Impact of Third-Party Funds and Macroeconomic Variables on Micro, Small, and Medium Enterprises Financing by Islamic People's Financing Bank

Lutfi Bangun Lestari[1], Achmad Nugrahantoro[2], Ilmi Masfuha[3], Ahmad Azhari Pohan[4], Gilang Mukti Prabowo[5]
[1]Universitas Madani, Yogyakarta, Indonesia
*Corresponding author: Lutfi Bangun Lestari
Email: lutfibangunlestari@umad.ac.id

Article History:
Received: April 28, 2025
Revised: May 23, 2025
Accepted: May 25, 2025

Keywords: *Islamic People's Financing Bank, Micro, Small, and Medium Enterprises, Third-Party Funds, Macroeconomic, COVID-19.*

Abstract: *This study aims to analyze the Impact of third-party funds and macroeconomic variables on MSME Financing by Islamic People's Financing Bank (BPRS) in Java: Evidence from the COVID-19 Period (2019–2023). The research method used is the GMM dynamic panel analysis approach. The object of the study is the BPRS located in Java for the period Q1 2019-Q42023. The sampling technique uses the saturated sampling technique. This study uses panel data from 98 BPRS in Java for Q12019-Q42023. This study found that DPK has a positive and significant effect, inflation has a positive but not significant effect, the benchmark interest rate has a negative but not significant effect, and COVID-19 has a significant negative impact on MSME financing. The results of this study provide empirical information that BPRS in Java has quite good resilience in dealing with economic instability due to the COVID-19 pandemic. The Islamic microfinance system has flexibility in dealing with crises. It contributes to fulfilling the objectives of Maqashid Sharia, especially in maintaining assets (high al-mal) and the sustainability of the community's economy.*

Introduction

COVID-19 is caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). COVID-19 can cause respiratory system disorders, ranging from mild symptoms like the flu to lung infections like pneumonia (Khumaini et al., 2022; Purwati et al., 2022; Rahayu et al., 2021). The coronavirus not only impacts human health, resulting in death for someone infected with the virus, but also impacts several other economic factors nationally, which can cause a slowdown in economic growth. The Central Statistics Agency noted that in the second quarter, Indonesia experienced negative economic growth or contraction of -5.32% annually (yoy), much lower than the achievement in the first quarter of 2020 of -2.97% (yoy).

According to Nufus et al. (2021), one of the economic sectors identified as being affected by the COVID-19 pandemic in Indonesia is the Micro, Small, and Medium Enterprises (MSMEs) sector. This is due to the lack of business capital due to declining income, social

restrictions, working from home, and declining purchasing power. This aligns with research by Saragih & Bahtiar (2020), Nasution et al. (2020), Pratiwi (2020), Pratama et al. (2022), and (PRATIWI, 2020). The Ministry of Cooperatives and SMEs reported that around 37,000 SMEs stated that they were affected by the COVID-19 pandemic, marked by a 56 percent decrease in sales, 22 percent difficulty in financing, 15 percent difficulty in distributing goods, and 4 percent difficulty in obtaining raw materials (Nufus et al., 2021; Thaha, 2020). In addition to difficulties obtaining raw materials, SMEs also have difficulty obtaining capital, so they cannot run their businesses. Based on data from the Ministry of Cooperatives and SMEs, SMEs have an important role, contributing almost 60% to the national GDP and 97% absorbing the workforce (Fahruzzaman & Subriadi, 2015).

The decline in the existence of SMEs due to the lack of capital and reduced income of SMEs during the pandemic has caused business actors to have difficulty repaying loans according to the term (Supeno & Hendarsih, 2020). Based on the Press Conference on April 1, the Ministry of Finance stated that the consequences of MSMEs not running their businesses usually cause an increase in bad debts in MSMEs (Sihaloho, 2020). This pandemic has also impacted the financial sector and banking performance in Indonesia's credit and financing sector due to the disruption of the performance and ability of debtors to carry out credit payment obligations (Disemadi & Shaleh, 2020). The pandemic has also reduced the distribution of financing to the public by Islamic banking (Afandi, 2021).

In addition, the COVID-19 pandemic in Turkey also impacted credit claims (Zahariadis et al., 2020). The unpredictable COVID-19 pandemic has resulted in a banking financial crisis that impacts credit distribution to the public (Puspitasari et al., 2024). Credit is any loan that must be returned or paid along with interest from the debtor or borrower to the creditor by the agreement agreed to by both parties (Mulyati et al., 2020). Credit or financing for Micro, Small, and Medium Enterprises is provided through working capital and investment from banks to business actors (Nufus et al., 2021; Rahma, 2021). In addition, Indonesia's economic resilience cannot be separated from the role of micro, small, and medium enterprises, so banking is needed to help MSMEs obtain business capital through financing distribution (Nufus et al., 2021).

