

The Role of BMT in Improving Household Financial Management

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Lack of capital is a major obstacle in doing business, especially when the business is classified as a micro small business. The capital factor is an obstacle to the development of a business. So if this micro small business owner wants to expand, he must borrow or credit to credit institutions such as : BPR, BPRS, Banks and other financial institutions. However, a new problem arises from BPR, namely that the minimum credit for businesses is Rp. 5 million plus interest. In response to this, Islamic economic experts created a concept of financing and savings up to a nominal value below Rp. 1 million even Rp. 100 thousand is still served. The financial institution is Baitul Maal wat Tamwil (BMT). BMT is a solution for individuals who have home-based businesses to expand. This study will look at the role played by BMT and how maqasid sharia reviews this role.

Keywords: BMT, Indonesia, Islamic Microfinance, Management

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INTRODUCTION

At this time, the world's economists are thinking and formulating a great way for their countries to exist. They are thinking of a surefire way to avoid an economic crisis. An economic concept embraced by the superpower of the United States, namely capitalism, cannot prove that the system is a system that can lead to peace. Evidently during the crisis of 1998, an economic bubble burst, which looked from the outside to have something full and sufficient but the contents of the bubble were just empty air. When a bank gives interest to customers for their loans, it seems as if the interest makes more money, but in reality it is just empty. In fact, the interest is one of the causes of continuous inflation. This has resulted in some countries experiencing a catastrophic inflation crisis, with all prices of goods rising while the exchange rate is low. So that the population below the poverty line is increasing due to not being able to fulfill their daily needs. Indonesia was no exception, when the crisis occurred Indonesia borrowed bailout funds from the IMF to maintain the Sovereignty of the Republic of Indonesia. Even on the loan, Indonesia has not been able to pay off the interest on the loan until now.

After the capitalist system has been proven to fail in organizing the world economy, a new economic system adopted by the Soviet Union emerged, namely the socialist economic system launched by Karl Mark. This economic system was proclaimed to be a reference and guideline for the world economic system because the socialist economic system is recognized as having advantages over the capitalist economic system, namely the government is very easy to control the economic system, even all economies are controlled and owned by the government. It did not last long, the socialist system was destroyed and could not survive as evidenced by the crisis that hit the Soviet Union. Economic experts began to think of a new system that could lead to benefit and peace. There came an economic system that already existed at the time of the Apostle, but only recognized its existence lately, namely an economic system based on Islamic law. At the beginning of its existence many economic experts doubted the greatness of this system, but when there was a catastrophic crisis in 1998, this economic system was tested and survived in the midst of the country's economic turmoil.

Economic experts began to look at this Islamic economic system, they began to take into account the greatness of the economy based on the Qur'an and As-Sunnah. This system also did not escape the attention

of investors, large investors began to consider investing their assets in institutions or banks based on Islamic law. The Islamic economic system prioritizes the benefit of the people, recognizes private ownership and government and promises justice and prosperity for all people.

This is used as an opportunity to compete in goodness as evidenced by the existence of institutions based on Islamic law such as: BPRS, Islamic cooperatives, Islamic insurance and BMT. These business people prefer Islamic-based money saving and distribution institutions because in addition to being more profitable, Islamic bank or non-bank institutions prioritize the benefit of the people. Islam does not only pay attention to the elite, but Islam also pays attention to the lower classes. That is the advantage of the Islamic system over the capitalist and socialist systems.

By paying attention to the lower classes, the Islamic system offers an Islamic-based micro savings and loan institution called Baitul Maal Wat Tamwil (BMT). BMT is a bank-like savings and loan institution but its functions and transactions are smaller than banks. BMT is intended to serve households who want to do business or increase business capital and save money. However, the funds issued are limited because BMT does not have capital like banks in general. BMT is just a small micro institution that serves the needs of individual households in the community. However, although only a small micro institution, BMT cannot be underestimated, BMT has considerable potential compared to other micro institutions such as: BPR, Pegadaian, Village Credit Agency, USP and others.

