



## BMT'S TRANSFORMATION: TOWARDS A SUSTAINABLE INCLUSIVE FINANCIAL MODEL

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### ABSTRACT

*This study discusses BMT's strategy in transforming to support inclusive and sustainable finance using qualitative methods and the approach in this study is a content analysis study. The result of this study is that every financial institution in Indonesia uses an inclusive financial system, because with this inclusive finance makes an easy requirement which means that people from the lower class can access and use existing facilities easily because of easy requirements.*

*The paper uses qualitative methods, where according to Anslem Strauss, qualitative research is a type of research whose findings are not obtained through statistical procedures or other forms of calculation. The approach used in this study is a content analysis study. The study of content analysis itself is to understand the themes and / or categories contained in the message in the text, transcript, or narrative.*

*Islamic financial system is needed to encourage financial inclusion. One of the institutions that has a Sharia financial system is Baitul Maal Wat Tamwil (BMT). BMT is a Sharia Microfinance Institution that can support the improvement of financial inclusion, and is very strategic and feasible to facilitate economic changes in people's households, especially for Muslims, to be more prosperous than before". So, to support financial inclusion, BMT needs to transform to make it easier for people to access finance.*

**Keywords :** Transformation; BMT; Financial Inclusion

## INTRODUCTION

The financial inclusion model has become one of the pillars in the national economic growth and recovery strategy. Sophia Wattimena, Ketya of the Audit Board and Member of the OJK Board of Commissioners stated that "financial inclusion balanced with high financial literacy will encourage the improvement of public welfare"(Subekti, 2023). Judging from empirical studies, financial inclusion and economic growth and community welfare have a significant relationship. This significant link between financial inclusion and economic growth has occurred at the G20 Summit in Los Cabos, Mexico in 2012, which made the President of Indonesia committed to financial inclusion (Kementrian Finance (Policy Agency Fiscal), 2023). The commitment to financial inclusion is carried out by Government policy through Presidential Regulation No. 114 of 2020 by preparing a National Financial Inclusion Strategy (SNKI) which aims as an effort to support economic growth and reduce poverty to realize community welfare through an inclusive financial system (Limanseto, 2021).

Financial inclusion is a condition when every member of society has access to various quality formal financial services in a timely, smooth, and safe manner, at affordable costs (Limanseto, 2021). In assisting this commitment, digital financial services play an important role in driving financial inclusivity, and become the foundation for sustainable and inclusive economic growth. To promote inclusion, the Government collaborates with Bank Indonesia to optimise the implementation of digital payments and increase financial inclusion. The effort is considered successful in reducing the cost of financial transactions, increasing access to financial services, and promoting the adoption of digital technology in various sectors. For example, there was an increase in financial inclusion, from 83.6% in 2021 to 85.1% in 2022. According to Plt. Deputy Ferry, "The increase in financial inclusion is supported by increased public access, increased use of financial services, and high quality of services to the public to formal financial institutions. High inclusivity of financial services to all levels of society and regions can encourage sustainable economic growth, financial stability, poverty alleviation, and reduce economic disparities between individuals and between regions,"(Ministry Coordinator Field Economy Republic Indonesia, 2023). In accordance with the President's direction on the National Financial Inclusion Strategy (SNKI), Indonesia's financial inclusion targets for 2023 and 2024 are 88% and 90% respectively. In addition, the Government and the private sector have been serious in encouraging financial inclusion through a number of initiatives and strategies. The strategy has the concept of skilling, reskilling, and upskilling which is realized through the Digital Talent Scholarship (DTS) Program, Pre-Employment Cards that focus on improving skills, as well as training programs and mentoring initiatives by the private sector. In addition to cooperation between institutions and the private sector, to encourage financial inclusion, the Government also needs public support and readiness in accelerating digital transformation (Haryono, 2023).

In line with the development of financial inclusion growth, Indonesia has a population of 273.5 million people and 87.17% are Muslims. This is illustrated that Indonesia is ranked 4th out of 73 countries in the development of the global Islamic economy. This achievement has increased significantly compared to 2018 which was ranked 10th. For Indonesia's sharia financial assets, it amounted to US\$ 99.2 billion or 3.44% of the total global sharia financial assets (Ministry Coordinator Field Economy Republic Indonesia, 2021). With this, an Islamic financial system is needed to encourage financial inclusion. One of the institutions that has a Sharia financial system is Baitul Maal Wat Tamwil (BMT). According to Iskandar Simorangkir as Deputy for Macroeconomic and Financial Coordination of the Coordinating Ministry for Economic Affairs as Chairman of the Secretariat of the National Council for Financial Inclusion (DNKI) "BMT is a Sharia Microfinance Institution that can support the improvement of financial inclusion, and is very strategic and feasible to facilitate economic changes in people's households, especially for Muslims, to be more prosperous than before". So, to support financial inclusion, BMT needs to transform to make it easier for people to access finance. Thus, this study discusses BMT's strategy in transforming to support inclusive and sustainable finance.