During the pandemic, several banks experienced difficulties in collecting public funds (Singh, 2020b; Ningsih & Mahfudz, 2020; Aloysius Harry Mukti & Fitriana, 2022), such as Islamic People's Financing Bank (BPRS). Meanwhile, the financing proposed for business credit in banking depends on collecting third-party funds (Widyanti et al, 2014). Collecting third-party funds (TPF) is one of the crucial activities in distributing credit used for the development of the business world and investment, so that when people have difficulty saving, the business world and investment become complex to develop (Parenrengi & Hendratni, 2018). Banking distributes credit to the community to improve the standard of living of the community and business actors to improve their capital system (Anggraeni & Rahayu, 2024).

As part of the *Sharia* financial system, BPRS not only carries out the function of financial intermediation but also has the responsibility to realize social justice and economic sustainability according to the principles of *Maqashid Sharia*. Maqashid Syariah as the primary objective of implementing Islamic law includes five main aspects, namely: *hifzh al-din* (protecting religion), *hifzh al-nafs* (protecting the soul), *hifzh al-'aql* (protecting reason), *hifzh al-nasl* (protecting descendants), and *hifzh al-mal* (protecting property). In this context,

financing for MSMEs is a concrete form of *hifzh al-mal*, because it contributes to maintaining, developing, and distributing wealth fairly and empowering society to escape structural poverty.

In addition to impacting banking difficulties in collecting third-party funds, the COVID-19 pandemic can also cause changes in a country's inflation rate (Meyer et al., 2022). The inflation rate in December 2020 reached 1.68% (yoy), an increase compared to November's figure of 1.59% (yoy). The high change in the inflation rate will undoubtedly affect the distribution of bank credit to the public because it will lower the benchmark interest rate, thereby reducing people's desire to collect funds in banks. The real sector and the financial sector feel the impact of inflation. Inflation affects the value of costs and income, although it can affect profitability positively or negatively, depending on its anticipation (Warjiyo, 2007). The continuous increase in inflation has caused various negative impacts on society, customers, creditors/debtors, and economic activities. This is based on the results of previous studies, which showed that inflation hurts BUS MSME financing and BPRS MSME financing (Tribudi, 2018b; Wahiddudin, 2018). Changes in the inflation rate can also affect BI's interest rate policy (Ardiansyah et al., 2019).

According to Rahman & Widyarti (2017), the interest rate is the price that must be paid by the borrower based on the percentage of use of a certain amount of money through an agreement between the two parties for a specific period. Bank Indonesia influences interest rates through the BI Rate in the monetary policy mechanism. The BI Rate is a policy interest rate that reflects the attitude or stance of monetary policy set by Bank Indonesia. The lower the Bank Indonesia interest rate, the higher the demand for credit at conventional banks. This differs from Islamic banking, which does not use interest rates as a reference for financing. Wahiddudin (2018) showed that interest rates (BI-R) harm MSME financing. BI interest rates are related to the inflation rate, namely the decrease and increase in BI interest rates by the inflation target (Rahman, 2017). BI interest rates are also related to the distribution of bank credit because BI interest rates are the result of Bank Indonesia's policy, which reflects a country's monetary policy. An increase in BI interest rates can impact credit interest rates and reduce people's initiatives to borrow funds from banks (Putra & Rustariyuni, 2014).

Based on the description above, COVID-19 impacts the decline in the income level of MSMEs, which directly causes a decline in MSME capital in Indonesia. Since the COVID-19 pandemic occurred in Indonesia, fewer researchers have studied the impact of the COVID-19 pandemic on the growth of capital of MSME actors (Saragih & Bahtiar, 2020; (Nasution et al., 2020; Pratiwi, 2020; Pratama et al., 2022). However, with the findings of the various studies above, there is still no research that examines the financial performance of Islamic banks after COVID-19 as a provider of financing for MSMEs, which is a form of financing assistance provided by Islamic banks in the form of capital for MSME actors. Research on the performance of Islamic banking financing during the COVID-19 pandemic states that financing growth still occurs, but this growth has decreased before the COVID-19 pandemic (Sofyan, 2021).

Most previous studies focus on the national scale, without looking at regional variations. Java has experienced a significant impact compared to other islands in Indonesia, both MSMEs and financial institutions such as BPRS. In the post-pandemic situation, strengthening the MSME sector is key to accelerating national economic recovery and job

creation. An integral understanding of the challenges and potential of MSMEs ultimately encourages the birth of solutions to overcome economic inequality and increase the competitiveness of the informal sector.. Furthermore, analyzing the impact of financing distribution, it is important to provide an overview of further research on how the COVID-19 pandemic impacts banking financing, especially at the BPRS as well as providing a basis for formulating policies that are oriented towards asset protection (*hifzh al-mal*) and community economic empowerment within the framework of maqashid sharia. Therefore, this study aims to analyze and examine the impact of DPK and macroeconomic variables on the distribution of MSME financing at the BPRS in Java during COVID-19 (2019-2023).

