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## THE IMPLEMENTATION OF MASLAHAH IN THE LOAN OR REVOLVING FUND FINANCING PROGRAM BY LPDB-KUMKM

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### Abstract

This research aims to delve into the implementation of the concept of *maslahah* in the revolving fund loan or financing program managed by the Cooperatives, Micro, Small, and Medium Enterprises Revolving Fund Management Agency (LPDB-KUMKM). The research method employed is a literature review with a descriptive qualitative approach. Secondary data was obtained from various sources, including journals, relevant research, and books related to the research context. The results of the research indicate that LPDB-KUMKM has overall implemented the *maslahah* concept in its programs. This finding is reflected in several aspects. Firstly, LPDB-KUMKM has successfully fostered economic self-reliance for its cooperative and MSME partners through fund provision, training, and mentoring. Secondly, the institution ensures that all implemented programs adhere to the characteristics of Sharia compliance by avoiding elements of usury, ambiguity, and gambling. Thirdly, the institution conducts a comprehensive risk evaluation, encompassing credit risk, operational risk, and compliance risk. The fourth, LPDB-KUMKM actively engages in community empowerment through training programs, mentoring, and providing access to other resources. The fifth aspect encompasses LPDB-KUMKM's commitment to accountability and transparency at every stage of revolving fund management. Finally, the institution actively participates in an ongoing evaluation and improvement process to ensure the efficiency and effectiveness of the implemented programs.

**Keywords:** *Maslahah, Loan, Financing, Revolving fund, LPDB-KUMKM*

### A. INTRODUCTION

The role of cooperatives and MSMEs (Micro, Small, and Medium Enterprises) in the economic development of Indonesia is crucial and cannot be overlooked. Both serve as the main pillars in creating employment opportunities, increasing community income,

and strengthening the economic resilience of the nation. According to Law Number 25 of 1992, a cooperative is defined as a business entity consisting of individuals or cooperative legal entities that conduct activities based on cooperative principles and

simultaneously act as a people's economic movement based on the principle of kinship.<sup>1</sup>

This definition encompasses two main elements namely the economic element and the social element. The economic element is reflected in the cooperative's goal of improving the welfare of its members through efforts such as enhancing access to capital, improving value chain efficiency, assisting in achieving economies of scale, increasing access to knowledge, skills, and technology, enhancing product quality and added value, and strengthening bargaining power. Meanwhile, the social element is reflected in the principle of kinship, which is the foundation of cooperatives.

According to Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, MSMEs are productive businesses owned by individuals or business entities that meet the criteria specified in the law.<sup>2</sup> MSMEs play a very important role in driving the national economy, especially because MSMEs are recognized as a critical engine that contributes significantly to the Gross Domestic Product (GDP) with a percentage of 60.5%. Additionally, MSMEs are the main supporters in absorbing labor, reaching 96.9%.<sup>3</sup>

Despite being acknowledged as a crucial component of the economy and considered a critical engine, MSMEs still face several challenges, particularly related to access to capital.<sup>4</sup> The existence of cooperatives should provide a solution to the capital constraints faced by MSMEs. However, ironically, cooperatives themselves experience the same obstacles in

obtaining capital, especially if the assets they possess do not meet the requirements set by banks. Therefore, there is a complex and interrelated dynamic between MSMEs and cooperatives in the context of capital access.<sup>5</sup>

To address the capital constraints faced by cooperatives and MSMEs, the government has taken part by establishing the Revolving Fund Management Agency for Cooperatives, Micro, Small, and Medium Enterprises (LPDB-KUMKM). This agency has the specific task of managing revolving funds for financing KUMKM, including loans and various other forms of financing tailored to the needs of KUMKM. Through the distribution of revolving funds, not only do cooperatives benefit, but also all MSMEs that are members of the cooperative, creating an ecosystem that supports the growth and sustainability of small and medium enterprises.

The loan or revolving fund financing program is a concrete step taken by the government to provide low-interest revolving credit to cooperatives and MSMEs. This initiative essentially aims to provide financial support to cooperatives and MSMEs to strengthen their capital. Moreover, this program is directed to promote equitable economic growth and stimulate the growth of economic sectors that directly impact job creation. The increase in job opportunities is ultimately expected to significantly contribute to poverty alleviation, which is one of the main issues faced by Indonesian society.

