

The Nicher Market Strategy of BPRS Mitra Mentari in Increasing Financing for MSME Entrepreneurs

Ely Masykuroh^{1*}, Fibrianis Puspita Anhar², Berlianto Haris³

^{1,2}Institut Agama Islam Negeri Ponorogo, Indonesia

³International Islamic University Malaysia, Malaysia

Email: masykuroh@iainponorogo.ac.id, fibrianispuspitaanhar@iainponorogo.ac.id, bentoresearch85@gmail.com

Article Info

Article history:

Received April 12, 2025

Revised May 16, 2025

Accepted May 18, 2025

*Corresponding author email:
masykuroh@iainponorogo.ac.id

Keywords: Market Competition Strategy, Financing, MSMEs, Local Islamic Banks

Abstract

Introduction: Profit-sharing financing is a key feature of Islamic banks and should be maintained. One example is the Micro Express product, designed for MSMEs, especially small traders. However, BPRS faces strong competition from both conventional banks and informal lenders known as Plecit Banks. This study aims to examine the market share and competitors of the Micro Express at BPRS Mitra Mentari and to develop effective strategies to boost its financing. **Research Methods:** This research is field research using a qualitative approach with descriptive analysis. **Results:** As a market follower, BPRS can apply an *imitator and adopter* strategy by adopting competitor tactics—such as the *pick-up service* commonly used by *Plecit Banks*—and enhancing them through culturally unique approaches rooted in local wisdom, offering a distinct value proposition. **Conclusion:** Maintaining compliance with sharia principles remains essential—not only as a core identity of Islamic banks but also as a sustainable competitive advantage in the face of intense competition.

DOI: 10.21154/etihad.v5i1.10721
Page: 35-44

Etihad with CC BY license. Copyright © 2025, the author(s)

INTRODUCTION

Some of the people's behaviors and perceptions towards Islamic bank products include in Indonesia in general the public has a positive perception of the existence of Islamic banks, but in their operations they are considered the same (Irham & Rahma, 2020). Meanwhile, in Pakistan, customers are skeptical about the truth of Islamic banking and consider religion as a low priority in choosing a bank (Khalidi & Amanullah, 2011). The influencing factor is that customers in Pakistan have limited awareness and perception of Islamic banking products, which can be improved through better marketing and education. Several studies show that the lack of customers in Islamic banks has been carried out in Indonesia, due to the lack of public knowledge about Islamic banking principles and lower services compared to conventional banks (Gulam, 2022). The perception that Islamic banking is not completely interest-free and the lack of correct practice of sharia principles contributes to the low adoption rate in Pakistan (Yaseen & Kamran, 2019).

Previous research found that the profitability of Islamic banks in Pakistan is lower compared to conventional banks (Majeed & Abida, 2021). The same results were also found in research in Asian countries by Turki Alshammari (2017) as well as Wafia Sbeiti and Ahmaed Alqatan (Wafia & Ahmed, 2021). The results of the same study in Bahrain by Sayel Ramadhan et.al also show that the profitability level of Islamic banks is lower than that of conventional banks (Sayel et.al, 2019), Although after the crisis, the financial performance of Islamic banks has increased (Irma et.al, 2017).

Several studies on financing in Islamic banks have been conducted by Moheran Mohd Jaffar et al (2017), where the amount of profit-sharing financing in Islamic banks has decreased, especially musharakah financing. Financing in Islamic banks is dominated by murabahah financing with the principle of margin and not profit sharing (Mansor & Norlin, 2019); Mohammad Saifuzzaman & Rosli Mahmood (2023). Several studies show that the lack of customers in Islamic banks has been carried out in Indonesia, due to the lack of public knowledge about Islamic banking principles and lower services compared to conventional banks (Gulam, 2022). The perception that Islamic banking is not completely interest-free and the lack of correct practice of sharia principles contributes to the low adoption rate in Pakistan (Yaseen & Kamran, 2019). The low investment financing in Islamic banks shows the importance of *stakeholders* to think about the right strategy to increase financing in general, especially financing for investment or profit sharing.