Based on [Ismawan & Budiantoro \(2005\)](#), nationally the number of BMTs is smaller than the Village Credit Agency, the number of Village Credit Agencies reaches 5,345 units while BMTs are only 3,038 units. However, in terms of creditors and the amount of credit, BMT is larger than the Village Credit Agency. The number of BMT creditors reached 1,200,000 creditors, while the Village Credit Agency amounted to 400,000 creditors. From the amount of credit BMT reached a credit figure of Rp 157,000,000,000, while the Village Credit Agency amounted to Rp 197,000,000. Even the number of deposits between BMT and the Village Credit Agency is far comparable, BMT has deposits of around Rp 209,000,000,000, while the Village Credit Agency is only around 380,000,000. If BMT is juxtaposed with the Village Credit Agency, it means that BMT can already be categorized as a maximum in the storage and distribution of funds. But when compared with BPR and BRI Unit, both in terms

of the number of creditors, the amount of credit and the amount of deposits. BMT is still relatively small and not maximized in the distribution and storage of household funds (Wibowo, 2006).

The number of BMTs nationally reached 3,038 units spread across several regions in Indonesia. But the problem is that there are still many people or individuals who are not familiar with BMT. This means that the establishment of BMT has not been evenly distributed throughout the region. Next is the role of BMT in alleviating poverty or on a small scale BMT can increase income or household finances. And whether every transaction made by BMT is in accordance with Maqasid Sharia.

Therefore the author formulates several problems to be researched: (1) Is the role of Baitul Maal wat Tamwil (BMT) in improving household finances maximized? (2) Is the role of Baitul Maal wat Tamwil (BMT) in improving household finances in accordance with the maqasid sharia index? Through this study, this question will be tried to be answered.

LITERATURE REVIEW

Definition of BMT

According to the definition issued by the [Micro Credit Summit \(1997\)](#), Microfinance is "A money loan program for poor families to be used as a business that provides results and income in meeting personal and family needs" ([Ascarya & Sanrego, 2008](#)). The definition explains that microfinance institutions, whether sharia or not, are intended for poor families. And the funds are used to start or increase the capital of a business so that with the business, poor families have additional income that is used for their daily needs and needs.

Another definition of BMT is a financial intermediation system at the micro level with a cooperative legal entity in which there are Baitul Maal and Baitul Tamwil which in its operations are carried out by applying the principles of sharia. From this understanding, BMT is included in micro-level financial institutions that use cooperative law as its legal basis. However, there are other definitions related to sharia and conventional microfinance institutions that have been explained by related institutions ([Wibowo, 2006](#))

Table 1. Definition and Criteria of Islamic Microfinance Institutions

Institution	Type	Details
Ministerial Decree State of Cooperatives & MSMEs RI No.91 Year 2004 concerning Guidelines for the Implementation of KJKS Activities Chapter I Article 1	BMT	BMT as a sharia microfinance institution and legal entity of a sharia financial services cooperative, the implementation guidelines should also follow the rules of sharia financial services, namely its business activities are engaged in financing, investment, and savings according to the profit-sharing pattern.
PINBUK (Pusat Small Business Incubator) was established based on notarial deed No.005 dated March 13, 1995 in the work strategy.	BMT	Consists of two sides of activities, namely <i>Baitul Maal</i> and <i>Baituttamwil</i> . <i>Baituttamwil</i> activities prioritize the development of investment and productive activities with economic targets / businesses which in their implementation support each other for the development of community welfare efforts. While <i>Baitul Maal</i> prioritizes welfare activities, is non-profit.
Law No. 25 of 1992 About Cooperatives Article 44	Cooperation	Cooperatives can raise funds and channel them through savings and loan business activities from and for: <ol style="list-style-type: none"> Members of the Cooperative concerned; Other cooperatives and/or their members.
Design Law MFI	Microfinance institution	financial institutions that provide non-bank microfinance services that are not solely for profit.
Asian Development Bank (ADB)	Microfinance institution	Institutions that provide <i>deposits, loans, payment services</i> and money transfers aimed at <i>the poor and low income households and their microenterprises</i> .