The objective of LPDB-KUMKM in providing financial support to KUMKM to

<sup>1</sup> UU RI Nomor 25 Tahun 1992 Tentang Perkoperasian, Bab I Pasal I.

<sup>2</sup> UU RI Nomor 20 Tahun 2008 Tentang UMKM, Bab I Pasal I.

<sup>3</sup> <https://www.ekon.go.id/publikasi/detail/4593/per-kembangan-umkm-sebagai-critical-engine-perekonomian-nasional-terus-mendapatkan-dukungan-pemerintah>, diakses pada 06-01-2024.

<sup>4</sup> Siaran Pers Kementerian Koordinator Bidang Perekonomian RI, HM.4.6/553/SET.M.EKON.3/10 /2022.

<sup>5</sup> Fadliansyah dkk, *Peran Koperasi Simpan Pinjam Dalam Upaya Pengembangan Usaha Mikro Kecil Dan Menengah (Umkm) Di Kabupaten Aceh Barat (Studi Kasus Pada Koperasi Simpan Pinjam (Ksp) Mandiri Jaya Meulaboh)*, JIBES Vol.1, No. 1 2022, hlm. 84.

foster economic growth and poverty eradication reflects the implementation of the concept of *maslahah*, where the fundamental basis is to provide the greatest possible benefit to humans, both worldly and hereafter. In this context, the researcher is interested in exploring the implementation of the concept of *maslahah*, which serves as the philosophical foundation of every policy and program implemented by LPDB-KUMKM. In delving into the implementation of the concept of *maslahah*, the researcher will focus on how LPDB-KUMKM concretely translates the values of *maslahah* in every policy and program and explores the efforts of LPDB-KUMKM to ensure that its programs not only provide worldly benefits but also consider the hereafter aspects by the holistic concept of *maslahah*.

## B. RESEARCH METHODS

The type of research in this discussion is a literature study aimed at collecting data or information from various sources.<sup>6</sup> The data sources referred to are primary data, including books, journals, encyclopedias, magazines, and other sources relevant to the research theme, particularly those related to the context of *maslahah* and LPDB-KUMKM revolving fund loans or financing. This research adopts a qualitative approach, aiming to examine a natural object without manipulation and hypothesis testing. The data analysis method used is descriptive, describing and interpreting what exists, current opinions, ongoing processes, occurring effects or consequences, and developing trends.<sup>7</sup>

<sup>6</sup> Sutrisno Hadi, *Metodelogi Research*, Andi Offset, Yogyakarta, 2002, hlm. 9.

<sup>7</sup> Sumanto, *Teori dan Metode Penelitian*, CAPS (Center of Academic Publishing Service), Yogyakarta, 2014, hlm.179.

<sup>8</sup> Said Ramadhan Al-Bhuti, *Dlawabit al-Maslahah fi Syariah al-Islamiyah*, Muassasah Risalah 1973, hlm. 23

## C. RESULTS AND DISCUSSION

### *Maslahah*

Linguistically, Ibn Mandzur explains that *maslahah* is the singular form of *masalih*, which means goodness or benefit. According to him, anything that contains goodness or benefit is called *maslahah*. Terminologically, there are many views from both classical and contemporary scholars regarding *maslahah*. Al-Buthi explains that *maslahah* refers to everything that leads to the goodness or benefit intended by Sharia for its followers to preserve and maintain essential aspects of their lives, including religion, life, intellect, lineage, and property.<sup>8</sup> A similar opinion is given by Imam Ghazali, who states that *maslahah* is a principle to obtain benefits and avoid harm (*mafsadah*), thereby preserving religion, life, intellect, lineage, and property. Therefore, any action or matter that maintains these five fundamental aspects is considered *maslahah*, whereas actions that violate these aspects are considered *mafsadah*.<sup>9</sup>

Khawarizmi also defines *maslahah* as preserving the intentions and goals of Sharia by preventing harm from arising among creatures. This definition is similar to that of Imam Ghazali, but Khawarizmi does not limit *maslahah* to the five aspects encompassed within the levels of *maslahah daruriyat*.<sup>10</sup> As-Syatibi adds *maslahah* is a principle that refers to achieving benefits and avoiding potential harm. Benefits refer to positive outcomes derived from action and all related beneficial elements, while harm refers to damaging consequences. *Maslahah* focuses on the preservation of human life and

<sup>9</sup> Abu Hamid Muhammad bin Ahmad al-Ghazali, *al-Mustashfa Min Ilmi al-Ushul*, Juz 1, Cet. 2, (Qum: Intisyarat Dar al-Dzakhir, 1368 H), hlm. 286-287.