Several studies that examine the strategies of Islamic banks in improving performance in general have been carried out by Aulia Fitria Yudiani et al (Fitria Yustiardi et al., 2020) where banks need to consider the challenges in implementing *mudharabah* and *musharakah* financing as a product of good profit-sharing financing. Meanwhile, research that examines strategies in the banking industry has not been found much, including Diego Monferrer trying to study increasing customer satisfaction in bank services (Monferrer et al., 2019). Borys Samorodov

conducts strategic mapping used in banking in maintaining financial management stability (Samorodov et al., 2019).

Based on the exposure of research that has been conducted before, it was found that the level of profitability of Islamic banks is still low compared to competing with conventional banks, one of which is due to the lack of financing that is channeled, especially investment financing (profit sharing), but there is very limited research that examines the strategy of increasing financing in Islamic banks in order to be able to take a large potential market. Therefore, this study tries to examine the market competition strategy in Islamic banking, especially BPRS in taking market share for MSME actors so that the amount of financing can be increased.

Low financing in Islamic banks, especially profit-sharing financing, is a problem faced by almost all Islamic banks in several countries. Some of the potential number of Muslim population in Indonesia has also not been a driver of the high probability of becoming a customer in Islamic banks. Several previous studies have been conducted that examine the low profitability of Islamic banks which has an impact on the low profitability of banks when compared to competing banks, namely conventional banks. Previous research has also discussed a lot of gaps in the financing structure between profit-sharing investments and the principle of buying and selling, namely *murabahah* and the factors that affect the gap. However, there is very limited research that examines Islamic banking strategies to increase financing in market competition with many competitors, especially with the existence of conventional banks or other lending institutions.

The purpose of the research was to respond to shortcomings and research spaces that had not been previously discovered, namely market strategies in Islamic banking represented by BPRS Mitra Syariah in increasing financing for MSME actors, especially Market Traders. This research also specifies the study of market strategies in small niches that may not have been taken by other competitors, namely the nicher market strategy to market traders as a result of MSMEs who are the target market of BPRS.

Strategy on finding a niche market (*nicher*) with a focus on market traders in the BPRS area by considering the behavior of existing competitors, it can be applied to take the opportunity to increase the number of customers from the financing offered to traders who have been in the circle of loan sharks. The hope is that traders can still carry out trading activities calmly but free from the element of *riba* in loan transactions with moneylender which they usually know as "Bank Thitil".

RESEARCH METHOD

This study focuses on BPRS Mitra Mentari as a research subject that represents Islamic Bank in general, because it has the same role as Islamic banks, with different market shares and smaller regional coverage. So that the target market of BPRS is MSME actors in general and is prioritized in the Market for Micro Express Financing Products.

This research is based on field research. The objective of field research is to study intensively the background of the present state and the environmental interaction of a social unit: individual, group, institution or society (Sugiono, 2013). The design of this study uses a qualitative approach, namely research that has the characteristics that the data is expressed in a natural state or as it is (*Natural Setting*) by not changing in the form of symbols or frameworks. This approach is a research procedure that produces descriptive data in the form of information about the role of Sharia Banks and in reducing the practice of loan sharks in the market.

The data is primary data because it comes from informants, the response with data collection techniques is interviews and non-participant observations, namely the researcher only plays the role of a full or complete observer from a relatively close distance, that is, does not participate in the subject's activities at all, but solely only observes carefully. The informants of this research are MSME actors represented by market traders as market share of BPRS Mitra Mentari.

The data analysis technique is a systematic data collection process to make it easier for researchers to reach conclusions. Data analysis, according to Bogdan in Sugiyono, is the process of systematically searching for and compiling data obtained from the results of interviews, field notes, and other materials so that it can be easily understood and the findings can be informed to others (Sugiono, 2013). Qualitative data analysis is inductive, namely analysis based on data obtained using qualitative descriptive analysis or also called content analysis, according to Suryabrata (in Muslim, 2011) descriptive research is research that intends to make an overview of situations and events. According to Miles & Huberman, analysis consists of three streams of activities that occur simultaneously: data reduction, data presentation, conclusion drawn/verification.

