

## THE ROLE OF BAITUL MAL WA TAMWIL (BMT) IN ECONOMIC EMPOWERMENT OF THE PEOPLE

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**ABSTRACT** - The people of Indonesia and Malaysia do not wish to be perceived as the world's biggest debtor nation or as a consumerist society. The development of hope for the optimization of BMT in the area of empowering the poor in building the people's economy is what the people of Indonesia desperately need now. The purpose of this study is to ascertain how BMT, an Islamic financial institution, has contributed to the growth of the contemporary economic community. The findings demonstrated that the Baitul Mal wa Tamwil (BMT) functioned as a microfinance organization that shared profits and created a sharia microbusiness with the goal of enhancing the status and dignity of underprivileged and impoverished individuals. As a sharia bank engaged in the profitable development of the people, BMT must continue to estimate each exertion to ameliorate the products offered. BMT must now try to optimize development with a precise strategy so that people can continue to believe in BMT rather than conventional financial institutions.

**Keywords:** BMT, Sharia Micro Enterprises, Islamic Financial Institutions

**ABSTRAK – PERAN BAITUL MAL WA TAMWIL (BMT) DALAM PEMBERDAYAAN EKONOMI MASYARAKAT** . Masyarakat Indonesia dan Malaysia tidak ingin dianggap sebagai negara pengutang terbesar di dunia atau sebagai masyarakat konsumeris. Berkembangnya harapan optimalisasi BMT dalam bidang pemberdayaan masyarakat miskin dalam membangun perekonomian kerakyatan merupakan hal yang sangat dibutuhkan masyarakat Indonesia saat ini. Tujuan dari penelitian ini adalah untuk mengetahui bagaimana BMT, sebuah lembaga keuangan syariah, telah memberikan kontribusi terhadap pertumbuhan masyarakat ekonomi kontemporer. Temuan menunjukkan bahwa Baitul Mal wa Tamwil (BMT) berfungsi sebagai organisasi keuangan mikro yang membagi keuntungan dan menciptakan usaha mikro syariah dengan tujuan meningkatkan derajat dan martabat masyarakat kurang mampu dan miskin. Sebagai bank syariah yang bergerak di bidang pembangunan yang menguntungkan umat, BMT harus terus memperkirakan setiap upaya untuk menyempurnakan produk yang ditawarkan. BMT kini harus berupaya mengoptimalkan pembangunan dengan strategi jitu agar masyarakat tetap percaya pada BMT dibandingkan lembaga keuangan konvensional.

**Kata Kunci:** BMT, Usaha Mikro Syariah, Lembaga Keuangan Syariah



## **INTRODUCTION**

In ancient times, trade often had an impact on very old areas and took a very long time. Trade also involves the production of goods or imports of goods from one company that are sold or imported by other companies (Ascarya et al. , 2022 ). In this day and age, every currency exchange is done using interest in every transaction. However, Islam upholds usury and applies it to all aspects of production and trading systems based on mudharabah and syirkah (Ascarya et al. , 2023 )

Economic activity in the Islamic world has increased in terms of wealth and fairness in every transaction carried out, not decreased along with the loss of interest. Every country's economic efforts are directed at improving people's welfare, which of course has an impact on national welfare. Therefore, Islamic teachings always strive to achieve a balance between the responsibilities of society and the government in economic development (Irfan Syauqi Beik , 2016)

The knowledge about muamalah is very good because it benefits everyone who participates in it. But if human morality is flawed, then it may harm others. This is the reason why contracts, or transactions, are sometimes used as a means of fraud, blackmail, and harming others. According to the Islamic concept of a just social and economic order, justice and equal distribution of income is one of the most important elements. (Ali , 2018 )

Subsequent developments in Malaysia were driven by a deep sense of concern and concern for the many poor people who were increasingly entangled in the bonds of loan sharks in order to gain access to capital to develop their businesses who could not be directly connected to institutions for their reasons. Businesses are classified into small and micro. Apart from that, people consider direct transactions with institutions to be complicated, so they prefer loan sharks which are relatively easy even though the interest is very high. Therefore, in 1992 a sharia microfinance institution was born which operates and uses a combination of Baitul Mal and Baitul Tamwil concepts which have targets, objectives and scale in the micro business sector. (Abdullah, 2018)

If we talk about current economic problems, the smoothness of this process is greatly influenced by the existence of financial institutions as institutions that play a role in facilitating economic activities (Ascarya,2024 ).