From the explanation of the definition above, it can be concluded that what is meant by KJKS / BMT / Sharia Cooperation in principle is almost the same as Conventional MFIs. However, there are several different activities in terms of contracts and transactions, namely with a sharia system that does not allow the concept of interest. Through this system, forms of financing can be developed for micro, small and medium enterprises such as by using the concept of buying and selling (bai' murabahah, bai' salam and bai' istishna'), entrustment (wadi'ah), profit sharing (mudharabah and musyarakah), rent (ijarah), zakat, representing (wakalah), transfer of debt (hiwalah) and other services.

Role of BMT in Improving Household Finance

It has been explained above about the meaning of BMT from various literatures that the main essence of the definition of BMT is a sharia microfinance institution based on corporation law that helps poor families to create a business so that poor families have enough work and income for their needs. In general, the meaning of BMT teresbut above, is also a role of BMT in alleviating poverty and help underprivileged families because the purpose of the establishment of BMT is tabarru' and ta'awuni not only oriented maximum profit. According to [Bambang Ismawan \(1994\)](#) on microfinance institutions, there are several roles that must be carried out by BMT including:

1. Support the equitable growth of BMT services widely and effectively so that various groups of micro businesses will be served. The development of micro-enterprises that then turn into small businesses, this will facilitate equitable growth.
2. Overcoming the gap between cities and villages due to the wide reach of BMT, which can include villages and cities, is a development breakthrough. Admittedly, development so far has often been unfair to rural communities, because it is more inclined to develop cities. One indicator is the rapid flow of urbanization and the rapid development of microfinance that has the ability to reach villages, of course, will reduce the gap between villages and cities.
3. Addressing the gap between big business and small business, the sector that has received access and ease in developing itself is big business, resulting in a wide gap between the development of big business and small

business. With the support of small business financing, this will certainly reduce the gap.

4. Increase regional independence. With the factors of production (capital, land, human resources) which are the strengths owned by the region, fully utilized and empowered to take advantage of various opportunities that exist, the dependence on investment from outside the region (and abroad) will be reduced, and people's economic investment, can grow rapidly. Regional independence will certainly have an impact on national independence, because the national consists of regions, so that by itself dependence on foreign debt will be reduced.

The existence of equitable growth, the balance of urban and rural growth, the reduction of the big business-small business gap, of course, will reduce the possibility of regional instability. Social jealousy will automatically be reduced, because the existence of equitable welfare will lead to a multiplier effect and interdependence between one part and another.

In addition to the role of BMT, there are also principles required by the Microcredit Summit that must be adhered to by BMT, among others:

1. Reaching the poorest. The poorest are the poorest people, but they are economically active and have an entrepreneurial spirit. Internationally they are understood to be the bottom half of the national poverty line.
2. Reaching and empowering women. Women suffer the most from poverty, so they should be the main focus. In addition, from field experience in various countries, women are good borrowers, users and repayers of credit.
3. Building financially sustainable institutions. In order to continuously serve the poor, so that more and more people are served, the BMT institution must be financially sustainable.
4. Measurable Impact. The impact of institutional presence is measured so that evaluation can be done, this is intended to improve institutional performance.

From the roles and principles of BMT earlier, then BMT has a very important role to improve the financial economy of poor family households. Because conventional village credits such as : BPR and BRI Unit Village can not reach the poorest families even though the funds it has enough for credit purposes and also the

Village Credit Agency can not be relied upon because the funds from BKD is very limited. In contrast, BMT has sufficient funds and can reach even the poorest families.

