

## THE INFLUENCE OF CAPITAL VENTURE SHARIAH AND MUSYARAKAH TO GROWTH MSME'S IN WEST JAVA

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### Abstract

*The contribution of MSMEs to economic growth is one of the key factors where in 2023 the contribution of MSMEs to Gross Domestic Bruti (GDP) reached Rp 9,580 Trillion, but this was not accompanied by business development which ultimately became a new problem for the economy. Customer financing in Islamic banking is always consumptive and unsustainable financing in the consumptive retail sector reaches 40.8% while the average micro financing is still at 21.66%, in the end it is the habit that shapes the community and MSME players to behave the same consumptive and get used to credit and not used to the profit sharing system. This problem is one of the foundations for the presence of this research, this research method uses quantitative methods with secondary data where the calculation is in accordance with the ratio to calculate the growth of MSMEs in West Java with indicators of musyarakah contracts and Islamic venture capital. The results in this study are total capital is negative with a value of 3,208 or no effect, the duration of the contract has a positive effect on the growth of MSMEs in West Java 0.145, the proportion of capital also has a positive effect on the growth of MSMEs in West Java 0.088 and profit sharing has an effect of 0.252 on the growth of MSMEs. So it can be concluded that the growth of MSMEs is influenced by the duration of the contract, the proportion of capital and profit sharing.*

**Keyword:** Shariah Venture Capital, Musharakah, MSMEs

### 1. INTRODUCTION

The existence of venture capital business in Indonesia in an institutional and formal sense is a relatively new legal and business institution. This business was only introduced through the policy of the Deregulation Package in 1988 which was followed by the issuance of Presidential Decree No. 61 of 1988 (Kumalasari, 2016). The October 1988 policy package (PAKTO 88), which liberalized the banking sector with the ease of establishing new banks or bank branch offices, involved banks spreading across the country (Sihabudin, 2016). This was utilized by business actors to obtain greater capital and support from banks. However, there is an imbalance between large economic actors who have received bank support and small economic actors who are not bankable.

Venture capital plays a role in generating new business models that are believed to make start-ups grow faster and have added value. In addition, the work and innovation produced is more than the old business model (Keuschnigg, 2004). The role of venture capital can be seen as an important link to support business continuity. Before investing in start-ups, analysts or internal venture capitalists will analyze and select business partner companies (Rosa, Sukoharsono, & Saraswati, 2019). The following is the development of Islamic venture capital companies in Indonesia: The growth of Islamic Venture Capital Companies is a concern in the OJK Roadmap. Indonesia's population is more than 270 million people and more than 85% of them are Muslim. Amidst the majority Muslim population, the existence of PMVS is a necessity for the community to provide financial services with sharia principles. (OJK, Roadmap for Venture Capital Company Development 2024-2028, 2024).

One of the most important parts of muamalah or economics in the Islamic perspective is shirkah (company) (Nabhani, 1996: 153). In the context of banking, musyarakah means the pooling of capital from banks and customers for business purposes. Musyarakah is usually applied for project financing, where the customer and the bank both provide funds to finance the project. After the project is completed, the customer returns the funds along with the profit sharing agreed in the contract to the bank. Musyarakah can also be applied in a venture capital scheme, where the bank is allowed to invest in the ownership of a company. The investment is made by the bank for a certain period of time and after that the bank divests, either briefly or gradually (Djuwaini & Dimyauddin, 2010).

Profit sharing financing in the form of musyarakah is regulated in Law Number 10 of 1998 concerning Banking, in article 1 number 13 it is stated that musyarakah is one of the financing products in Islamic banking (Astuti & Wiyono, 2019). According to (Muhamad, 2013) The agreed profit sharing ratio cannot be changed throughout the investment period except on the basis of agreement between the parties. The profit sharing ratio can be determined in a tiered manner, the amount of which varies based on the agreement. Profit sharing can be done by way of profit and loss sharing or revenue sharing. Profit sharing is based on business results in accordance with the customer's financial statements. In the event of a loss, the bank and the customer hold the loss proportionally according to their respective capital. If there is a loss due to fraud, negligence or violation of the agreement, the loss is borne by the party who committed the fraud.

Quoting from the thesis (Ramli, 2009), according to Hasanuddin Rahman (2003: 22), the need for capital and good management assistance is very important for the economic progress of the business community in Indonesia. As the name implies, the type of venture capital financing is basically only in the form of capital assistance, which is booked by the company receiving the funds to the capital account in its balance sheet (not the loan account). Thus, the additional capital should increase the opportunity for the recipient company to obtain loans from other parties.