## **LITERATURE REVIEW**

Some of the literature reviewed for this study include: research conducted by entitled "Analysis of the Implementation of Digital-Based Service Transformation of Sharia Microfinance Institutions (Case Study of BMT UGT Sidogiri) Khoiri & Sulistyowati (2023), " based on the research, Mobile UGT is a digital-based service facility provided by BMT UGT Sidogiri for customers who have smartphones to be able to access information about cooperatives and can be used to conduct non-financial or financial transactions. Mobile UGT in its use is also connected to Short Message Service or SMS so that all transactions made by customers can be kept secure, it is also easy to verify each transaction. With the convenience provided by BMT UGT, BMT's transformation to realize inclusive finance was realized.

The research conducted by entitled Kamila (2022) "The Effect of Ease, Trust, and Service Quality on Customer Intentions in Using Sejahtera Mobile (Study on KSPPS BMT Bina Ummat Sejahtera Branch View Rembang Regency)", based on the research with Convenience, trust, and service quality have a positive influence on customers' intentions in using Sejahtera Mobile at KSPPS BMT Bina Ummat Sejahtera Visi Branch. So to increase customers' intention to use Sejahtera Mobile, there needs to be an improvement in the aspects of convenience, trust, and quality of service. With many customers who have the intention to use Sejahtera Mobile, it indicates that BMT's transformation in realizing inclusive finance and many customers already understand financial literacy.

Meanwhile, in a study conducted by entitled Haryadi et al. (2023) "The Effect of itQan Mobile Application on Member Satisfaction at KSPPS BMT itQan", based on the research it was found that the speed and security felt by customers have a positive and significant influence on satisfaction customer. With this, it is proven that financial inclusion that is achieved, will increase customer satisfaction.

## CONCEPTUAL FRAMEWORK

### **Baitul Maal wat Tamwil (BMT)**

Baitul Maal wat Tamwil comes from two Arabic words namely Baitul Maal and Baitul Tamwil. The word Baitul Maal comes from the word bait which means building or house and al-mal which means material treasure or wealth. So, literally Baitul Maal means house of material possessions or wealth. While the word Tamwil means an institution that manages assets so that Baitul Tamwil means a house of personal property storage managed by an institution (Faith, 2018). In terms of Baitul Maal is a house or place that manages and collects wealth from zakat, infaq and alms with social purposes according to sharia rules. While Baitul Tamwil is a house or place to manage funds in the form of community or community savings and distributed for commercial purposes (Tanjung et al., 2018a).

According to Arief Budiharjo, BMT is a Non-Community Group (KSM) as a people's economic institution in the form of developing productive businesses and investments with a profit-sharing system to improve the economic quality of entrepreneurs small-bottom in the framework of poverty alleviation. According to Amisn Azis, BMT is an integrated independent business hall developed from the concept of Baitul Maal wat Tamwil. In terms of Baitul Maal, BMT receives basis deposits from zakat funds, infak, and alms using it for the welfare of small, poor, poor communities. In the Baitul Tamwil aspect, BMT develops productive businesses to increase the income of small entrepreneurs and members (Faith, 2018). From the meaning above, BMT has two fungsi, namely: BMT manages zakat, infaq, and alms funds deposited by krmudian distributed optimally and in accordance with Sharia with the aim of improving the welfare of people who are entitled to receive. BMT manages and collects from the community in the form of savings and investments which are then channeled for productive activities such as developing Micro, Small and Medium Enterprises (MSMEs)

### **Financial Inclusion**

Financial inclusion does not yet have a standard meaning, here are some institutions that try to interpret it, namely (Bank Indonesia):

*“state in which all working age adults have effective access to credit, savings, payments, and insurance from formal service providers. Effective access involves convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider, with the result that financially excluded customers use formal financial services rather than existing informal options”* (CGAP-GPFI).

