

The Role of Bank Indonesia (BI) in Developing the Sharia Economy through MSME Empowerment in Batam City

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ABSTRACT

This study aims to determine the role of Bank Indonesia (BI) in improving the sharia economy through the development of Micro, Small and Medium Enterprises (MSMEs) in Batam City, Riau Islands and to find out the supporting and inhibiting factors of BI in improving the sharia economy through the development of MSMEs in Batam City. Types of qualitative descriptive research. Primary data was obtained through interviews and secondary data was obtained from various references, namely websites, journals, and relevant textbooks. Qualitative descriptive analysis techniques were used in this study. The development of the sharia economy in Batam City shows great potential, driven by Malay culture that is thick with Islamic values and the number of Muslim MSMEs engaged in the halal industry sector. However, the main challenges are the limitations of the implementation of the sharia system in multinational companies due to the global Standard Operational Procedure, the low market share of sharia banking, and the lack of public literacy about sharia finance. Bank Indonesia (BI) is committed to overcoming these challenges through education, socialization, and the development of leading sectors, including halal food and modest fashion and halal tourism. In addition, BI will continue to strive to establish cooperation and synergy with various related parties in strengthening the halal ecosystem in the city of Batam. This effort is expected to allow the sharia economy in Batam to grow more rapidly, support Islamic financial inclusion, and strengthen Batam's role as the center of the sharia economy in Indonesia's strategic region.

Keywords: Bank Indonesia, MSMEs, Sharia economy.

1. Introduction

This study aims to determine the role of Bank Indonesia (BI) in improving the sharia economy through the development of Micro, Small and Medium Enterprises (MSMEs) in Batam City, Riau Islands and to find out the supporting and inhibiting factors of BI in improving the sharia economy through the development of MSMEs in Batam City. Types of qualitative descriptive research. Primary data was obtained through interviews and secondary data was obtained from various references, namely websites, journals, and relevant textbooks. Qualitative descriptive analysis techniques were used in this study. The development of the sharia economy in Batam City shows great potential, driven by Malay culture that is thick with Islamic values and the number of Muslim MSMEs engaged in the halal industry sector. However, the main challenges are the limitations of the implementation of the sharia system in multinational companies due to the global Standard Operational Procedure, the low market share of sharia banking, and the lack of public literacy about sharia finance. Bank Indonesia (BI) is committed to overcoming these challenges through education, socialization, and the development of leading sectors, including halal food and modest fashion and halal tourism. In addition, BI will continue to strive to establish cooperation and synergy with various related parties in strengthening the halal ecosystem in the city of Batam. This effort is expected to allow the sharia economy in Batam to grow more rapidly, support Islamic financial inclusion, and strengthen Batam's role as the center of the sharia economy in Indonesia's strategic region.

In the ever-changing economic dynamics, Bank Indonesia (BI) as the central bank also plays an important role. BI has the main goal, which is to maintain the stability of the rupiah. To achieve this, BI

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carries out three core functions: monetary policy management, payment systems, and financial sector stability.

One of the factors that plays a role in economic development in Indonesia is Bank Indonesia (BI). In its capacity as a central bank, Bank Indonesia (BI) has a single goal, which is to achieve and maintain the stability of the rupiah. To achieve this goal, Bank Indonesia is tasked with managing three areas, namely monetary, payment system, and financial system stability.

The achievement of Bank Indonesia's (BI) vision is supported by the comprehensive transformation carried out by the institution. This transformation is BI's effort to anticipate various future challenges that have the potential to affect the achievement of their vision and mission. BI's transformation process follows strategic directions that have been set as a guide to achieve medium- to long-term goals. In line with this strategic direction, BI's policy transformation is carried out to strengthen the integrated policy framework, namely the Bank Indonesia Policy Mix (BIPOLMIX), as well as to increase capacity in each policy area.

