrs. Nurlaila, Pak Aam, and Mrs. Rodiah Selling oranges at a price of Rp. 10,000 / kg. Pak Rahmat sells the oranges Rp. 11,000, Mrs. Burhana, Mrs. Saroh, Mrs. Siti, and Mr. Ujang sell their oranges Rp. 12,000, and while the highest price is sold by Mr. Ikbal and Mrs. Sarbani, Rp. 13,000.

Various other kinds of fruits sold by traders, the difference in selling prices that exist between traders is caused by several factors, namely: (a) Factors caused by the different fruit prices are caused by the quality of the fruits sold by fruits that are sold new ones are usually cheaper than fruits that have just arrived from collectors because the fruits cannot last long if they are not sold by traders to avoid the fruits being damaged sold at lower prices than usual prices or in other places still selling fresh fruits. (b) Most fruit sellers / traders in Palembang's 26 Ilir market, Many who sell their fruit take it from other fruit sellers, and sell their fruit again, resulting in price increases. (c) Fruit sellers at the 26 Ilir Palembang market determine prices according to the current price of the fruit, because the price of the fruit can vary depending on conditions and seasons as well as several other factors such as: (1) The weather conditions are often changing, conditions such as this can affect agricultural conditions and also yields, so that the situation can occur the main factors triggering the rise and fall of fruit prices in a number of traditional markets in Indonesia. (2) The scarcity of BahabBakar Oil (BBM), because in the process of distribution of basic food needs a tool that is useful to simplify and speed up the marketing and shipping process requires that the device is fueled, therefore the price of fruit depends on BBM as well. (3) The price of fertilizer is soaring high, because in order to obtain maximum yields it must take maximum care of plants, but if the price of fertilizer rises, farmers are forced to increase their yields. (4) Towards major holidays, such as Ramadan and Eid, Christmas and New Year, Chinese New Year and other holidays, where demand for fruits is higher so prices rise. (d) Strategic location is also a factor of selling price difference.

Strategic place is also a factor for fruit traders to raise their selling prices because if the place is in front of the aisle or many consumers buy then the number of game prices there is because many consumers buy and whereas if in the aisle or in a few buyers to buy fruit there and the price is cheaper to attract consumers to come to buy fruit. From some of the factors above that cause the price differences that occur in the market traders 26 Ilir Palembang, the price difference that occurred has been calculated by the seller, although there is a slight difference in the sale and purchase of fruits the price difference that occurs is reasonable and fair for the seller and buyer.

This price difference is not differentiated for subscription buyers or non-subscribers. In this case the determination of prices that cause price differences in buying and selling fruits in large or small quantities, the buyer never complains or feels disadvantaged by the presence of buyers who come back to buy fruits in the 26 ilir Palembang market. With the price difference that occurs in the price difference is still reasonable, because the price difference occurs is not too large so it does not make buyers feel loss and objections because there are still buyers who come back for fruit buyers in the 26 Ilir Palembang market, and this is also in accordance with calculation in trading. In this case the traders also try to make the buyers comfortable in the market because the sellers at this location are always friendly to the buyer, never impose the will of the buyer, sell fruit with good quality, menybbb appropriate price to the buyer, do not take profits beyond normal limits and do not harm the buyer.

## CONCLUSIONS

Overview of Islamic Law on differences in prices in the sale and purchase of fruits on the 26 ilir market Palembang is permissible (Mubah), because it is in accordance with the concept of buying and selling in Islam where the fulfillment of the conditions in determining prices is in accordance with the principles of buying and selling in Islam and the market mechanism in Islam and in accordance with the concept of a fair price in Islam. The buying and selling process carried out also has harmony and conditions in Islam, so buying and selling is legal. The price difference that occurs in the sale and purchase of fruits in the 26 Ilir market in Palembang does not make buying and selling fruit a fasid (damaged). Contextually, the buying and selling of fruits that occur in the 26 Ilir market in Palembang is in accordance with the trading order namely the seller and the buyer, there is a shighat (consent and qabul), in which the buyer gives money to the seller which shows the existence of a replacement exchange rate of goods and the seller gives the goods to the buyers in an agreement to buy and sell these fruits.