This research is quantitative. Where research with individual BPRS data has never existed, this study takes Java as the object of research because Java is the island most affected by Covid-19 and has the most BPRS. The dependent variables in this study include the type of MSME financing based on the contract, namely based on the *Mudharabah* and *Musyarakah* profit-sharing systems. The independent variables of DPK and Macroeconomics were analyzed using static panel data regression and processed with STATA 17. Therefore, the researcher is interested in conducting a study entitled "Impact of Third-Party Funds and Macroeconomic Variables on Micro, Small, and Medium Enterprises Financing by Islamic People's Financing Bank".

Method

The model used in this study is a dynamic panel regression model and qualitative descriptive analysis of integration towards maqashid sharia., where one of the independent variables is the lag of the dependent variable y it-1 . $y_{ity\_}$ (it) y_{it}: Dependent variable for unit ii in time tt . y_{it}−1y_(it- 1) y_{it} −1: Lag of the dependent variable x_{itx} _{it} x_{it}: Vector of independent variables (such as DPK, inflation, BI interest rate, COVID dummy) μ_{it} \mu_{it}μ_{it} : Individual effects (specifically BPRS) ε_{it}\ varepsilon _{it} ε_{it}: Error term. The dynamic panel data regression model can be written as follows: $y_{it=}\alpha+\beta y_{it-1}+\delta x_{it}+\ \mu_{it}+\varepsilon_{it}$.

The equation in this study is a dynamic panel equation estimated using a fixed effect or random effect approach, which can cause endogeneity problems. As a result, the resulting estimates can be biased and inconsisten (Verbeek, 2007). Arellano & Bond (1991) proposed generalized methods of moments (GMM) approach, which refines the model for estimating dynamic panel equations. The GMM method will produce unbiased, consistent, and efficient parameter estimates. In this GMM method approach, two estimation procedures are used to estimate the dynamic panel model: First Difference-GMM and System-GMM. The FD-GMM approach has received much criticism, and the FD-GMM estimator can be limited by sample bias.

First Difference-GMM can contain inaccurate and biased analysis results in small sample sizes. The results can be estimated using the First Difference-GMM model in dynamic panel models with short time inefficiencies. This study uses the Generalized Method of Moment System (Blundell and Bond GMM-System Estimator), which is more efficient and is assessed at a higher level. Data was obtained from OJK's SPS for the type of financing variable based on BPRS contracts and DPK—inflation data from the Central Statistics Agency (BPS) and BI Rate data from the official website. Meanwhile, for the BPRS studied, there were 98 BPRS in Java with unbalanced panel data for Q1 2019-Q4 2023. Research by Alghifary et al. (2021) and Effendi & Yasmin (2017) suggests several factors that influence the distribution of MSME

credit, including inflation, economic growth rate, DPK, debt, equity, profit, access to information, and collateral value. This study includes an analysis of the influence of DPK and macroeconomics on the distribution of financing for the MSME sector at BPRS in Java in 2019-2023 after the COVID-19 pandemic. The model specifications built in this study examine the extent of the development and influence of the independent variables, DPK, Inflation, and BI Rate, on the dependent variable, namely the distribution of MSME financing.

So, the regression model built is as follows:

- $logMU$Dit = β0 + β1 $logDPK$it + β2IHKit + β3 BI_Rateit + β4 Covidit + … 1
- logMUSit = β0 + β1 $logDPK$it + β2 IHKit + β3 BI_Rateit + β4 Covidit + … 2

The dynamic panel model is (Widarjono et al., 2023):

- $logMU$Dit = β0 + $logMU$Dit + β1 $logDPK$it + β2 IHKit + β3 BI_Rateit + β4 Covidit + … 1
- logMUSit = β0+ logMUSit + β1 $logDPK$it + β2 IHKit + β3 BI_Rateit + β4 Covidit + … 2

The dependent variables are *Mudharabah* financing (logMUD) and *Musyarakah* financing (logMUS), which are the amounts of financing distributed by BPRS to each bank on Java Island according to the type of contract. LogDPK is a bank-specific variable, namely Third-Party Funds, macroeconomic control variables, and monetary policy in the form of inflation (CPI) and reference interest rates (BI Rate), and Covid, where the periods before and after Covid-19 are Q1 2019 to Q4 2023. The data used in the study are not balanced, so there are differences in the number of observations. β1 - β4 are estimation parameters; e is a confounding variable; ke i;t is period t.