One of the transformations of the development of the Islamic economy is the development of the Islamic financial economy as a source of growth in Indonesia and part of structural reforms towards a developed Indonesia. As an effort to implement the macroprudential policy mandate, especially to encourage the intermediation function and increase access to finance, BI also has a role in the development of MSMEs. The main concern of BI related to MSMEs is access to finance. Micro, Small, and Medium Enterprises (MSMEs) have an important and strategic role in the structure of the Indonesian economy because they make a large contribution to Gross Domestic Product (61.1%), labor absorption (97.1%), and exports (14.4%). (Bank Indonesia, 2020)

Bank Indonesia as the Central Bank strives to make the best contribution to continue to increase the role of MSMEs in the economy. The problems that MSMEs often experience are very diverse, ranging from capital, marketing, human resources and technology. These problems arise because MSME actors are small people so to develop their businesses such as adding employees, improving technology, and expanding product marketing requires extra effort and assistance and training from related parties. In this case, assistance and stakeholder support are needed to provide knowledge and assistance so that the problems faced by MSMEs can be lighter. Bank Indonesia is one of the institutions that supports the progress of MSMEs in Indonesia (Ali Samsuri, 2022). The Riau Islands Province consisting of the islands of Batam, Bintan, Karimun, Natuna, Lingga, and Anambas has a strategic position on Indonesia's economic map. Data from the Riau Islands Provincial Cooperatives and MSMEs Office (2023) notes that there are more than 120,000 MSMEs in this region, with 40% of them managed by Muslim entrepreneurs who apply sharia economic principles.

Batam City, one of the largest cities in the Riau Islands, has its own uniqueness because of its geographical location that is directly adjacent to Singapore and Malaysia. This opens up great opportunities for sharia MSME products to penetrate the international market. The potential of Sharia MSMEs in Batam is huge, especially in the halal tourism, logistics, and food products sectors. Batam, as a city that has many tourist islands, has a great opportunity to develop sharia MSMEs that provide sharia-based accommodation, culinary, and tourism services. In addition, the inter-island logistics sector also has the potential to apply sharia principles in its operations.

Batam has many tourist islands that can be developed with sharia MSMEs that provide halal accommodation, halal restaurants, and tourism services that are in accordance with sharia principles. MSMEs engaged in inter-island sea transportation can apply sharia principles in their operations, such as fleet management, employment contracts, and payments. Batam also has great potential to develop MSMEs that produce various halal products, such as food, beverages, cosmetics, and fashion that are in accordance with halal standards. In addition, Batam can become a center for the development of a digital sharia economy, with MSMEs that utilize digital technology to increase efficiency and reach a wider market. To support the growth of Sharia MSMEs in Batam, the government and related parties can provide support. The role of the Central Bank, especially Bank Indonesia, the Riau Islands Representative domiciled in Batam City, is very crucial and plays an important role in facilitating and developing the sharia economic system in Batam City.

Based on the Bank Indonesia MSME Development Framework. The development of MSMEs carried out by Bank Indonesia is aligned with Bank Indonesia's field of duties and in line with Bank Indonesia's vision, mission, and strategic programs, so that it is focused on: (1) Supporting efforts to control inflation, especially volatile food inflation, which is carried out from the supply side; (2) Encouraging MSMEs with export potential and tourism support to support efforts to reduce the current account deficit, as well as; (3) Increasing financial access for MSMEs to support finances.

