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Bank Muamalat Indonesia Kolaka Branch Strategy in Encouraging Small and Medium Enterprises in Kolaka Regency

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Abstract

The aim of this research is a qualitative descriptive type of research with the aim of finding out the strategy of Bank Muamalat Indonesia Kolaka branch in encouraging small and medium businesses in Kolaka district and to find out the back to back financing mechanism at Bank Muamalat Indonesia Kolaka branch in encouraging small and medium businesses in Kolaka district. The results of the research show data using interviews and data collection regarding the strategy of Bank Muamalat Indonesia Kolaka branch in encouraging small and medium businesses in Kolaka district and to find out the back to back financing mechanism at Bank Muamalat Indonesia Kolaka branch, the author draws an important conclusion, namely a business strategy that can in the form of geographic expansion, diversification, acquisition, product development, market penetration, employee rationalization, divestment, liquidation, as well as to determine and achieve organizational goals and special mechanisms that can differentiate one from another.

1. Introduction

According to Law No. 21 of 2008 on Islamic Banking, Article 1 states that Islamic banking encompasses everything related to Islamic Banks and Islamic Business Units, including institutional aspects, business activities, as well as the methods and processes of conducting its business activities. Meanwhile, the definition of a bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit or other forms to improve the standard of living of the people.

Bank Muamalat Indonesia (BMI) is the first general bank to operate according to sharia principles. Therefore, its business opportunities and operational strategies should not only be examined from the perspective of conventional banking opportunities but also need to be reviewed from issues specific to Islamic banks (Achmad Ramzi Tadjoedin, et al., 1992:127). Islamic banks operate on principles different from those of conventional banks, with the most fundamental difference being in how profits are earned. Conventional banks rely on interest-based mechanisms, while Islamic banks prohibit interest and instead use profit-sharing principles (M. Syafi'i Antonio, 2001:34).

As mentioned in QS Ar-Rum verse 39: "And whatever riba (usury) you give to increase the wealth of people will not increase with Allah. But whatever zakat you give, seeking Allah's pleasure, it is those who will get a manifold increase."

One form of social responsibility of Islamic banks is to provide financing to Small and Medium Enterprises (SMEs). Given that SMEs are a reflection of the people's economy, as they dominate the business sector, efforts to improve the welfare of this group are directly or indirectly an effort to enhance the welfare of the wider community. Law No. 9 of 1995 defines small enterprises as economic activities conducted by the people on a small scale that meet the criteria of net assets or annual sales and ownership as stipulated in the law. Medium enterprises are defined as economic activities with net assets or annual sales larger than those of small enterprises.

On May 23, 1995, the government issued a regulation exempting import duties on several products that serve as industrial inputs for SMEs. This policy aimed to encourage businesses to take advantage of open opportunities to further develop their enterprises, particularly by increasing international market access and encouraging investment growth.

PT Permodalan Nasional Madani (PNM) was established on June 1, 1999, as a financing institution and management services provider specifically tasked with supporting the development of micro, small, medium enterprises, and cooperatives (UMKMK). PNM was appointed as one of the state-owned enterprises responsible for coordinating the distribution of 12 credit schemes previously managed by Bank Indonesia (BI). Over nearly five years of supporting the development of UMKMK, PNM has demonstrated that financing the poor does not have to result in losses. This is evident in PNM's financial performance, where pre-tax accumulated profits reached Rp 200 billion, and post-tax profits nearly Rp 150 billion. PNM has also paid Rp 55 billion in taxes and Rp 78 billion in dividends, with total assets amounting to almost Rp 2 trillion in 2003, an ROI of 16.8%, and a non-performing loan (NPL) rate of only 2% (Abdul Salim, 2003:5).

Although Islamic banking has conceptually noble objectives, achieving ideal conditions in practice remains challenging. Some issues facing Islamic banks include their inability to completely break free from the traps of conventional banks. Islamic bank financing operations are mainly limited to secondary financing methods for short-term trade and leasing operations for large, established corporations. Islamic banks have not played a significant role in financing small and medium businesses, which should be a primary focus to improve people's welfare (Umar Chapra, 2001:232).

