

## The Role Of Baitul Maal Wat Tamwil (BMT) To Improve The Community's Economy

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**Abstract**

*Baitul Maal Wat Tamwil (BMT) has an important role in realizing the economic improvement of the community. But not all people know the special part of BMT. So many people prefer to go to the bank. The purpose of this paper is to find out the role of BMT and the impact caused by the presence of BMT. This writing uses the literature review method with a data collection method using books and previous articles. The results of this paper show that the role of BMT is to make people switch to Sharia transaction activities. Meanwhile, the impact caused by the presence of BMT is to make it easier to develop micro / small businesses that need funds for their business.*

**Keywords:** BMT, Small/Micro Business, Role of BMT

**Abstrak**

Baitul Maal Wat Tamwil (BMT) mempunyai peran yang penting untuk terwujudnya peningkatan ekonomi masyarakat. Namun tidak semua masyarakat mengetahui peran khusus BMT. Sehingga banyak masyarakat lebih memilih untuk pergi ke bank. Tujuan penulisan ini untuk mengetahui peran BMT serta dampak yang ditimbulkan dengan hadirnya BMT. Penulisan ini menggunakan metode literature review dengan metode pengumpulan data menggunakan buku maupun artikel – artikel terdahulu. Hasil penulisan ini menunjukkan bahwa peran BMT memiliki tujuan agar masyarakat beralih kepada kegiatan transaksi syariah. Sedangkan dampak yang ditimbulkan dengan hadirnya BMT yakni mempermudah pembinaan usaha mikro/kecil yang sedang membutuhkan dana untuk usahanya.

**Kata Kunci:** BMT, Usaha Kecil/Mikro, Peran BMT

## 1. INTRODUCTION

Islam is a perfect and universal religion. Because it not only regulates man's relationship with his God but also talks about how man relates to his fellow man, known as mu'amalah (Darmawati, 2013). So it can be concluded that man, in carrying out his activities in life in this world, encourages interconnection with each other to meet his needs. With relationships with each other, it takes a law that can regulate the relationship because if no law regulates it, then human life in terms of dealing with each other, there will be chaos and instability in human life. Today, people's needs are increasing. But as people's needs grow, it is not accompanied by an increase in income. Because of this phenomenon, to meet increasing needs, humans do everything to meet these needs. Due to the rising public demand for finance, people have to be in contact with financial institutions, such as banks. On the other hand, small business actors do not get access to financing in the banking world. This is because Islamic banks still set the conditions for guarantees in applying for financing. Of course, this cannot be fulfilled by small business actors (Ayogi & Kurnia, 2015).

Indonesia is a country where the majority of the population is Muslim. With most people being Muslim, Indonesia uses most of the population to seize opportunities to develop the Islamic economy. The Islamic economy can provide positive and Islamic economic activities. Of course, it is adhering to Islamic principles. Therefore, BMT is present as an implementation of the Islamic economy. However, the presence of BMT still has some problems to face. Some of the problems BMT faces include the presence of BMT, which requires additional costs from other parties, such as Islamic banking (Lubis, 2015). This is due to the development of financing, which is very towering. Second, the wider community knows about BMT's existence, and the public does not believe that BMT can develop into a large company (Sahil, 2019). Meanwhile, so far, BMT has been fostered by the Ministry of Cooperatives and MSMEs, considering that the use of BMT is only carried out by the lower middle class and has not been evenly distributed. Third, limited working capital to develop a business (Alexandro & Uda, 2020) (Amaliana & Mintaroem, 2019). Seeing these conditions, of course, hinders the economy of small business actors. Fourth, lack of mastery of technology, a lack of capital, and limited market access (Sumardi & Zulpahmi, 2017).

This is because the business owned by small business actors is still transitional. Fifth, the governance of BMT has not been maximized (Afif & Darwanto, 2017). The unnoticed governance of BMT is feared to impact the decline of the wider community's view of BMT. The development of BMT cannot be separated from the performance that exists in the internal body of the organization. Not all BMT can survive and compete with similar businesses. This is certainly due to many factors. Although internal factors have an important role, they must also look at external factors to make the presence of BMT more effective in improving the community's economy. Based on the background above, the author wants to know about BMT's role in improving people's living standards and economy.

## 2. LITERATURE REVIEW

### 2.1 Baitul Maal Wat Tamwil (BMT)

BMT has different definitions and languages. In Indonesia, BMT is a business institution with members who have a mission to build and float an economic system in a civil society by

promoting a sense of justice for people involved in it. While in Arabic, BMT stands for Baitul Maal wat Tamwil, a financial institution whose implementation of activities is based on cooperative principles and sharia principles (Sudjana & Rizkison, 2020)

BMT is a microfinance institution run with the concept of profit sharing, developing microenterprises aimed at improving the degree and defending the interests of the poor (Harahap, 2020). BMT is a financial institution that was born with the concept of sharia and is a combination of the idea of maal and becomes part of the community in collecting and distributing funds to be used by Zakat, Infaq, and Alms (ZIS). BMT was born for the existence of productive business activities whose purpose is purely to make a profit with the lower middle sector (Masyithoh, 2014).