One of the financial institutions whose current developments can provide significant changes in improving the sharia economy is sharia financial institutions. which is in the form of a baitul maal which is now known as baitul maal wat tamwil (Yusuf et al., 2024). Therefore, this research will examine the role of BMT as a sharia financial institution which aims to develop the people's economy.

## LITERATURE REVIEW

### 1. Baitul Maal Wa Tamwil (BMT)

Baitul Maal wa Tamwil (BMT) is a microfinance institution operated by a microfinance institution which is operated with a profit sharing concept, developing microenterprise businesses which aim to raise the level and dignity and defend the interests of the poor and disadvantaged groups (Ascarya , 2023 ). This thought emerged from the initial ideas of community leaders in implementing an economic system based on justice, peace and prosperity.

In etymological terms, baitul mal implies a support house and baitul tamwil implies a commerce house. Baitul mal was created based on a history of its improvement, to be specific from the time of the prophet to the center ages of the improvement of Islam. From the portrayal of BMT over, it is clarified that BMT could be a exceptionally straightforward institution as an Islamic money related institution in enacting expanded advancement of community financial exercises based on sharia laws in all its exercises (Ascarya , 2023 ).

Viewed from this understanding point of see, a comprehensive understanding can be drawn that BMT could be a trade organization that moreover plays a social central part. The social part of the BMT institution can be seen within the definition of baitul maal, whereas the commerce part of BMT can be seen from the definition of baitul tamwil. The endeavors actualized are an indistinguishable portion of BMT as an institution to back and increment the financial exercises of little communities based on Islamic sharia laws (Cokrohadisumatro, 2019).

From an etymological point of view, BMT is an institution that has a very special task in handling the people's assets, both in the form of income



and expenditure. Baitul Maal Wa Tamwil (BMT) is actually a non-governmental organization founded and developed by the community. Especially when it was first established, it was usually done by relying on resources, including funds or capital from the local community itself (Furqani, 2018).

As a social institution, baitul maal has the same function and role as the Amil Zakat Institution (LAZ), thus, this baitul maal must be encouraged and encouraged so that it can play a professional role in becoming an established LAZ that is truly beneficial for the people. This function is expected to at least include efforts to collect and process zakat, infaq, alms, waqf and other sources of social funds, and efforts to distribute zakat to the most deserving groups in accordance with the provisions of the asnabiah (Ali, 2018).

## **2. Basic Principles of Baitul Maal Wa Tamwil**

The level of economic growth is the most important indicator in determining the development of BMT in the future. This is because the development of BMT is very dependent on the level of community welfare and the level of economic growth they are able to become BMT partners. In other words, BMT can exist and play a role if there is a community that economically supports its existence (Duasa, 2020).

In maintaining the existence and role of BMT in carrying out its activities, basic principles are needed to guide its implementation, including the following :

- a. Confidence and commitment to Allah SWT by following immovably to viewpoints of shari'ah and Islamic muamalah in genuine life.
- b. Integration, to be specific otherworldly and ethical values and coordinating commerce morals that are energetic, proactive, dynamic, reasonable and have respectable character.
- c. Connection, specifically prioritizing shared interface over individual interface. All directors at each level of administration and all their lines and individuals construct a sense of connection so that a sense of common assurance and bolster will develop.
- d. Harmony is the solidarity of attitude, demeanors and beliefs between all components of BMT. Supervisors and chairmen must have one



vision and work along side individuals to progress financial and social conditions.