<sup>10</sup> Zarkasyi, Badruddin Muhammad bin Bahadir, *al-Bahrul Muhit Fi Ushul al-Fiqh*, Juz 4, hlm. 377.

the attainment of a perfect life, interpreted as efforts to gain benefits and avoid harmful elements in the worldly perspective to achieve life in the hereafter. The application of the concepts of *maslahah* and *mafsadah* is not absolute but is determined by the dominance of forces and the intensity of activities performed. If benefits are more dominant, the situation can be categorized as *maslahah*; conversely, if harm is more dominant and stronger, it is categorized as *mafsadah*.<sup>11</sup>

Maslahah is divided into three categories;

1. *Maslahah daruriyyah* (Primary Needs): This encompasses all that is necessary to sustain human life, aiming to support the well-being of religion and the world. Failure to achieve this can threaten worldly stability and negatively impact human life in both this world and the hereafter, including the loss of safety and enjoyment, and result in significant losses.<sup>12</sup> This *maqasid* consists of five main elements: *hifdz al-din* (protection of religion), *hifdz al-nafs* (protection of life), *hifdz al-nasl* (protection of lineage), *hifdz al-mal* (protection of property), and *hifdz al-aql* (protection of intellect).
2. *Maslahah hajiyyah* (Secondary Needs): This includes needs that are not fundamental but whose fulfillment can provide ease and alleviate difficulties. Failure to attend to these needs can cause

inconvenience, though it does not harm the general welfare. Many examples related to this *maslahah* include worship, customs, transactions, and criminal law.

3. *Maslahah tahsiniyyah* (Complementary Needs): This involves actions that align with the best customary practices and avoid methods inconsistent with virtuous ethics. Thus, Asy-Syatibi's understanding of *maslahah* explores three different levels to comprehend this concept and apply it within the context of Islamic law and daily life.<sup>13</sup>

### LPDB-KUMKM Revolving Fund

The Revolving Fund is a fund lent to be managed and rolled out to the community by Public Service Agencies (BLU) to improve the people's economy and other objectives.<sup>14</sup> According to the LPDB-KUMKM Director's Regulation, a revolving fund is defined as a fund allocated by state ministries, agencies, or public service unit work units for business capital strengthening activities for cooperatives, micro, small, medium, and other enterprises under the guidance of state ministries or agencies.<sup>15</sup> This definition emphasizes that the revolving fund is a special fund allocated by the government through certain institutions or work units to support capital strengthening for cooperatives and SMEs (KUMKM), with the expectation that this policy can stimulate economic growth, increase employment opportunities, and enhance community welfare.

<sup>11</sup> As-Syatibi, *al-Muwafaqat fi Ushul al-Syariah*, Beirut: Dar al-Kutub al-Ilmiyah, 1997, hlm. 20.

<sup>12</sup> *Ibid*, hlm. 219.

<sup>13</sup> As-Syatibi, *Muwafaqat fi Ushul al-Syariah*, Beirut: Daar al-Kutub al-Ilmiyah, hlm. 8-9.

<sup>14</sup> Peraturan Menteri Keuangan Republik Indonesia Nomor 158/PMK.06/2021 Tentang Perubahan Atas Peraturan Menteri Keuangan Nomor 168/pmk.06/2018 Tentang Penentuan Nilai Bersih

Investasi Jangka Panjang Nonpermanen Dalam Bentuk Tagihan.