*“financial inclusion involves providing access to an adequate range of safe, convenient and affordable financial services to disadvantaged and other vulnerable groups, including low income, rural and undocumented persons, who have been underserved or excluded from the formal financial sector”* (FATF).

*“process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low-income groups in particular, at an affordable cost in a fair and transparent manner by regulated, mainstream institutional players”* (RBI/Reserve Bank of India).

Bank Indonesia also defines financial inclusion as all efforts aimed at eliminating all forms of price and non-price barriers to public access to financial services (Wardhono et al., 2017). According to Hanning and Jensen (2010) (deep Wardhono et al., 2017) stated four important factors in measuring the development of financial inclusion, namely:

1. Accessibility Factors, these factors include access and availability to public access to formal financial institutions such as credit, savings, payment and clearing systems and so on (offers from financial services side).
2. Quality Factor, in this factor has the principle of proxy variables that have the relevance of services or financial products in maintaining the lifestyle needs of the community.
3. Benefit Factor, this factor represents the actual frequency and depth in the use of financial products over time.
4. Impact Factor, this factor is interpreted as a further understanding of the concept of satisfaction with the existence of financial inclusion for the context of human quality development.

## **RESEARCH METHOD**

In this study the author uses qualitative methods, where according to Ansem Strauss, qualitative research is a type of research whose findings are not obtained through statistical procedures or other forms of calculation (Shodiq & Muttaqien, 2013). But by examining an object directly as it is and the data that will be produced in the form of words, expressions or written information. The approach used in this study is a content analysis study. The study of content analysis itself is to understand the themes and / or categories contained in the message in the text, transcript, or narrative. This approach aims to find out about the role of BMT in the Indonesian economy and is related to the inclusive finances that exist in Indonesia.

## **RESULT AND DISCUSSION**

### **The Role of BMT In The Economy**

One of the problems that often occurs in Indonesia related to its economy is the lack of capital for small and medium enterprises and Micro which is related to capital, where most capital is controlled by owners of large companies. Therefore, there is an extreme economic inequality, where if something happens

that can harm these companies or even make the company experience bankruptcy it can have an impact on the Indonesian economy, which will also experience an economic crisis.

With this problem, a sharia financial institution called BMT emerged, where BMT is an institution that supports the real sector which helps move the wheels of the economy, especially for medium or micro businesses, one way is by providing capital to medium or micro businesses. BMT can be an alternative to cooperatives and banks in capital financing, especially BMT in carrying out its business activities by paying attention to sharia principles.

The purpose of the establishment of BMT is to help improve the quality of economic business in order to achieve the welfare of employee members and also have an impact on the surrounding community, namely by providing borrowed capital, later it is hoped that with the capital can become independent and quality in doing business. However, later BMT will provide openness between the capital borrower and BMT to avoid problems related to financing.

The role of BMT only extends to micro business actors. Because most of them cannot borrow from the Bank because the Bank is very minimal in reaching microeconomic circles. The purpose of BMT can play a role in doing the following (Tanjung et al., 2018) :

1. Helping to increase and develop the potential of people in poverty alleviation programs.
2. Make an active contribution to efforts to empower and improve the welfare of the people.
3. Creating sources of financing and providing capital for members with sharia principles.
4. Develop a frugal attitude and encourage saving.
5. Develop productive businesses and at the same time provide guidance and consultation for business members.
6. Increase people's awareness and insight into Islamic economic systems and patterns.
7. Helping weak entrepreneurs to get borrowed capital.

The role of BMT is quite large for the economy in Indonesia, where BMT can increase business opportunities or opportunities for the community, BMT also emphasizes related to Islamic financial systems, namely by implementing a profit-sharing system in which BMT uses sharia contracts in its operations, such as profit sharing, pure storage principles, and capital providers (Sudjana & Rizkison, 2020) .

### **Financial Inclusion in BMT and Advantages and Disadvantages**

Leyson and Thrift (1995) explain that financial inclusion is the antithesis of financial exclusion. Where this exclusion process will later eliminate the benefits or profits from finance that cause people to experience poverty and provide losses to the community. The losses experienced by the community are lack of access, guarantees, credit history, and networks.

Regarding the impact of financial inclusion according to Leyson and Thirft, in Indonesia financial inclusion is an isolated finance, where financial inclusion is not only related to the duties of Bank Indonesia, but also regulators, ministries and other institutions in efforts to provide financial services to the wider community. Through a national financial inclusion strategy, it is hoped that collaboration between government institutions and stakeholders will be created in a good and structured manner (Liya Hasibuan & Soemitra, 2022).