## 2.2 Baitul Maal Wat Tamwil function

The existence of BMT has functions including (Saefullah & Handayani, 2016) (Azahra & Muchlisin, 2015) :

1. Bayt al-mal, namely as a medium of gathering and distribution of property. For example, zakat, infaq, alms, and waqf
2. Bayt at tamwil that is is an institution engaged in savings loans and investment activities that has a cooperative legal entity

## 2.3 BMT Principles

In carrying out its functions, BMT has a principle, namely (Mashuri, 2016) :

1. Profit Sharing System contains procedures for sharing business results between capital owners and fund managers. This distribution of proceeds is then carried out between BMT and fund managers. The form of contract based on this principle is the mudharabah and musyarakah contract.
2. Buying and selling system, this system includes buying and selling procedures in which, in the implementation of its activities, BMT appoints customers as agents who are given the right to purchase goods on behalf of BMT. BMT acts as a seller who sells the goods to customers at a certain amount of purchase price plus profits for BMT. The profits obtained by BMT will later be distributed to fund depositors. The form of contract based on this principle is the murabahah and Ba'i Bit'tsaman Ajil contracts.
3. Non-Profit System, or also known as benevolence funds. The source of funds in this financing does not require costs. The form of contract based on this principle is the Qordhul Hasan contract

## 2.4 BMT's Role in Economic Improvement

To achieve the objectives of BMT, the role of BMT includes (Lubis, 2015), (Prastiawati & Darma, 2016) :

1. Keep people away from non-sharia economic practices.  
This can be done by actively conducting socialization, training on the importance of the Islamic economic system and how to transact Islamically

2. Funding and coaching small businesses.  
Because BMT must actively carry out its function as a sharia microfinance institution
3. Keep people's dependence on loan sharks away.  
With equitable distribution, BMT plays a role in maintaining the economic justice of the community.

### **3. RESEARCH METHODS**

The writing of this journal uses the literature review method, which looks for secondary data sources that can support writing and is needed to determine to what extent the science related to report has developed. This writing method uses qualitative research methods with a literature review approach. Apart from reference books, data is also collected from previous journals (Syukwansyah, 2016). In this paper, the literature review method is used to explore various kinds of theoretical materials in existing journals and then try to synthesize them so that they can create the concept of BMT to realize a competitive Islamic economy.

### **4. RESULT AND DISCUSSION**

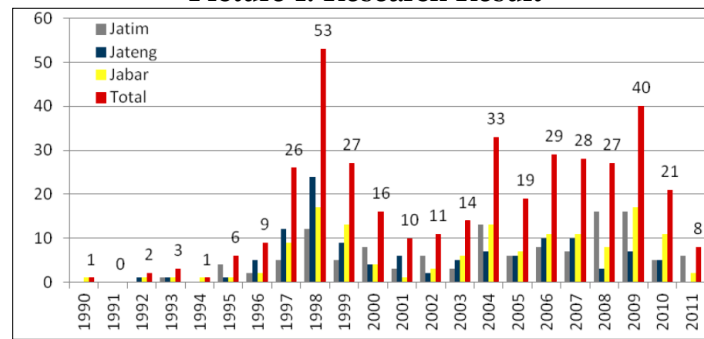
#### **4.1 Result**

##### **History and Development of BMT**

In 1984 was the year of the beginning of the start of BMT in Indonesia which was developed at the Salman mosque. Then in 1992, BMT was further developed by the Indonesian Muslim Scholars Association (ICMI). At that time, BMT focused on collecting and distributing zakat funds from government agencies. Then operationally continued by the Small Business Incubation Center (PINBUK). Then PINBUK became a training institution for BMT. In 1997, when there was an economic crisis, BMT began to grow and became an alternative to recovering economic conditions. Then the focus of BMT shifted to a microfinance institution operated using shari'a principles. To grow micro and small business businesses and defend the interests of the poor. Then BMT became more popular after the Muslim community in Indonesia became aware of alternative institutions that could encourage the development of the MSME sector. Naturally, people need financial institutions that use the Islamic system, considering that the majority of people in Indonesia have Islamic religion. Lately, BMT has been increasingly discussed in the Islamic economy. Even the Government, through the Ministry of Cooperatives and SMEs, stated that Islamic financial services cooperatives (KJKS). currently, there is already a BMT that targets trillions of assets. The BMT is BMT UGT Sidogiri Pasuruan East Java, where the assets it owns amount to Rp 2.2 trillion as of December 2019. Meanwhile, another BMT continues to increase ([www.pasuruankab.go.id](http://www.pasuruankab.go.id)).

According to (Sakti, 2013), the BMT Survey conducted in three central provinces in Java includes 150 BMT spread across 23 districts and municipalities in the West Java region, 118 BMT in 35 communities and cities in the Central Java region, and 128 BMT in 22 districts and municipalities in the East Java region. The three areas are selected based on the majority population of BMT in Indonesia.