Table 1. Data on the Number of MSMEs Fostered by Bank Indonesia Riau Islands 2020 - 2023

City/regency	Numbers of UMKM					
	2020	%	2021	%	2022	%
1 Batam	4	100%	15	65%	39	58%
2 Bintan	-		2	9%	6	9%
3 Karimun	-		2	9%	8	12%
4 Tj.Pinang	-		1	4%	5	7%
5 Lingga	-		1	4%	4	6%
6 Natuna	-		1	4%	3	4%
7 Anambas	-		1	4%	3	4%
Jumlah	4	100%	23	100%	68	100%

Source : BI KPw Prov Data, Riau Islands 2023

Referring to <http://umkm.depkop.go.id/> data, there are 81,575 MSMEs in Batam City, Riau Islands Province, at the end of 2023, a total of 58 MSMEs in Batam City are under BI's guidance based on 2023 data obtained from the Riau Islands Kpw described in Table 1. To support the growth of MSMEs, the Batam City MSME Office in 2022 implemented various programs from the central government, including packaging training, marketing, and facilitation of certification management such as Brand, Halal, Distribution Permit Number (NIE), and Business Identification Number (NIB). This step aims to increase the selling value of MSME products. In addition, collaboration with partners such as Bank Indonesia also plays an important role through coaching to improve the quality of human resources of business actors and expand market insights, so as to boost sales turnover.

2. Literature Review

2.1 Definition of Bank Indonesia

Bank Indonesia (BI) is the central bank of the Republic of Indonesia that functions as a monetary authority, regulator, and supervisor of banking, as well as maintaining the stability of the financial system (Law of the Republic of Indonesia No. 23 of 1999 concerning Bank Indonesia, as amended by Law No. 6 of 2009). BI has an important role in setting and implementing monetary policy, regulating payment systems, and supervising banking to support sustainable economic growth.

Sharia Economic System

According to Muhammad Abdul Mannan, the sharia economic system is defined as: "An economic system based on Islamic principles derived from the Qur'an and Sunnah, with the aim of achieving the welfare of the community (falah) through the regulation of fair ownership, production, distribution, and consumption" (Manan, 1986). The Indonesian Ulema Council (MUI) through Fatwa DSN-MUI No: 80/DSN-MUI/III/2011: "Sharia economics is an economic system based on divinity, justice, benefit, and balance, by prohibiting all forms of exploitation and injustice. As for Bank Indonesia, In Bank Indonesia Regulation No. 19/14/PBI/2017 states: "An Islamic economic system is an economic system that applies sharia principles in all economic activities, including banking, finance, business, and commercial transactions". (Bank Indonesia, 2017. Regulation on the Implementation of Sharia Bank Rating).

Definition of Micro, Small and Medium Enterprises (MSMEs)

MSMEs are productive businesses owned by individuals and business entities that have met the criteria as Micro, Small, or Medium Enterprises based on Law No. 20 of 2008. The classification of MSMEs is differentiated based on: Micro Business: Has a maximum net worth of IDR 50 million (outside land and buildings) and a maximum annual turnover of IDR 300 million. Small Business: Has a net worth of IDR 50 million – IDR 500 million and an annual turnover of IDR 300 million – IDR 2.5 billion. Medium Business: Has a net worth of IDR 500 million – IDR 10 billion and an annual turnover of IDR 2.5 billion – IDR 50 billion. MSMEs play a strategic role in the Indonesian economy through labor absorption and equitable development (Ministry of Cooperatives and SMEs, 2021).

MSMEs in the Indonesian economy

According to the 1945 Constitution and strengthened through the TAP MPR NO. XVI/MPR-RI/1998 concerning Economic Politics in the context of Economic Democracy, Micro, Small, and Medium Enterprises need to be empowered as an integral part of the people's economy that has a position, role, and strategic potential to realize a more balanced, developed, and equitable national economic structure. MSMEs have an important role to play in the Indonesian economy because they make significant contributions, especially in the formation of gross domestic product and labor absorption. MSMEs are also believed to have high economic resilience so that they can be a support for the stability of the financial system and the economy. However, the development of MSMEs still faces various obstacles, one of which is in terms of financial access (Syarif, 2020)

Definition of MSME Empowerment According to Bank Indonesia

Bank Indonesia defines MSME empowerment as a series of structured efforts to increase the capacity, financial access, and competitiveness of MSMEs through monetary policy interventions, payment systems, and strengthening the financial ecosystem." BI's focus on MSME Empowerment includes