This issue is also evident in the Kolaka branch of Bank Muamalat Indonesia, where the bank's strategies have not played a significant role in supporting small and medium enterprises (SMEs), which should be prioritized to enhance the welfare of the community. Based on these issues, the author is interested in conducting research with the title "The Strategy of Bank Muamalat Indonesia Kolaka Branch in Supporting Small and Medium Enterprises in Kolaka Regency.".

2. Literature Review

2.1 Strategy

a. Concept of Strategy Formulation

In general, the concept of strategy in Islamic economics refers to methods for achieving long-term goals. Business strategies can include geographic expansion, diversification, acquisition, product development, market penetration, employee rationalization, divestment, liquidation, and determining and achieving organizational objectives while implementing its mission. According to William F. Glueck and Lawrence R. Jauch (1998:32), "Strategy is a unified, comprehensive, and integrated plan that links a company's strategic advantages with environmental challenges and is designed to ensure that the company's primary objectives can be achieved through proper organizational execution." Additionally, Mulyadi (2001:72) states that strategy is "the main course of action chosen to realize the organization's vision through its mission."

Managers interpret strategy as a large-scale, future-oriented plan aimed at interacting with competitive environments to achieve the company's goals. A strategy is "the game plan of a company." Although this plan may not detail all future uses of human, financial, and material resources, it provides a framework for managerial decisions. Strategy reflects the company's awareness of how, when, and where to compete, against whom, and for what purpose (Pearce and Robinson, 1997:20).

Strategy is not only necessary for profit organizations but also for non-profit organizations such as hospitals, local governments, and universities. Several research findings indicate that organizations with formal and clear strategies perform better than those with poorly formulated strategies (M.S. Idrus, 1997:4).

From these definitions, the concept of strategic management can be understood as a set of decisions and actions that result in the formulation and implementation of a strategy to achieve a company's objectives. Strategy formulation is a forward-planning process

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intended to build an organization's vision and mission, set strategic and financial goals, and design strategies to achieve these goals in order to provide the best customer value.

The following steps are necessary for strategy formulation: a) Identify the environment the company will enter in the future and determine the company's mission to achieve the desired vision in that environment. b) Conduct an internal and external environmental analysis to measure strengths, weaknesses, opportunities, and threats the company will face in fulfilling its mission. c) Formulate key success factors based on the strategies designed from the previous analysis. d) Set measurable objectives and targets, evaluate various strategic alternatives considering available resources and external conditions. e) Select the most appropriate strategy to achieve short- and long-term objectives (Hariadi, 2005:21). f) Religious organizations, community organizations, political organizations, and other social institutions.

b. Levels of Strategy

Referring to the views of Schendel and Charles Hofer, Higgins (1985:12) explains the existence of four levels of strategy, collectively called Master Strategy: enterprise strategy, corporate strategy, business strategy, and functional strategy. a) Enterprise Strategy**:** This strategy relates to societal response. Every organization has relationships with society, which comprises uncontrollable external groups such as governments, pressure groups, political groups, and social groups. Enterprise strategy reflects the interaction between the organization and society, ensuring the interaction benefits the organization. It also indicates that the organization strives to serve society's needs and demands. b) Corporate Strategy**:** This strategy relates to the organization's mission and is often referred to as Grand Strategy, which encompasses the organization's fields of operation. The question of what our business is and how we manage it is not only relevant to business organizations but also to governmental and nonprofit organizations. c) Business Strategy**:** This strategy describes how to capture the market, place the organization in the hearts of authorities, entrepreneurs, donors, etc., with the goal of gaining strategic advantages that can help the organization develop. d) Functional Strategy**:** This is a supporting strategy that helps ensure the success of other strategies. There are three types of functional strategies: a) Economic functional strategy: Includes functions that allow the organization to exist as a healthy economic entity, such as finance, marketing, resources, and research and development. b) Management functional strategy: Involves management functions such as planning, organizing, implementing, controlling, staffing, leading, motivating, communicating, decision-making, representing, and integrating. c) Strategic issue management: Its main function is to control the environment, whether the known situation or unknown and changing circumstances (J. Salusu, 1996:101).