Along with the development of globalization, economic development in Indonesia is increasing from year to year, this development is greatly encouraged by the role of beginners in the business world such as start-ups, micro, small and medium enterprises (MSMEs) and the like. The existence of MSMEs has an important role for economic development in Indonesia (Jauhari, 2010). MSMEs have a role as a provider of employment for the Indonesian people, a source of foreign exchange and a simulator in the dynamization of the Indonesian economy (Wulandari & Ramadhani, 2021). MSMEs are productive economic businesses owned by individuals or micro, small and medium enterprises. In line with this, the government issued Law No. 22 of 2008 concerning micro, small and medium enterprises with a series of policies to facilitate the development of small businesses and cooperatives, especially in obtaining sources of financing. This policy is expected to be a reinforcement for the capital structure, so that small businesses and cooperatives are able to develop partnerships, innovations and have sustainable competitive advantages, in addition to the government's goal of creating several policies with the target of economic development contained in the Development trilogy, namely the creation of an independent and reliable economy with an increase in people's prosperity that is increasingly equitable, quite high growth and strong national stability (Sudjana, 2020).

The wave of the industrial revolution 4.0 has brought changes to various lines of global life. This is marked by the growing creativity and innovation of the community, especially by utilizing information technology. According to Sugiarto (2021), the industrial revolution 4.0 era has increasingly made the development of MSME entrepreneurship one of the strategic issues that need mutual attention (Putri & Suseno, 2023). MSME entrepreneurship is carried

out by building synergy in mapping entrepreneurial potential and entrepreneurial incubation as well as financing support as an effort to improve the ability and institutional role of Micro, Small and Medium Enterprises in the national economy, so that empowerment needs to be carried out by the Government, Regional Governments, the Business World and the community as a whole (Muhammad & Jumadil, 2019). The government has set a policy strategy to diversify non-banking financing institutions, one of which is venture capital.

Quoting from the Kadin Indonesia page, the role of MSMEs is very large for the growth of the Indonesian economy, with the number reaching 99% of all business units. In 2023, MSME business actors will reach around 66 million. The contribution of MSMEs reached 61% of Indonesia's Gross Domestic Product (GDP), equivalent to Rp 9,580 Trillion. MSMEs absorb around 117 million workers (97%) of the total workforce.

Quoting from research (Wulandari, 2020) customer financing in Islamic banking in Indonesia mostly focuses on consumptive financing, followed by productive financing. The average composition of financing for the consumptive retail sector reaches 40.8% of the total Islamic banking portfolio. While the average financing for the micro sector is 21.66% and the corporate sector is 36.5%. The small and medium sector has a very important role in Indonesia, contributing significantly to economic growth. However, the small and micro sector often faces challenges in obtaining external financing.

The next issue in this study is also in accordance with what was researched by (Sidik, 2018), namely that MSMEs are used to credit. MSMEs are more accustomed to making fixed payments every period like credit installments. With installments every period if inclusion is made. There are some SMEs that are not willing to accept financing with an equity model. The consideration is that the SME has built its business from scratch, therefore the SME does not want to share profits with the venture capital company. It is better to issue fixed installments, so that expenses can be estimated each period rather than bothering to calculate profit sharing with the venture capital company.

## **2. RESEARCH METHODOLOGY**

This research comes from an unrest originating from MSMEs that have stagnated in increasing business and also government regulations that should pay more attention to MSME entrepreneurs who encourage the economic sustainability of a country, especially in Indonesia. MSMEs are used to credit. MSMEs are more accustomed to making fixed payments every period like credit installments. With installments every period if inclusion is made. There are some SMEs that are not willing to accept financing with an equity model. The consideration is that the SME has built its business from scratch, therefore the SME does not want to share profits with the venture capital company. It is better to issue fixed installments, so that expenses can be estimated each period rather than bothering to calculate profit sharing with venture capital companies. (sidik: 2018).

### **a. Data Collection**

The method used in this research is quantitative research, because this research is in the form of data, numerical, or numerical numbers. This research explains and analyzes the effect of Sharia Venture Capital and Musyarakah Agreements on the Growth of MSMEs in West Java. This quantitative method is also called the positivistic method because it is based on the philosophy of positivism, and scientific, empirical, objective, measurable, rational and systematic methods. Various theories can be found and developed with this new method. To measure the variables in this study using statistical analysis techniques (Sugiyono, 2017).

