

The Effect of Omni Channel Marketing on Customer Buying Interest of Fashion Products

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Article Info

Article history:

Received Feb, 2025

Revised Feb, 2025

Accepted Feb, 2025

Keywords:

Entrepreneurs

Financing

Micro Business

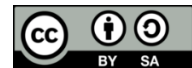
Production Capacity

Sustainability

ABSTRACT

This study aims to analyze the micro-business financing provided by Baitul Maal wat Tamwil (BMT) Balung and its impact on increasing the business capital of its clients. Micro businesses, which are typically managed by small-scale entrepreneurs, often face difficulties in accessing formal financing. Therefore, BMT Balung, as a microfinance institution, plays an essential role in providing financing to support the sustainability and development of micro businesses. This research uses a quantitative approach with a descriptive analysis method to gather data from clients who have received financing from BMT Balung. The data were obtained through interviews and questionnaires from 50 respondents who are micro-business owners. The results of the study show that the financing provided by BMT Balung significantly increases the business capital of its clients. This financing positively influences the micro businesses' ability to expand production capacity, purchase raw materials, and improve product quality. Furthermore, it has a positive impact on income and the welfare of the entrepreneurs. However, challenges in repaying installments remain a concern for some clients. The conclusion of this study is that the financing provided by BMT Balung plays a strategic role in increasing micro-business capital and supporting business development.

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1. INTRODUCTION

Micro, small and medium enterprises (MSMEs) have a very important role in the Indonesian economy. According to data from the Central Statistics Agency (BPS), the contribution of the MSME sector to Indonesia's Gross Domestic Product (GDP) continues to increase every year. As one of the largest economic sectors, MSMEs provide extensive employment opportunities and encourage the economic welfare of society. However, micro businesses often face various

challenges, especially in terms of financing. Many micro business actors experience difficulties in accessing credit from formal financial institutions due to limited collateral and lack of access to financial information [1].

Baitul Maal wat Tamwil (BMT) as a microfinance institution has an important role in overcoming this financing problem. BMT is a sharia-based institution, which functions to provide financing to micro business actors with easier terms than other formal financial institutions. The financing provided by BMT usually does not require large collateral, so it

is more affordable for micro business actors who generally do not have sufficient fixed [2]. BMT Balung, as one of the BMTs operating in Indonesia, also has a major contribution in providing financing to micro business actors in the area. With a sharia-based approach, BMT Balung seeks to provide financing solutions that are not only profit-oriented, but also improve community welfare.

However, even though BMT Balung has provided a lot of financing to micro business actors, there is still little research that specifically examines the impact of the financing provided on increasing business capital and developing micro businesses. Financing provided by microfinance institutions such as BMT has a very important role in supporting the survival of micro businesses. Therefore, it is important to know to what extent the financing provided by BMT Balung affects business capital and the ability of micro businesses to develop. This research aims to analyze the micro business financing provided by BMT Balung and its impact on increasing customers' business capital.

The financing provided by BMT Balung has the potential to encourage increased business capital through several mechanisms, including increasing production capacity, purchasing raw materials, and improving product quality. According to Irianto (2019), sufficient business capital is very important for micro business actors to expand their business scale and increase competitiveness in the market. With the financing provided, micro business actors can access resources that they previously could not obtain, such as high quality raw materials, more modern production equipment, or improving their business facilities. This, in turn, can increase their productivity and income.

However, although the financing provided by BMT Balung can have a positive impact on the development of micro businesses, there are challenges in implementing this financing. One of the main challenges is the customer's ability to manage and repay the loans that have been given. According to research conducted by Santoso (2021), one of the factors that influences the

success of a micro financing program is the customer's ability to manage their finances and business. If customers are unable to manage funds well, then this financing can actually become an even greater burden for micro businesses. Therefore, it is important to assess the extent to which BMT Balung provides training and assistance to customers so that they can utilize financing effectively.

In this context, this research will examine in depth the impact of micro business financing provided by BMT Balung on increasing business capital. The main focus of this research is to find out how the financing provided can increase production capacity, product quality and income from micro businesses. Apart from that, this research will also discuss the challenges faced by customers in managing financing and how BMT Balung can provide better support so that the financing can have maximum impact.

In theory, micro financing should be able to have a significant impact on improving micro businesses. This is in line with the theory of economic capital which states that sufficient capital will encourage increased productivity and business performance [3]. With financing from BMT Balung, micro business actors are expected to be able to improve their business conditions and ultimately improve their quality of life. Therefore, it is important to see how BMT Balung provides financing to its customers, as well as how customers utilize this financing to increase their capital and business capacity.