These strategy levels form an integrated whole and serve as a guide for top decision-makers that managing an organization should not only focus on administrative neatness but also on the economic "health" of the organization (J. Salusu, p.104, 1996).

c. Types of Strategies

Many organizations execute two or more strategies simultaneously, but combined strategies can be risky if carried too far. In large and diversified companies, combined strategies are often used when different divisions implement different strategies. Also, organizations struggling to survive may use a combination of defensive strategies, such as divestment, liquidation, and cost rationalization.

The types of strategies include: a) Integration Strategy**:** Forward integration, backward integration, and horizontal integration are sometimes referred to as vertical integration. Vertical integration strategies allow a company to control its distributors, suppliers, and/or competitors. b)

Intensive Strategy: Market penetration and product development are sometimes called intensive strategies because they require intensive efforts to improve a company's competitive position with existing products. c) Diversification Strategy: There are three types of diversification strategies: concentric diversification, horizontal diversification, and conglomerate diversification. Adding related new products or services is called concentric diversification. Adding unrelated new products or services for existing customers is called horizontal diversification. Adding unrelated new products or services is called conglomerate diversification. d) Defensive Strategy: In addition to integrative, intensive, and diversification strategies, organizations may also pursue cost rationalization, divestment, or liquidation strategies. Cost rationalization occurs when an organization restructures by cutting costs and assets to improve declining sales and profits.

d. Definition of Back-to-Back Financing

Back-to-back financing is generally a financing product provided to customers for productive purposes in a halal context. This type of loan is suitable for meeting the needs of customers or the community in business sectors. In back-to-back financing, customers do not need to provide cash to the bank; instead, they provide assets as collateral to the designated bank, which then provides the necessary funds. Additionally, the contract between the bank and the customer is not a murabaha contract but rather a musharaka or mudaraba contract. This makes the back-to-back financing scheme mutually beneficial for both the bank and the customer.

e. Relationship Between SMEs and Back-to-Back Financing

Micro, small, and medium enterprises (MSMEs) are one of the most popular business practices in society. The high number of MSME players makes this business sector a key driver of the country's economy. In conclusion, MSMEs and back-to-back financing are linked in fulfilling community needs, such as loans to help businesses or customers in the sector.

2.2 Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) are defined differently in various literatures, based on definitions from institutions, organizations, and even laws. According to Law No. 20 of 2008 on Micro, Small, and Medium Enterprises, MSMEs are defined as follows: Micro enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria of a Micro Business as regulated by this law. Small businesses are independent, productive economic enterprises, conducted by individuals or business entities that are not subsidiaries or branches of larger companies, which fulfill the criteria of Small Enterprises as specified in the law.

Medium-sized enterprises are also independent, productive economic enterprises, not subsidiaries or branches of larger companies, whose net assets or annual sales meet the criteria as outlined in the law. Based on wealth and sales, according to Article 6 of Law No. 20 of 2008, the criteria for micro-enterprises include having a net worth of no more than IDR 50,000,000, excluding land and buildings for business premises, or an annual sales figure of no more than IDR 300,000,000. Small businesses have net assets ranging from IDR 50,000,000 to IDR 500,000,000, or annual sales between IDR 300,000,000 and IDR 2,500,000,000. Medium-sized businesses have net assets between IDR 500,000,000 and IDR 10,000,000,000, or annual sales between IDR 2,500,000,000 and IDR 50,000,000,000.