This study has a scope of focus on the variables tested for partial influence consisting of Sharia Venture Capital financing, Musyarakah Akad and MSME Growth in West Java.

As well as variables tested for simultaneous influence, namely Sharia Venture Capital and Musyarakah Agreements on MSME Growth in West Java. Data related to the research was obtained from financial reports and MSME data in West Java in the 2017-2023 period. This study uses the Eviews tool with panel data consisting of panel data testing. The research was conducted through the financial statements of Islamic Banks and Islamic Venture Capital Institutions, as well as data from the Ministry of Cooperatives and MSMEs.

Population is the total number of objects or subjects that show or a certain characteristic that has been determined by the researcher. In this case the population has met the requirements related to the problem in the study so that it can be drawn to a conclusion (Sujarwendi & Wiratna, 2014). Population is the result of calculations or measurements, both quantitative and qualitative, of certain characteristics regarding complete and clear objects (Hasan, 2013). Therefore, the population in this study are Four Islamic Banks and Four Islamic Venture Capital Institutions where these eight Islamic financial institutions that focus on channeling capital to MSMEs in West Java include:

Table 1 Names of Islamic Banks and Islamic Venture Capital Institutions

| No | Nama                   |                         |
|----|------------------------|-------------------------|
|    | Islamic Bank           | Capital Venture Syariah |
| 1  | Bank BJB Syariah       | PNM Ventura Syariah     |
| 2  | Bank Syariah Indonesia | Permodalan BMT Ventura  |
| 3  | Bank BTPN Syariah      | Amanah Ventura Syariah  |
| 4  | Bank BCA Syariah       | Persada Ventura Syariah |

The sample is part of the number and characteristics of the population (Sugiyono, 2017). The sample is part of the quantity and characteristics of the population. If the population is large and it is not possible to study the population, due to limited funds, energy and time, then researchers can use samples from the population (Suharyadi, 2014).

Thus, the research sample was taken using purposive sampling where the sample was selected based on the characteristics set against the target population elements tailored to the research objectives or problems. This study uses time series data for the 2017-2023 cross section period and looks for a comparison of influences to produce a panel data processing that is in accordance with the calculation of delta growth of MSMEs in West Java.

#### b. Data Analysis

In this study, data collection was carried out using field and library research. In field research, researchers collect data from various sources including the official website of PNMVenturaSyariah.co.id, the website of the Ministry of Cooperatives and SMEs, the Financial Services Authority and the audited bjbsyariah.co.id quarterly report website 2017-2023. The reason for determining the seven-year period is to avoid other factors affecting the research variables, while data on research variables are obtained from each financial report.

The type of data used in this research is secondary data, namely previously available data collected from indirect sources. The data used is quantitative data, four Islamic Banks, four Islamic Venture Capital Institutions and the Ministry of Cooperatives and SMEs. Literature research was conducted to complement the data collected by field research. In this research, data is collected by studying books, journals, scientific articles and other papers that support and relate to research problems.

According to Sugiyono (2018: 147) what is meant by data analysis techniques is an activity after data from all respondents or other data sources are collected. In this study

using panel data regression analysis. Panel data is a type of data that is a combination of time series and cross section data (Winarno, 2011). One of the advantages of using panel data is that it can provide more informative and better data in detecting and regulating effects that cannot be observed in time series and cross section data.

c. Variable and Operational Research

According to (Sugiyono, 2011: 60) Research variables are basically anything in the form of anything that is determined by researchers to study so that information is obtained about it, then conclusions are drawn.

1) Dependent Variable

Quoting from Suharyadi, (2014) which states that the dependent variable or dependent variable is the main concern of observations that detect and explain the variables in the dependent variable and subsequent changes. The dependent variable of this study is the growth of MSMEs in West Java.