This research will use a quantitative approach to collect data from BMT Balung customers who have received financing. This method was chosen because it can provide a clear picture of the relationship between the financing provided and the increase in business capital. Data to be collected includes information regarding the amount of financing received, type of business, changes in production capacity, as well as changes in income after receiving financing. Apart from that, this research will also analyze the challenges faced by customers in managing financing and provide recommendations for improvements in existing financing programs.

Overall, this research is expected to provide an important contribution in understanding the role of BMT Balung in supporting the development of micro businesses, as well as providing insight into the impact of micro financing on increasing business capital and the welfare of business actors. In addition, it is hoped that the results of this research can provide input for BMT Balung in improving financing mechanisms and providing more effective support for its customers, so that the financing provided can have an optimal impact on the development of micro businesses in Indonesia.

2. LITERATURE REVIEW

Microfinance plays a crucial role in supporting the development of small and medium enterprises (SMEs), particularly through microfinance institutions such as Baitul Maal wa Tamwil (BMT). BMT serves as an Islamic financial institution that provides access to financing for micro-entrepreneurs who face difficulties obtaining loans from conventional banks [4]. In the context of microfinance, BMT not only provides business capital but also assists borrowers in managing their finances and business [5].

Microfinance in the Islamic system differs from conventional loan schemes as it employs contracts that adhere to Islamic principles. Some commonly used contracts in BMT financing include murabahah, mudharabah, and musyarakah [6]. Murabahah is a cost-plus sale contract, while mudharabah is a partnership where one party provides capital and the other manages the business. Meanwhile, musyarakah is a joint venture where both parties contribute capital and share profits and [7].

In practice, Islamic microfinance is more flexible regarding collateral requirements compared to conventional financial institutions. This is because BMT emphasizes fairness and mutual assistance when providing financing to micro-entrepreneurs [8]. As a result, Islamic microfinance is expected to enhance community welfare and reduce economic inequality [8].

As an Islamic financial institution, BMT plays a vital role in supporting micro-enterprises by providing easier access to financing while adhering to Islamic principles. Research conducted by Santoso and Ramadhan (2021) found that BMT not only provides loans but also guides borrowers in financial management and business development. BMT's assistance programs include entrepreneurship training, simple financial record-keeping, and effective marketing strategies.

Additionally, BMT facilitates business networking among micro-entrepreneurs, enabling them to establish partnerships with other business owners. A study by Zulkarnain and Putri (2022) indicates that strong business networks among BMT members enhance the competitiveness of micro-enterprises and expand their market reach. Thus, BMT serves not only as a capital provider but also as a business development facilitator.

One of the key indicators of successful microfinance is the increase in business capital experienced by borrowers after receiving financing from BMT. Research conducted by Yulianti and Haris (2021) revealed that financing provided by BMT could increase business capital by 30-50% within one year. This is due to the flexible financing schemes that do not burden borrowers with high-interest rates as found in conventional financial institutions.

Moreover, another study by Prasetyo (2022) found that business assistance provided by BMT contributes to increased productivity among micro-enterprises. With additional capital and better business strategies, micro-entrepreneurs can develop their businesses more effectively. These findings align with those of Widiastuti (2020), who stated that Islamic microfinance enhances financial stability and encourages business expansion among its borrowers.

Despite its numerous benefits, the implementation of microfinance by BMT also faces various challenges. One major challenge is the limited capital available to BMT for disbursing financing to micro-entrepreneurs [9]. Unlike conventional banks that have

broader access to funding sources, BMT often relies on contributions from members and Islamic investors.

Another challenge is the risk of non-performing loans. Research by Nugroho and Sari (2021) shows that approximately 15-20% of borrowers face difficulties in repaying their loans, particularly during the COVID-19 pandemic. To mitigate this risk, BMT needs to implement stricter business feasibility analyses and provide more intensive business mentoring [10].

Beyond internal factors, external challenges such as regulatory changes also affect the sustainability of BMT's microfinance operations. Regulations related to licensing and supervision of microfinance institutions frequently change, requiring BMT to continuously adjust its operational policies to remain legally compliant [11].

Based on the reviewed studies, it can be concluded that BMT's microfinance plays a strategic role in increasing the business capital of micro-enterprises. By utilizing Islamic financing schemes, BMT not only provides capital access but also supports entrepreneurs in managing their businesses more effectively.