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## INTRODUCTION

Sharia Banking is an organized and separate banking system operating under the dominant Sharia law. The growth of Islamic banking in various countries including Indonesia has experienced ups and downs in accordance with the country's financial condition. Islamic banks are financial institutions that operate like conventional banks but adhere to Islamic principles. Therefore, these banks are not involved in usury or in any financial transactions that are contrary to Islamic principles.<sup>1</sup> One concrete example of a sharia-based economic system directly touches the economic sector of the lower classes of society, namely the partnership relationship between Islamic banks and micro entrepreneurs in rural areas.<sup>2</sup> This shows the importance of product innovation from Islamic banking to develop and strengthen small entrepreneurs.

In developing countries in Asia, micro, small and medium enterprises (MSMEs) have made significant contributions over the years measured in several ways, namely (1) a number of companies, (2) employment generation, (3) production and value added, (4) output aggregate or gross domestic product (GDP), (5) the number of companies established by women entrepreneurs and (6) industrial market areas<sup>3</sup> Micro business is widely recognized as an engine of economic growth, this sector has been an influence on economists and policy makers around the world in their decisions regarding financial and economic development.<sup>4</sup> So the need for improvement to help the development of MSMEs both in terms of capital by providing funding, training or others.

Banks, including Islamic banks, have the main duty to become intermediary institutions, which distribute funds optimally from surpluses to those who need funds. One way to do this is through financing small and medium businesses needs to be increased to enhance the role of

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<sup>1</sup> Alharbi, Ahmad Thabet, "Determinants of Islamic Banks' Profitability: International Evidence," *International Journal of Islamic and Middle Eastern Finance and Management* Vol. 1, no. 11 (2015): 1–11.

<sup>2</sup> Abas, S., "The Role Of Sharia Banking In Strengthening The Micro, Small, And Medium Enterprises In North Maluku, Indonesia," *International Journal of Scientific & Technology Research* Vol. 6, no. 10 (2017): 331–36.

<sup>3</sup> Tulus Tambunan, *Pembangunan Ekonomi Inklusif, Sudah Sejahtera Mana Indonesia?* (Jakarta: Pustaka LP3ES (Lembaga Penelitian, Pendidikan dan Penerangan Ekonomi dan Sosial, 2016), 21–43.

<sup>4</sup> Yasmeeen Al Balushi and Stuart Locke, "Determinants of the Decision to Adopt Islamic Finance: Evidence from Oman," *International Journal of Islamic Finance* Vol. 11, no. 1 (2019): 6–25.

national banks as intermediary institutions.<sup>5</sup> As an intermediary, financing is the main function for Islamic banks, so it needs to pay more attention to financing because it can improve economic performance. In financing, there are many factors that influence the financing both from within the bank itself and from outside the bank.

From the internal side of financing, banks need to consider the health of banks because healthy banks are more likely to conduct their finances well than unhealthy banks. The health of the bank is measured by the financial performance of the bank itself. Based on Bank Indonesia Circular Letter No.9 / 24 DPbS, it is stated that the soundness of banks is influenced by CAMELS such as Capital covering Capital Adequacy Ratio (CAR), Asset Quality including Non Performance Asset Finance (NPF), Management, Income including Return on Asset (ROA) and Operating Expenses against Revenue (BOPO), Liquidity including finance to deposit ratio (FDR), and Sensitivity.

Research on non-performing loans, estimates that the occurrence of bad loans can be seen from several factors including internal factors such as bank size, capital adequacy ratio (CAR) and operating costs compared to operating income (ROA).<sup>6</sup> This means that Islamic bank financing for the MSME sector can also be influenced by internal factors (CAMELS).

On the outside of banks or external banks, Islamic banks are directly affected by macroeconomic conditions such as inflation, BI interest rates, and the exchange rate of financing to Islamic banks. In the research of Ibrahim and Suffian (2014) said that financing from Islamic banks is influenced by Macroeconomic factors, namely inflation and the BI rate. Nahar and Sarker (2016) contradict this finding and find that the exchange rate has a negative impact on the ability of Islamic bank financing.<sup>7</sup> So this research focuses on the factors that influence financing for micro small and medium enterprises from Islamic commercial banks both from the external side and from the internal side. From the internal side it is measured through ROA, CAR, Bopo, FDR and NPF while from the external side it is measured by Inflation, BI Rate and Rupiah Exchange Rates.

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<sup>5</sup> Meydianawathi, "The Analysis of Bank Credit Bergaining Behaviour on SME Sektor in Indonesia," *Economy Study Bulletin*, 2017.