Picture 1. Research Result



Source: (Sakti, 2013)

The establishment of BMT significantly occurred in 1998, 2004, and 2009. In the three provinces, the establishment of BMT is an initiative of the community, from mass organizations, mosques, Islamic boarding schools, and professions. Based on its location, most of BMT's presence is in the district area. And BMT in the East Java region is more than Central Java and West Java.

### Constraints on the Development of BMT

In its development, BMT has several obstacles in (Nugraheni, 2010) :

#### 1. Human Resources (HR)

BMT is a managing organization, and the capabilities and skills of human resources are very influential in the development of BMT. BMT managers sometimes pay less attention to all aspects of improving the quality of human resources. Especially BMT, which is independent without the guidance of other institutions such as PINBUK. On average, BMT management is still managed by high school-level human resources, and only a small percentage have undergraduate education.

Working at BMT is not the top choice for most undergraduate graduates because they believe their income is not as expected. Only people with strong religious beliefs want to join BMT because the workload of BMT is quite large, especially in the early stages of growth.

#### 2. Limited capital

BMT is usually established with limited funds. At a minimum, BMT can buy office equipment and pay for the first month. BMT should still need to add further business development. And investors who invest in BMT usually tend to have religious and social motives. So the distribution is not very large.

#### 3. Lack of socialization of BMT

This lack of socialization has an impact on people's trust in BMT. People tend to turn away from BMT, which is considered a small financial institution whose existence is inconclusive.

4. Lack of communication

BMT administrators and managers are less aware of the importance of continued communication between other BMT. With continued communication, they can share their experiences and help each other in the capital, even though it is limited to borrowing.

5. Difficulties in implementing a profit-sharing system

For borrower customers, they tend to want quick capital without complicated procedures. They never held bookkeeping. Finally, BMT managers must patiently explain the financing mechanism. Even sometimes, BMT ends up deciding by setting the trader's profit evenly.

6. Difficulty in analyzing costs and control

Managers find it difficult to control the use of financing funds provided to customers. Because, for the most part, they are closed in financial matters, and there are almost no financial records.

## 4.2 Discussion

### **The role of BMT in improving the community's economy**

The prolonged economic crisis in Indonesia has not reached a bright spot. The poverty factor tends to be high in Indonesia, which can create gaps between the rich and the poor. One of the efforts to improve the community's economy can be made by developing their potential. The community must face many obstacles to avoid maysir, gharar, and usury. Thus, the presence of BMT is expected to be able to play the following roles:

1. You are distancing society from illegal economic practices. Here BMT must have an active role in socializing with the public about the part of the Islamic financial system that does not understand the Islamic economy very well. This can be done by conducting training activities on steps in transacting sharia.
2. Conducting funding and coaching activities for small businesses. Here BMT must be active in carrying out its function as a microfinance institution in coaching, counseling, and supervising the company owned by customers
3. They are releasing people's dependence on loan sharks. Here BMT must be able to get the community's attention by improving optimal services.
4. Maintain the community's economy with equitable distribution. As a financial institution, BMT must comply with Islamic sharia rules in implementing its activities.

Thus, BMT answers areas that banking institutions have not reached. So here, BMT plays an important role in improving the community's economy. BMT has social activities to help the community's economy, including raising funds and distributing funds and services. BMT can be used as an alternative to improve people's living standards by providing financing to increase capital from Micro, Small, and Medium Enterprises (MSMEs), to manage and grow their business productivity. Thus the community no longer borrows from loan sharks which give high interest to weak people.

### **BMT development strategy**

Strategies that can be carried out to develop Baitul Maal Wat Tamwil, include:

1. Islamic banks must realize that it is to provide additional fees to BMT. This aims to make the existing performance in Islamic banks also able to be recognized by the wider community.
2. BMT must fully register its institution with the Financial Services Authority (OJK). With the aim that the existence that is already owned is increasing. And finally, the people believe in the presence of BMT.
3. BMT must create significant changes to be able to compete with other companies. With the aim that the public also believes that BMT can develop and beat other large companies
4. BMT must start implementing the use of information technology and improving sharia principles. In order, Baitul Maal Wat Tamwil (BMT) customers are also advancing (Mustaring, 2016)
5. Maximizing the governance of BMT through human resource development in BMT itself. This is so that people's views on BMT do not decline, and they increasingly believe in the presence of BMT (Hayati, 2014)

## **5. CONCLUSION**

BMT is a legal entity consisting of people who have a mission to develop the economic order to create a civil society that prioritizes justice and prosperity. As an institution in the business sector, BMT further develops business in the financial industry. The legal basis of BMT in Indonesia is almost the same as that of a combined legal entity. The purpose of establishing BMT is as a legal entity that manages funds owned by the community on a small and medium scale and offers services to the community through financing and credit. Advice to BMT to be noticed again by the Government. Considering that this institution is beneficial for the lower middle class. Suggestions for further research to examine the role of BMT specifically again

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