However, several challenges need to be addressed to optimize the implementation of microfinance. These challenges include BMT's limited capital, the risk of loan defaults, and regulatory changes. Therefore, innovative strategies are required in managing microfinance, such as strengthening Islamic investor networks, improving credit analysis quality, and enhancing borrower assistance programs.

If managed effectively, BMT's microfinance can not only increase business capital but also contribute to overall economic growth within communities. Hence, strengthening BMT's role in supporting SMEs should be continuously encouraged to ensure that the benefits of Islamic microfinance can be widely felt.

3. METHODS

This research uses a quantitative approach with descriptive methods to analyze the impact of micro business

financing provided by BMT Balung on increasing customers' business capital. A quantitative approach was chosen because it allows the collection of numerical data that can be analyzed statistically to see the relationship between financing variables and increasing business capital. The descriptive method is used to describe the real conditions that occur in the field regarding how BMT Balung provides financing and its impact on the micro businesses being fostered.

The population in this research is all BMT Balung customers who have received financing for micro businesses within the last three years. The number of customers who received financing during this period was around 100 people. To determine the sample, the researcher used a purposive sampling technique, namely selecting respondents who met certain criteria, namely micro business actors who had received financing and had been running their business for at least one year after receiving the financing. Based on these criteria, researchers selected 50 customers who were representative and in accordance with the research objectives.

Data collection was carried out using two main methods, namely interviews and questionnaires. Interviews were conducted directly with BMT Balung customers to obtain in-depth information regarding their experiences in accessing financing and the impact they felt on business development. In addition, questionnaires are used to collect quantitative data regarding the amount of financing received, changes in production capacity, product quality, and changes in business income before and after receiving financing. The questionnaire used is closed with a Likert scale to facilitate data analysis. Each item in the questionnaire is designed to measure customer perceptions regarding the impact of financing on increasing capital and sustainability of their micro businesses.

The collected data was then analyzed using descriptive analysis techniques with the help of statistical software. Researchers will conduct descriptive analysis to describe the characteristics of respondents and the impact of financing on certain aspects, such as changes in business capital, production

capacity and income. In addition, a comparative analysis will be carried out to see the differences between business conditions before and after receiving financing. It is hoped that the results of this analysis will provide a clear picture of the effectiveness of the financing provided by BMT Balung in increasing micro business capital.

Apart from that, this research also identifies the challenges faced by customers in managing financing and the factors that influence their ability to repay loans. For this reason, qualitative analysis will be used to interpret the results of interviews, which will help in understanding the obstacles that arise in managing financing and strategies that can be implemented by BMT Balung to increase the effectiveness of financing programs. Thematic analysis techniques will be used to analyze interview transcripts and find patterns relevant to the research topic.

In this research, researchers also took into account several control variables that could influence the results of the analysis, such as type of business, length of time the business has been running, and the education level of the business actor. These variables are important to control for differences in business characteristics that might influence customers' ability to utilize the financing they receive. This is in accordance with research conducted by Suryanto (2018) which states that external factors such as type of business and level of education can influence the success of micro businesses in managing the financing they receive.

It is important to note that this research focuses on the short-term impact of the financing provided by BMT Balung, namely the impact that can be seen within one to two years after the financing is received. It is hoped that the financing provided by BMT Balung will immediately have a significant impact on increasing business capacity and income, but to see the long-term impact, further research is needed.

With this approach, it is hoped that this research can provide useful information for BMT Balung in evaluating and improving the financing programs they offer, as well as providing recommendations for micro

business actors who want to take advantage of micro financing to develop their business. This research also aims to provide insight into the effectiveness of microfinance institutions in supporting the development of micro businesses in Indonesia, especially in the areas served by BMT Balung.

4. RESULTS AND DISCUSSION

4.1 *Characteristics of Customers and Types of Businesses Receiving BMT Balung Financing*

In analyzing micro business financing provided by BMT Balung, it is important to understand the characteristics of customers and the type of business receiving financing. This is necessary to find out the extent to which the BMT financing program can reach and support micro businesses with diverse characteristics. Customer characteristics, such as age, education level, and length of business, can influence how they utilize financing to develop their business. Likewise with the type of business run by the customer, because each type of business has different financing needs, which can influence the impact of the financing provided by BMT.