<sup>15</sup> Peraturan Direksi Lembaga Pengelola dana bergulir koperasi dan usaha mikro, kecil dan menengah No. 010/PER/LPDB/2011 tentang petunjuk teknis pemberian tambahan pinjaman atau pembiayaan kepada koperasi, direksi lembaga pengelola dana bergulir koperasi dan usaha mikro, kecil dan menengah RI.

The government's revolving fund program is divided into seven items, but the focus of this research is the revolving fund managed by the public service agency of the cooperative and SME revolving fund management institution (LPDB-KUMKM), which is technically under the supervision of the Ministry of Cooperatives and SMEs. LPDB-KUMKM is a non-echelon organizational unit within the Ministry of Cooperatives and SMEs that applies the financial management pattern of a public service agency by regulatory provisions. This unit is tasked with managing revolving funds for loans or financing to cooperatives and micro, small, and medium enterprises, with an interest rate of 3% sliding for conventional loans and 20:80 for sharia financing.<sup>16</sup>

### **Implementation of Maslahah in the Loan or Financing Program of LPDB-KUMKM**

The loan or financing program of LPDB-KUMKM falls within the economic activity scope where the implementation of *maslahah* (public benefit) has a broader scope compared to other fields. This is due to the global nature of *nas-nas* (textual evidence) which are less detailed and specific in explaining economic activities, providing significant opportunities for Islamic scholars to interpret and adapt Islamic law based on *maslahah* principles. The implementation of *maslahah* in this program can be observed from various aspects:

#### 1. Economic Independence

Capital is a major issue for cooperatives, especially those newly operating. To ensure operational

continuity, cooperatives must gather capital from various sources such as member savings, bank loans, or external sources offering high-interest loans. This capital limitation can seriously hinder cooperative business activities and their members, especially those involved in the MSME sector. The presence of LPDB-KUMKM is a breath of fresh air for cooperatives and MSMEs as it aims to support economic independence through providing low-interest revolving fund loans or financing. The loans or financing are offered to two business sectors: the real sector and the savings and loan sector. In the real sector, this program can promote the growth of MSMEs with potential business prospects, create jobs, enhance members' economic contributions, reduce unemployment, and alleviate poverty.<sup>17</sup> In the savings and loan sector, the focus is on providing quick and flexible access to working capital and operational needs of cooperatives.<sup>18</sup>

The above objectives of LPDB-KUMKM align with the concept of *maslahah*, where one of its goals is to provide tangible benefits to cooperatives and MSMEs. In 2022, LPDB-KUMKM disbursed Rp. 1.861 trillion in revolving funds to 41,745 loan or financing recipients, exceeding the target of 30,000 recipients.<sup>19</sup> As a result of this fund distribution, cooperatives grew by 19.32% in 2022 compared to 2021.

<sup>16</sup> Peraturan Menteri Koperasi dan Usaha Kecil dan Menengah Republik Indonesia Nomor 8 Tahun 2020 Tentang Organisasi dan Tata Kerja Lembaga Pengelola Dana Bergulir Koperasi dan Usaha Mikro, Kecil dan Menengah, Bab I Kedudukan, Tugas, Dan Fungsi.

<sup>17</sup> <https://imfea.or.id/2022/06/program-lembaga-pengelola-dana-bergulir-lpdb/>, diakses 14-11-2023.

<sup>18</sup> <https://www.lpdb.go.id/dana-bergulir-bangkitkan-kesadaran-masyarakat-untuk-bergabung-dengan-koperasi/>, diakses 14-11-2023.

<sup>19</sup> LAKIP 2022 LPDB-KUMKM hlm. 13.

The number of cooperative partners distributing revolving funds over the past three years was: 127 in 2020, 182 in 2021, and 193 in 2022.<sup>20</sup>

Therefore, the collaboration between LPDB-KUMKM and KSPPS BINAMA is a clear example of how wise and effective financing can support the economic independence of cooperatives and local communities. Success in financial management and fund management helps create an economically independent and sustainable environment

## 2. Sharia Compliance

Sharia compliance refers to financial institutions' adherence to Sharia principles.<sup>21</sup> In the context of LPDB-KUMKM, Sharia compliance is reflected by the absence of elements of *riba* (usury), *maisir* (gambling), and *gharar* (uncertainty) in every program, financing structure, and procedure implemented. It is understood that LPDB-KUMKM's financing is based on two patterns: conventional with a low 3% sliding interest rate and Sharia-based with a 20:80 profit-sharing system.