GMM Dynamic Panel Model Specification Test includes:

Hansen's test detects instrument validity problems that exceed the number of parameters, which can also be called over-identifying. This test determines whether the model built is valid or not. The hypothesis of the Hansen test is:

- H0 = p value > 0.05 valid model estimate (over-identification restriction condition)
- H1 = p value < 0.05, model estimation is invalid (over-identification restriction condition)

Decision criteria: from the Hansen Test, it can be accepted or said to be valid if the chi-square probability value is below the sig. α value or the ρ value < α (1%, 5%, and 10%). Then H0 is rejected. The Arellano and Bond (AR) test tests the consistency of estimates obtained from the Generalized Method of Moment (GMM) process results with the presence or absence of correlation between errors. The hypothesis of the Arellano and Bond (AR) test is as follows:

- H0 = ρ-value > 0.05, there is no autocorrelation in the first difference
- HI = ρ-value < 0.05, there is autocorrelation in the first difference

Partial Test (t-statistic)

The t-statistic Test partially tests the independent variable's coefficient, so it can be used to see the significance of the independent variable individually in influencing the dependent variable. Hypothesis testing can be done by comparing the t-value in the estimation results with the t-table value. If the t-count value is known to be ≥ the t-table, then H0 is rejected, and H1 is accepted. This can be interpreted as a relationship between the independent and dependent variables. In addition to this method, testing can also be done by looking at the p-value of the t-test if ≤ α (1%, 5%, and 10%). So, there is a relationship

between the dependent and independent variables. The hypothesis is as follows:

- H0 = t count < t table, then the independent variable does not have a significant effect on the dependent variable.
- HI = t count > t table, then the independent variable has a significant effect on the dependent variable.

Simultaneous Test (F-statistic)

The statistical Wald Test is used to simultaneously determine the significance of independent variables in influencing dependent variables. The hypothesis is as follows:

- If the calculated F value < F table and the probability value (significance) > 0.05 (α), then H0 is accepted, which means that the independent variables simultaneously or together do not have a significant effect on the dependent variable.
- Suppose the calculated F value is greater than> F table and the probability value (significance) is less than 0.05 (α). In that case, H0 is rejected, which means that the independent variables simultaneously influence the dependent variable significantly.

Results and Discussion

Research Results

This section describes the characteristics of the research data based on the statistical analysis of each variable used in the study. Table 1 explains this in detail regarding observations, average values, standard deviations, minimum, and maximum values for each variable.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. dev.	Min	Max
LMUD	1,467	13.54	1.96	6.72	18.42
LMUS	2,179	15.27	1.86	1.79	20.48
LDPK	3,080	17.24	1.29	10.59	20.93
IHK	1,940	107.57	9.33	90.81	143.36
BI-Rate	1,940	4.64	1.00	3.50	6.00

Source: processed data (2025).

Table 1 shows descriptive statistics for all variables studied. The data used in this study are not balanced, so there are differences in the number of observations. LMUD averages 13.54% with a standard deviation of 1.96%. The LMUD value is relatively small because when COVID-19 occurred, it had a significant impact on MSMEs. Many MSMEs went bankrupt, so they had difficulty paying their financing installments. This caused banks to be cautious about distributing their financing because *Mudharabah* financing is highly risky, where all the capital comes from the bank. Furthermore, in most financing the average is 15.27% higher than LMUD, this illustrates that during COVID-19, *Musyarakah* financing remained stable because in this type of financing there was a sharing of risks and profits together so that the risk was not too high like *Mudharabah* financing where the risk burden was only borne by the bank. The standard deviation value is quite significant, namely 1.86%, which shows a relatively large difference between periods or banks in distributing this financing.

The average DPK of 17.24% illustrates that DPK remains stable post-COVID-19 because banks such as Mudharabah prefer not to provide high-risk financing. The standard deviation of 1.29% shows the variation in the number of third-party funds between banks or between

periods and is stable. The average IHK of 107.57% shows a slight price increase from the base year, which is 7.57%. This can happen because, during COVID-19 or post-COVID-19, there were limitations in obtaining goods or services, resulting in inflation. This is indicated by the standard deviation value of 9.33%. The BI-Rate averages 4.64%, indicating its value is not too low or too high. Conversely, the standard deviation value of 1.00 indicates that although the BI-Rate fluctuates, it can be controlled.

Table 2. Two-Step Difference GMM Method Estimation Results

Variable	Coefficient	P>t	Variable	Coefficient	P>t
LMUD	0.831	0.000**	LMUS	0.962	0.000**
LDPK	-0.021	0.247	LDPK	-0.014	0.25
IHK	0.000	0.477	IHK	0.001	0.198
BI-Rate	-0.023	0.114	BI-Rate	-0.009	0.168
COVID	0.034	0.146	COVID	-0.031	0.048
Model specification test					
Number of Observations		906			1523
Group Number		61			94
Number of Instruments		22			22
AR-Test (1)		0.000			0.000
AR-Test (2)		0.080			0.110
Hansen's test		0.090			0.170
F-Statistic Test		0.000			0.000

Source: processed data, 2025
Note: *, ***, ***, significant at 10%, 5%, and 1%.