Based on research results, the majority of BMT Balung customers who receive financing are micro-entrepreneurs who already have experience in running their businesses. Most of these customers are aged between 30 and 50 years, with varying levels of education, from elementary school graduates to tertiary institutions. Kurniawan (2020) in his research revealed that a more mature age is often associated with more experience in business, which can improve a person's ability to manage business and financing. On the other hand, the level of education also plays an important role in managing financing well. Customers with a higher level of education tend to have a better understanding of the importance of financial management and good business planning [12].

The types of businesses run by BMT Balung customers are very diverse,

ranging from the trade sector, agriculture, to service businesses. Trading businesses are the most dominant type of business, with customers operating in the retail sector, such as grocery stores, food stalls and clothing businesses. These businesses generally require financing for working capital, such as purchasing raw materials or trading equipment. Meanwhile, for the agricultural sector, customers who operate in the agricultural sector often need financing to purchase seeds, fertilizer and agricultural equipment. This is in accordance with findings expressed by Santoso (2021), who stated that the agricultural sector often faces obstacles in obtaining financing because of its dependence on seasons and unpredictable natural factors.

Apart from that, there are also customers who operate in the service business sector, such as photocopying, beauty salons and laundry businesses. This service business usually requires financing to procure business equipment and develop business facilities. The financing provided by BMT Balung not only helps business capital to purchase equipment or raw materials, but also to increase business capacity, for example by providing better facilities for customers or increasing the number of employees. Irianto (2019) revealed that flexible microfinance can be tailored to the specific needs of various business sectors, allowing business actors to develop more easily.

Another factor that influences customer characteristics is the level of business success before receiving financing. Most of BMT Balung's customers had run their businesses quite stably before getting financing. However, even though their businesses are already running, some micro business actors face limited capital which hinders business development. The financing provided by BMT Balung then serves to overcome this obstacle, by providing additional capital to expand the business or improve product quality. This is in accordance

with the results of research conducted by Tanjung (2020), which states that one of the main reasons micro business actors need financing is to overcome the problem of limited capital which limits the potential for business growth.

The characteristics of BMT Balung customers are also influenced by socio-economic factors. Most customers come from lower middle economic groups, who previously did not have access to financing from formal financial institutions. In this case, BMT Balung plays an important role as a financial institution that provides access to financing with lighter, sharia-based conditions. This financing is very helpful for micro business actors who do not have assets that can be used as collateral to get loans from conventional banks. Kurniawan (2020) revealed that sharia-based microfinance institutions such as BMT have a positive impact on community economic empowerment, especially for micro business actors who are marginalized from the formal banking system.

Even though the characteristics of BMT Balung customers vary greatly, there is one similarity that can be seen in almost all customers, namely the need for affordable and easily accessible capital. The financing provided by BMT Balung is generally in the form of working capital financing provided in small to medium amounts, with flexible terms. This financing can be used to purchase raw materials, improve business facilities, or increase merchandise inventory. This is very relevant to the findings presented by Irianto (2019) that small but affordable financing for micro businesses plays a very important role in increasing business capacity and encouraging the sustainability of the business.

However, even though BMT Balung has succeeded in reaching micro businesses with diverse characteristics, not all customers are able to manage financing well. Several customers expressed difficulties in managing loan

funds and utilizing them optimally for business development. This especially happens to customers with a lower level of education or those who are just starting a business. Related to this, Santoso (2021) revealed that managerial skills and knowledge in managing finances are one of the main challenges for micro business actors in managing the financing provided.

Overall, the characteristics of BMT Balung customers and the type of business they run play a very important role in determining the success of the financing provided. The financing provided by BMT Balung is very relevant to the various capital needs of micro businesses, but challenges in managing financing still need to be considered. For this reason, BMT Balung needs to continue to evaluate the characteristics of customers and the types of businesses they serve, as well as provide more intensive assistance so that the financing provided can have maximum impact on business improvement.

4.2 Process of Providing Financing by BMT Balung and Business Capital Management Mechanism

The process of providing financing by BMT Balung has a fairly structured procedure and is adjusted to the sharia principles implemented by the institution. In this financing provision mechanism, BMT Balung does not only focus on administrative and technical aspects in distributing funds, but also pays attention to the feasibility of the customer's business, potential returns, and the customer's ability to manage financing. Therefore, a good understanding of the process of providing financing and business capital management mechanisms is very important to evaluate the effectiveness of the financing provided.