- a. Growth of SMEs is an indicator to measure the growth in the number of SMEs in a country. MSME growth is expressed in percentage, which shows the increase in the number of MSMEs from one period to the next (Lamaile, 2020). MSME growth is calculated using a simple formula, namely the Growth Percentage. The formula for the MSME Growth Percentage is:

$$(\text{final value}-\text{initial value})/\text{initial value} \times 100\%$$

2) Independent Variable

Based on sources quoted from Yuliardi (2017), it is suggested that independent variables are variables that affect changes in the dependent variable and have a positive or negative influence on other dependent variables. The following are the independent variables in this study:

- a) The amount of capital received is the total funds received by micro, small, and medium enterprises (MSMEs) in a certain period. This capital is based on sharia principles, where the funds channeled do not contain elements of usury, maysir, or gharar (Subagio & Sudrajat, 2020).

$$X1 = \text{Total capital received by MSMEs in West Java}$$

- b) Funding duration is the period of time during which MSMEs receive and utilize capital. It includes the time from when the capital is first provided until the funding termination period (either by agreement or when the capital is fully utilized) (Mollah & Zaman, 2015).

$$X2 = \text{Duration of Deed}$$

- c) Capital proportion is the ratio between the amount of capital received by MSMEs and the total capital owned by MSMEs. It provides an overview of the extent to which financing from Islamic venture capital contributes to the overall capital structure of the business (Nawir & Sari, 2019).

$$X3 = ((1\text{st Party Capital})/(\text{Total Capital})) \times 100\%$$

- d) Profit sharing is the sharing of profits generated from a joint venture based on an agreement on the proportion of each party's capital contribution in the musyarakah contract. While profits are shared according to the agreement, losses are shared according to the proportion of each partner's capital contribution (Abdul-Rahman, 2010).

$$X4 = ((\text{Profit for Party I})/(\text{Total profit})) \times 100\%$$

According to Sugiyono, Panel Data Regression analysis is used by researchers, if the researcher intends to predict the state (up and down) of the dependent variable (criterion, if two or more independent variables as predictor factors are manipulated (up and down).

In this case, there are four independent variables and one dependent variable. Thus, Panel Data Regression is expressed in mathematical equations.

$$Y_{it} = \alpha_{it} + X_{1it}\beta_1 + X_{2it}\beta_2 + X_{3it}\beta_3 + X_{4it}\beta_4 + \mu_i + e_{it}$$

$Y_{it}$  : The i-th dependent variable at time t.

$X_{it}$  : The i-th independent variable at time t

$\alpha_{it}$  : Constant

$\beta_1, \beta_2, \beta_3, \beta_4$  : coefficient

$\mu_i$  : *Fixed Effect, Random Effect and Common Effect*

$e_{it}$  : *Error Term*

### 3. RESULT AND DISCUSSION

Descriptive statistical analysis is the activity of collecting, organizing, summarizing and presenting data with the hope that the data is more meaningful, easy to read and easy to understand by data users. The process of describing or interpreting data in descriptive statistics is usually described in the form of narratives, distribution tables, or diagrams. Descriptive analysis is a statistical analysis method that aims to provide a general description or description of the characteristics of the object under study without the intention of generalizing the sample to the population based on variable data obtained from a particular group of subjects seen from the average value (mean), maximum, minimum and standard deviation. However, the results of information on descriptive analysis cannot be used as a conclusion on the formulation of research problems (Ghozali, 2016). The results of descriptive statistical analysis can be seen in table 2 below:

Table 2. Descriptive Statistical Test Results

|              | X1       | X2        | X3       | X4       | Y        |
|--------------|----------|-----------|----------|----------|----------|
| Mean         | 3.358032 | 0.142852  | 0.142848 | 0.142863 | 0.142850 |
| Median       | 0.180200 | 0.138250  | 0.131000 | 0.142250 | 0.140800 |
| Maximum      | 29.37000 | 0.260400  | 0.429600 | 0.331700 | 0.185000 |
| Minimum      | 0.037500 | 0.017200  | 0.018800 | 0.028700 | 0.101200 |
| Std. Dev.    | 7.118722 | 0.043024  | 0.090137 | 0.064541 | 0.025168 |
| Skewness     | 2.289455 | -0.195357 | 1.431581 | 0.821557 | 0.204098 |
| Kurtosis     | 6.864145 | 4.422341  | 6.299497 | 5.232054 | 1.955625 |
| Jarque-Bera  | 83.76207 | 5.076660  | 44.53020 | 17.92442 | 2.933801 |
| Probability  | 0.000000 | 0.078998  | 0.000000 | 0.000128 | 0.230639 |
| Sum          | 188.0498 | 7.999700  | 7.999500 | 8.000300 | 7.999600 |
| Sum Sq. Dev. | 2787.191 | 0.101809  | 0.446858 | 0.229102 | 0.034840 |
| Observations | 56       | 56        | 56       | 56       | 56       |