RESULT AND DISCUSSION

The Low Financing in Sharia Banks

The financing provided by BPRS has several contracts used in its transactions, including *murabahah*, *musyarakah*, *mudharabah*, and *ijarah*. As can be seen in the table below, that *murabahah* contracts dominate, with a composition of more than 75% of the composition of financing carried out by BPRS Mitra Mentari. Meanwhile, the volume of *musharakah* and *mudharabah* cultivation with a profit-sharing scheme looks very low when compared to *murabahah*.

Table 1. is proof that the main product of BPRS is *murabahah today*. In fact, in the Qur'an and hadith, there are many appeals to do *shirkah* or cooperation. Where in the financing aspect there is a profit-sharing scheme with *musharakah* and *mudharabah* contracts that apply this *shirkah* or cooperation system. Islamic economists also support the importance of the role of *shirkah* in the economic growth of the community. Economic stagnation often occurs because

capital owners are unable to manage their capital or vice versa, namely having the ability to manage capital but not owning the capital.

Table 1. Composition of Financing Provided by BPRS

Occur	2019	2020	2021	2022	2023
Mudharabah	180.956	240.606	260651	230283	195.188
Musyarakah	837.915	1.121.004	1 551953	2 227777	2.703.960
Murabahah	6.940.379	7.457.774	7 648501	8 141604	8.622.422
Ijarah	46.579	41.508	53 318	107.106	183.060

The low financing in Islamic banks in general, especially profit-sharing financing in Islamic banks (BPRS) in the midst of quite tough market competition, requires the right market strategy to be able to increase the number of financing customers in Islamic banks. The Sharia Local Economic Bank (BPRS) functions as the executor of part of the functions of commercial banks at the regional level based on sharia principles within the Regency or District (Andri, 2009). The existence of BPRS is intended to take a role in developing the sustainability of Sharia Financial Institutions in areas that are less touched by Sharia Commercial Banks, the Market. The target market of BPRS is the lower middle economic community, namely MSME actors, especially traders. However, in its implementation in the field, BPRS must compete quite hard with conventional banks or private lending institutions with an interest system, even the most massive is the existence of "Bank Thitil". Second, the Market Strategy carried out by "Bank Thitil" is quite attractive to MSME Customers and Market Traders because it picks up the ball and is carried out with a daily frequency of visiting customers directly. The public in general is not familiar with Islamic bank products, especially MSME actors and market traders do not know the existence of Islamic banks and BPRS. Thus, an appropriate market competition strategy is needed to be able to increase financing.

Characteristics of Traders

The characteristics of the BPRS market are different from commercial banks in general, because the scope covers people with the middle to lower economic strata level, especially MSME actors. The decision of MSMEs to become customers of Islamic banks is influenced by factors such as religion, religiosity, and the location of the bank (Herliansyah et al., 2020). Islamic values, shirkah, and religiosity affect MSMEs' attitude towards Islamic banks, which has the potential to increase the customer base (Putri et al., 2020). The characteristics of Islamic entrepreneurship, including honesty, hard work, and leadership, significantly influence the success of SME businesses in Indonesia (First et al., 2023)

Meanwhile, in the field, BPRS experienced obstacles in offering financing to the community, especially to MSME actors and market traders due to quite tough competition, not only with conventional banks but more with mobile lenders or loan sharks who are commonly known by the community as "Thitil" banks or "Plecit" banks (a term used by the community in the village). which enforces an interest system with daily withdrawals.

The presence of loan sharks, although in practice is exploitative, actually looks as if it helps the economy in the countryside. The presence of loan sharks in the eyes of the middle and lower strata is considered very helpful to get a large amount of cash and in a short time, the pattern of public relations with middlemen who have given them capital loans.

Customers are conditioned to repay the "kindness" of middlemen by being loyal, but in fact these middlemen have created economic dependence for traders. To reduce the existence of loan sharks, there are several programs that are sought to help people's difficulties in terms of financial needs (loans). This market was chosen as the object of research because it is in this market that the phenomenon of "Plecit" Bank or "Thitil" Bank is so prevalent is hidden.