<sup>6</sup> Moh Benny Alexandri and Teguh Iman Santoso, "Non Performing Loan: Impact of Internal and External Factor (Evidence in Indonesia)," *International Journal of Humanities and Social Science Invention* Vol. 4, no. 1 (2015): 87–91.

<sup>7</sup> Nahar and Sarker, "Are Macroeconomic Factors Substantially Influential for Islamic Bank Financing? Cross-Country Evidence," *Journal of Business and Management* Vol. 18, no. 2 (2016): 20–27.

Many studies conducted by previous studies, including research conducted by Ibrahim (2011) related to the influence of Macroeconomic Variables on Sharia Financing in Malaysia, found that Islamic finance is driven by interest rates while minimally influenced by stock market fluctuations and does not affect the real sector,<sup>8</sup> Ibrahim's research only counts on macroeconomic variables only, the difference with this study examines related internal and external factors that are not only macroeconomic factors but also factors from banks such as bank performance are also examined.

Amelia and Hardini (2017), found in their research related to financing at Islamic Finance Banks in Indonesia. DPK, FDR, Inflation, Exchange Rate significantly influence the distribution of financing to Islamic finance banks in Indonesia.<sup>9</sup> In Alexandari's research (2015) internal and external factors that influence financing in Islamic banks are CAR, ROA, SIZE, GDP and Inflation. It is proven that ROA has a significant effect on financing. Nahar (2016) in his research found Exchange Rates have a negative effect on the ability of financing from Islamic banks.

Ali (2015) in a study entitled *The Impact of Macroeconomic and Banking Factors on Credit Growth in the Albanian banking system*. Finding credit growth is influenced by macroeconomic and banking variables. The result is GDP, inflation and the capital adequacy ratio have a positive impact on credit growth. Whereas interest rates, non-performing loans and bank sizes have a negative effect on loan growth in Perbankan.<sup>10</sup>

So in this study using factors derived from internal company, which is the bank's financial ratios including: FDR, Third Party Funds (DPK), ROA, NPF, CAR, and BOPO. External factors and internal factors that influence the provision of MSME financing in Islamic banks are interesting things to study. Based on the background that has been described, then the problem can be formulated in this study, namely: "How are the Effects of External Factors and Internal Factors on Distribution of MSME Financing provided by Islamic Banks?"

This study will contribute to Islamic Banking in order to maximize the business of channeling funds through financing but by taking into account the factors that influence the financing. For small and micro

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<sup>8</sup> Ibrahim, Mansor and Raditya Sukmana, "Dynamics of Islamic Financing in Malaysia: Causality and Innovation Accounting," *Journal of Asia-Pacific Business* Vol. 12, no. 1 (2011): 4–19.

<sup>9</sup> Amelia, Erika and Hardini Eva Fauziah, "Determinant of Mudharabah Financing: A Study at Indonesian Islamic Rural Banking," *Etikonomi* Vol. 16, no. 1 (2017): 43–52, <https://doi.org/10.15408/etk.v16i1.4638>.

<sup>10</sup> Ali, S., "Importance and Implications of CPEC in South Asia: The Indian Factor," *Journal of Indian Studies* Vol. 1, no. 2 (2015): 113–20.

entrepreneurs can use loans to Islamic banking in developing business with the right financial management context and not cheating.

## METHODS

The data period for the BI rate variable, Inflation, Exchange Rates, ROA, CAR, BOPO, FDR and NPF starts from January 2014 to December 2018. According to data from the Central Statistics Agency, 2014 was the year in which SMEs in Indonesia developed so rapidly. The total amount of data in this study was 60 for each variable. Menurut Cohen, et al (2007) the larger the sample, the better the research, but there is a minimum number that must be taken by researchers, namely 30 samples.<sup>11</sup>

The study was conducted by looking at the financial statements of Sharia Bank Statistics issued by Bank Indonesia and the Financial Services Authority (OJK), in addition to that the data was also obtained from the Central Statistics Agency (BPS). The object of this study is Islamic commercial banks in Indonesia. The method of multiple linear analysis uses the Ordinary Least Squer (OLS) method to measure parameters. The advantage of using the OLS method is the most suitable method of the coefficients for future predictions, given that all assumptions are met. Processing data using Eviews 9.