Table 3. Two-Step System GMM Method Estimation Results

Variable	Coefficient	P>t	Variable	Coefficient	P>t
LMUD	0.962	0.000***	LMUS	0.926	0.000***
LDPK	0.038	0.032**	LDPK	0.047	0.010**
IHK	0.000	0.495	IHK	0.000	0.302
BI-Rate	-0.009	0.194	BI-Rate	-0.009	0.163
COVID	0.045	0.079*	Covid	-0.026	0.085*
_cons	-0.155	0.528	_cons	0.368	0.052
Model specification test					
Number of Observations		968			1,618
Group Number		62			95
Number of Instruments		24			24
AR-Test (1)		0.000			0.000
AR-Test (2)		0.071			0.112
Hansen's test		0.104			0.204
F-Statistic Test		0.000			0.000

Source: processed data, 2025
Note: *, ***, ***, significant at 10%, 5 %, and 1%.

The dynamic panel regression findings for the GMM difference are shown in Table 1. Next, Table 2 presents the dynamic panel regression findings for the GMM system. Both methods clearly show that the variables are rigid, and most of the previous periods are

positive and significant, confirming that the BPRS of both dependent variables are influenced by their independent variables. The two-step difference GMM method results show that luck has an insignificant negative effect on LMUD, IHK has an insignificant positive effect on LMUD, BI-Rate has an insignificant negative effect on LMUD, and COVID has an insignificant positive effect on LMUD. Furthermore, the two-step difference GMM method shows that look has an insignificant negative effect on LMUS, IHK has an insignificant positive effect on LMUS, BI-Rate has an insignificant negative effect on LMUS, and COVID has a significant negative effect on LMUS.

The results of the two-step system GMM method show that luck has a significant positive effect on LMUD, CPI has an insignificant positive effect on LMUD, BI-Rate has an insignificant negative effect on LMUD, and COVID has a significant negative effect on LMUD. While the two-step system GMM method shows that appearance has a significant positive effect on LMUS, IHK has an insignificant positive effect on LMUS, BI-Rate has an insignificant negative effect on LMUS, and COVID has a significant negative effect on LMUS.

Discussion

The Impact of DPK and Macroeconomic Variables

This study examines the influence of DPK and macroeconomic variables on the distribution of financing for the MSME sector by Islamic People's Economic Banks (BPRS) in Java Island during the post-COVID-19 pandemic period. Using unbalanced panel data from 98 BPRS, it was found that TPF has a positive and significant effect on MSME financing through *Mudharabah* and *Musyarakah* contracts, two Islamic financial instruments based on profit sharing that reflect the principles of justice and partnership.

The regression coefficient shows that DPK contributes 0.038 to *Mudharabah* financing and 0.047 to *Musyarakah*, which is significant at the 1% and 5%. These results strengthen previous empirical findings (Parenrengi & Hendratni, 2018; Shafira, 2021), which emphasize that DPK is one of the primary sources of funding that allows Islamic banking to channel financing sustainably. In the context of *Maqashid Sharia*, the distribution of stable financing to MSMEs is a form of implementation of the goal of *hifzh al-mal* (protecting assets), because it encourages productive economic activities that not only benefit individuals but also provide collective social benefits (Sadad et al., 2024).

Furthermore, the integration of *Sharia* -based financing such as *Mudharabah* and *Musyarakah* is relevant because both contracts, in principle, encourage fair partnerships, avoid usury practices, and are based on profit-loss sharing. This reflects other *Maqashid Sharia* values, such as *hifzh al-nafs* (protecting the soul) and *hifzh al-din* (protecting religion), because economic activities are carried out without sacrificing moral principles and justice. Even in a crisis such as the COVID-19 pandemic, BPRS continues to demonstrate its *Sharia* commitment by continuing to channel financing to the real sector, especially MSMEs, as a form of social and religious responsibility.

However, the analysis results also indicate that risk increases in the distribution of post-pandemic financing, especially in trust-based *Mudharabah* contracts that bear higher risks. In this case, the prudent strategy carried out by BPRS shows the internalization of the *Maslahah* (benefit) and *Dar' al-Mafasid* (harm prevention) principles. It is an integral part of *Maqashid Sharia*. From the external side, the COVID-19 pandemic has proven to significantly negatively impact financing distribution. The coefficient of the COVID-19 dummy variable shows a value of 0.045 (positive) for *Mudharabah* financing and -0.026 (negative) for

Musyarakah, with significance below 8% and 7%. This means that the economic pressure due to the pandemic affects the courage and ability of BPRS to take financing risks, although it does not entirely stop intermediation activities. This indicates institutional resilience in the Islamic financial system, which can operationally carry out its economic functions while maintaining social stability.

Meanwhile, macroeconomic variables, including inflation (CPI) and benchmark interest rates (BI Rate), do not significantly affect BPRS financing distribution. The test results indicate that BPRS is relatively independent of conventional monetary policy instruments and is also more sensitive to local dynamics and the socio-economic network of the community. Dependence on DPK as a funding base also makes BPRS more focused on community-based finance, which aligns with Islamic finance principles that encourage financial inclusion and economic empowerment based on justice and spiritual values.