First, Access to Financing Facilitates MSME credit/financing through macroprudential policies and cooperation with banks, such as the People's Business Credit Program (KUR) with subsidized interest rates, Second, Mentoring and Training, financial education programs, risk management, and digitalization of MSMEs implemented in the BI-Micro Small Medium Enterprise (BI-MSME) Development Program. Third, Strengthening the Ecosystem Financial infrastructure support (fintech, credit guarantee, MSME rating). Such as the establishment of the MSME Credit Rating Agency to facilitate access to loans. Fourth, Digitalization of MSMEs, where BI encourages MSMEs to enter digital platforms (e-commerce, QRIS, non-cash payments). (Bank Indonesia, 2018)

Bank Indonesia and MSME Development

Bank Indonesia as the central bank strives to provide an MSME Development Policy that is implemented through BI policies that synergize with other parties to support the development of the Islamic economy and finance. In addition, strengthening international cooperation and the preparation of the MSME roadmap prepared by Bank Indonesia includes 4 stages, namely, potential MSMEs, MSMEs success/link to market and finance, MSMEs go digital, and MSMEs go export.

One of the implementations of Bank Indonesia's go digital MSME program has launched a payment channel/system to standardize all server-based non-cash payments that use QR Code media as transactions. The payment system is the Quick Response Indonesia Standard (QRIS). The implementation of QRIS has been carried out on January 1, 2020 in Indonesia. Empirical studies show that the implementation of the QR Code Indonesian Standard (QRIS) has a significant impact on improving the financial performance of MSME actors in the city of Medan, North Sumatra. Field data reveals that there is an increase in daily income of 5-10% in most traders who adopt this digital payment system, some MSME traders in Medan have used QRIS. MSME traders as resource persons for this research said that the implementation of QRIS was carried out because of the desire of these traders to keep up with technological and information developments. Following the era of technology and information will increase the speed of doing activities in our lives. Therefore, these MSME traders are helped by the existence of QRIS so that they speed up transactions using QR Codes. (Sihalo et al., 2020)

Relevant research on the role of Bank Indonesia was conducted by (Dina, 2022) on the role of Bank Indonesia in the development of MSMEs in the Kediri area, East Java, the results of the study show that Bank Indonesia implements a dual strategy in the development of MSMEs, namely through optimizing access to banking financing and increasing the economic capacity of business actors. One of the flagship programs in this case is the establishment of MSME clusters that focus on strategic commodities to support food security and price stabilization. This cluster is a collection of businesses that are integrated vertically (covering the entire value chain from cultivation, processing, to marketing) and horizontally (similar businesses in certain regions), thereby creating collective synergy and efficiency that is able to strengthen the competitiveness of MSMEs.

In a study by (Syahriani, 2022), Bank Indonesia describes an important role in the MSME Creative Work (KKSU) program in North Sumatra by encouraging the revival of MSMEs through transformation and innovation in the digital era. Through this program, BI facilitates the digitization of MSMEs in various aspects, ranging from production, marketing, financing, to payment systems. In addition, BI also provides literacy to MSME actors who are still unfamiliar with the export-import sector through various educational talk shows. The KKSU program also plays a role in introducing North Sumatra MSME products to the international market, providing confidence for business actors to interact globally with consumers from various regions. With this program, BI has created synergies and opened a wider avenue for the marketing of MSME products, as has been seen in the implementation of the previous KKSU event

Bank Indonesia develops MSMEs through a two-dimensional approach (Andreas, 2017): first, on the demand side by improving the capabilities of MSMEs through the identification of leading commodities (KPJU) and cluster-based technical training programs to meet banking standards; second, in terms of supply by expanding access to financing through banking incentives and strengthening financial infrastructure such as the establishment of the Regional Credit Insurance Corporation. These two strategies are integrated in building a sustainable MSME ecosystem. In addition, the scope of MSME product development includes the development of volatile food products, local economic development, and Bank Indonesia Entrepreneurship (WUBI). In terms of accelerating access, development is driven by access to finance, market, knowledge network, as well as innovation and digitalization.