- e. Freedom implies being autonomous over all political bunches. Being autonomous moreover implies not depending on advances and help but continuously being proactive in raising as much money as conceivable from the community.
- f. Polished skill could be a tall work soul that's based on a establishment of confidence. work isn't as it were arranged towards common life, but too otherworldly satisfaction and fulfillment and the in the future. Difficult and cleverly work based on adequate information, persistently moving forward abilities and a solid soul of charity. All of typically known as enthusiastic, otherworldly and mental insights. An state of mind of polished skill is built on the enthusiasm to proceed learning in arrange to attain the most noteworthy level of work benchmarks (Ali , 2018 ).
- g. Istiqomah means consistency, continuity or sustainability without stopping and never giving up. After reaching a stage, then move on to the next stage and only to Allah SWT can we hope.

With these principles, it is hoped that we will be able to maintain the existence and role of the BMT institution (Kassim , 2019 ). Currently, economic potential is starting to be increasingly developed and society is slowly starting to organize itself to survive more. The most basic thing is the need for equal distribution to society, which is not limited to cities or coastal areas but can also enter agricultural agribusiness. As an agricultural country, Indonesia has very abundant natural resources. Apart from that, with this basic principle, it shows that the existence of BMT is looking more towards the future, especially in this free market era, and should have started by improving all existing management and adding other sharia products to attract more public interest in using them. Islamic financial institutions.

### **3. Baitul Maal Wa Tamwil Business Activities**

Baitul Mal wat Tamwil may be a sharia microfinance institution. As a budgetary institution, BMT certainly carries out the work of collecting reserves and conveying them. The way BMT stores work and turnover still looks exceptionally basic. At first, BMT stores were expected to be gotten from the authors, within the frame of extraordinary vital investment funds. As conventional individuals, the authors too pay



essential investment funds, obligatory investment funds, and in case there are comforts intentional reserve funds (Ali , 2018 ).

From the capital of the founders, investments were made to finance all kinds of management training, preparing the office with equipment, as well as administrative equipment. As long as you don't have sufficient income, of course capital is also very necessary to cover daily expenses which are calculated on a monthly basis, usually called BMT operational costs (Mokhtara , 2018 ). Apart from capital from the founders, capital can also come from social institutions such as foundations, mosque treasuries, BAZ, LAZ, and so on.

## **METHODOLOGY**

The research method used in this research is qualitative research using a library study method approach, where the research is carried out by reading and doing various things, especially studying various existing literature (Sugiyono, 2014). The literature in question is a source which is related to the research problem. By understanding this literature, you will be able to understand the purpose of the problem you want to solve. The research approach was carried out by referring to Khurshid Ahmad's thoughts which became the basis of the research.

## **RESULT AND DISCUSSION**

### **1. Baitul Maal Wa Tamwil (BMT)in the economic development of the people**

The presence of BMT is really an elective magnanimous institution, separated from being an amil zakat, infaq and shadaqah institution, both overseen by the government and the private segment. Its presence is anticipated to extend the part of overseeing Zakat Infaq and Sadaqah (ZIS) reserves which have not been touched by zakat teach. It is trusted that it'll moreover increment the part of dissemination to parties (mustahiq) who require it more evenly (Ali , 2018 ). There is an example from China where their economic progress has been increasingly rapid recently because the Chinese government has paid great attention to the development of small and medium businesses. Small industries such as handicrafts, food, clothing, and automotive spare parts are carried out by small and medium businesses. The positive implication is that China has



become the fastest growing country in the economy today (Nugraheni , 2024 ).

With the example above, efforts to optimize the role of BMT in alleviating poverty through empowering small and medium businesses should learn from the experience of developed countries (Ulev, 2023). BMT together with the government must create a draft entrepreneurial development program for small and medium business groups in the short and long term. Apart from that, BMT must determine the program priority scale for the types of business activities that will be carried out optimally both on a local and national scale. In essence, BMT is expected to be able to become teachers who can support government efforts to improve living standards, economic prosperity and poverty alleviation.

