

LAMPIRAN A
(Submission & Registration)

Registration and Submission

4/4/23, 5:49 PM

Email Universitas Negeri Surabaya - [JPBReview] Submission Acknowledgement



Moch. Khoirul Anwar<khoirulanwar@unesa.ac.id>

[JMS] Submission Acknowledgement

1 pesan

JPB Review - OJS <jpbreview@openaccessojs.com>

12 February 2021 pukul 13.55

To: "Moch. Khoirul Anwar" <khoirulanwar@unesa.ac.id>, Wakhidah Nur Rohmatul Laili <lailirahma@gmail.com>, Ahmad Ajib Ridwan <ahmadajibridwan@unesa.ac.id>

Moh Khoirul Anwar:

Thank you for submitting the manuscript, " The Role of Baitul Maal wat Tamwil in Empowering MSMEs in Indonesia: A study of Indonesian Islamic MicrofinanceInstitutions" to JPB Review: International Journal of Professional Business Review. With the online journal management system that we are using, you will be able to track its progress through the editorial process by logging in to the journal web site:

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LAMPIRAN B
(Feedback Revisi Penulisan Manuskrip)

4/5/23, 8:13 PM

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Thu, Dec 18, 2022 at 6:27

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We have reached a decision regarding your submission to International Journal of Professional Business Review, "The Role of Baitul Maal wat Tamwil in Empowering MSMEs in Indonesia: A study of Indonesian Islamic MicrofinanceInstitutions".

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Design/methodology/approach: The....
Findings: The results.....
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B-The Role of Baitul Maal wat Tamwil in Empowering MSMEs.docx
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Submission of revision results

Fri, Mar 31, 2023 at 12:15 AM

jbpreview@openaccesspublications.org <jbpreview@openaccesspublications.org>

To: Moch. Khoirul Anwar <khoirulanwar@unesa.ac.id>

Dear Author, I hope you are well.

We inform you that after evaluation by our external referees your article submitted to the International Journal of Professional Business Review (e-ISSN: 2525-3654) has been ACCEPTED.

To proceed with the publication process, it will be necessary to comply with the requests of the external reviewers and send a new file with the authors' data and the suggested changes.

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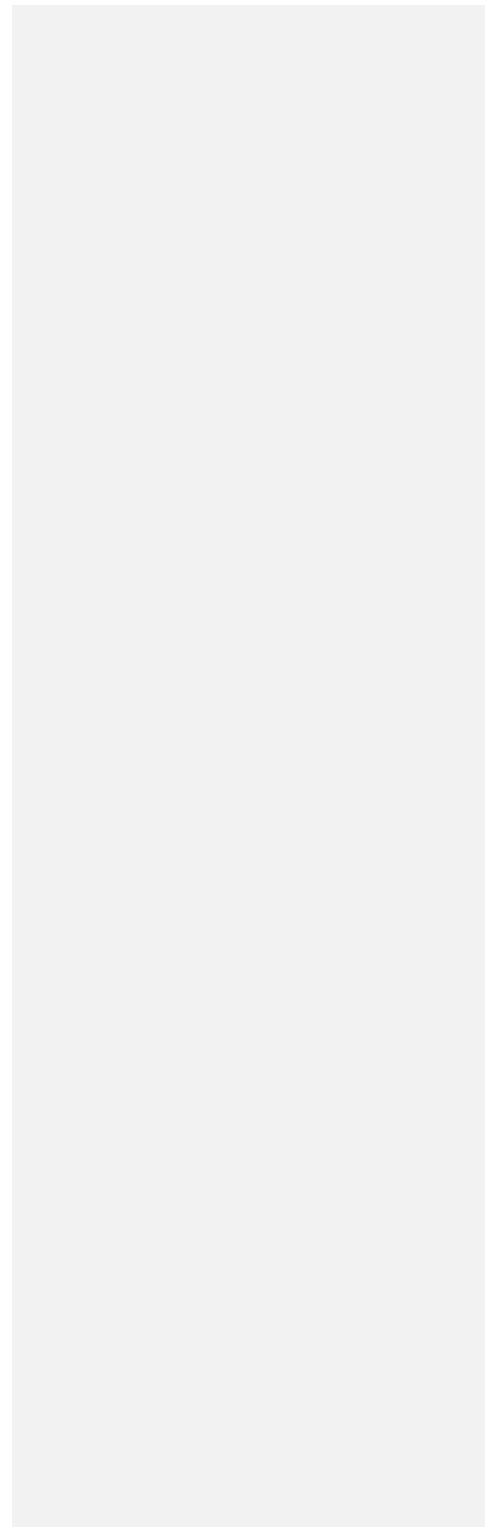
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REVIEWER 1