Observing these conditions, the need for capital and funds quickly provides a good opportunity for the existence of "mobile" banks or commonly called *Plecit banks* or Thitil banks (The system of providing quick capital loans such as "mobile" banks seems to have mushroomed everywhere, especially for small entrepreneurs, this bank is no longer new, this "mobile" bank actually provides more losses for consumers, This can be proven by seeing that the interest they provide is higher than that of government credit institutions or institutions. The existence of the "mobile" bank is a term for non-bank institutions or individuals who lend money, usually with high interest rates and the collection is done every day. Looking at the losses incurred by mobile banks but not realized by the public because it is daily or if they realize it, they seem to not care for the fulfillment of their needs tomorrow. Although there are still many official credit institutions that can help them even though they just don't want to fulfill all the procedures for the reason of time.

This phenomenon also occurs in the Traditional Market, where the traditional market is one of the important parts of the economic and trade activities of the local community. This traditional market, geographically, occupies a strategic position for market survival. The crowd of this market occurs from the morning around 03.00 am until noon and evening. The condition of the market with such time activities maintains the existence of the morning market and the night market. This morning market takes place from around 03.00 to approximately 07.00. This market ended when the market officials warned the traders to leave the location/place where they were selling. We often find in traditional markets including market in Ponorogo and Dolopo, every day it seems that "Bank Thitil" carries notebooks and mandir vehicles to offer receivables services and collect debts looking for debtors who are forced to need money quickly, without collateral and a much faster process than official government/private banks.

Public knowledge and understanding will greatly affect the public's views and trust in sharia financing, especially Micro Export financing. Due to low public understanding, they still consider that sharia financing is the same as conventional bank credit. This causes people to continue to choose conventional banks whose disbursement process is considered easier.

In addition, due to lack of knowledge, it will be difficult for people to be able to trust Islamic banks. Coupled with incorrect information about Islamic banks, people feel afraid to do financing at BPRS. This is the importance of choosing the right market competition strategy so that the public, especially MSME actors and market traders, are interested in using BPRS financing so that the community is not entangled in debt to "Bank Thitil" or "Mobile Bank". Where the majority of scholars clearly equate it with the practice of *riba* which is forbidden for Muslims, where the majority of market traders are Muslims.

Market Expansion Strategy

The market share of BPRS is MSME actors who are also the target market of conventional bank financial institutions, or other non-bank lending financial institutions, both legal and non-legal, so the right market strategy is needed to take market share for BPRS (Herliansyah, Nugroho, Ardilla & Putra, 2020). And BPRS has been choosing to take a niche market, namely market traders and street vendors (PKL).

Based on the behavioral characteristics of market traders who feel dependent on the non-Legal Lender Institution "Bank Thitil" which they consider as a friend as well as a helper in financial difficulties but often ensnares them in burdensome debt entanglements. The majority of market traders are Muslims, and of course some of them already know about the haram law on *riba* or the loan money system, but because there is no other solution in helping their needs for funds and the convenience they need in loans, the choice of "Bank Thitil" is an option in the development of their business. So that BPRS Managers take a role in filling this niche, by adopting the competitor's strategy, namely "Bank Thitil" by trying to approach traders directly and carry out a strategy to pick up the ball in offering interest-free financing but making it easier and easier for traders by going to the field/market every day.

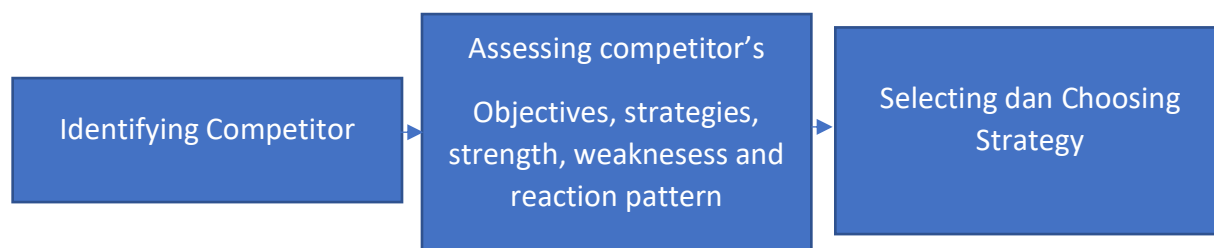
One of the reasons for the low financing of BPRS is due to the high competition in seizing the target market, namely MSME actors or market traders with the existence of "Plecit banks" or "mobile banks" as the main competitors of BPRS in marketing financing products. The existence of "Bank Thitil" is often considered a savior for traders because it nails zero directly to traders with ease of administration and procedures both in the loan process and installment payments which are considered light because they are daily even though they actually have very high interest rates.