Based on the results of the descriptive analysis test in table 1, it shows observations that are in accordance with the population criteria and research samples, namely 4 Islamic Banks and 4 Islamic Venture Capital Institutions during the 2017-2023 period. The data obtained were 280 data observations. The descriptive statistical explanation of each variable is as follows:

- The dependent variable MSME growth shows an average value of 0.142 with a standard deviation of 0.025, the maximum value of the dependent variable MSME growth is 0.185 and the minimum value is 0.101.
- The independent variable Total Capital (X1) shows an average value of 3.358 with a standard deviation of 7.118, the maximum value of the Total Capital (X1) variable is 29.370 and the minimum value is 0.037.
- The independent variable Akad Duration (X2) shows an average value of 0.142 with a

maximum value of 0.260 and a minimum value of 0.017 and a standard deviation of 0.043.

- d. The independent variable Proportion of Fund Contribution (X3) shows an average value of 0.142 and a standard deviation of 0.090 with a maximum value of 0.429 and a minimum value of 0.018.
- e. The independent variable Profit Sharing (X4) shows an average value of 0.142 with a standard deviation of 0.064 the maximum value of the Profit Sharing variable (X4) is 0.331 and the minimum value is 0.028.

Table 3. Chow Test Results

| Testing                  | Provision                                                                                | Result              |
|--------------------------|------------------------------------------------------------------------------------------|---------------------|
| Chow Test                | H0: Suitable CEM Model (prob value > 0,05)<br>Ha: Suitable FEM Model (prob value < 0,05) | 0,9996 > 0,05 (CEM) |
| Hausman Test             | H0: Suitable REM Model (prob value > 0,05)<br>Ha: Suitable FEM Model (prob value < 0,05) | 0,9853 > 0,05 (REM) |
| Legrange Multiplier Test | H0: Suitable CEM Model (prob value > 0,05)<br>Ha: Suitable REM Model (prob value < 0,05) | 0,0311 < 0,05 (REM) |

Based on the results of the Hausman Test and LM Test, the best model in this study is REM.  
Output result of Random Effect Model (REM) Panel Data Regression

Dependent Variable: Y

Method: Panel EGLS (Cross-section random effects)

Date: 11/28/24 Time: 04:18

Sample: 2017 2023

Periods included: 7

Cross-sections included: 8

Total panel (balanced) observations: 56

Swamy and Arora estimator of component variances

| Variable | Coefficient | Std. Error | t-Statistic | Prob.  |
|----------|-------------|------------|-------------|--------|
| C        | 0.114750    | 0.008198   | 13.99796    | 0.0000 |
| X1       | 3.21E-05    | 0.000284   | 0.112822    | 0.9106 |
| X2       | -0.145202   | 0.047247   | -3.073255   | 0.0034 |
| X3       | 0.088173    | 0.024773   | 3.559234    | 0.0008 |
| X4       | 0.252966    | 0.034723   | 7.285264    | 0.0000 |

#### Effects Specification

|                      | S.D.     | Rho    |
|----------------------|----------|--------|
| Cross-section random | 0.000000 | 0.0000 |
| Idiosyncratic random | 0.014992 | 1.0000 |

#### Weighted Statistics

|                    |          |                    |          |
|--------------------|----------|--------------------|----------|
| R-squared          | 0.713801 | Mean dependent var | 0.142850 |
| Adjusted R-squared | 0.691354 | S.D. dependent var | 0.025168 |
| S.E. of regression | 0.013983 | Sum squared resid  | 0.009971 |
| F-statistic        | 31.79937 | Durbin-Watson stat | 0.887708 |
| Prob(F-statistic)  | 0.000000 |                    |          |

#### Unweighted Statistics

|                   |          |                    |          |
|-------------------|----------|--------------------|----------|
| R-squared         | 0.713801 | Mean dependent var | 0.142850 |
| Sum squared resid | 0.009971 | Durbin-Watson stat | 0.887708 |