A Study on the Empowerment of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia through Baitul Maal Wat Tamwil: Examining Indonesian Islamic Microfinance Institutions

Comment [Ma1]: The title is still too long, at least change it into a simple and easy-to-understand sentence,

ARTICLE INFO	ABSTRACT
Article history:	This study aims to determine the problems in Baitul Maal Wat Tamwil (BMT) in empowering the economy of the ummah. The main topics discussed are the concept and systematics of Baitul Maal Wa Tamwil, the role of BMT in the economic empowerment of MSMEs and people experiencing poverty, and the problems BMT faces. This study uses a descriptive qualitative method that conveys data verbally and emphasizes contextual issues. Data were obtained from 24 BMT managers spread across East Java. The results of this study confirm that there are various problems perceived by BMT, including a lack of understanding of sharia economics owned by managers, DPS and members, limited capital, low participation of the general public, BMT regulations, existence, weak entrepreneurship skills of members, lack of sense of ownership of BMT presence, and implementation techniques and management that are not optimal. This research contributes to classifying the problems that are currently occurring in several BMTs in East Java so that evaluations in several sectors can be identified that must be improved in order to optimize the role of the BMT in helping marginal communities to be free from poverty. This research classifies the problems of BMT in Indonesia, not only discussing it from an economic perspective but this research also discussing BMT regulations.
Received	
Accepted	
Keywords: BMT Problems; Economic Empowerment; Islamic Microfinance.	

Comment [Ma2]: separate into important parts of the article, such as design, methods and results in separate paragraphs
need to add novelty related to the article

O PAPEL DO BAITUL MAAL WAT TAMWIL EM CAPACITAR AS MPMEs NA INDONÉSIA: UM ESTUDO DAS INSTITUIÇÕES DE MICROFINANÇAS ISLÂMICAS INDONÉSIAS

RESUMO

Objetivo: Este estudo visa determinar os problemas em Baitul Maal Wat Tamwil (BMT) em fortalecer a economia do ummah na Indonésia.

Estrutura teórica: Os principais tópicos discutidos são o conceito e a sistemática do Baitul Maal Wa Tamwil, o papel do BMT no empoderamento econômico das MPMEs e pessoas em situação de pobreza, e os problemas que o BMT enfrenta.

Design/metodologia/abordagem: Este estudo utiliza um método qualitativo descritivo que transmite os dados verbalmente e enfatiza as questões contextuais. Os dados foram obtidos de 24 gerentes do BMT espalhados por Java Oriental.

^A Associate Professor of Islamic Economics, Department of Islamic Economics. Universitas Negeri Surabaya. E-mail: khoirulanwar@unesa.ac.id Orcid: <https://orcid.org/0000-0003-3681-4762>

^B Assistant Professor of Islamic Economics, Department of Islamic Economics. Universitas Negeri Surabaya. E-mail: ahmadajibridhwan@unesa.ac.id Orcid: <https://orcid.org/0000-0002-8982-8642>

^C Master of Islamic Economics, Graduate Program of Islamic Economics. Universitas Islam Negeri Sunan Ampel Surabaya. E-mail: lailyrahma15@gmail.com Orcid: <https://orcid.org/0000-0003-2023-3736>

Descobertas: Os resultados deste estudo confirmam que existem vários problemas percebidos pelo BMT, incluindo a falta de compreensão da economia da sharia de propriedade dos gerentes, DPS e membros, capital limitado, baixa participação do público em geral, regulamentos do BMT, existência, fracas habilidades empresariais dos membros, falta de senso de propriedade da presença do BMT, e técnicas de implementação e gestão que não são ótimas.

Pesquisa, implicações práticas e sociais: Esta pesquisa contribui para classificar os problemas que estão ocorrendo atualmente em vários BMTs no Leste de Java para que avaliações em vários setores possam ser identificadas que devem ser melhoradas a fim de otimizar o papel do BMT em ajudar as comunidades marginais a se libertarem da pobreza.

Originalidade/valor: Esta pesquisa classifica os problemas do BMT na Indonésia, não apenas discutindo-o a partir de uma perspectiva econômica, mas também discutindo a regulamentação do BMT.

Palavras-chave: Problemas de BMT, Empoderamento Econômico, Microfinanças Islâmicas.