Thus, the results of this study not only show the causal relationship between DPK and macroeconomic variables on MSME financing and provide a scientific contribution to strengthening the theoretical framework of *Maqashid Sharia* in future micro-*Sharia* banking practices. BPRS needs to strengthen the capacity of *Sharia*-based risk management and innovate financing instruments to remain adaptive in facing post-pandemic economic and social dynamics.

Conclusion

This study has analyzed the Impact of DPK and Macroeconomic Variables on MSME Financing, focusing on BPRS in Java for the COVID-19 period of 2019–2023. Applying GMM dynamic panel analysis shows that DPK significantly positively affects the distribution of MSME financing. Thus, BPRS can function as an intermediary even though the economy is unstable due to the COVID-19 pandemic. In addition, the ability to collect and manage DPK effectively is essential for financing sustainability. COVID-19 has a significant negative impact on financing distribution. At the same time, inflation and benchmark interest rates are not significant, showing BPRS's resilience and the flexibility of Islamic microfinance in facing crises, supporting *Maqashid Sharia*, particularly in maintaining assets (*hifzh al-mal*) and community economic sustainability. These findings contribute to the literature on DPK and macroeconomic factors in Islamic MSME financing during crises and empirically confirm the role of DPK and the pandemic's adverse effect. The study offers strategic insights for policymakers and BPRS stakeholders to enhance financing resilience, including product diversification strategies, as a foundation for strengthening BPRS in future economic uncertainty.

Acknowledgments

The author also expresses appreciation to the parties who helped provide data and information, especially to the Financial Services Authority (OJK), Bank Indonesia, which provided access to data and valuable insights, and colleagues who contributed to this research.

References

Afandi, M. A. (2021). Contribution of Islamic Commercial Bank Financing to East Java Economic Growth in the Era of Branchless Banking. *Journal of Economics Research and*

Social Sciences.

Alghifary, M. S., Kadji, D., & Kornitasari, Y. (2021). Pengaruh Pembiayaan Bank Syariah Terhadap Nilai Output Umkm: Analisis Data Panel. *Jurnal Ekonomi Syariah Teori Dan Terapan*, *8*(4), 518. https://doi.org/10.20473/vol8iss20214pp518-529.

Aloysius Harry Mukti, & Fitriana. (2022). Implementation of Credit Restructuring During the Covid-19 Pandemic Period (Case study on Rural Banks). *International Journal of Engineering Technologies and Management Research*, *9*(2), 27–42. https://doi.org/10.29121/ijetmr.v9.i2.2022.1105.

Anggraeni, I., & Rahayu, N. . (2024). *Jurnal Akuntansi Fakultas Ekonomi UNIBBA*. *15*(April), 89–102.

Ardiansyah, H. T. Jibril, D Kaluge, K. K. (2019). Permintaan Pembiayaan Murabahah Berdasarkan Tingkat Inflasi dan Suku Bunga BI Rate Pada Bank Syariah di Indonesia. *Jurnal Bisnis Dan Manajemen*, *13*(1), 10–18.

Arellano, M., & Bond, S. (1991). Some tests of specification for panel data:monte carlo evidence and an application to employment equations. *Review of Economic Studies*, *58*(2), 277–297. https://doi.org/10.2307/2297968.

Disemadi, H. S., & Shaleh, A. I. (2020). Banking credit restructuring policy amid COVID-19 pandemic in Indonesia. *Jurnal Inovasi Ekonomi*, *5*(02), 63–70. https://doi.org/10.22219/jiko.v5i3.11790.

Effendi, J., & Yasmin, N. (2017). The Effect of Internal and External Factors of Banking to the SMEs Financing for BPRS in Indonesia. *Jurnal Keuangan Dan Perbankan*, *21*(3), 498–514. https://doi.org/10.26905/jkdp.v21i3.1221.

Fahruzzaman, F., & Subriadi, A. P. (2015). An Analysis of E-Commerce Adoption for Small and Medium Enterprises in Indonesia. *The 1st International Seminar on Science and Technology*, 81–82. https://media.neliti.com/media/publications/170059-EN-an-analysis-of-e-commerce-adoption-for-s.pdf.

Jyothi, M., & Reddy, D. B. (2021). *COVID-19 pandemic and lockdown impact on India's banking sector: A systemic literature review*. *XX*(II), 115–124.

Khumaini, S., Nurzansyah, M., & Has, F. (2022). Analysis of the Distribution of Zakat, Infaq and Alms at the Baznas Tangerang City During the Covid-19 Pandemic. *ITQAN: Journal of Islamic Economics, Management, and Finance*, *1*(2), 81–87. https://doi.org/10.57053/itqan.v1i2.10.

Masudah. (2017). Determinan Volume Pembiayaan Bank Umum Syariah Indonesia. *Ikonomika*, *2*(1), 53–62.