Support from infrastructure and institutions also has an impact on the formation of an optimal MSME ecosystem, including through regulatory/policy support, inclusive finance, consumer protection, education/literacy, business models, monitoring, and evaluation and strengthening of institutions and information systems. (Bank Indonesia 2020)

3. Methods

This study aims to analyze Bank Indonesia's contribution in improving the sharia economy through the development of MSMEs in Batam City and identify its supporting and inhibiting factors. Using a descriptive qualitative approach, this study places the researcher as a key instrument to understand phenomena naturally by emphasizing the meanings, characteristics, and concepts contained in the object of study (Sugiono, 2022). The focus of the research is to analyze the role of Bank Indonesia KPw Riau Islands in developing the sharia economic system through the empowerment of MSMEs. The data was obtained through direct and online interviews with Bank Indonesia Batam Representative Office and was complemented by literature studies from various secondary sources such as journals, scientific articles, and textbooks. Data analysis was carried out in a qualitative descriptive manner by combining field facts and interview results to obtain a comprehensive picture of BI's role in encouraging sharia economic growth through the development of MSMEs in the Batam area.

4. Result and Discussion

History of Bank Indonesia Riau Islands Representative Office (KPw Riau Islands) Batam

Batam City was officially designated as an Administrative City in 1983 through Government Regulation No.34/1984, with the initial area covering three sub-districts (Balik Padang, West Batam, and East Batam) as well as 186 islands – although not all of them were inhabited. The three largest islands are Batam (415 km²), Bulan, and Jeri. Economic development then encouraged the expansion of the administrative area to the Bareleng area (Batam-Rempang-Galang) which was connected by six bridges along 2,262 meters, as stipulated in Presidential Decree No.28/1992. As the economic locomotive of the Riau Islands (contribution >50%), Batam was designated as a Free Trade Zone and Free Port through Law No.44/2000, which was later expanded to Bintan and Karimun (PP No.46-48/2007). Its development strategy optimizes its geostrategic location near Singapore, with a focus on the processing, logistics, and tourism industries. Regional inflation is also greatly influenced by price dynamics in Batam and Tanjungpinang.

Bank Indonesia officially established its representative office in the Riau Islands Province (originally named the BI Batam Office) on May 12, 1993, under the signature of the then Director of BI, Sujitno Siswowardagdo. Prior to the establishment of this office, the Riau Islands area was included in the jurisdiction of the Riau Province BI Representative Office in Pekanbaru. In its development, this office then relocated to a new building on Jalan Engku Putri, Batam Centre on September 22, 1997, which was officially inaugurated by BI Governor Syahril Sabirin on August 31, 1998. The existence of BI Riau Islands became a catalyst for the development of the financial sector in this special economic zone. (Bank Indonesia, 2020).

The Role of BI KPw Riau Islands in Developing the Sharia Economy through MSME Empowerment in Batam City

Based on the results of the interview that has been conducted with Bank Indonesia Representative of the Riau Islands in Batam City, where the Researcher conducted a direct interview with the resource person, namely Mr. M. Hafidh Ridho as the Junior Analysis of Bank Indonesia Batam City, it can be known that.

Bank Indonesia has programs that aim to improve the sharia economy in Batam City, there are three types of programs carried out by Bank Indonesia (BI) to support the improvement of the sharia economy in Batam City, which incidentally Batam City is an industrial city and also has a population that is majority Muslim and is also often visited by tourists both domestic and foreign such as Singapore, Malaysia, etc.

