



Banking Business Credit: Choice Between Riba or the Need for Business Study of MSME Entrepreneurs in Surabaya and Sidoarjo

Diyah Utami¹✉, Pambudi Handoyo¹, Fransiscus Xaverius Sri Sadewo¹,
Mutiah Mutiah², and Fakhrial Fakhrial¹

¹ Sociology Programme of Social Science and Law Faculty, Universitas Negeri Surabaya,
Surabaya, Indonesia

diyahutami@unesa.ac.id

² Communication Science Programme of Social Science and Law Faculty, Universitas Negeri
Surabaya, Surabaya, Indonesia

Abstract. This research started from the interest of researchers to see the reluctance of some people to the assistance program offered by the government in the form of bank credit. The reluctance is because credit contains elements of usury, which is contrary to Islamic spiritual values. But, on the other hand, there are people who have a more tolerant view of the banking interest. There are also those who take the middle way, by utilizing Islamic banking credit. Entrepreneurs often need capital for business development and this financial capital is not easily obtained from other people's loans or savings deposits. This study wants to see how entrepreneurs try to have a dialogue between self-interest and moral values that are used as life guidelines. The theory used is Peter Berger's social construction theory, which describes three processes of social construction, namely externalization, objectivation and internalization. The research subjects are MSME (Micro Small Middle Entrepreneurs who are domiciled in Surabaya and Sidoarjo. This study will categorize three types of research subjects, namely: MSME entrepreneurs who do not use bank credit because they think it contains elements of usury, MSME entrepreneurs who still use general banking credit and MSME entrepreneurs who use Islamic banking credit.

Keywords: Riba · Credit · Bank · Usury

1 Introduction

The banking credit program does not always get a positive response, even though the program has the aim of improving the community's economic level. Pros and cons of credit always arise, especially regarding usury. The emergence of sharia-laden financial freedom movements, such as the Anti-Riba Society or ex-banks, is a social phenomenon of resistance by some groups in society. These social movements are a form of resistance to credit application programs offered by banks. The credit program, which has been socialized as government assistance to the community in order to create economic prosperity, has actually received opposition from some members of the community themselves [1].

© The Author(s) 2023

S. Setiawan et al. (Eds.): IJCAH 2022, ASSEHR 724, pp. 212–217, 2023.

https://doi.org/10.2991/978-2-38476-008-4_24

The Quran clearly forbids usury. Riba is detrimental to debt recipients, but whether bank interest is also included in the category of usury, this is still a debate among Muslims. There are some scholars who forbid, some allow it, some are makruh which means it is better to leave it, so it is better for Muslims not to make loans to banks [2]. Some people argue that usury is different from bank interest, so bank interest is not included in the usury category. Some are of the opinion that bank interest is the same as usury [3]. The reason for the prohibition of bank interest is due to the element of usury in it. The definition of usury in sharia is the premium that must be paid by the borrower to the creditor because it is the fulfillment of the terms of the loan or the extension of maturity [4]. Riba is considered exploitative and detrimental to the borrower.

As a middle ground between the need for a modern banking system and the prohibition of usury, Islamic banking has emerged. The difference in the credit system between conventional and Islamic banks is whether there is installment participation. Conventional banks apply interest for credit installments given to customers. Meanwhile, Islamic banks apply the principle of profit and loss sharing. That is, at the time of the contract, there is an agreement on the sharing of profits and losses between the two parties. It's just that the practice of Islamic banking is still the pros and cons, is it really in accordance with applicable Islamic law.

In Indonesia, the legal basis for sharia banking is Law No. 10 of 1998 [5]. There is a sharia bank that has had a sharia bank concept since its establishment, namely Bank Muamallah. Meanwhile, other Islamic banks are more branches of conventional banks. Around 2021, several Islamic banks then merged into one to become Bank Syariah Indonesia. The Islamic banks are Bank Syariah Mandiri, BNI Syariah and BRI Syariah. It is hoped that the merger of the three Islamic banks will further expand the reach of customers, better services and greater capital [6]. For those who are against bank interest, the Islamic banking system is also still being questioned whether it is truly in accordance with Islamic sharia or just a label.

For business owners, business development requires a large amount of capital and it is not always easy to obtain this capital from personal savings or loans to other people. Applying for credit to the bank is considered the fastest solution for fulfilling business capital. The government itself continues to encourage banks to apply for business capital loans to banks. The higher the credit level, the higher the bank's source of income [7]. When examined further, the relationship between the banking sector and the community is actually reciprocal or requires each other. The community needs credit to fulfill its needs, both for consumer goods and as a strengthening of business capital. Meanwhile, banks need credit interest for the development of the banking business itself. In fact, the funds used by banks as capital for lending to the community are actually funds that also come from the community itself [8]. One measure of the success of a bank's performance is the fulfillment of credit absorption targets. Due to these factors, banks are competing to offer credit loans to the public with various attractive lures. The absorption of credit for businesses is also relatively fast, especially during a pandemic like this, when entrepreneurs need additional capital to help businesses that are experiencing losses. This is reflected in the positive annual (yoy) pe growth of 1.57% in May 2021 and continues to grow positively to 2.70% in August 2021 [9].