The Central Bureau of Statistics (BPS) defines MSMEs by the number of employees: household industries employ 1-4 workers, small businesses employ 5-19 workers, and medium-sized businesses employ 20-99 workers. According to Nurhayati (2011), the World Bank defines SMEs as businesses with approximately 30 employees, annual revenues of up to US$3 million, and assets not exceeding

US$3 million. In the United States, SMEs are defined as businesses with fewer than 500 employees. In Europe, SMEs are businesses with 10-40 employees and annual revenues of 1-2 million Euros. Japan's SMEs operate in manufacturing and retail/service industries with 54-300 employees and capital ranging from ¥50 million to ¥300 million. South Korea classifies SMEs as those with fewer than 300 employees and assets not exceeding US$60 million. Southeast Asian countries, such as Thailand, Malaysia, and Singapore, define SMEs based on the number of employees and capital.

According to data from the Ministry of Cooperatives and MSMEs in 2018, the number of MSME actors in Indonesia reached 64.2 million, accounting for 99.99% of all business actors in the country. These MSMEs absorbed 117 million workers or 97% of the total workforce in the business world. MSMEs contributed 61.1% to Indonesia's Gross Domestic Product (GDP), while large businesses, which accounted for only 0.01% of business actors, contributed 38.9%. Micro-enterprises dominated the MSME sector, representing 98.68% and employing about 89% of the workforce, but their contribution to GDP was only 37.8%.

Given these statistics, Indonesia has the potential for a strong national economic base due to the significant number of MSMEs, especially micro-enterprises, and their high employment absorption rate. The government and business actors need to elevate micro-enterprises to the medium enterprise level. Micro-enterprises also have a quick transaction cycle, rely on domestic production, and meet the primary needs of the community. Recognizing this potential, the government has taken steps to increase the capacity of micro and small enterprises to help them grow into medium-sized businesses. Economic recovery programs for MSMEs include interest rate subsidies, credit restructuring, working capital guarantees, and tax incentives. The government allocated IDR 123.46 trillion to these efforts. Interest subsidies were provided through the People's Business Credit (KUR), Ultra Micro Credit (UMi), and revolving funds managed by the Revolving Fund Management Agency (LPDB) of the Ministry of Cooperatives and MSMEs. The government also placed funds in national banks to restructure MSME credit, allocated IDR 78.78 trillion to increase liquidity, and provided working capital guarantees up to IDR 10 billion through PT Jamkrindo and Askrindo.

The government's efforts aim to improve the financial capabilities of MSMEs, addressing structural issues such as production quality, market access, product packaging, and managerial, financial, and production skills. Local governments, knowing the conditions and needs of MSMEs in their regions, are key to solving these problems. Collaboration between local governments, relevant ministries/agencies, universities, and other institutions is essential to support MSME advancement, fostering a strong national economy.

Several countries have different standards and combine various benchmarks when defining MSMEs. South Africa uses a combination of employee numbers, business income, and total assets. Peru classifies MSMEs based on the number of employees and annual sales. Bolivia considers the number of employees, annual sales, and asset size. The Dominican Republic uses employees and annual sales as benchmarks. Tunisia defines MSMEs based on employee numbers. Other countries use dual standards, considering business sectors. For instance, South Africa distinguishes definitions for mining, electricity, manufacturing, and construction sectors. Argentina differentiates MSMEs based on the industry, retail, services, and agriculture, setting different sales limits for each sector. Malaysia separates definitions for manufacturing and service sectors, based on employee numbers and annual sales.

Suhardjono, in Rafika (2010), defines small enterprises as economic activities conducted by the people on a small scale, meeting criteria for net wealth, annual sales, and ownership as outlined in the law. According to the Ministry of Finance, small enterprises are defined as individuals or business entities conducting business with an annual turnover between IDR 66 million and IDR 600 million, excluding land and buildings used for the business. Based on Law No. 9 of 1995, small enterprises in Indonesia are defined as businesses with a net worth of up to IDR 200 million and annual sales not exceeding IDR 1 billion. Small enterprises are independent businesses, not subsidiaries of larger companies, and are typically informal enterprises run by individuals, such as household businesses, street vendors, and small traders. According to Martin (2000), the characteristics of small and medium enterprises include low formal education, small capital, poverty, low wages, and small-scale operations.