The first program held by Bank Indonesia is the acceleration of halal certification of MSME products through the Polibatam Halal Center, this program facilitates the Halal Certification process for MSMEs by building a Halal Center Office and Halal Inspection Agency (LPH). It was inaugurated directly by the Deputy Governor of Bank Indonesia (BI), Junda Agung, accompanied by the Head of BI Riau Islands Musni Hardi K Atmaja, Director of Polibatam Uuf Brajawidagda on December 23, 2022. Of course, in addition to venue facilities, BI and Polibatam have provided training to approximately 200 members of the general public, with 113 participants who passed and received halal assistance certification.

The second program is the development of Islamic boarding school economic independence through assistance and distribution of Income-Based Sharia Financing (PSBI) for Islamic boarding school business units and the development of Islamic boarding school economic independence is part of the Islamic economic development strategy in Indonesia in realizing inclusive growth. BI has included the role of Islamic boarding schools in one of the blueprint pillars for Islamic economic and financial development, namely strengthening the Islamic economy through institutional improvement programs, one of which is through the economic independence of Islamic boarding schools. The pesantren independence development program is expected to encourage pesantren as the main driver in the halal value chain ecosystem. In addition, synergy and linkage with MSMEs and corporations also need to continue to be carried out to further strengthen the role of pesantren in the development of the halal value chain ecosystem.

Meanwhile, the third program is to collaborate with the local government to form the Sharia Economic and Financial Regional Committee (KDEKS). Bank Indonesia Riau Islands Representative actively encourages the development of MSMEs in Batam City through three main programs: (1) Corporatization to strengthen institutions, increase economic scale, and expand partnerships; (2) Capacity Building which includes strengthening human resources, business capacity, and market access; and (3) Access to Financing to facilitate MSME funding. Especially for sharia MSMEs, BI focuses on developing the halal ecosystem through the expansion of halal certification, strengthening sharia financing, increasing sharia financial literacy, and promoting sharia non-cash transactions. All of these efforts are supported by strategic collaboration with local governments, business actors, and communities to create a sustainable business environment.

Bank Indonesia's Riau Islands Representative Office also initiated the development of sharia financing schemes through strategic synergy with Islamic banking institutions, in order to facilitate the accessibility of business capital that is compatible with sharia principles for Micro, Small and Medium Enterprises (MSMEs). Simultaneously, this institution advocates for a sharia-based digital payment system, especially through the implementation of the Quick Response Code Indonesian Standard (QRIS), as an effort to optimize efficient and sharia-compliant non-cash transactions. Intensive socialization programs have been

carried out in various traditional trade centers in the Batam City area, with the aim of increasing the adoption of financial technology among traders and fostered MSMEs. Currently, all MSME entities that are Bank Indonesia Riau Islands' fostered partners are in the implementation stage of QRIS as part of the digital transformation strategy in the financial transaction ecosystem.

The Riau Islands Representative Office of Bank Indonesia (KPw BI Riau Islands) continues to strengthen the Islamic economic and financial ecosystem by holding the Riau Islands Festival Ramadhan Fair (KURMA) which will be held for the first time in the month of Ramadan in 2024. In an effort to accelerate the development of the Islamic economy and finance, Bank Indonesia of the Riau Islands Province (Riau Islands) synergizes with the Riau Islands Provincial Government and various related parties in the forum of the Regional Committee for Sharia Economics and Finance (KDEKS).

The "KURMA" program aims to strengthen the halal ecosystem. Until now, BI continues to strive and is committed to encouraging halal programs that have been running, including accelerating halal product certification and developing Halal Centers and sharia creative industries."

In supporting the implementation of halal certification, BI Riau Islands has established three Halal Process Product Assistance Institutions (LP3H) supported by 475 professional assistants. To date, 1,895 halal certificates have been issued through the self-declare scheme and 324 certificates through the regular process. Bank Indonesia Riau Islands Representative Office has initiated the construction of three halal centers (Halal Centers) in 2022 located at the Batam State Polytechnic, STAIN Sultan Abdurrahman Tanjungpinang, and STI Natuna.