However, on the other hand, business owners will be faced with various spiritual values related to bank interest that accompanies the loan. For the bank, these values, indirectly, will of course also affect the bank credit absorption program which is the focus of each bank's performance achievement.

This research is interesting because it looks at people's different understanding of a value even though they are bound by the same belief, namely Islam. There are those who are pro towards bank interest, there are those who refuse and there are also those who take the middle way towards bank credit (users of Islamic banking credit). The focus of this research is how entrepreneurs construct the use of bank credit, which in turn has implications for attitudes towards credit.

2 Research Methods

The approach in this research is qualitative with the perspective of Peter Berger's social construction theory. According to Peter Berger, social construction is formed through a process of externalization, objectivation and internalization. These three processes will be used to analyze the decisions of MSME entrepreneurs regarding the use of bank credit.

The unit of analysis in this study is the MSME entrepreneurs in the cities of Surabaya and Sidoarjo. Those selected are businessmen who have a membership background with Islamic religious institutions. The assumption is that the membership bond of religious institutions shows that the subject has a complete understanding of if the subject has a bond. The research subjects are categorized into three, namely the first subject who uses conventional banking credit; second; subjects who are not willing to take advantage of bank loans, and the third; users of bank credit but have a sharia concept. Data collection techniques were carried out through interviews, either face-to-face or by telephone.

3 Discussion

Based on the findings of the data, there are two sub-themes of analysis in this study.

1. The objective conditions of the research subjects

There are five MSME entrepreneurs interviewed in this study. Two people agree on bank interest, three people disagree. One of those who disagreed was originally a bank credit user, but due to having spiritual experience during the pandemic, the orientation towards bank credit has also changed. All research subjects have a strong religious background. This can be seen from the religious communities or organizations they follow or the tendency to send their children to Islamic schools. Their educational background also varies, from undergraduate to elementary school. However, educational background and participation in religious organizations do not really play a role in the decision to use credit. Those who are against bank credit are usually based on scientific studies and experience. Those who are members of religious organizations but still use bank credit see more practical benefits. The religious organization they follow does not issue arguments about the prohibition of bank interest.

2. The process of externalization, internalization and objectivation.

The researcher analyzed using Peter Berger's theory of social construction, which consists of internalization, eksternalization and objectivation factors [10].

Al Qur'an and Hadits as Values on Internalization Stage. The definition of the internalization stage is the process of absorbing values or norms from outside. When linked to the context of this research, these values or norms can be related to sources of understanding regarding the meaning of usury or sources of information about borrowing business capital from banks. Islam has two sources of knowledge, namely the holy Qur'an as the main source and hadith as the second source. Studies on the meaning of the verses of the Qur'an or hadith are widely discussed in recitation activities. For subject, Sources of knowledge were obtained from religious studies, lectures (subjects with an Islamic educational background), the WA group of the Muslim merchant community and also discussions with life partners. Beside of them, their knowledge of credit banking are from banking literacy. Sources of banking literacy are obtained from bank employees themselves or from friends, relatives who have previously become bank customers. There are bank employees who come to the subject and provide information about credit, there are also subjects who come to the bank themselves to seek information.

Internal Dialog between Al Qur'an (and Hadits Nabi) and personal interests as a Process of Externalization Stage. Externalization is a process of discussion within the actor, between external values and personal interests. The actor will try to weigh and finally determine what option best suits him. Sometimes there is a conflict between external values and self-interest. This happened to all research subjects. There are subjects who feel confident with their choice, (be it when borrowing capital from a bank or refusing a bank loan), there are also those who feel guilty after borrowing from a bank. This individual awareness is formed from previous individual experiences and also the stock knowledge they have. For Contrary to bank loans (anti-usury) subjects, very got an understanding of usury from the lecturers at her campus, from the recitation and also her experience with her ex-husband who worked as a banker. Her life with her ex-husband is full of conflict. Vety felt that her job as a banker was the source of the problem. Meanwhile, Adnan, initially wanted to borrow from the bank, but then came the fear that undesirable things would happen if he borrowed from the bank, ranging from; confiscation of the bank if it cannot pay off to the unblessing of the assets it has which has an impact, for example; sick child or unsuccessful child. Adnan's internalization process is in the form of the need for capital, and also the fear of violating religious rules to stay away from usury.

There are as a different reason for who agrees with bank loans like as Luly. Luly actually already understood usury in banking loans, but still decided to borrow from Islamic banks due to the urgency of the need to increase business capital. In the end, Luly felt guilty for violating religious rules. She considered the losses he suffered during the pandemic was a punishment from God. Luly did not dare to borrow from the bank anymore.

