

SHARIA VENTURE CAPITAL AS AN ALTERNATIVE SOURCE OF CAPITAL FOR SMEs IN INDONESIA: A CASE STUDY OF PT. PBMT SYARIAH

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Abstract

This study aims to analyze the role of sharia venture capital as an alternative source of capital for Small and Medium Enterprises (SMEs) in Indonesia, with a case study at PT PBMT Syariah. SMEs play an important role in the national economy; however, access to financing remains one of the main obstacles to their business development. sharia venture capital emerges as an innovative solution that adheres to Sharia principles, such as profit-sharing and fairness, without requiring conventional collateral that often hinders SMEs from obtaining capital. This research employs a descriptive qualitative approach with a case study method. Primary data were collected through interviews with key representatives from PT PBMT Syariah and SME entrepreneurs, while secondary data were obtained from annual reports, journals, and related publications. The findings indicate that Sharia venture capital not only provides financial support but also managerial, marketing, and human resource development assistance to SMEs. Furthermore, the profit-sharing scheme applied is more flexible and transparent compared to conventional financing. This study concludes that Sharia venture capital has great potential to become a more inclusive and sustainable funding solution for SMEs in Indonesia. However, challenges such as the low level of understanding about Sharia venture capital among SMEs and internal management limitations need to be addressed through more intensive education and mentoring programs.

Keywords: Sharia venture capital, SMEs, Alternative Financing, Profit-Sharing, PT PBMT Syariah

INTRODUCTION

In the era of globalization, Small and Medium Enterprises (SMEs) play an important role in the Indonesian economy. SMEs not only contribute to national income, but are also a key pillar in job creation. However, despite their great potential, SMEs still face serious challenges, especially in terms of access to financing needed to develop and expand their businesses. Based on data from the Financial Services Authority (OJK), around 74% of SMEs in Indonesia have yet to gain access to adequate capital. This hindrance is caused by various factors such as complicated administrative procedures and complex document requirements. As a result, many SMEs seek alternative informal financing that often traps them in high-interest debt (Intan, 2022)

This limited access to capital directly affects SMEs' ability to scale up production and competitiveness in the market, which in turn slows down their business growth. Therefore, more inclusive financing solutions and simpler procedures are needed to encourage SMEs to grow and contribute more to the national economy (Jessica Gabriela Soehandoko, 2023)

Venture capital, which is financing for companies with innovative or high-risk ideas, comes as a potential solution for SMEs. This financing does not require traditional collateral, making it particularly useful for companies that are still in the early stages of development or face financial constraints, but have great profit prospects (Zulfa et al., 2023). Sharia venture capital, in particular, offers an alternative financing solution that not only provides capital support, but also assists SMEs in human resource management, product distribution, and marketing technology implementation. This enables SMEs to overcome various constraints such as limited capital and ineffective management (Zulfa et al., 2023)

As a country with a growing economy, Indonesia is faced with the need to explore the role of Sharia venture capital as a form of investment that complies with sharia principles in

supporting the development of SMEs. Sharia venture capital is expected to be an innovative and sustainable financing solution for SMEs, capable of driving the growth of the sector and increasing its competitiveness in national and international markets (Ning Tiyas et al., 2023)

The Financial Services Authority (OJK) reported that as of November 2023, the total outstanding distribution of venture capital in Indonesia reached IDR 17.39 trillion, consisting of conventional fund distribution of IDR 16.78 trillion and sharia-based distribution of IDR 0.61 trillion. This increase in venture capital disbursement reflects the commitment of the venture capital sector in supporting the growth of SMEs and start-ups in Indonesia (Nasional, 2024)

Given the important role of Sharia venture capital in supporting SMEs, this study was conducted to further explore how Sharia venture capital can be an effective, inclusive, and sustainable financing alternative for SMEs in Indonesia. The focus of this research is to identify the role of Sharia venture capital in improving the business capacity, human resource management, and operational efficiency of SMEs, which in turn can help improve their competitiveness and business sustainability. Thus, this study is expected to make a significant contribution to the development of literature related to the role of Sharia venture capital and become a reference for policy makers in formulating more inclusive financing strategies for SMEs in Indonesia.

METHOD

This research uses a descriptive qualitative approach to understand the role of PT Permodalan BMT Ventura Syariah in providing Sharia venture capital for SMEs in Indonesia. The type of research used is a case study, focusing on PT PBMT Syariah to analyze the policies, processes, and impact of financing on partner SMEs. The research location at PT PBMT Ventura Syariah's head office in Yogyakarta was chosen due to the company's reputation in providing Islamic financing and the high growth potential of SMEs in the area.

Data were collected through semi-structured interviews, observation, and documentation. Interviews were conducted with company management, SME entrepreneurs, and Islamic economics experts to obtain in-depth views related to Sharia venture capital. Thematic analysis techniques were used to identify patterns and themes from the data obtained, thus providing a deeper understanding of the role of Sharia venture capital in SME development.