Definition of Maqasid Shariah

Maqashid sharia is a compound word that combines the words maqashid and sharia. In language, maqashid is the plural form of the word maqshad which means purpose, while the definition of sharia is what has been determined and explained by Allah to His servants both related to matters of faith and law. Contemporary scholars define maqashid sharia as follows:

1. According to Thahir Ibn Ashur, maqashid sharia is the meanings and wisdom that have been considered by Allah in all the provisions of sharia law both small and large and there is no specialization in certain types of sharia law (Raysuni, 1992).
2. 'Alla al-Fasy defines maqashid sharia as the goals and secrets that Allah has established in every law (Al-Fasy, 1993).
3. Dr. Ahmad Raysuni defines maqashid sharia as the objectives that have been set by Allah to realize the benefit of servants (Rasyuni, 1992).
4. As for Dr. Muhammad al-Yubi defines maqashid sharia as the meanings and wisdom that have been determined by Allah in his special or general sharia which aims to realize the benefit of servants (al-Yubi, 1998).

As for the division and classification of Maqashid sharia, scholars differ in opinion on this issue, but the core and meaning remain the same. here are some opinions of scholars about the division and classification of maqashid sharia:

1. Ibn Qayyim Al-Jauziyah said that the basis of sharia is wisdom and human benefit in this world and the hereafter. This benefit lies in perfect justice, mercy, welfare and wisdom. Anything that makes justice into persecution, mercy into violence, benefit into destruction, and wisdom into vanity, then it has nothing to do with sharia (Al-Jauziyah, 1973).
2. Ibn Ashur mentioned that in general the purpose of sharia is: maintaining the rules of life, realizing benefits, rejecting harm, establishing equality between humans, maintaining the glory of sharia,

strengthening and providing peace for mankind (Raysuni, 1992).

3. As for 'Allal al-Fash mentioned the purpose of sharia is: prospering the earth, maintaining the rules of life, upholding justice and keistiqamahan, always realizing the benefits both for the mind, work, and fellow humans on earth, providing and regulating benefits for many people (Raysuni, 1992).
4. Abu Zahrah (1958) classifies that the laws in Islamic law aim to tahdzib al-fard (education for individuals), iqamah al-adl (upholding justice), and maslahah (benefit). Abu Zahrah (1958) continued that if the term maslahah is mentioned, what is meant is the real maslahah which returns to the five basic things, namely the preservation of religion, soul, property, mind and offspring. Ash-Syathibi (1997) explains that these five basic things (dharuriyyat) must exist for the sake of the establishment of the benefit of religion and the world, where if it does not exist then the benefit of the world will not run stable even will run on damage, chaos, and loss of life, while in the hereafter will lose safety, enjoyment, and return with a real loss.

According to Imam Abu Hamid Al-Ghazali in the book al-Mustashfa, maslahah is the preservation of the purpose of sharia and the purpose of sharia consists of five things, namely the preservation of religion, soul, mind, offspring and property. So anything that ensures the maintenance of these five points is called maslahah and everything that escapes from it is called mafsadah (damage). (Al-Ghazali, 1991)

According to Chapra (2000), Imam Ghazali very wisely put faith/religion at the first place in the list of maqashid. This is because in the Islamic perspective, faith is the most important content for human happiness. It is faith that puts human relationships on the right foundation, enabling mankind to interact with each other in a balanced and mutually beneficial association in achieving mutual happiness. As for wealth, it comes last because wealth is not an end in itself. It is only an intermediary (tool), although it is very important for the realization of human happiness. Property cannot achieve this goal unless it is allocated and distributed equitably. The three goals in the middle (soul, intellect, and offspring) relate to the human being himself, his happiness being the main goal of the maqashid.