EL PAPEL DE BAITUL MAAL WAT TAMWIL EN LA CAPACITACIÓN DE LAS MICROEMPRESAS EN INDONESIA: UN ESTUDIO DE LAS INSTITUCIONES DE MICROFINANCIACIÓN ISLÁMICAS INDONESIAS

RESUMEN

Propósito: Este estudio tiene como objetivo determinar los problemas de Baitul Maal Wat Tamwil (BMT) en la potenciación de la economía de la ummah en Indonesia.

Marco teórico: Los principales temas tratados son el concepto y la sistemática de Baitul Maal Wa Tamwil, el papel de BMT en la potenciación económica de las mipymes y las personas en situación de pobreza, y los problemas a los que se enfrenta BMT.

Diseño/metodología/enfoque: Este estudio utiliza un método cualitativo descriptivo que transmite los datos verbalmente y hace hincapié en las cuestiones contextuales. Se obtuvieron datos de 24 directivos de BMT repartidos por Java Oriental.

Resultados: Los resultados de este estudio confirman que hay varios problemas percibidos por BMT, incluyendo una falta de comprensión de la economía de la sharia propiedad de los gerentes, DPS y miembros, capital limitado, baja participación del público en general, BMT reglamentos, existencia, habilidades empresariales débiles de los miembros, la falta de sentido de propiedad de la presencia de BMT, y las técnicas de aplicación y gestión que no son óptimas.

Investigación, implicaciones prácticas y sociales: Esta investigación contribuye a clasificar los problemas que se dan actualmente en varios BMT de Java Oriental, de modo que puedan identificarse las evaluaciones en varios sectores que deben mejorarse para optimizar el papel del BMT a la hora de ayudar a las comunidades marginales a liberarse de la pobreza.

Originalidad/valor: Esta investigación clasifica los problemas del BMT en Indonesia, no sólo discutiéndolo desde una perspectiva económica sino que esta investigación también discute las regulaciones del BMT.

Palabras clave: Problemas BMT, Empoderamiento Económico, Microfinanzas Islámicas.

INTRODUCTION

Poverty can be eliminated by seeking to empower micro-enterprises and provide capital assistance (Amalia, 2009). One of the efforts that can be made to empower stable and independent economies is to develop ordinary people's entrepreneurial skills, often called Micro, Small and Medium Enterprises (MSMEs). The role of MSMEs has been proven since 1997, when the monetary crisis occurred, and is seen as a critical sector behind the national economic recovery (Rofiah, 2011).

Over time, the development of MSMEs implies excellent potential from domestic strength if managed optimally. Therefore, it is necessary to empower MSMEs in terms of

quality and quantity. However, on the other hand, MSMEs face classic problems, i.e., product marketing and limited access to financing from formal financial institutions, such as banks (Risman et al., 2018).

It is inversely proportional to the fact that it has been more than 20 years that Indonesia has had the Ministry of Cooperatives and Small and Medium Enterprises (SMEs), supported by the banks' obligation to set aside 20% of total credit for MSMEs, and State Own Companies (SOEs)' obligation to set aside some of their profits for MSMEs development. However, it needs to be fulfilled because banks prefer to channel credit for consumption activities. Ultimately, MSMEs remain undeveloped, and poverty and unemployment remain classic problems (Sobana & Husaeni, 2019).

Islamic microfinance exists to provide financial services to people experiencing poverty who previously received funds through third-party sources such as charity (infaq and sadaqah) and zakat, commonly called mustahiq. Islamic microfinance is a proper way to meet the financial needs of the community because it offers funds without charging interest and has a mission to maximize social services by utilizing zakat, infaq, and alms to meet financial needs in the form of community economic empowerment (Siraj et al., 2021).

Baitul Maal wa Tamwil (BMT) is a sharia microfinance institution in Indonesia which has a unique role as Baitul Maal, which functions as an amil that manages, collects, and distributes zakat and acts as a financial intermediary by managing funds, savings and providing financing (tamwil). BMT's social function is through qardhul hasan financing (interest-free loans). In addition, BMT also offers other contracts based on the principle of profit-sharing contracts based on Islamic values (Hadisumarto & Ghafar B. Ismail, 2010).

The alternative capital for MSMEs is Baitul Maal wa Tamwil (BMT) because the system is more flexible and targets the lower middle class who are not bankable and anti-usury. It can create opportunities for MSME development. However, data on the number and distribution of BMTs needs to be more accurate, and the number of BMTs that have fallen and are no longer operating, human resources, and institutions (Sakti, 2013; Zulkifli et al., 2018).