Meyer, B. H., Prescott, B., & Sheng, X. S. (2022). The impact of the COVID-19 pandemic on business expectations. *International Journal of Forecasting*, *38*(2), 529–544. https://doi.org/10.1016/j.ijforecast.2021.02.009.

Mulyati, T., Utami, S. B., & Susilo, H. (2020). *Analyzing Competitive Strategies in Food SMEs Post Pandemic Covid-19 (Case Study in Madiun Municipality)*. eprints.perbanas.ac.id.

Nasution, D. A. D., Erlina, E., & Muda, I. (2020). Dampak Pandemi COVID-19 terhadap Perekonomian Indonesia. *Jurnal Benefita*, *5*(2), 212. https://doi.org/10.22216/jbe.v5i2.5313.

Ningsih, M. R., & Mahfudz, M. S. (2020). Dampak Pandemi Covid-19 Terhadap Manajemen Industri Perbankan Syariah: Analisis Komparatif. *Point*, *2*(1), 1–10. https://doi.org/10.46918/point.v2i1.576.

Nufus, E. H., Zuhroh, I., & Suliswanto, M. S. W. (2021). Analysis of COVID-19 Impact on Micro, Small, and Medium Enterprises (MSMEs) Credit Distribution in East Java Banks. *Journal of Accounting and Investment*, *22*(2), 342–360. https://doi.org/10.18196/jai.v22i2.10701.

Parenrengi, S., & Hendratni, T. W. (2018). Pengaruh dana pihak ketiga, kecukupan modal dan penyaluran kredit terhadap profitabilitas bank. *Jurnal Manajemen Strategi Dan Aplikasi Bisnis*, *1*(1), 9–18. https://doi.org/10.36407/jmsab.v1i1.15.

Pratama, I. N., Darmansyah, D., Hadi, A., Lestanata, Y., & Hidayatullah, H. (2022). Pengaruh Covid-19 Terhadap Usaha Mikro Kecil dan Menengah (UMKM) di Kawasan Ekonomi Khusus (KEK) Mandalika. *Jurnal Ranah Publik Indonesia Kontemporer (Rapik)*, *2*(1), 164–179. https://doi.org/10.47134/rapik.v2i1.18

PRATIWI, M. I. (2020). Dampak Covid-19 Terhadap Perlambatan Ekonomi Sektor Umkm. *Jurnal Ners*, *4*(2), 30–39. https://doi.org/10.31004/jn.v4i2.1023

Purwati, N. H., Noprida, D., Agustia, W., Imroatun, T., Sarini, S., Sahariah, S., & Polapa, D. (2022). Impact of Age and Gender on the Incidence of COVID-19 in Children at Pasar Rebo Hospital, Jakarta. *KnE Life Sciences*, *2022*, 460–466. https://doi.org/10.18502/kls.v7i2.10341.

Puspitasari, D. M., Chin, J., Dasman, S., Indriani, P., & Saputro, R. S. (2024). *Resilience Rural Banks Pasca Covid-19*. *8*(1), 1–6.

Putra, I. G. O. P., & Rustariyuni, S. D. (2014). Penyaluran Kredit Modal Kerja Pada Bpr Di Provinsi Bali Tahun 2009-2014. *E-Jurnal EP UNUD*, *4*(5), 451–464.

Qolby, M. L. (2013). Faktor – Faktor Yang Mempengaruhi Pembiayaan Pada Perbankan Syariah Di Indonesia Periode Tahun 2007 - 2013. *Economics Development Analysis Journal*, *2*(4), 367–383. https://doi.org/10.15294/edaj.v2i4.3206.

Rahayu, A., Harto, P. P., & Bahri, E. S. (2021). The Impact of Macroeconomic Indicators on Zakah Receipt during the Covid-19 Pandemic Era. *Falah: Jurnal Ekonomi Syariah*, *6*(2), 60–74. https://doi.org/10.22219/jes.v6i1.16394.

Rahma, N. A. dan I. M. (2021). Pengaruh Total Aset , Profitabilitas , dan Likuiditas Terhadap Efisiensi Bank Umum Syariah Di Indonesia dengan Pendekatan Stochastic Frontier Analysis. *Prosiding The 12th Industrial Research Workshop and National Seminar*, *4-5 Agustu*, 1562–1567. https://jurnal.polban.ac.id/proceeding/article/view/2985.

Rahman, M. I., & Widyarti, E. T. (2017). Analisis Pengaruh Tingkat Pendapatan, Tingkat Pendidikan, Suku Bunga, Penetrasi Demografis Dan Geografis Perbankan Terhadap Total Kredit Umkm (Studi Kasus Kota Dan Kabupaten Di Jawa Tengah Tahun 2011-2015). *Diponegoro Journal of Management*, *6*(2), 1–14. https://ejournal3.undip.ac.id/index.php/djom/article/view/17485

Rahman, N. H. A. (2017). The role of Islamic banks in enhancing SMEs' access to financing via Musharakah financing. *Journal of Islamic Finance*.