The process of providing financing at BMT Balung begins with the stage of applying for financing by the customer. At this stage, customers who need financing must complete various

required documents, which usually include personal identity, business certificate, and information regarding the proposed financing needs. After the application is received, BMT Balung carries out a feasibility analysis of the proposed financing application. This process involves assessing the customer's type of business, business potential, and the customer's ability to repay the loan. As stated by Suryanto (2018), business feasibility analysis is an important stage in the process of providing financing in microfinance institutions, because this will determine whether the customer's business has good prospects for developing and is able to generate sufficient income to pay installments.

One of the fundamental differences between BMT Balung and conventional financial institutions is in terms of the financing principles applied. BMT Balung implements a sharia-based financing system, which means that financing is provided without interest or usury. The financing provided prioritizes a profit sharing system (*mudharabah* or *musyarakah*) or a buying and selling system (*murabahah*). In the *mudharabah* system, BMT Balung provides capital to customers to run a business, and the results of the business will be divided according to the agreement made at the beginning. Meanwhile, in the *musyarakah* system, both BMT Balung and customers will share the profits and risks resulting from the business. On the other hand, in *murabahah* financing, BMT Balung buys goods needed by customers and then sells them at a mutually agreed price, including a predetermined profit margin. This process is certainly very profitable for micro business actors, because they are not burdened with high loan interest, which is often an obstacle for customers who access financing from conventional financial institutions [13]

After the financing is approved, BMT Balung customers are given funds according to the needs that have been submitted. This financing is usually

provided in cash or via transfer to the customer's account. Apart from that, BMT Balung also provides assistance in managing this financing. This assistance aims to ensure that the funds received by customers are used wisely to increase their business capacity. As a microfinance institution oriented towards empowerment, BMT Balung not only provides funds, but also provides training and coaching related to business and financial management to customers. This is very important to improve customers' ability to manage financing and maximize the use of funds for developing their business. According to Irianto (2019), assistance in business and financial management is one of the factors that can increase the effectiveness of micro financing, because many micro business actors do not have adequate managerial skills.

The mechanism for managing business capital by customers after receiving financing from BMT Balung varies greatly, depending on the type of business being run. Most customers use the financing they receive to increase their working capital, such as purchasing necessary raw materials or production equipment. In the trade sector, customers often use financing funds to expand merchandise stock and increase sales capacity. In the agricultural sector, business capital is used to buy better seeds or fertilizer, as well as improve agricultural facilities in order to increase production yields. In service businesses, financing is used to update equipment or expand market reach by adding new branches or services.

However, even though the financing provided by BMT Balung has helped many micro entrepreneurs, managing business capital remains a challenge. One of the obstacles faced by customers is a lack of understanding of the importance of good financial planning. Many micro business actors are not used to making financial plans and separating business funds from personal

funds. This can hamper the effective use of financing and pose a risk to customers' ability to repay loans. Santoso (2021) states that one of the main obstacles in managing micro financing is managerial problems, where business actors often have difficulty planning and managing the funds they have received.

For this reason, BMT Balung provides training aimed at improving customers' abilities in managing their business and the financing provided. This training includes ways to manage finances well, business planning and marketing strategies. BMT Balung also provides regular assistance to ensure that customers use financing in the right way, as well as providing solutions to problems faced by customers in managing their business. This assistance is very important, because many micro business actors do not have access to managerial training or other resources that can help them develop their business [14].

Overall, the process of providing financing by BMT Balung can be said to be quite efficient and based on sharia principles which prioritize justice. The financing provided is very beneficial for micro business actors, because they can access capital with lighter requirements compared to conventional financial institutions. However, to ensure that the financing provided can have maximum impact on business improvement, it is important for BMT Balung to continue to improve assistance and training mechanisms for customers. This will help customers manage financing better and optimize the use of business capital to develop their business [15].

4.3 *The Impact of Financing on Increasing Micro Business Capital*

Financing provided by microfinance institutions such as BMT Balung has a significant impact on increasing microenterprise capital. This impact is not only visible in the financial aspect, but also includes increasing production capacity, product quality, and

business ability to develop better. The financing process that is based on sharia principles allows customers to access funds with lighter requirements compared to conventional financial institutions. Therefore, it is important to evaluate in depth how the financing received by micro business actors can influence the increase in their business capital [16].