The role and function of MSMEs are significant in the economy. MSMEs provide goods and services, create jobs, promote income distribution, add value to local products, and improve living standards. Several programs have been implemented to support MSME development, including business partnerships, BUMN training funds, credit guarantees, banking credit facilities, and unsecured business loans. The strengths of MSMEs include their resilience in economic downturns, independence, ability to create jobs, and flexibility. MSMEs often operate with minimal investment, employ less-educated workers, and use inexpensive production facilities. Although they may grow slowly, MSMEs offer opportunities for business diversification and face little competition in new markets.

There are several approaches to improving MSME performance and competitiveness, such as empowering MSMEs to produce high-quality products and services. Quality dimensions include performance, features, reliability, compliance with standards, durability, ease of repair, aesthetics, and perceived quality.

3. Research Methods

3.1 Research Type

The type of research used by the author is qualitative research, which emphasizes the search for meaning, understanding, concepts, characteristics, phenomena, symbols, and descriptions of a phenomenon. This approach is focused, multi-method, naturally occurring, and holistic, prioritizing quality and employing various methods, presented narratively. The author aims to uncover answers to phenomena or questions through a systematic application of scientific procedures using a qualitative approach.

3.2 Research Focus

The research type utilized is descriptive qualitative research, where processes and meanings are prominently displayed. The theoretical framework guides the research focus to ensure alignment with observed facts in the field, facilitating the collection of necessary data and information. In this study, the author intensively observes the strategy of Bank Muamalat Indonesia's Kolaka Branch in encouraging small and medium enterprises in Kolaka Regency.

3.3 Research Location

In qualitative research, the location of the study is crucial, serving as the object and purpose to facilitate research. This research is conducted at Bank Muamalat Indonesia's Kolaka Branch, located at Jl. Chaeril Anwar, Lamokato Village, Kolaka District, Kolaka Regency, Southeast Sulawesi. The study will take place over approximately one month between October and November 2021, following the proposal seminar.

3.4 Data Sources

Primary data is collected directly from the field through interviews with relevant parties, including the manager and staff of Bank Muamalat Indonesia's Kolaka Branch. Secondary data is sourced from relevant literature and readings related to the research, including books, journals, and documentation from Bank Muamalat Indonesia's Kolaka Branch concerning SMEs in Kolaka Regency.

3.5 Data Collection Techniques

Data collection techniques include interviews, observations, and documentation. Interviews facilitate direct interaction between the interviewer and the interviewee, allowing researchers to gather accurate information related to the study. Observations provide a systematic means of collecting data about nonverbal behaviors relevant to the phenomenon under investigation, enabling direct or indirect observation of activities at the bank related to SMEs. Documentation serves as a valuable source of information, encompassing records or works about past events, and can include written texts, artifacts, images, and cultural materials.

3.6 Research Instruments

The key instrument in this research is the researcher, who conducts observations, takes notes, and carries out interviews. Supporting instruments include interview guidelines, documentation tools, and writing instruments.

3.7 Data Analysis Techniques

Data analysis is a systematic process of organizing interview transcripts, observations, field notes, documents, photos, and other materials to enhance understanding of the collected data. The analysis begins with reviewing data collection notes, organizing data into units, synthesizing, identifying patterns, and concluding the findings. The author employs the interactive analysis technique of Miles and Huberman, which consists of four stages: data collection, data reduction, data presentation, and conclusion drawing. Data is recorded in descriptive and reflective notes. Data reduction involves the selection, focusing, simplification, separation, and transformation of raw data. Data presentation is represented in various forms, including written narratives and graphics. Conclusion drawing occurs throughout the research process, allowing for preliminary conclusions to be formed as data is collected, leading to final conclusions once the data is complete.