The OLS equation estimation in this study can be formulated as follows:

$$Y : \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + e. (1)$$

Where:

- Y : Variable Distribution of MSME Financing (MSME)
- $\alpha$  : coefficient
- $\beta_1X_1$  : Influence Coefficient
- $\beta_2X_2$  : Coefficient Effect of BI Rate
- $\beta_3X_3$  : Exchange Rate Coefficient
- $\beta_4X_4$  : coefficient of influence of ROA
- $\beta_5X_5$  : CAR Effect Coefficient
- $\beta_6X_6$  : Coefficient of Influence of BOPO
- $\beta_7X_7$  : Coefficient of Effect of FDR
- $\beta_8X_8$  : NPF Effect Coefficient
- e : error

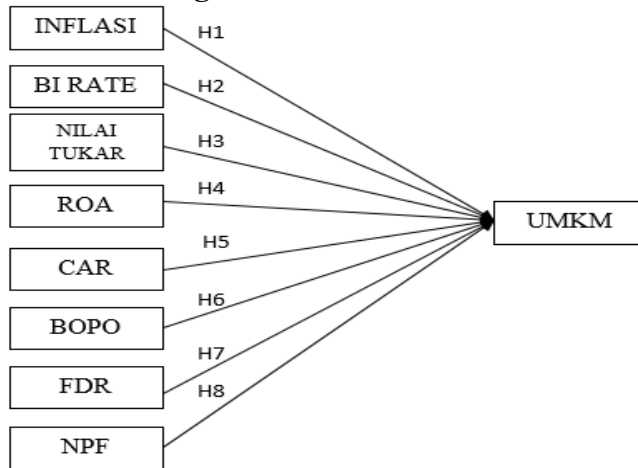
Before testing multiple linear regression, a classic assumption test is needed first, the tests performed are tests of normality, multicollinearity,

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<sup>11</sup> Cohen, *Research Methods in Education* (New York: Routledge, 2007).

heteroscedasticity, and autocorrelation. Normality test. With this model, the hypothesis used in this study is as follows:

**Figure 1. Research Model**



## RESULT AND DISCUSSION

In this section discussing test results and followed by analysis, this study has carried out tests of the classic assumptions of normality, heteroskedacity, multicollinearity and autocorrelation. Table 1 shows the average standard deviation of each variable studied. In addition, the sequence of discussions will start from Inflation, BI Rate, Exchange Rate, ROA, CAR, BOPO, FDR and NPF.

**Tabel 1.** The Statistics Descriptive of Variabels

	N	Mean	Maximum	Minimum	St. Deviasi
UMKM	60	50635.95	109506.00	35662.00	17105.09
INFLASI	60	4.67	8.36	2.79	1.69
BI RATE	60	6.05	7.75	4.25	1.34
NILAI TUKAR	60	13267.48	15227	11404	868.71
ROA	60	0.85	1.41	0.08	0.33
CAR	60	16.52	21.39	14.09	2.9
BOPO	60	91.43	99.04	71.76	6.22
FDR	60	87.36	102.22	77.63	7.17
NPF	60	4.72	6.17	3.01	0.69

Based on table 1 the financing variables provided by Islamic Banks to MSMEs (Y) have an average of 50635.95 with the highest value of 109506.00 and a minimum value of 35662.00 and a standard deviation value of 17105.09.

**Tabel 2.** Model Feasibility Test Results

Sum of Squares	R-Squared	Adjusted R-Squared	F	Prob
2.69E+09	0.843998	0.819527	34.48975	0.0000

F test was performed to see the effect of independent variables on the dependent variable simultaneously. From table 2 we get the F test results of 34,48975 with a prob 0.0000 level, then the variable factors that influence MSME financing simultaneously have a positive effect. This shows that the overall change in inflation, exchange rate, BI rate, ROA, CAR, BOPO, and NPF significantly influences the distribution of Islamic bank financing to MSMEs. Changes in macroeconomic conditions (External Factors) indirectly have an impact on the internal conditions of Islamic banking, which in turn will have an impact on the function of inter-Islamic sharia banking in terms of financing provision, especially the MSME sector. From table 3 it is also found that R Squared or Determination coefficient is 0.843998 or 84.3998% which means

that the factors that influence MSME financing are 81.3998% while 18.6002% is influenced by other variables not examined in this study.

T test was conducted to see the effect of the independent variable partially on the dependent variable. If the significant value is less than 5%, it will indicate H1 is accepted and H0 is rejected. This means there is a significant effect of the independent variable on the dependent variable.