These two financing patterns reflect LPDB-KUMKM's flexibility in meeting the capital needs of the Indonesian community. For Muslims who wish to avoid interest systems and adhere to Sharia principles in financial transactions, Sharia-based financing is the choice. In the LPDB-KUMKM organizational structure, there is a Director of Sharia

Financing, where according to the Minister of Cooperatives and SMEs Regulation No. 08 of 2020 on the Organization and Work Procedures of LPDB-KUMKM, one of the duties and functions is to draft plans and technical guidelines for Sharia financing and ensure that financing is provided according to Sharia principles.<sup>22</sup>

In 2022, Sharia-based financing distribution reached 70 partners with a total disbursement of Rp. 911,235,596,669, or 35% of the total revolving fund distribution.<sup>23</sup> In 2023, the planned Sharia-based financing budget increased to 50% of the total LPDB-KUMKM financing disbursement, amounting to Rp. 1,000,000,000,000.<sup>24</sup> Therefore, there is no concern for cooperatives or MSMEs to apply for financing that adheres to Sharia principles and avoids interest practices.

Moreover, the LPDB-KUMKM program does not involve *maisir* and *gharar*. *Maisir* refers to efforts to gain profit easily without maximal effort and involves speculation. *Gharar* is actions that can harm others due to deceit, uncertainty, and injustice in transactions. Sharia compliance in the entire LPDB-KUMKM program is crucial. This is because *maslahah* must align with Sharia goals and should not violate its principles. *Maslahah* should not be based on human assumptions and opinions as humans are often influenced by desires and personal interests, which

<sup>20</sup> *Ibid.*

<sup>21</sup> Winny Widialoka, Asep Ramdan, Azib, “*Analisis Pengaruh Kepatuhan Syariah (Shariah Compliance) terhadap Dana Pihak Ketiga Pada Bank Umum Syariah di Indonesia Periode Tahun 2010-2015*”, Vol 2, No 2 (2016).

<sup>22</sup> Rencana Bisnis dan Anggaran LPDB-KUMKM 2023, hlm. 31-33.

<sup>23</sup> LAKIP 2022 LPDB-KUMKM, Lampiran.

<sup>24</sup> Rencana Bisnis dan Anggaran LPDB-KUMKM 2023, hlm. 3-4.

can make their assessment of masalah subjective. Furthermore, what is considered masalah by humans may not necessarily be considered masalah according to Sharia, and vice versa, what is considered mafsadah (harm) by humans may not necessarily be mafsadah according to Sharia.

### 3. Risk Evaluation

All programs contain potential risks that must be identified, analyzed, and evaluated so that potential risks can be anticipated as early as possible. Risk evaluation compares the estimated risk level with the predetermined risk level. This process is important to identify actions needed to manage risks effectively and efficiently according to urgency and impact.

According to the Regulation of the Minister of Cooperatives and SMEs of the Republic of Indonesia No. 4 of 2020 on the distribution of revolving fund loans or financing by LPDB-KUMKM, in distributing revolving funds to prospective partners, all possible risks must be considered. The risks include credit risk, operational risk, and compliance risk.<sup>25</sup> Credit risk is the loss arising from the borrower's failure to fulfill their obligations. To anticipate this risk, LPDB-KUMKM uses several methods, including collateral inclusion, insurance, strict loan criteria formulation, careful credit analysis, and regular monitoring.<sup>26</sup>

Operational risk is the potential loss in business due to human error or system failure. To anticipate

operational risk, LPDB-KUMKM assists financing recipients in the form of training, certification, facilitation, and other necessary technical assistance. About masalah, risk represents mafsadah, a negative consequence that is harmful and causes damage. Risk can hinder business objectives or even threaten business stability, making risk evaluation essential to proactively manage and minimize to ensure the continuity of desired business goals.