In contrast to Fitri, who actually feels helped by a loan from a conventional bank. Her business is growing. If she doesn't make a loan, Fitri is afraid that her business will lose money and fail to provide for her family's needs. As long as the capital from

the bank is used properly, Fitri feels there is no problem. Fitri often hears about usury studies, but she gives her own interpretation of what she does.

The same thing is also experienced by Saimunah who uses conventional bank credit. She used the credit to renovate his house, as well as a place for tempe production. Saimunah admitted that she did not really understand the issue of usury in religion. It's just that he thinks, all good deeds or not is determined from the original purpose. Both Fitri and Saimunah were comfortable with the conventional banking system that they first met, so they did not want to switch to Islamic banks.

Anti-Usury subjects looks that Pandemic COVID-19 as the time to clean our property. On the stage of objectivity, based on the results of data analysis, there are two things that become the objectivation of research subjects. The first, provisions related to the prohibition of usury, for example: doing usury is the same as fighting against Allah or the Messenger, the sin of usury is the same as the sin of having intercourse with one's birth mother or Allah will destroy the assets resulting from usury. The second, the pandemic COVID-19 has finally changed the subject's mindset about usury. This is experienced by Luly who admits to surrendering if God makes a pandemic to clean her property from the usury process.

4 Conclusion

The decision of MSME entrepreneurs to borrow bank capital is not only influenced by the internalization process of usury or literacy about banking, but is also influenced by the ex process or externalization dialogue as well as personal experience. Those who feel the positive impact of bank capital loans, there is a tendency to agree. Conversely, those who have negative experiences tend to refuse bank capital loans. The preference of conventional or Islamic banks is more on which bank offers them credit first, not an ideological choice. For those who support bank credit, they will re-interpret the doctrine of usury, adapting to the current situation and conditions.

Acknowledgment. Research team would like to thank to Universitas Negeri Surabaya. This greeting is extended since it has provided a source of income for administrative or similar purposes. We would also like to thank all other researchers whose research results we use as reference because all of these articles can be completed on time and ready to be published.

Authors' Contributions. The author comprises five members where all are contributed to writing the article. Article writing is separated into numerous stages of research and writing that are completed in 2 (two) months. The author investigates related themes based on observations made in the field over many months. The writer offers the ideas in this scientific article based on observable data.

References

1. "Komunitas MTR Ajak Publik Segera Selesaikan Utang Tanpa Riba." <https://daerah.sindonews.com/read/233082/701/komunitas-mtr-ajak-publik-segera-selesaikan-utang-tanpa-riba-1605445862> (accessed Mar. 21, 2022).

2. “Ragam Pendapat Ulama tentang Hukum Bunga Bank,” *nu.or.id*. <https://islam.nu.or.id/fiqih-perbandingan/ragam-pendapat-ulama-tentang-hukum-bunga-bank-rDsVp> (accessed Apr. 05, 2022).
3. M. U. Chapra, “The Nature Of Riba In Islam,” *Millah: Jurnal Studi Agama*, vol. 8, no. 1, Art. no. 1, 2008, Accessed: Apr. 13, 2022. [Online]. Available: <https://journal.uii.ac.id/Millah/article/view/431>
4. M. U. Chapra, “The Prohibition of Riba in Islam: An Evaluation of Some Objections,” *AJIS*, vol. 1, no. 2, Art. no. 2, 1984, doi: <https://doi.org/10.35632/ajis.v1i2.2812>.
5. A. Atabik, “ANALISIS HISTORIS PERKEMBANGAN BANK SYARIAH,” *Iqtishadia*, vol. 6, no. 2, pp. 357–378, Apr. 2016, doi: <https://doi.org/10.21043/iqtishadia.v6i2.1109>.
6. “Bank Syariah Indonesia.” https://ir.bankbsi.co.id/corporate_history.html (accessed Apr. 18, 2022).
7. “Pengusaha Didorong Ajukan Pinjaman ke Perbankan untuk Modal Kerja - Tribunnews.com.” <https://www.tribunnews.com/bisnis/2021/05/04/pengusaha-didorong-ajukan-pinjaman-ke-perbankan-untuk-modal-kerja> (accessed Apr. 05, 2022).
8. “The Oxford Handbook of Banking - PDF Drive.” <http://www.pdfdrive.com/the-oxford-handbook-of-banking-d157699515.html> (accessed Apr. 11, 2022).
9. “Kredit UMKM Meningkat: Wujud Optimisme UMKM di Tengah Pandemi.” https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_2324621.aspx (accessed Jun. 22, 2022).
10. R. Wuthnow, *Cultural Analysis The Work of Peter L Berger et all*, 1st ed. and New York: Routledge & Kegan Paul.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter’s Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter’s Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