In addition to *maslahah dharuriyyat*, there are also *maslahah hajiyat* and *tahsiniyat* as also mentioned by Al-Ghazali in *al-Mustashfa* and Ash-Syathibi in *Al-Muwafaqat*. Ash-Syathibi (1997) explains, as for the second level of *maslahah* is *hajiyat* which means all the things that are needed by humans to eliminate difficulties, and if the case is not realized it will not damage the order of life, but humans will experience difficulties. Meanwhile, the last level of *maslahah* is *tahsiniyat*, which is taking all good traditions and avoiding conditions that tarnish and pollute a healthy mind and are all included in noble morals. Some studies both theoretical and applied regarding *maqasid syariah* can be seen in Izza & Ikhwan (2023), Uula & Harahap (2023), Oktaviani (2022), and Rahayu (2021).

Concept of Maqasid al-Shariah Index

The understanding of *maqashid sharia* index is nothing but the classification and division of *maqashid sharia* itself as explained above. The scholar al-Ghazali in *al-Mustasfa* mentions five indices that must be carried out so that a matter is in accordance with the concept

and noble Islamic goals, namely: preservation of religion, preservation of the soul, preservation of the mind, preservation of offspring and preservation of property.

In contrast to Abu Zahrah, contemporary scholars divide the *maqashid sharia* index into three categories: *tahdzib al-fard* (education for individuals), *iqamah al-adl* (upholding justice), and *maslahah* (benefit). And from this difference of opinion, Umar Chapra has an opinion that causes the difference of opinion, namely: 1. Views and perceptions about Islam 2. Strategy and policy (Chapra, 2005). Different views and perceptions will result in different outputs issued by the scholars. And this will result in different policies in each place not only in terms of worship but also social and economic.

So to measure and weigh the health of a financial institution, the *maqashid sharia* index proposed by Abu Zahrah is used, namely: education, justice and *maslahat*. In order to understand the *maqashid sharia* index expressed by Abu Zahrah more clearly, Muhammed and Taib (2009) made a scheme of understanding *maqashid sharia* according to Abu Zahrah:

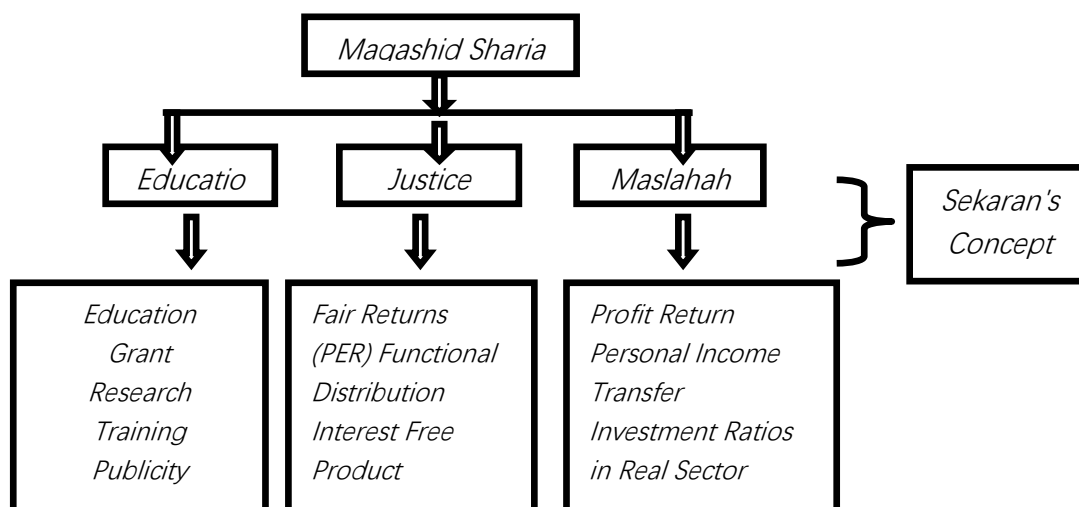


Figure 1. Maqasid Index (Antonio et al., 2012)

From the scheme above, it is clear that there are three *maqashid sharia* indices, namely education, justice and *maslahat*. Education in this context is a reference for conducting research, training, *pablisitas* and others. Furthermore, in justice, if we look at the scheme above, justice must be realized in a real form such as: justice in distribution and products that are free from interest. In *maslahah*, if someone is doing business, then there must be profit that he gets and investment funds must be channeled into the real sector not the monetary sector.