RESULTS AND DISCUSSION

Sharia Venture Capital at PT PBMT Syariah Indonesia

PT PBMT Syariah provides sharia-based financing for SMEs without engaging in usury, through the principles of *mudharabah* and *musyarakah*. This Sharia venture capital not only offers capital, but also provides mentoring and managerial support to SME partners. The advantage of Sharia venture capital lies in the flexibility of fair and transparent profit sharing, in contrast to fixed interest in conventional banking. This flexibility allows for more harmonious cooperation between investors and entrepreneurs, and minimizes financial risks for both parties.

Unlike other venture companies, PT PBMT Syariah's capital comes from Baitul Maal wat Tamwil (BMT) members and is channeled through BMT before reaching SMEs. This creates a more structured financing system and involves the role of BMT as an intermediary in distributing funds to SMEs. Sources of funds come from banks, private investors, and government agencies such as LPDB, which are then channeled to SMEs through sharia-based schemes.

PT PBMT Syariah's Considerations in Selecting SMEs

The selection of SMEs that will receive venture capital is done through a 5C analysis, which includes character, capacity, capital, collateral, and economic conditions. Character assessment emphasizes the integrity and track record of the business manager, while capacity assesses the

SME's ability to generate profits. Capital indicates the business owner's personal investment, while collateral ensures protection against loss. Economic conditions are external factors that are considered to anticipate business risks. According to Hamonangan, (2020). the 5C analysis is an important guideline for financial institutions to assess the feasibility of a financing application, help identify potential risks, and ensure the debtor's ability to fulfill financial obligations.

SME Feasibility Assessment Process

The process of assessing SMEs by sharia venture capital includes several stages, ranging from initial screening to in-depth evaluation of business potential. According to Moritz et al., (2022). factors assessed include revenue growth, product added value, management track record, as well as business scalability. PT PBMT Syariah emphasizes the importance of business suitability to market conditions and long-term business relevance, and considers aspects of the entrepreneur's character in the feasibility assessment.

Profit Sharing Scheme at PT PBMT Syariah Indonesia

The applied profit sharing schemes include mudharabah, musyarakah, murabahah, and ijarah. In the mudharabah scheme, profits are shared based on the initial agreement, while losses are borne by the investor if there is no negligence of the manager. In the musyarakah scheme, capital and profits are shared according to each party's contribution. The murabahah scheme involves the purchase of goods by PT PBMT Syariah for resale to SMEs with an agreed profit margin. The ijarah scheme allows the leasing of productive assets to SMEs for a certain rental fee. According to Nabil & Dwiridotjahjono, (2024), this profit-sharing scheme creates a fair and sustainable business relationship, in accordance with sharia principles that emphasize fairness and transparency.

Challenges of Sharia venture capital Implementation

The main challenge in the implementation of Sharia venture capital is the low financial literacy and public understanding of the concept of Sharia venture capital. Many SMEs prefer conventional or informal financing due to a lack of information about the benefits and mechanisms of Sharia venture capital. Sulistiyowati, (2020) stated that this low understanding is an obstacle to the development of Sharia venture capital, considering that SMEs tend to avoid financing schemes that they consider complicated. PT PBMT Syariah seeks to overcome this challenge by providing education, mentoring, and management training for SMEs to understand and manage their businesses in accordance with sharia principles.

Non-Financial Support at PT PBMT Syariah

In addition to providing capital, PT PBMT Syariah also provides management, marketing, and human resource development (HR) support. According to Zulfa et al., (2023) this support helps SMEs improve operational efficiency and competitiveness. Assistance includes financial management training, digital marketing strategies, and HR skills development to increase the capacity of SMEs to run businesses professionally and sustainably.

Compliance with Sharia Principles

PT PBMT Syariah ensures that all of its business activities comply with sharia principles, including in the selection of businesses financed and the use of appropriate contracts. This is in accordance with the provisions of POJK No. 35 of 2015 which stipulates that sharia venture capital business activities must fulfill the principles of justice, balance, and benefit without involving usury, gharar, or maysir.

Compliance with Sharia Financial Services Institution Regulations

According to POJK No. 35 Year 2015, sharia venture capital must fulfill various requirements, including in terms of the type of investment and services provided. PT PBMT Syariah complies with this regulation by managing its venture fund based on sharia principles and only conducting sale and purchase financing to businesses that have received prior investments. This ensures their business activities remain within the sharia corridor and support the sustainable growth of SMEs.

CONCLUSION

Sharia venture capital has proven to be an effective capital solution for SMEs in Indonesia. Its advantage lies in sharia principles that do not require physical collateral, thus facilitating access to capital for SMEs that are often constrained by collateral requirements in conventional financing. Referring to the principles of profit sharing, shared responsibility, transparency, prohibition of usury, and gharar, Sharia venture capital encourages the growth of SMEs through various sharia contracts such as musyarakah, mudharabah, and wakalah bil istithmar. The significant contribution of Sharia venture capital in the development of SMEs in Indonesia has been reflected in OJK data in 2022. In addition, POJK Regulation No. 35/POJK.05/2015 provides legal certainty that supports the sustainability of Sharia venture capital implementation.

However, this study has limitations in terms of the limited number of samples. Therefore, it is recommended that future studies expand the sample coverage to obtain more representative results and provide a more comprehensive picture of the role of Sharia venture capital in the development of SMEs in Indonesia.

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