Bank Indonesia Riau Islands has made various efforts to develop the halal industry and sharia MSMEs, including by providing assistance to sharia MSMEs including product curation, capacity building, trade promotion, and business matching trade and financing. Bank Indonesia also curates and incubates Sharia Creative Industries (IKRA) to produce MSMEs with export potential. In addition to the above programs, Bank Indonesia Representatives also routinely hold Sharia Economic Festival (FESyar) events including various activities, including: sharia MSME exhibitions, halal bazaars, seminars and education, Waqf Awareness Movement, Nazhir professional certification, and various competitions/competitions.

In order to develop the sharia economy through the empowerment of MSMEs in Batam City, Bank Indonesia Riau Islands is committed to always synergizing with various parties in developing the sharia economy and finance to achieve more inclusive and sustainable economic growth

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Still based on the results of an interview with Mr. M. Hafidh Ridho as the Junior Analyst of Bank Indonesia Batam City when the author asked questions about how the opportunities and challenges for Bank Indonesia (BI), especially for the Riau archipelago, especially the city of Batam in improving the sharia economy, information was obtained that the development of the sharia economy in Batam City showed a positive trend marked by the increasing variety of halal products in the market. Some of the main factors that drive this growth include the demographic characteristics of Batam as a Malay area that culturally has a closeness to Islamic values, as well as the migration of Muslim populations from various regions such as Sumatra, Java, and Kalimantan who opened various sharia-based businesses in the culinary, fashion, and service sectors.

However, Bank Indonesia still faces several challenges in the development of the sharia economy in the region. The main obstacles include: (1) the low level of sharia financial literacy in the community, (2) the tendency of the community to continue using conventional financing systems, and (3) the role of religious leaders that is not optimal in socializing the principles of Islamic muamalah, especially the sharia economy. In fact, as a figure trusted by the public, religious leaders have the strategic potential to not only teach aspects of worship, but also apply sharia values in daily economic activities.

Another challenge is that Batam is a strategic city and many large international companies have opened branches in Batam, but cannot implement the sharia economic system because they have to follow the standard operating procedures (SOPs) of their headquarters such as in the United States, Japan and other obstacles to the implementation of the sharia system in multinational companies that must follow the standard operating procedures (SOPs) of the head office abroad, and the low market share of Islamic banking in the Riau Islands which limits access to sharia-based MSME financing. Nevertheless, BI KPw Riau Islands remains optimistic about increasing sharia economic growth through education and socialization strategies to the public, as well as the development of potential sectors such as the halal food industry and modest fashion, along with the great potential that can still be explored in this region. Another factor that is the most dominant is the market share of Islamic banking in the Riau Islands which is still low so that there is a lack of MSME capital financing by Islamic banking and this is a challenge in itself to always create the latest innovations and are in demand by the wider community.

The hope and target of Bank Indonesia (BI) in improving the sharia economy is that if you look at the potential of the sharia economy, it can still be improved and developed again in the future through education and socialization to the public. Various sectors can also be developed, especially halal food and modest fashion.

5. Conclusion

The development of the sharia economy in Batam City shows great potential, driven by Malay culture which is thick with Islamic values and the number of Muslim MSMEs engaged in the halal sector. However, the main challenges are still hindering, such as the limited implementation of the sharia system in multinational companies due to global SOPs, the low market share of Islamic banking, and the lack of public literacy about Islamic finance. Bank Indonesia (BI) is committed to overcoming these challenges through education, socialization, and the development of leading sectors such as halal food and modest fashion and halal tourism. In addition, BI will continue to strive to establish cooperation and synergy with various related parties in strengthening the halal ecosystem in Batam in particular and the Riau Islands in general. With this effort, the sharia economy in Batam is expected to grow more rapidly, support sharia financial inclusion, and strengthen Batam's role as the center of the sharia economy in Indonesia's strategic region.

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