### 4. Community Empowerment

In fulfilling its duties and functions, LPDB-KUMKM has numerous initiatives designed to empower communities through training, mentoring, and access to other resources. These include:

#### a. Training

LPDB conducts training programs focused on enhancing the skills and knowledge of financing recipients to increase their capacity and competitiveness. Training covers various aspects such as production management from seedling to post-harvest, business management, finance, product marketing, and technology development, ensuring a well-functioning business ecosystem and truly building members' welfare.

#### b. Mentoring

LPDB optimizes mentoring for its business partners to empower them in entering competitive markets. Effective mentoring has shown positive

<sup>25</sup> Peraturan Menteri Koperasi dan Usaha Kecil dan Menengah Republik Indonesia Nomor 4 tahun 2020 Tentang Penyaluran Pinjaman atau Pembiayaan Dana Bergulir Oleh Lembaga

Pengelola Dana Bergulir Koperasi dan Usaha Mikro, Kecil dan Menengah, Bab I Pasal 12.

<sup>26</sup> Rencana Bisnis dan Anggaran LPDB-KUMKM 2019, hlm 37.

impacts, particularly in business performance and organizational governance. Intensive mentoring programs are conducted for cooperatives engaged in the real sector aligned with government programs in food security, such as fisheries, plantations, and agriculture. Additionally, to prevent problematic financing due to debtor default, LPDB provides mentoring through well-structured business plans monitored regularly, ensuring partners develop well, increase cooperative profit margins, grow membership, and enhance cooperative assets. These mentoring efforts reflect LPDB's commitment to being not just a fund provider but a partner supporting the long-term development and success of cooperatives and MSMEs.

c. Resource Access

LPDB-KUMKM strives to provide broader access to resources that support business development for its partners. This includes access to business networks, market information, the latest technology, and other assistance. Collaboration between LPDB and various stakeholders helps financing recipients connect with resources that enhance their competitiveness and innovation. Currently, the Ministry of Cooperatives and SMEs encourages cooperatives to form holding companies with a spin-off or business expansion strategy in the real sector. This approach aims to address inefficiency issues in agricultural marketing, especially at the individual farmer

level. By adopting this strategy, farmers can sell their produce collectively rather than individually, achieving larger economies of scale and higher bargaining power.

5. Accountability and Transparency

Accountability and transparency are crucial to ensuring that every step taken aligns with established policies and goals and can be justified. In brief, accountability is the responsibility of an organization or institution to provide information about its activities and performance to the relevant stakeholders. To implement its accountability, LPDB-KUMKM publishes LAKIP (Government Agency Performance Accountability Report), presenting transparent and comprehensive information on annual performance, executed programs, year-on-year analysis, and key evaluation points of the results achieved. The reporting mechanism varies in format, reporting periods, and the authorities entitled to receive the reports.

In its LAKIP, LPDB-KUMKM reports on two accountability items. First, is performance achievement accountability. In 2022, LPDB-KUMKM was mandated to achieve 13 Key Performance Indicators (KPIs) for the Ministry of Cooperatives and SMEs as the Technical Supervisor and 12 KPIs for the Ministry of Finance as the Financial Supervisor. Of the 13 KPIs with the Ministry of Cooperatives and SMEs, the average achievement was 142.24%. This percentage increased by 8.96% compared to the previous year's average of 130.54%. Meanwhile, for the 12 KPIs with the Ministry of Finance, the average



achievement was 145.58%. This percentage increased by 10.29% compared to the previous year's average of 132%.<sup>27</sup>

Second, is financial accountability. Financial accountability is a critical aspect of maintaining integrity and transparency in the management of institutional funds. In this context, financial accountability is measured through several documents and financial reports such as budget realization maps based on KPIs, budget realization reports, cash flow statements, balance sheets, statements of changes in excess budget balances, and budget realization evaluations. Specifically, budget realization evaluations are a final step involving a comprehensive assessment of budget achievements based on established performance indicators. This evaluation provides a basis for improving and developing future financial strategies.

To strengthen accountability, LPDB-KUMKM has developed a revolving fund information system that allows partners to manage the use of revolving fund loans or financing through inter-system connections and report progress to the Minister quarterly.<sup>28</sup>

This information system reflects LPDB-KUMKM's commitment to upholding the principles of accountability and transparency by utilizing information technology to facilitate efficient and measurable monitoring and reporting, thereby providing accurate and comprehensive information to stakeholders.