4. Results and Discussion

4.1 Research Results

In this section, the researcher will present the core substance of the study, which is titled "The Strategy of Bank Muamalat Indonesia Kolaka Branch in Promoting Small and Medium Enterprises in Kolaka Regency," utilizing a descriptive qualitative analysis method. This research is conducted at Bank Muamalat Indonesia Kolaka Branch to understand the financing strategy employed by the bank in promoting small and medium enterprises (SMEs) in Kolaka Regency.

4.2 Bank Muamalat Indonesia Kolaka's Strategy

The term "strategy" originates from the Greek word "strategos," meaning the art of a general. Therefore, strategy refers to actions taken by individuals to achieve desirable goals and results. It is defined as the competitive domain within an organization. Generally, an organization's strategy is characterized by patterns of actions undertaken by the company. Business strategies can include geographical expansion, diversification, acquisitions, product development, market penetration, employee rationalization, divestment, liquidation, and the establishment and achievement of organizational objectives while implementing its mission. Strategy represents consistent and predictable behaviors based on historical patterns.

According to interviews with Sudarman Muhajir, the head of the Kolaka branch, the current focus of Bank Muamalat is on gathering third-party funds while also providing financing. This financing is still limited to a specific segment using a back-to-back scheme. The back-to-back system involves the guarantees of customer funds deposited in Bank Muamalat, which will later release funds with a 95% guarantee based on the targeted funds specifically allocated to customers of the bank's systems. Rather than using the money for business capital, customers are encouraged to deposit it in the bank as collateral, which is then issued to customers as new funds. Many of the bank's customers fall into the small business category and other segments.

4.3 Back-to-Back Financing Mechanism at Bank Muamalat Indonesia Kolaka Branch

One of the products for gathering funds in Islamic banking is deposits. Islamic deposits are conducted based on Sharia principles. In this regard, the National Sharia Council (MUI) has issued a fatwa stating that permissible Islamic deposits are based on the mudharabah principle. A deposit is a saving that can only be withdrawn at certain times based on an agreement between the saving customer and the bank. Currently, the financing facility with deposit guarantees, known as the back-to-back facility, is available. Each financial institution generally has its specific mechanisms that differentiate them from one another. In this Islamic institution, the term "interest" is not recognized during the gathering of funds from the public or in financing for businesses in need.

Financing refers to the provision of funds by local governments, businesses, and the public through banks, cooperatives, and non-bank financial institutions to develop and strengthen micro, small, and medium enterprises (MSMEs). Therefore, it can be concluded that the strategy and back-to-back financing mechanisms at Bank Muamalat Indonesia Kolaka Branch, aimed at promoting SMEs in Kolaka Regency, encompass various business strategies, including geographical expansion, diversification, acquisitions, product development, market penetration, employee rationalization, divestment, and liquidation, all to achieve organizational goals and implement its mission. Each financial institution has its specific mechanisms that differentiate them. In this Islamic institution, the term "interest" is not recognized during the gathering of funds from the public or in financing for businesses in need.

From the interview with Sudarman Muhajir, the head of the Kolaka branch, he mentioned that the procedure for applying for back-to-back financing is similar to applying for other financing, requiring documents such as a photocopy of the ID card, family card, tax ID number, marriage certificate, and a bank account at Bank Muamalat, along with the last month's salary slip, utility bill copies, business legalities if the customer owns a business, or a profit/loss statement if no salary slip is available, and a deposit certificate as collateral.

4.4 Data on Strategies and Back-to-Back Financing at Bank Muamalat Kolaka Branch

Based on the data on the strategies of Bank Muamalat Indonesia Kolaka Branch in promoting SMEs and the mechanism of back-to-back financing, from 2014 to 2021, the number of SMEs and back-to-back financing in Kolaka Regency is as follows:

No	Description	Year	Notes
		2014	2015
1	Number of SMEs	21,319	21,419
2	Micro-Small	17,226	17,346
3	Back-to-Back Financing	21,336	38,765

Source: (Data from 2014-2021)

The data on SMEs in Kolaka Regency indicates that the number of SMEs was 21,319 in 2014, increasing to 21,419 in 2015, a relatively small increase. In 2016, the number rose to 21,439, and there was further growth in 2017 to 22,308. In 2018, there was another increase to 23,308, followed by a decrease in 2019 to 23,297, and a significant rise in 2020 to 27,282, but in 2021, it dropped to 21,458.