METHODOLOGY

Research Method

The method used in this research is qualitative research methods. Qualitative research methods are research methods based on the philosophy of postpositivism used to research on natural object conditions, (as opposed to experiments) where the researcher is the key instrument, data collection techniques are triangulated (combined), data analysis is inductive / qualitative, and qualitative research results

emphasize meaning rather than generalization (Sugiyono, 2008).

Qualitative research is descriptive. The data analyzed is not to accept or reject the hypothesis (if any). The results of the analysis are in the form of a description of the symptoms observed and do not have to be in the form of numbers or coefficients between variables. However, qualitative research is not impossible to have quantitative data (Subana & Sudrajat, 2005).

Type of Data

The type of data used in this research is secondary data. Secondary data is primary data that has been further processed and presented either by the primary data collector or by other parties, for example in the form of tables or diagrams. This research takes secondary data in the form of: Theories that researchers take from various literatures; BMT Financial Statements; and other literature such as books, articles, journals, magazines, internet and others.

Data Analysis

Qualitative research is a research procedure that produces descriptive data in the form of written or spoken words from the people and circumstances observed (Moleong, 1997). This research uses data analysis techniques that rely on a continuous complementary role between data collection and analysis through questioning and theoretical comparisons (Sujoko, 2004). The data obtained by researchers from the results of data collection were compared with the indicators from the literature study.

This research was prepared to explore the phenomena that occur by combining the concept of BMT and the concept of maqashid syariah index to review performance. In analyzing the problem, first conduct an analysis process of the problem then relate the problems that occur in the field along with the solution using maqashid index measurement.

In order to obtain scientific truth, this research was carried out by paying attention to several stages, namely the stage of presenting evidence or facts (skeptical), paying attention to relevant problems (analytic), and the stage of considering objectively to think logically (criticism).

ANALYSIS

The problem of input shortages in Indonesia is not only experienced by one or two families, but almost all Indonesians who are in the middle to lower economic line. And at the climax, television stations have recently

reported on the demonstrations of laborers who want their wages to be raised because of the lack of inputs for their household needs. Various efforts have been made to increase household income, but still not getting maximum results. In the chaos of the current situation, Islam appears with its economic system that voices financing to the smallest nominal, education funds and savings based on the Qur'an and as-Sunnah. BMT is excellent for people with middle to lower economic categories. Because only BMT can serve financing to the poorest families, while competitors like: BPR, BRI Village Unit, Village Credit Agency and others, do not want to serve financing for the poorest families because the minimum value of financing is Rp. 5-10 million.

In today's social sphere, BMT can support some household finances with the capital issued by BMT to increase the capital of micro small businesses. The problem that occurs today, many small traders who want to expand but lack capital. When they want to borrow or want to apply for financing to a bank or BPR, the funds that micro small business people must borrow a minimum of 5-10 million rupiah and with an interest rate of 2%. However, if micro small business owners only want to borrow 1-2 million rupiah for example, then they cannot borrow from a bank or BPR, even at Bank Syariah Mandiri, the minimum financing is Rp. 10 million. So seeing such conditions, a BMT was established that serves financing to a level below Rp. 1 million.

The above problem is an opportunity for BMT to increase customers. When more and more customers, then BMT assets also increased. Until 2012 the number of BMTs in Indonesia increased from the previous two years 2010 and 2011. In 2010 the number of BMTs in Indonesia reached 3000 BMTs operating. In 2011 the number of BMTs reached 3500 BMTs and in 2012 reached 3900 BMTs operating in Indonesia.