## 6. Evaluation and Improvement

Throughout its operations, LPDB-KUMKM conducts holistic and in-depth evaluations to address existing challenges. Evaluations are necessary to measure success and identify areas that require improvement or changes in strategy. One of the evaluation activities carried out by LPDB-KUMKM is the evaluation of KPI achievements, covering activities, challenges, solutions, and recommendations. By implementing solutions and recommendations, it is expected that the performance and impact of the revolving fund programs can be significantly enhanced. An example of a KPI evaluation is the realization of PNPB services, which includes maximizing distribution, monitoring the return of the previous year's revolving funds, and regular collection of the previous year's revolving fund returns. The challenges faced in this KPI include the collectability of revolving fund distributions (less smooth, doubtful, and stalled), end-of-year distribution realization due to the moratorium on savings and loan licenses, and the provision of low tariffs to cooperatives.

The solutions proposed to address these challenges include quick monitoring and handling of partners, coordination, and acceleration of revolving fund distribution, providing services and business approaches to partners, and considering low tariffs as a business process risk for BLU services. The recommended actions include monitoring and evaluating receivables control to maintain partner discipline regarding

<sup>27</sup> LAKIP 2022 LPDB-KUMKM, hlm. 35

<sup>28</sup> Peraturan Menteri KUMKM, Bab VI Pasal 33.

installment schedules and adjusting service tariffs according to the economic conditions of the community.

The above KPI examples demonstrate LPDB-KUMKM's commitment and responsiveness in evaluating all activities undertaken. Therefore, by routinely evaluating findings, solutions, and recommendations, it can be ensured that LPDB-KUMKM can deliver maximum impact and achieve its objectives in supporting the development of cooperatives and SMEs in Indonesia. Additionally, the evaluation findings will provide insights for LPDB-KUMKM to adjust and revise its strategic map, policies, and services, thereby fostering the growth of cooperatives and SMEs as integral elements of national economic development.

#### **D. CONCLUSION**

From the above explanation, it can be understood that LPDB-KUMKM has broadly implemented the concept of *masalah* in its overall programs. This *masalah* is reflected in several aspects:

1. LPDB-KUMKM has successfully created economic independence for cooperative and SME partners, contributing a growth of 19.32% in 2022.
2. LPDB-KUMKM ensures that all programs implemented meet the characteristics of Sharia compliance by avoiding elements of usury, uncertainty, and gambling. This is reinforced by the existence of the Director of Sharia Financing, where according to the Minister of Cooperatives and SMEs Regulation No. 08 of 2020 on the Organization and Work Procedure of LPDB-

KUMKM, one of its duties and functions is to prepare plans and technical guidelines for sharia financing and ensure financing is provided according to sharia principles.

3. LPDB-KUMKM conducts comprehensive risk evaluations covering credit risk, operational risk, and compliance risk by the Ministry of Cooperatives and SMEs Regulation No. 4 of 2020 on the distribution of revolving loan or financing funds by LPDB-KUMKM. Methods to anticipate credit risk include requiring collateral, insurance, strict credit granting criteria, thorough credit analysis, and regular monitoring. To anticipate operational risks, methods include assisting financing recipients in the form of training, certification, facilitation, and other necessary technical support.
4. LPDB-KUMKM actively empowers communities through training programs, mentoring, and providing access to other resources. Training includes production management, business management, finance, product marketing, and technology development. Intensive mentoring is conducted for cooperatives engaged in real sector businesses in line with the government's food security program. Providing access to other resources is done by establishing collaborations between LPDB and various stakeholders and encouraging cooperatives to form holding companies through spin-off strategies or business expansion in their members' real sectors.

5. LPDB-KUMKM applies the principles of accountability and transparency at every stage of management by publishing LAKIP (Government Agency Performance Accountability Report). There are two accountability items in LAKIP: performance achievement accountability and financial accountability.
6. LPDB-KUMKM is actively involved in continuous evaluation and improvement processes to ensure the efficiency and effectiveness of all programs implemented. LPDB-KUMKM evaluates the achievement of Key Performance Indicators (KPIs), covering activities, challenges, solutions, and recommendations.

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