## 2. Obstacles to Baitul Maal wa Tamwil Development

Realizing these various weaknesses, BMT can actually take an important role, as an alternative financial institution. As an alternative financial institution, BMT can be interpreted as a funding institution that is rooted in society, where the process of distributing funds is carried out very simply, easily and quickly with the principle of taking sides with small communities and based on aspects of justice. Apart from that, judging from the financing procedures and range of services, BMT is also an alternative financial institution that is very effective in serving the short-term working capital financing needs that are really needed by small and micro entrepreneurs (Duasa, 2020).

Not much different from academics, practitioners also agree that the low quality of human resources owned by BMT is an important factor that hinders the growth and development of a BMT institution. And the absence of specific regulations governing BMT apart from the lack of product innovation in BMT and the lack of socialization about BMT are the most important issues that have become a debate among practitioners in general. Practitioners argue that there is a need for competency standards that must be possessed by BMT staff/employees in order to be more professional (Mokhatara , 2018 ).

Apart from that, BMT tends to direct managers to be more oriented towards business issues so that there is a tendency for BMT activities with a pragmatic nuance to be more dominant than activities with an idealistic nuance (Nur Rianto: 2012, 408). Besides that, BMT tends to collect more funds to use for business than managing zakat, infaq and sadaqoh. BMT





has also not been noticed by the public due to the lack of creativity and innovation offered by the management. This is one of the reasons why BMT is less dominant in society.

### **3. Baitul Maal wa Tamwil Development Strategy**

It can be seen that during Abu Bakar's leadership as the first Caliph, he really emphasized the importance of the baitul maal function (Ali, 2018). The sources of baitul maal during Abu Bakar's leadership came from waqf, zakat fitrah, zakat maal, jizyah, kharraj and other sources. others (Nugraheni, 2024). Since the existence of BMT until now it has been subject to several statutory regulations. This is because the characteristics of BMT are different from other microfinance institutions. BMT has a social function as well as a profit as a financial institution, so it requires various kinds of regulations that are specific and in accordance with the characteristics of BMT (Ascarya , 2023 ).

To date, the growth in the number of BMTs which is supported by the growth in capital owned by a BMT from year to year is proof that the existence of BMTs is highly accepted by the public, in fact, BMT products and activities are the same as banking activities. As a sharia financial institution, BMT always bases all activities on sharia principles (Ascarya , 2022 ). The most basic and used sharia principle is the profit sharing system which leads to the concept of justice, both in terms of collecting and distributing funds . So far, most BMTs have tried to carry out their sharia financial functions professionally and comply with sharia rules and principles.

Inadequate human resources are related to the level of education and knowledge. There needs to be more education for human resources in the form of formal and informal education so that BMT can advance in the future. BMT development by increasing product offerings by introducing the existence of BMT in the community (Greg Fealy , 2008 ). Apart from that, innovation in products must always be carried out by combining halal products in order to be able to compete with other institutions. BMT must also continue to carry out joint evaluations to look for opportunities so that BMT can continue to exist and be useful for society (Ascarya , 2023 ).

As a sharia financial institution, BMT is believed to have greater opportunities for development compared to conventional-based financial institutions. This is in line with the interest in Islamic financial institutions by Muslims and even non-Muslims. Because of the honest,





fair and good principles that Islamic financial institutions always have which are the attraction of society today.

## CONCLUSIONS

By using a profit sharing model, Baitul Maal wa Tamwil (BMT) is a microfinance organization that supports the development of sharia micro-enterprises that raise the status and protect the rights of underprivileged and underprivileged communities. BMT has enormous potential because it adheres to sharia law and prioritizes justice.

To improve the products it offers, BMT, as a sharia financial institution that seeks to strengthen the community's economy, must continue to assess every aspect of its operations. BMT has developed into an organization that was able to help while the Prophet and his companions were still alive. Therefore, BMT must now strive to maximize development through attractive and successful tactics so that people can again trust BMT rather than conventional financial institutions.

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