One of the most direct impacts of the financing provided by BMT Balung is an increase in the amount of business capital available to micro business actors. The financing received by customers allows them to increase working capital, which can be used to increase production capacity or expand their business. For example, in businesses operating in the trade sector, financing is often used to add more merchandise stock, update business equipment, or even open new business branches. This is in accordance with the findings expressed by Kurniawan (2020), who stated that one of the main impacts of micro financing is increasing business capacity which allows business actors to be more competitive in the market.

In the agricultural sector, financing is used to purchase more modern agricultural equipment, better seeds and quality fertilizer. With this additional capital, farmers can increase productivity and agricultural yields that they manage. Santoso (2021) in his research also found that the financing received by farmers can reduce their dependence on informal financing which often has high interest and does not provide guarantees of business continuity. On the other hand, with sharia-based financing from BMT Balung, farmers can manage their businesses better, increase production results, and ultimately increase their business capital.

Apart from that, financing also has an impact on improving the quality of products produced by micro business actors. With additional capital, business actors can make improvements in the quality of the products offered, both in

terms of raw materials, product design and existing business facilities. For example, in small businesses operating in the food and beverage sector, additional capital can be used to purchase higher quality raw materials or to improve existing production equipment, so that the products produced are better and more sought after by consumers. Research conducted by Irianto (2019) shows that improving product quality greatly influences the competitiveness of micro businesses, which in turn will have an impact on increasing income and sustainability of the business.

Not only that, the impact of financing on increasing micro business capital can also be seen from the business development aspect. With financing, business actors have the opportunity to expand their market reach, either through developing new products, expanding business locations, or through increasing promotion and marketing. For example, micro businesses operating in the trade sector can use financing to open new stores or improve the quality of service to customers. BMT Balung, by providing financing to customers, contributes to expanding the scope of micro businesses that can reach more consumers and have the opportunity to develop more rapidly. This is also in accordance with the views expressed by Tanjung (2020), who stated that microfinance plays an important role in helping small and micro businesses to grow and compete in the wider market.

However, the positive impact of this financing is not always felt by all micro business actors equally. Several business actors face difficulties in managing the financing they receive, especially those related to inappropriate use of funds. Some micro business actors, especially those who have limited experience or knowledge in financial management, tend to use financing for unproductive needs or only for consumptive purposes. This risks reducing the effectiveness of the financing provided. Therefore, it is important for

BMT Balung to not only provide financing, but also provide intensive assistance for customers in managing these funds. As stated by Santoso (2021), assistance provided by microfinance institutions is very crucial to ensure that the financing provided can be utilized optimally for business development.

In the context of business capital management, BMT Balung also strives to ensure that customers can make good use of financing through regular counseling and training. This training covers business financial management, business planning, and effective marketing strategies. With this training, customers are expected to have better skills in managing their business and the financing provided, so that they can optimize the use of business capital to increase production capacity and product quality. According to Kurniawan (2020), the success of business capital management really depends on the extent to which business actors understand the importance of good financial planning and management. The training and mentoring provided by BMT Balung is one of the keys to success in developing micro businesses.

Overall, the impact of the financing provided by BMT Balung on increasing micro business capital is very significant. This financing allows micro business actors to increase production capacity, product quality, and expand their markets. However, to maximize the positive impact of financing, it is important for BMT Balung to continue to provide adequate assistance, especially in managing business capital and financial management. In this way, the financing provided will be able to have a long-term impact on the sustainability and development of micro businesses.

4.4 Changes in Production Capacity and Product Quality After Obtaining Financing

Providing financing to micro businesses by micro financial institutions such as BMT Balung does not only focus

on increasing business capital, but also has a direct impact on production capacity and the quality of products produced by business actors. In this case, the changes that occur after the customer receives financing can be seen in two main aspects, namely increased production capacity and better product quality. The funding provided allows business actors to invest in critical sectors in increasing the efficiency and competitiveness of their businesses. Therefore, it is very important to evaluate the impact of financing on these two aspects, considering their very important role in encouraging the growth and sustainability of micro businesses [17].

One of the main impacts of financing received by micro business actors is increasing production capacity. After receiving financing, many business actors were able to increase their production volume, either by increasing the number of workers, improving production facilities, or by adding more efficient tools and machines. In the manufacturing sector, financing is used to purchase more modern production equipment, which can speed up the production process and increase output. For example, in handicraft businesses, financing is used to purchase more sophisticated equipment, such as cutting machines and printing machines, which were previously unaffordable for business actors due to limited capital. With better tools, production becomes faster and can meet greater market demand. This is in accordance with the findings put forward by Kurniawan (2020), who stated that microfinancing can encourage increased production capacity through investment in more efficient equipment.