Inclusive finance according to Bank Indonesia (BI) is a universal activity where in practice its activities eliminate all forms of obstacles, both in the form of conditions such as the requirement for prospective debtors to deposit a certain amount of funds to the bank at the time of opening an account at the bank as a prerequisite for obtaining a loan. Related to this, the facts on the ground show the opposite where not all communities have the ability to meet these requirements because some of them do not have sufficient funds or required. With this, it does not overlook the fact that there are still many people who cannot feel or use these financial services .

Inclusive finance according to Rayadi is a condition where everyone has access to quality financial services at affordable costs and in a way that is fun, uncomplicated, and upholds self-esteem and honor (Khatimah, 2016). From some of the opinions above, it can be concluded that financial inclusion is a financial system that provides convenience to the community. With the hope that the community can use services or facilities with easy access without difficulties and make it easier for the community. Related to the many overlapping economies in Indonesia, namely capital problems for medium enterprises and MSMEs cause their own problems. Plus they cannot borrow funds from the Bank, because there are some special prerequisites that are difficult to meet for some business actors. Therefore, there is BMT which BMT is a sharia financial institution that in its work system pays attention to religious principles such as things that can or cannot be done because they contain elements of *mudhorot*.

Therefore, BMT creates the same financial system as inclusive finance but has a different name, namely Lasisma (Sharia-Based Services). Lasisma is not difficult society or lower level society that has a difficult economy. Where BMT will help them even go to community friends who really need capital in developing their business. With the existence of BMT, it has a very positive impact on the community, where the community is assisted in handling the problem of borrowing money for business capital and has a significant impact on business actors (Faiz & Herinaningrum, 2020) .

### **The Role of Lasisma In Enhancing Community Well-Being**

Lasisma is a community service in the form of pilgrim services, the existence of lasisma is shown for people who have a difficult economy or lower class society. Then the community cannot borrow funds or medals from banks because the requirements are quite difficult, they can borrow from BMT.

Lasiama itself is a service in BMT that has easier requirements than banks, which makes it easier for people who really need loan funds for business continuity. When later people borrow funds from BMT, people do not need to

worry about the interest that must be paid, because in BMT itself there is no such thing as profit sharing. Because BMT pays great attention to religious principles in its implementation.

Lasisma is a service in the form of pilgrim services. Lasisma itself is another name for financial inclusion used in BMT. Lasisma is intended to alleviate poverty, lasism is also sought as an answer to the economic needs of small communities. For the uneducated poor, dealing with banks is a complicated matter. So to avoid this complexity, the capital needs are often to loan sharks.

The target is lasism of community groups that need funds to start a business. In community groups there are usually at least five people in each group. Pihk BMT will later come to groups in the community of money requiring capital without binding conditions, such as guarantees and others (Faiz & Herinaningrum, 2020) .

The form of financing carried out by lasisma is carried out in groups consisting of 5 people with a nominal value of 10,000,000 per group with details of 2,000,000 full for each member. Lasisma provides easy access to finance with affordable low financing prices for rural communities. Then financial access allows transactions to take place quickly, so that the volume of financial transactions becomes larger and vice versa. Increasing public access to financial services has a significant effect on economic growth and decreasing income inequality, which improves people's welfare (Hasanah & Shibghatullha, 2020) .

With the existence of lasisma, it is hoped that it can help the community's economy become even better, which is safe with this lasisma the community gets convenience in borrowing capital to be able to develop businesses that are pioneered without having to think about profit sharing which is usually done by children or loan sharks. The community can also provide job vacancies if the business they work on is successful, which can degrade the presentation of existing responses. It is also hoped that the government can support this program, and also provide information or monitoring related to the existence of lassma services, which may not all people know about the power of these services.

## **CONCLUSION**

Financial inclusion should indeed be every financial institution in Indonesia using the system, because with financial inclusion this makes an easy requirement which means that people from the lower class can access and use existing facilities easily because of easy requirements. However, it is unfortunate that many financial institutions do not use this system, although there are also Islamic financial institutions that use the inclusive financial system, which uses the term lasismu. In our services, people can easily borrow funds or use existing facilities for their business interests without having to think about complicated requirements, and do not need to pay interest like when borrowing funds from banks.



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