From the data above, it can be concluded that the number of BMTs from year to year is increasing because many middle to lower class families use BMT services. So that in addition to the initial establishment of BMT but there are also some BMTs that open branches because of the large demand. It can also be concluded that BMT assets are increasing along with the increasing number of customers who use BMT services. This can be proven by comparing the total assets of BMT in 2010, 2011 and 2012. In 2010 the total assets of BMT reached Rp. 3.2 trillion. In 2011 it increased to Rp. 3.6 Trillion. And in 2012, increased to Rp. 4 trillion. Means the average amount of BMT assets from the last three years

is Rp. 3.6 trillion, in other words the growth of BMT assets per year reached Rp. 3.6 trillion.

Basically, BMT serves financing with a nominal up to the smallest of Rp. 100 thousand and this financing is allocated to the real sector. The rationale is, if financing is used in the real sector, then the benefits obtained are real not just an empty bubble. And the principle held firmly by BMT is ta'awun, all BMT transactions carried out aim to help families or middle to lower households. BMT serves financing to households that only have a salary of 2 dollars per day. This is what makes BMT loved by households to support their living needs.

Although BMT has become a prima donna in every region, but not without problems that plague it. Many complicated problems that befall BMT, one of which is capital. Capital along with BMT assets nationally which reached Rp. 4 trillion is still insufficient to meet the demand of customers who each BMT almost has 3.5 million customers.

In addition to capital problems, BMTs also have constraints, namely place. Not all places in Indonesia have BMTs. Though BMT is very important to sustain the economy of the lower middle class and certainly in every region there are households that are less capable. Because the concept and work system of BMT is to help households that are less capable in finance. The profit obtained by BMT is not the main priority in determining financing.

In relation to maqashid sharia, BMT has served customers in accordance with the maqashid index. Evidenced by the sampling conducted by the author from several BMTs there are funds allocated in accordance with the maqashid index. Among them are: BMT Al-FATH, BMT Al-KAUSAR, BMT al-Munawwar, BMT Bina Sejahtera and BMT Citra Buana Syariah.

The first maqashid index is education, sampling conducted by the author shows that there are funds specifically allocated for education by providing scholarships to students from elementary to high school level and even some to college level. It means that it can be said that the role of BMT in terms of the first maqashid index is appropriate and does not deviate from the direction set by sharia.

In terms of justice, BMT provides a portion of financing and savings in accordance with the portion needed by the individual. This measurement is closely related to distribution, where the financing carried out by BMT in an area must spread equally and all households feel the benefits of the BMT. In addition to

distribution, this justice includes BMT products such as financing and savings that are free of interest.

The last index is maslahat, from the scheme compiled by [Muhammed and Taib \(2009\)](#), this index relates to the input of the results of businesses run by individuals. If the input received is maximized according to the calculation of numbers and sharia, it can be said that BMT meets the maslahat standard. Furthermore, investment in the real sector, BMT is in accordance with this index, because the investment or financing funds issued by BMT are only for the real sector.

CONCLUSION

Based on the research and analysis above, several conclusions can be drawn. The role of Baitul Maal wat Tamwiil (BMT) in improving household finances is good, but it has not been maximized due to several obstacles, namely: (1) BMT has not been distributed in every region, and (2) Still constrained by capital, because the enthusiasm of the community for BMT is very large.

Review of maqashid sharia in the role of BMT as a driving force in improving household finance, is in accordance with maqashid index. This can be proven from the social activities carried out by BMT itself, such as: scholarships, mass circumcision, distribution of basic necessities for underprivileged households. Means BMT is very instrumental in improving household finances.

After seeing and analyzing the current composition of BMT operations, BMT should have new product innovations to stimulate families to want to use BMT services and so that they really feel the benefits of BMT in their area. Furthermore, the government needs to make regulations related to Islamic microfinance institutions for operational development and also the need for programs to provide funds, facilitators or assistance so that the innovations made by BMT can run smoothly and sustainably. In the future, of course, similar studies are needed in order to add to the collection of scientific treasures specifically in the topic of Islamic microfinance using relevant method ([Fajariah et al., 2020](#); [Rusydiana & Devi, 2013](#)) and in general in the science of Islamic economics.

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