Hipotesis Test Analysis of Random Effect Model (REM) Panel Data Regression

- Total Capital has a t-statistic vales of 0.1128 with a prob (significance) value of 0.9106 ( $>0.05$ ). it can be concluded that Total Capital has no significant effect on MSME Growth in West Java.
- Funding Duration has a t-statistic vales of -3.0732 with a prob (significance) value of 0.0034 ( $<0.05$ ). it can be concluded that the Duration of Funding has a significant effect on MSME Growth variable in West Java.
- The Proportion of Capital Contribution has a t-statistic vales of 3.5592 with a prob (significance) value of 0.0008 ( $<0.05$ ). it can be concluded that The Proportion of Capital Contribution has a significant effect on MSME Growth in West Java.
- Profit Sharing has a t-statistic vales of 7.2852 with a prob (significance) value of 0.0000 ( $<0.05$ ). it can be concluded that Profit Sharing has a significant effect on MSME Growth in West Java.

Panel Data Regression Equation Result

Estimation Command:

=====  
LS(?, CX=R) Y C X1 X2 X3 X4

Estimation Equation:

=====  
 $Y = C(1) + C(2)*X1 + C(3)*X2 + C(4)*X3 + C(5)*X4 + [CX=R]$

Substituted Coefficients:

=====  
 $Y = 0.114750021286 + 3.20845699684e-05*X1 - 0.145202388065*X2 + 0.0881728771036*X3 + 0.252965754337*X4 + [CX=R]$

Analysis of Regression Equations:

- The constant value obtained is 0.114750021286, it means that if the independent variable increases by one unit evenly, the dependent variable will also increase by 0.114750021286.
- The Regression coefficient value of Total Capital is negative (-) of 3.208, it means that if Total Capital decreases, MSME Growth will also decrease by 3.208, and vice versa.
- The coefficient value of the Accord Duration Regression is positive (+) amounting to 0.145, it means that if the Accord Duration increases, MSME Growth will also increase by 0.145, and vice versa.
- The coefficient value of the Capital Proportion Regression is positive (+) of 0.088, it means that if the Capital Proportion increases, MSME Growth will also increase by 0.088, and vice versa.
- The coefficient value of the Profit Sharing Regression is positive (+) of 0.252, it means that if Profit Sharing increases, MSME Growth will also increase by 0.252, and vice versa.

## Hypothesis Test

## Simultaneous Test (F Test)

| Weighted Statistics |          |                    |          |
|---------------------|----------|--------------------|----------|
| R-squared           | 0.713801 | Mean dependent var | 0.142850 |
| Adjusted R-squared  | 0.691354 | S.D. dependent var | 0.025168 |
| S.E. of regression  | 0.013983 | Sum squared resid  | 0.009971 |
| F-statistic         | 31.79937 | Durbin-Watson stat | 0.887708 |
| Prob(F-statistic)   | 0.000000 |                    |          |

It is known that the F-Statistic value is 31,799 with a prob. (F-Statistic) value of 0.000 ( $<0.05$ ), so it can be concluded that the amount of capital (X1), funding duration (X2), proportion of capital contribution (X3) and profit sharing (X4) have a significant effect simultaneously on the growth of MSMEs in West Java (Y).

Coefficient of Determination ( $R^2$  Test)

| Weighted Statistics |          |                    |          |
|---------------------|----------|--------------------|----------|
| R-squared           | 0.713801 | Mean dependent var | 0.142850 |
| Adjusted R-squared  | 0.691354 | S.D. dependent var | 0.025168 |
| S.E. of regression  | 0.013983 | Sum squared resid  | 0.009971 |
| F-statistic         | 31.79937 | Durbin-Watson stat | 0.887708 |
| Prob(F-statistic)   | 0.000000 |                    |          |

It is known that the Adjusted R Square value is 0.691, it can be concluded that the contribution of the influence of the Dependent Variable simultaneously (together) is 69.1%.

#### 4. CONCLUSION

This study explains the factors that influence the growth of MSMEs in West Java with two financing methods, the first is the Musyarakah agreement as an Islamic bank financing and the second is the Musyarakah agreement but in the Islamic venture capital system. Therefore, many institutions are available in the government, especially generally in private Islamic financial institutions to help the growth and development of MSMEs as the support of the economy. From the analysis that has been presented, several main conclusions can be drawn regarding the effect of total capital, contract duration, proportion of capital and also profit sharing on the growth of MSMEs in West Java. That the total capital, duration of the contract, proportion of capital, and profit sharing simultaneously affect the growth of MSMEs. This means that all independent variables in this study have a significant relationship to the growth rate of MSMEs in Islamic financing schemes.

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