**Tabel 3.** Hypothesis Testing Results

Variabel	Coefficient	t	Prob
C	113921.4	1.399940	0.1676
INFLASI	2409.736	2.324665	0.0241
BI RATE	366.0391	0.200023	0.8423
NILAI TUKAR	-13.22132	-5.231295	0.0000
ROA	-8174.682	-1.858392	0.0689
CAR	3805.678	2.959197	0.0047
BOPO	618.6722	2.164145	0.0352
FDR	382.6111	0.802795	0.4258
NPF	-10006.74	-3.746266	0.0005

From table 3 shows that 5 variables are at the significant level of 0.05, namely Inflation, Exchange Rates, CAR, BOPO, and NPF. While the BI Rate, ROA and NPF variables have a negative influence on the distribution of Islamic Bank Financing to MSMEs. The t test results of this study can be explained as follows:

#### *Influence of Inflation on the Distribution of MSME Financing*

The results obtained in table 3, the inflation variable shows statistically significant results with a significant value of  $0.0241 < 0.05$ . While the t value of the Inflation variable is 2.324665 so it can be said that H1 is accepted. The results of this study are in line with research by Amelia (2017) who said inflation affects the distribution of funding. This result is also supported by Ali's study (2015) which found that inflation affects credit to banks. Uncontrolled high inflation can disrupt banking efforts in channeling funds to the public. A high inflation rate will make interest rates go down. The fall in the real interest rate affects two things, namely the reduced willingness of people to save and the

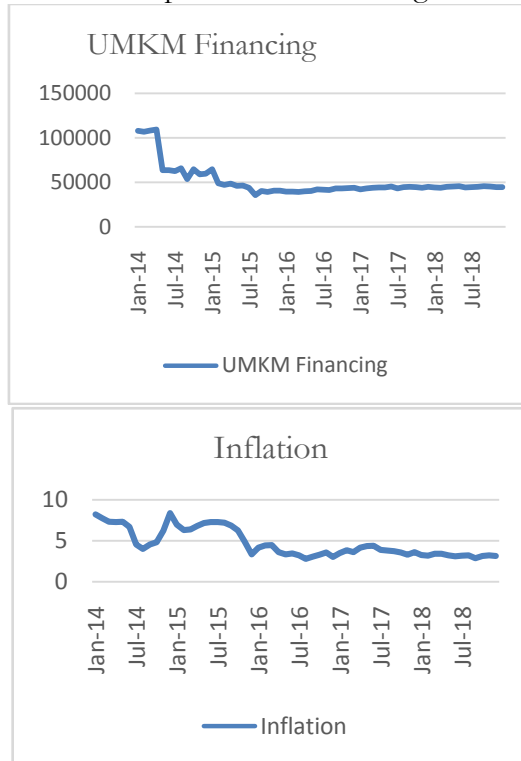


relatively low real interest rate compared to the real interest rate abroad that can result in the flow of foreign capital.

Graphically, it can be seen in Figure 2 that inflation and MSME Financing from 2014-2018 have almost the same lines every month. So that every increase in inflation will increase the distribution of MSME financing at Bank Syariah Indonesia.

**Figure 2.**

Graph of Inflation Development and Financing of UMKM 2014-2018



*The Effect of the BI Rate on the Distribution of MSME Financing*

The results obtained in table 2, the BI Rate variable shows the results that have no effect on the distribution of Islamic bank financing to MSMEs. So H2 was rejected because it was not significant between the BI Rate on the Distribution of MSME financing in Islamic Banks. The BI Rate does not affect the distribution of financing to MSMEs because Islamic banks do not use interest rates but instead use the principle of profit sharing or profit sharing.