"Thitil Bank" is a non-bank institution or individual that lends money, usually with high interest and the collection is done daily. "Mobile" banks have their own characteristics for consumers, namely their personal nature and always on the move. Usually, "mobile" banks offer

money loan services to their debtors directly, fast liquid loans. The strategy of "picking up the ball" as a form of local wisdom that it carries out needs to be considered by BPRS in developing a market strategy to get a place in the hearts of the community, especially by paying attention to the characteristics of market traders.

A good market strategy is one that considers a competitive advantage by offering an even better advantage over competitors. The competitive analysis steps that need to be taken are; identify key competitors, revisit objectives. Competitor strengths and weaknesses and action patterns.

Figure 1. Stages of Competitive Market Strategy Formulation



Source: Kotler & Keller, strategic management frameworks

The results of the identification of competitors are the competitors of conventional banks and "Thitil Bank" which both have advantages by offering the principle of daily interest, ease of administration with customers. The weakness of competitors is that they are often known as land leeches which leads to customer misery with growing interest rates. Some MSME actors and traders are devout Muslims, so it is an opportunity for BPRS to take over this market.

The position of market competitors can be classified into namely group groups, namely; Mocket Leader, Market Challenger, Market Follwer and Market Nicher (Yaseen, Z., & Kamran, 2019). BPRS is more appropriately grouped as Mockup Follwer and Market Niche. The alternative to mastering the large market is to become a leader in the small market to avoid competition with large companies, namely by targeting small markets that are less attractive to large competitors. Because BPRS has almost the same function as Islamic banks in general, BPRS will not interfere with the commercial bank market and dominate the market. BPRS should choose a good market share with little risk. The commonly used strategy is playing safe".

The strategy that can be used by BPRS as a Market Follower is to imitate and adopt (imitators & adopters) from its competitors, namely "Plecitbanks" or "Thitil bank" in terms of pick-up strategies, but by still maintaining compliance with sharia principles as a characteristic that must be maintained as well as a competitive advantage over competitors, namely "Plecit/Thitil banks".

CONCLUSION

This study provides insights into how Islamic banks, especially BPRS, can improve their financing performance through market strategies. The focus on BPRS Mitra Mentari offers a unique perspective, as this type of bank only exists in Indonesia and serves a specific market segment. The study shows that targeting traditional traders with culturally relevant strategies can increase competitiveness. However, the research is limited to one institution, which may not reflect the broader conditions of other Islamic banks. Future studies should include Sharia Commercial Banks or other BPRS in different areas to gain a more comprehensive understanding of market competition strategies in Islamic banking.