Apart from that, the financing received also allows business actors to expand their production capacity by opening branches or increasing the amount of stock of goods sold. For example, in micro businesses operating in the trade sector, financing can be used to

increase merchandise stock or open new outlets to reach more consumers. This increase in production capacity will of course have an impact on increasing business income, which in turn increases business capital. As pointed out by Irianto (2019), increasing production capacity is one of the key factors that allows micro businesses to develop and compete in an increasingly competitive market.

A part from production capacity, the impact of financing is also felt in improving the quality of products produced by micro business actors. One of the main reasons why product quality can improve after receiving financing is because business actors can access better raw materials, purchase higher quality production equipment, and improve their business facilities. For example, in the agricultural sector, farmers can use financing to buy fertilizer and better seeds, as well as more efficient agricultural equipment. With sufficient capital, farmers can obtain higher quality products, ultimately increasing their agricultural yields and competitiveness in the market. Likewise, in the food and beverage sector, financing can be used to purchase high-quality raw materials, update production equipment, and improve product hygiene and safety standards. This is in accordance with the opinion of Santoso (2021), who states that product quality is very dependent on the quality of raw materials and equipment used in the production process.

Improving product quality also affects the attractiveness of the product in the market. With better products, micro businesses can attract more consumers and expand their market share. In micro businesses operating in the craft sector, for example, improving product quality can increase customer satisfaction and produce products that are more in line with market tastes. In this case, the financing received by business actors can act as a catalyst in encouraging innovation and product development, which will ultimately increase business

competitiveness in the market. According to Tanjung (2020), better product quality allows micro businesses to obtain higher customer loyalty and increase sales volume.

However, although financing can have a positive impact on increasing production capacity and product quality, not all business actors are able to utilize these funds optimally. Several business actors face challenges in managing the financing they receive, especially in terms of inappropriate use of funds or lack of knowledge in terms of production and quality management. Some business actors, especially those who are just starting a business, may not fully understand how to optimize the financing they receive, which can lead to waste or unproductive use of funds. This emphasizes the importance of the assistance and training provided by BMT Balung in managing financing and optimizing production capacity and product quality. As stated by Irianto (2019), ongoing training regarding production management and product quality management is very important to ensure that the financing provided can have maximum impact [18]

The assistance provided by BMT Balung is not only limited to financial aspects, but also includes technical aspects such as how to increase production efficiency, maintain the quality of raw materials, and utilize technology in the production process. With this assistance, business actors can more easily identify opportunities to increase their production capacity and product quality, as well as avoid mistakes that could harm their business. For example, BMT Balung provides training related to product quality management and effective marketing, which can help business actors understand the importance of product differentiation and appropriate marketing strategies.

Overall, the financing received by micro business actors from BMT Balung has had a positive impact on increasing

production capacity and product quality. By increasing production capacity, business actors are able to expand their businesses and meet larger market demands. Meanwhile, improving product quality allows them to compete better in an increasingly competitive market. However, to ensure maximum impact, it is important for BMT Balung to continue to provide effective assistance and training for customers so that they can utilize financing optimally and manage their businesses better.

4.5 *Challenges and Obstacles in Managing Financing by Micro Business Customers*

Management of financing received by micro business customers does not always run smoothly. Even though financing can have a significant positive impact on increasing business capital, there are various challenges and obstacles faced by business actors in managing the funds they receive. These challenges can stem from various factors, ranging from a lack of knowledge and skills in financial management to external problems such as unstable market conditions. For this reason, it is very important to understand these obstacles so that microfinance institutions like BMT Balung can design more effective mentoring programs and provide the right solutions for customers [19].

One of the main challenges faced by micro business customers in managing financing is a lack of knowledge and skills in financial management. Many micro entrepreneurs, especially those who are just starting a business, do not have adequate knowledge about how to manage financing well. Some of them may not understand the importance of financial planning, recording transactions, or how to allocate funds efficiently for various business needs. This often causes the funds received to be used inappropriately, for example for consumptive needs or unproductive expenses, rather than for developing the business itself. According to Kurniawan (2020), poor financial management is

often one of the main causes of failure of micro businesses in developing production capacity or product quality.