The data on micro-small enterprises shows that in 2014, the number was 17,226, increasing to 17,346 in 2015, remaining steady in 2016 at 17,346, and rising again in 2017 to 18,887. However, in 2018, there was a decrease to 14,721, remaining at 14,721 in 2019, followed by a substantial drop to 14,321 in 2020, but a significant increase in 2021 to 118,192.

Regarding back-to-back financing, the data shows that in 2014, the amount was 21,336, which rose to 38,765 in 2015, with a slight increase to 38,785 in 2016, followed by a rise to 42,195 in 2017. There was a notable decrease in 2018 to 38,018, remaining the same in 2019, and then a significant rise in 2020 to 41,603, followed by another decrease in 2021 to 21,576.

From the above data, it can be concluded that the increases in back-to-back financing are attributed to its role as a solution for customers looking to deposit their assets with the bank. Conversely, the decline in back-to-back financing in 2021 is linked to the significant decrease in money circulation during the pandemic in Indonesia.

4.2 Discussion

a. Bank Muamalat Indonesia Kolaka Branch Strategy

Bank Muamalat Kolaka Branch is a banking institution that functions to gather funds from the public and redistribute them in the form of loans (financing) or other forms. In fulfilling its role in distributing funds to the public, it cannot be separated from two main aspects: generating profit and managing risk, as the banking business is closely related to risk. All banks generally have similar strategies. Currently, Muamalat focuses on gathering third-party funds, alongside financing, which remains limited to specific segments using the back-to-back scheme.

The back-to-back scheme guarantees customer deposits at Bank Muamalat, from which the bank will release funds and provide a 95% guarantee for financing targeted at SMEs. However, customers must have their capital, which will be guaranteed by Bank Muamalat, allowing them to manage their funds independently. Every bank requires customers. To encourage small businesses, Bank Muamalat collaborates with them, recognizing that these businesses need funding from banks. Therefore, Bank Muamalat Kolaka has devised strategies to assist customers in establishing their businesses in various fields. However, Bank Muamalat only offers products compatible with Sharia banking principles, setting it apart from conventional banks.

b. Back-to-Back Financing Mechanism at Bank Muamalat Indonesia Kolaka Branch

Back-to-back financing involves customer deposits as collateral. If a customer applies for financing and it is approved by the bank, the monthly repayments will be paid from the profit-sharing or interest generated from the customer's deposit. If a customer can no longer afford to make payments, they do not need to worry about cash payments or selling collateral. In this mechanism, if a loan defaults, the bank will take funds from the customer's deposit to cover the installments, returning any excess to the customer. If there is a shortfall, the bank will request the remaining payment directly from the customer.

5. Closing

5.1 Conclusion

The back-to-back financing strategy and mechanism at Bank Muamalat Indonesia Kolaka Branch serves as an effort to support the development of small and medium enterprises (SMEs) in Kolaka Regency. This strategy covers various aspects, including geographical expansion, diversification, acquisition, product development, and market penetration, all of which aim to achieve organizational goals and carry out the established mission. Islamic financial institutions such as Bank Muamalat do not recognize the term "interest" in their operations, but instead use the concept of "profit sharing," which reflects sharia principles. Bank Muamalat has an important role in advancing the banking sector with an approach that involves socialization to SMEs and the local community. With the right strategy, this bank can make a significant contribution to local economic development.

5.2 Suggestions

Some suggestions that can be submitted to PT. Bank Muamalat Indonesia Kolaka Branch Office are:

a. Improving the quality of strategies systematically and in principle to be more effective in supporting SMEs and achieving the expected goals.
b. Improving the quality of back-to-back financing mechanisms so that they are more attractive to customers, ensuring that this system can be accessed easily without experiencing significant difficulties.

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