REFERENCES

- Alshammari, T. (2017). Performance differences between Islamic and conventional bank forms. *Banks and Bank Systems*, 12(3).
- Arikunto, S. (2006). *Prosedur penelitian: Suatu pendekatan praktik*. Rineka Cipta.
- Belkhaouli, S., Alsagr, N., Fan Hemmen, S. F., & Elgammal, M. M. (2020). Financing modes, risk, efficiency and profitability in Islamic banks: Modelling for GCC countries. *Cogent Economics & Finance*, 8(1).
- First, F. S., Mulyono, I., & Jaswadi, J. (2023). Characteristics of customers of Islamic financial institutions in the village of Sukopuro, Jabung District, Malang Regency. *European Journal of Accounting, Auditing and Finance Research*, 11(1), 1–7. <https://doi.org/10.37745/ejaafr.2013/vol11n117>
- Gulam, M. (2022). Menguak alasan di balik minimnya nasabah pengguna bank syariah di Gorontalo. *AKASYAH: Jurnal Akuntansi, Keuangan dan Audit Syariah*, 1(1), 39–53. <https://doi.org/10.58176/akasyah.v1i1.365>
- Herliansyah, Y., Nugroho, L., Ardilla, D., & Putra, Y. (2020). The determinants of micro, small and medium entrepreneur (MSME) becoming customers of Islamic banks (religion, religiosity and location of Islamic banks). *Proceedings of the 2019 ICEI* (pp. — —). <https://doi.org/10.4108/eai.26-3-2019.2290775>
- Irham, M., & Rahma, T. I. F. (2020). Analisis persepsi dosen tamu terhadap perbankan syariah di Universitas Islam Negeri Sumatera Utara. *J-EBIS*, 5(1), 64–65.
- Jaffar, M. M., Zain, S. M., & Jemain, A. A. (2017). Diminishing musyarakah investment model based on equity. *AIP Conference Proceedings*, 1905, Article 020003. <https://doi.org/10.1063/1.5012143>
- Jusoh, M., & Khalid, N. (2019). A model of demand for Islamic banks' debt based on financial instrument. *Jurnal Pengurusan*, 39, 31–36.
- Khalidi, M. A., & Amanullah. (2011). Consumer perception of Islamic banking in Pakistan. *Labuan*

Bulletin of International Business and Finance, 8, 1–21.
<https://doi.org/10.51200/lbibf.v8i.2567>

- Majeed, M. T., & Zaenab, A. (2021). A comparative analysis of financial performance of Islamic banks vis-à-vis conventional banks: Evidence from Pakistan. *ISRA International Journal of Islamic Finance*, 13(3), 331–346. <https://doi.org/10.1108/IJIF-08-2018-0093>
- Monferrer, D., Moliner, M. A., & Estrada, M. (2019). Increasing customer loyalty through customer engagement in the retail banking industry. *Spanish Journal of Marketing – ESIC*, 23(3), 461–484. <https://doi.org/10.1108/SJME-07-2019-0042>
- Putri, P. T., Hadinugroho, B., & Haryanto, B. (2020). Behaviour approach SMEs in utilizing Islamic banks. *International Journal of Education and Social Science Research*, 3(6), 127–143. <https://doi.org/10.37500/ijessr.2020.3610>
- Ramadhan, S., Selim, M., & Sehwan, A. (2019). Financial performance of conventional and Islamic banks in Bahrain: A comparative study. *Banks and Bank Systems*, 14(4), — —.
- Saifuzzaman, M., & Mahmood, R. (2023). A review of challenges and solutions in use of murabahah products in Islamic banks. *International Journal of Research and Innovation in Social Science*, 7(7), — —. <https://doi.org/10.4772/IJRISS.v7i7>.
- Samorodov, B., Azarenkova, G., Golovko, O., Oryekhova, K., & Babenko, M. (2019). Financial stability management in banks: Strategy maps. *Banks and Bank Systems*, 14(4), 10–21. [https://doi.org/10.21511/bbs.14\(4\).2019.02](https://doi.org/10.21511/bbs.14(4).2019.02)
- Sbeiti, W., & Alqatan, A. (2021). Islamic banking performance versus conventional banking. *Review of Economic and Finance*, 19(1), — —.
- Setywati, I., Suroso, S., Suryanto, T., & Nurjanah, D. S. (2017). Does financial performance of Islamic banking is better? Panel data estimation. *European Research Studies Journal*, 20(24), 532–606.
- Soemitro, A. (2009). *Bank dan lembaga keuangan syariah* [Sharia banks and financial institutions]. Kencana Prenadamedia Group.
- Sugiyono. (2013). *Metode penelitian kuantitatif, kualitatif, dan R&D*. Alfabeta.
- Yaseen, Z., & Kamran, S. (2019). Exploring the impediments faced by banking customers to adopt Islamic banking services in Pakistan. *Journal of Islamic Business and Management*, 9(1), 25–41. <https://doi.org/10.26501/jibm/2019.0901-003>
- Yustiardhi, F. A., Diniyya, A. A., Faiz, A. A., Subri, N. S., & Kurnia, Z. N. (2020). Issues and challenges of the application of mudarabah and musharakah in Islamic bank financing products. *Journal of Islamic Finance*, 9(2), 26–41.