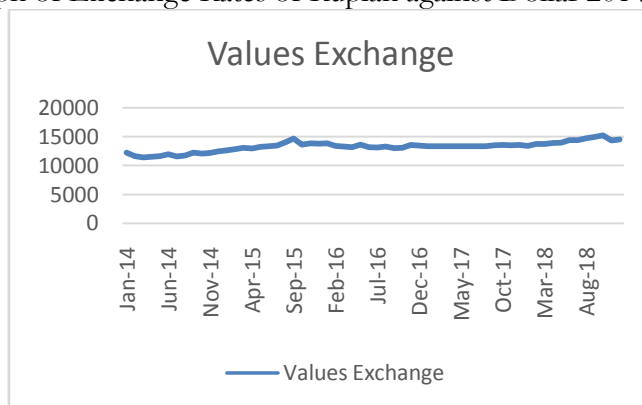
*Effect of Exchange Rates on the Distribution of MSME Financing*

In the exchange rate variable obtained a negative result in table 2, namely the significant value of the exchange rate of 0.000 is smaller than the 5% significant

level. The Exchange Rate variable has a negative effect on the distribution of MSME financing. Thus it can be said that H3 is accepted. This result is in line with research conducted by Nahar and Sarker (2016), where an increase of a country's exchange rate will increase net imports (higher imports than exports). This can increase consumption and will reduce production, and will have an impact on decreasing the volume of financing both in conventional banks and Islamic banks. From figure 3 it can be seen that the exchange rate movement graph is not in line with the growth of MSME financing, the relative exchange rate is contrary to the distribution of MSME financing.

**Figure 3.**

Graph of Exchange Rates of Rupiah against Dollar 2014-2018



*Effect of ROA on Distribution of MSME Financing*

ROA at a significant level of 0.05% has no effect. This shows that H4 was rejected. This research contrasts with research conducted by Alexandari (2015) which says ROA has a positive and significant effect on the distribution of financing to banks.

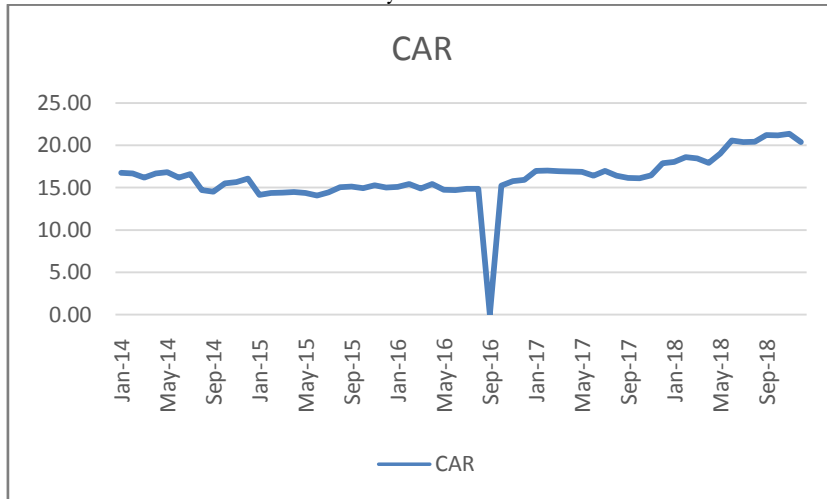
*Effect of CAR on the Distribution of MSME Financing*

The test results show that a significant value of 0.0047 is smaller than the 5% significant level. This shows that H5 is accepted, CAR has a positive and significant influence on the growth of MSME financing at Islamic Banks in Indonesia. So it can be said if CAR on Islamic Banks has increased it will have an impact on the growth of financing to MSMEs. This result is supported by Nugroho's (2017) study which found CAR to have a positive and significant effect on financing distribution.<sup>12</sup> CAR is a adequacy ratio that serves to accommodate the risk of loss that may be faced by the Bank. The higher the

<sup>12</sup> Nugroho, Alexandi and Widyastutik, "Analisis Pengaruh Kinerja BPRS Dan Kondisi Makroekonomi Terhadap Penyaluran Pembiayaan Modal Kerja Dan Investasi BPRS Indonesia (Periode 2011-2015)," *Al-Mizara'ah* Vol. 5, no. 2 (2017): 146-67.

CAR, the better the Bank's ability to bear the risk both from financing and earning assets at risk. So the Bank must continue to increase CAR so that the growth of financing for MSMEs continues to increase. From Figure 4 you can see the CAR graph which is in line with the distribution of MSME financing in Islamic Banks.