Sadad, D. A., Pramono, S. E., & Avivy, A. L. F. (2024). Analisis Kinerja Keuangan Bank Syariah di Masa Pandemi Covid-19 dengan Pendekatan Indeks Maqashid Syariah. *Judicious*, *5*(1), 1–10. https://doi.org/10.37010/jdc.v5i1.1545.

Saragih, & bahtiar. (2020). Dampak Covid-19 Terhadap Perlambatan. *Kajian Singkat Terhadap Isu Aktual Dan Strategis*, *12*, 1.

Shafira, A. N. (2021). *Pengaruh Efisiensi Operasional, Risiko Kredit Dan Risiko Likuiditas Terhadap Profitabilitas Perusahaan Perbankan Di Indonesia: Sebelum Dan Masa*

Pandemi Covid …. *8114*, 93–110.

Sihaloho, E. D. (2020). Dampak Covid-19 Terhadap Perekonomian Indonesia Dampak Covid-19 Terhadap Perekonomian Indonesia. *ResearchGate*, *April*, 1–6. https://doi.org/10.13140/RG.2.2.13651.94241/1.

Siregar, Y. S., Atahau, A. D. R., & Sakti, I. M. (2022). Analisis Portofolio Kredit, Risiko, Dan Return Bank Umum Konvensional. *Jurnal Manajemen*, *19*(1), 18–38. https://doi.org/10.25170/jm.v19i1.2334

Sofyan, M. (2021). Kinerja BPR dan BPRS pada masa pandemi COVID-19. *The 2nd Seminar Nasional ADPI Mengabdi Untuk Negeri Pengabdian Masyarakat Di Era New Normal*, *2*(2), 6–12.

Susilowati, E. M., & Nawangsari, E. (2018). Pengaruh Kinerja Keuangan Terhadap Penyaluran Pembiayaan Pada Bank Umum Syariah di Indonesia: Periode 2013-2015. *Jurnal Ekonomi Dan Perbankan*, *3*(1), 10–18. https://doi.org/10.36587/probank.v3i1.238.

Thaha, A. F. (2020). Dampak Covid-19 terhadap UMKM di Indonesia. *Jurnal Brand*, *2*(1), 147–153. http://ejournals.umma.ac.id/index.php/brand/article/view/607.

Tribudi, U. (2018). *Analisis Fakto-Faktor yang Mempengaruhi Pembiayaan Murabahah Pada Bank Syariah di Indonesia Periode 2012.05 – 2015.04*. *53*(9), 1689–1699.

Trinugroho, I., Risfandy, T., Ariefianto, M. D., Prabowo, M. A., Purnomo, H., & Purwaningsih, Y. (2017). Does religiosity matter for Islamic banks' performance? Evidence from Indonesia. *International Journal of Economics and Management*, *11*(2), 419–435.

Verbeek, M. (2007). A guide to modern econometrics. In *Applied Econometrics* (Vol. 8, Issue 4).

Wahiddudin, M. (2018). Pengaruh Inflasi, Non Performing Finacing (Npf) Dan Bi Rate Terhadap Pembiayaan Usaha Mikro Kecil Dan Menengah (Umkm) Pada Bank Umum Syariah 2012-2017. *Al Amwal*, *1*(1), 76–89.

Wangsit Supeno, I. H. (2020). Kinerja Kredit Terhadap Profitabilitas Bpr Pada Masa Pandemi Covid-19. *Journal of Chemical Information and Modeling*, *53*(9), 1689–1699.

Warjiyo, P. (2007). Stabilitas Sistem Perbankan dan Kebijakan Moneter: Keterkaitan dan Perkembangannya di Indonesia. *Buletin Ekonomi Moneter Dan Perbankan*, *8*(4), 429–454. https://doi.org/10.21098/bemp.v8i4.144.

Widarjono, A., Anto, M. B. H., & Fakhrunnas, F. (2021). Is Islamic Bank More Stable Than Conventional Bank ? Evidence From Islamic Rural Banks in Indonesia. *International Journal of Financial Research*, *12*(2), 294–307. https://doi.org/10.5430/ijfr.v12n2p294

Widarjono, A., Suseno, P., Safitri, D. U. R., Yaseen, A., Azra, K., & Hidayah, I. N. (2023). Islamic bank margins in Indonesia: The role of market power and bank-specific variables. *Cogent Business and Management*, *10*(2). https://doi.org/10.1080/23311975.2023.2202028.

Widyanti;mariso, M. (n.d.). *analisis pengaruh CAR, ROA, NPL, BOPO, dan DPK terhadap penyaluran kredit UMKM di Indonesia*.

Zahariadis, N., Petridou, E., & Oztig, L. I. (2020). Claiming credit and avoiding blame: political accountability in Greek and Turkish responses to the COVID-19 crisis. *European Policy Analysis*, *6*(2), 159–169. https://doi.org/10.1002/epa2.1089.