Apart from that, limitations in terms of financial literacy are also a significant obstacle for many micro business actors. Low financial literacy results in business actors being unable to manage cash flow well, which in turn affects the smooth running of business operations. For example, they may not be able to separate personal and business funds, which could disrupt the financial stability of the business. Santoso (2021) in his research revealed that the low level of financial literacy among micro business actors prevents them from utilizing their financing potential to the maximum, and can even cause difficulties in managing the financing they receive.

Another challenge often faced by micro business customers is market uncertainty and volatility. Many micro businesses depend on highly volatile markets, such as agricultural markets or the small trade sector. Instability in prices of goods or raw materials often affects the ability of business actors to manage their capital well. For example, farmers who rely on fluctuating agricultural commodity prices may find it difficult to plan long-term financing. Likewise in the trade sector, where changes in consumer preferences or intense competition can have an impact on decreasing demand and income. Tanjung (2020) states that micro businesses are very vulnerable to changes in market conditions, and this is one of the factors that makes financing management more complex and fuller of challenges.

Limited access to technology is also an obstacle in managing financing by micro business customers. In the ever-growing digital era, the use of technology is one of the keys to increasing operational efficiency and competitiveness of micro businesses. However, not all micro business actors have access or the ability to utilize technology that can help them in

managing their finances and business operations. For example, the use of accounting software for financial recording or digital applications for product marketing has not been widely implemented by micro businesses. This hinders them from managing financing more efficiently and transparently. According to Irianto (2019), the application of appropriate technology can help micro businesses manage financing better, but limited access and understanding of technology is a big obstacle.

Apart from that, the lack of external support in the form of mentoring or training is also an inhibiting factor in managing financing by micro business customers. Many micro business actors do not receive sufficient assistance or training related to business management and effective use of financing. Without adequate assistance, customers tend to have difficulty making the right decisions regarding the management of the funds they receive. In fact, in some cases, micro businesses experiencing financial difficulties often do not have sufficient understanding to take the necessary steps to improve their financial condition. Kurniawan (2020) revealed that one of the keys to overcoming this obstacle is to provide continuous training and assistance for micro business actors, so that they can manage financing better and develop their businesses sustainably.

From an internal perspective, another obstacle often faced by micro business actors is the inability to maintain consistency in financing management. Some micro business actors experience difficulties in maintaining the continuity of their operations, especially when facing unfavorable economic conditions. They may be forced to reduce the scale of production or postpone business development due to difficulties in managing existing financing. Apart from that, some micro business actors tend to use up financing quickly without considering long-term needs. This causes

an imbalance between income and expenditure, which ultimately hinders the growth of the business. Santoso (2021) notes that to avoid this problem, it is very important for business actors to have careful planning and prioritize the use of funds according to the most urgent and productive needs.

Overall, managing financing by micro business customers cannot be separated from various challenges and obstacles that must be faced. These obstacles are related to limitations in managerial knowledge, fluctuating market conditions, technological limitations, and lack of adequate assistance. Therefore, it is very important for microfinance institutions like BMT Balung to provide comprehensive solutions, starting from education and training regarding financial management, to providing technological support and ongoing assistance so that micro business actors can manage financing effectively and achieve success in business they [20].

5. CONCLUSION

This research aims to analyze the impact of financing provided by BMT Balung on increasing micro business capital. Based on the results of the analysis, it can be concluded that the financing received by micro business customers has a significant impact on increasing business capital. Providing financing not only allows business actors to increase production capacity, but also has a positive impact on improving the quality of the products produced. With additional capital, business actors are able to access more efficient tools and equipment, improve production facilities, and improve the quality of the raw materials used, so that the products produced are of higher quality and competitive in the market.

Apart from that, financing also plays an important role in increasing the production capacity of micro businesses. Many business actors are able to increase their production volume after obtaining financing, either through adding workers, increasing stock of goods, or procuring more modern production

equipment. This increase in production capacity allows micro businesses to meet greater market demand and expand their market reach.

However, in managing financing, micro business actors also face a number of challenges. Among these are limitations in managerial knowledge and skills, low financial literacy, and market uncertainty which can affect business stability. These obstacles need to be overcome through ongoing mentoring and training regarding financial management and business management. Therefore, it is important for BMT Balung to continue to provide support to

customers in the form of training, mentoring, and access to technology that can help them manage their business more effectively and efficiently.

Overall, the financing provided by BMT Balung has had a positive impact on increasing micro business capital. However, to ensure long-term sustainability and success, there needs to be more attention to managerial training, financial literacy, as well as more intensive assistance for micro business actors so that they can manage financing better and maximize the potential that exists in their businesses.

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