**Figure 4.**  
CAR Chart of Bank Syariah Indonesia 2014-2018

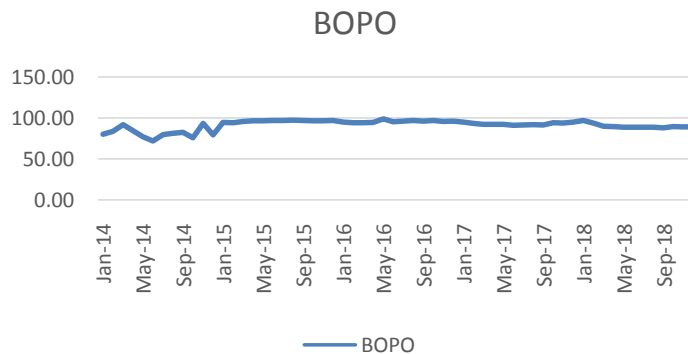


*Effect of BOPO on the Distribution of MSME Financing*

The test results show that the value that the significant value is 0.0325 which indicates less than 5%. This proves that H6 was accepted. BOPO has a positive and significant effect on the distribution of financing to MSMEs in Islamic Banks. This study is in line with the research of Purwanto (2018), who found BOPO to have a positive and significant influence on Financing.<sup>13</sup> BOPO must be increased by Islamic Banks so that it will have a good impact on revenue and financing distribution.

<sup>13</sup> Purwanto and Shopia Dwi Ratna, "Analysis of Determinant Factors toward Margin Murabahah of Indonesia Islamic Banks," *Journal of Business Studies and Management Review* Vol. 1, no. 2 (2018): 146–67.

**Figure 5.**  
BOPO Graph of Bank Syariah Indonesia 2014-2018



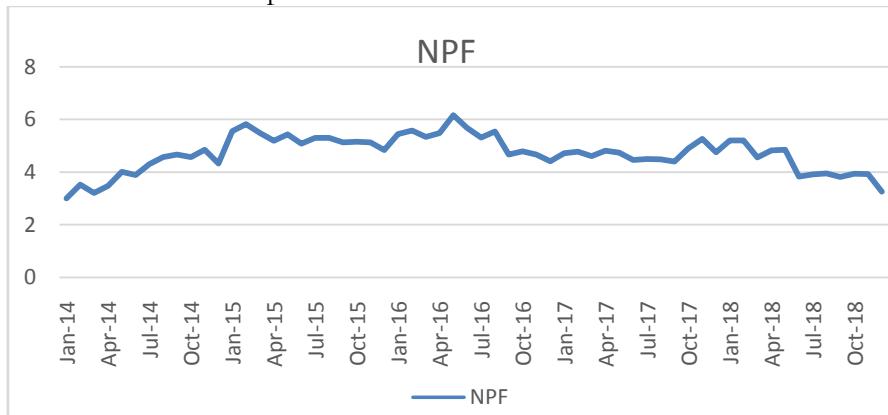
*The Influence of FDR on Distribution of MSME Financing*

T test results show that the significance value is 0.4258 which indicates greater than 5% so H7 is rejected.

*Effect of NPF on the Distribution of MSME Financing*

T test results show that the significant value of NPF is 0.0005 which indicates less than 5%, so that the NPF can be said to have a negative effect on the growth of MSME financing at Islamic Banks in Indonesia, so it can be said that H8 is accepted. This result is supported by research conducted by Nugroho (2017), finding that NPF has a negative effect on working capital financing. In this case, after financing is given, banks are required to monitor the use of funds and the ability of compliance and customers to meet obligations. The lower the NPF, the better the financing provided to customers, including financing for MSMEs.

**Figure 6.**  
NPF Graph of Sharia Bank Indonesia 2014-2018



## CONCLUSION

External and internal factors affect the volume of SME financing extended by sharia banking in Indonesia simultaneously. While partially External Factors namely Inflation, and BI Exchange Rates that have a significant effect on MSME financing, and Internal CAR, BOPO factors have a positive effect on MSME financing. While NPF negatively affects MSME financing. Changes in macroeconomic conditions (external factors) will indirectly have an impact on the internal condition of sharia banking, which in turn has an impact on the sharia banking intermediary function, namely the financing function and especially in the MSME sector. Therefore, external and internal factors can simultaneously influence the volume of SME financing in relation to Islamic banking in Indonesia.

The results of this study have important implications for industry players, Islamic banks and policy makers. Islamic banks must make more efforts to provide financing for MSMEs. Islamic banks must be innovative and creative in creating and offering new products related to financing to MSMEs. This study has limitations because it only focuses on MSME financing in Islamic banks. However, this research can be further enhanced by considering conventional bank financing and other macroeconomic variables and subsequent research can examine the impact of financing provided by Islamic Banks on the development of MSMEs.[]

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