The existence of BMT with a significant number in several regions in Indonesia is not supported by supporting factors that allow BMT to continue to grow and run well. Facts on the ground show that many BMTs have fallen and sunk. By looking at this phenomenon, it is felt that the development of BMT has not been fully able to answer the fundamental economic problems in society (Rusyiana & Devi, 2013).

Given the importance of the role of BMT in the economic empowerment of Indonesian society, it is necessary to conduct research that emphasizes the systematic mapping of BMT problems in Indonesia so that the problem can be understood comprehensively.

LITERATURE REVIEW

Baitul Maal wa Tamwil

In language, Baitul Maal wa Tamwil, which is usually abbreviated as BMT, has two meanings, namely a fund house (baitul maal) and a business house (baitul Tamwil), while the general understanding is that BMT is a business organization that has a social role (Sapudin et al., 2018). BMT is a type of microfinance institution operated on the principle of profit sharing through the development of small-scale businesses to raise the dignity and prioritize the interests of people experiencing poverty. Initially, BMTs could be formed and established on local community leaders' initiative and initial capital based on an Islamic economic system that upholds safety, justice, peace and prosperity (Sholihin, 2010). Rusby & Hamzah (2016) explained that BMT is a small financing institution that operates using a combination of the "Baitul Maal" and "Baitul Tamwil" concepts with targets and targets in the small business sector. BMT is a simple Islamic financial institution activating increased development of community economic activities based on sharia laws in every activity and activity (Djayussma, 2015). Harahap & Ghozali (2020) state that BMT is a business organization that also acts as a social centre. From the several definitions of BMT above, an understanding can be drawn that BMT has two main characteristics, which are as a business institution that aims to improve the quality of economic business and community welfare as well as a social institution that can collect and distribute zakat, infaq, alms and endowments (ZISWAF) to for mustahiq.

Baitul Mal wa Tamwil Roles and Function

Sudarsono (2007) explains some of the roles of BMT as follows:

- a) Distancing and preventing society from economic practices that contain elements of usury and actively conducting social interactions with the community related to the importance of creating an Islamic economic system.
- b) Conduct coaching, mentoring, and funding for small businesses, such as acting as extension officers and supervisors of customer businesses by shari'ah principles.
- c) Releasing the dependence of the community, especially the grassroots community, on loan sharks by providing services by providing healthy funds at any

Comment [Ma3]: tidy up this sentence so that it is easier to read up to point E

time, which is managed according to sharia economic principles and creating a flexible and easy bureaucracy.

d) Maintain social and economic justice with an even distribution.

Ridwan (2004) suggests several functions of the BMT as follows:

a) Identify, mobilize, organize, encourage, and develop the economic potential of members in their working area.

b) Improving the quality of human resources owned by BMT to become more professional and Islamic in facing global competition.

c) Accommodate the community's potential around the BMT to improve members' welfare.

d) Become a financial intermediary for social funds such as zakat, infaq, sadaqah, waqf, and grants to be managed professionally.

e) Become a financial intermediary between owners of funds as investors and depositors (shahibul mal) and users of funds to develop productive businesses.

Furthermore, nowadays, the economic potentials of society are starting to be developed and slowly surviving in the free market era (Pradja, 2013). Thus, BMT is tasked with developing productive and investment businesses in improving the quality of economic activities of macro and micro business actors, among others, by encouraging saving activities and supporting the financing of their economic activities, especially for people at the lower middle level who are run by sharia provisions (Ridwan, 2013). Husaeni & Zakiah (2021) argue that BMT products come in two forms: Fundraising (Funding) through deposits that use them on principle. The second is the distribution of funds (lending) through financing consisting of profit sharing and buying and selling.

Comment [Ma4]: After this discussion, provide additional explanations regarding regulations from BMT and how BMT can move small businesses and become more empowered

BMT Management in the Era of Prophet Muhammad SAW & Companions

In the Qur'an, it is not explicitly stated regarding Financial Institutions. However, an institution is formed if it fulfils structure, management, and functions. There are rights and obligations and is clearly stated by the ummah (community group), approved by muluk (government), balad (state), and required suq (market), which indicates the function and role are the same as the existing institutions

During the time of the Prophet, two financial institutions were established: Baitul Maal and Wilayatul Hisbah. Baitul Maal was a depository institution that managed income and expenses for the welfare of the ummah. Wilayatul Hisbah, on the other hand, served as a supervisory agency directly overseen by the Prophet, supporting economic and muamalat activities

Whereas financial institutions during the Rashidun Khulafaur era continued and developed, financial institutions were built and operated during the time of the Prophet, when baitul maal was getting stronger and could be used as a foundation for the economic strength of the ummah. During the time of Umar Bin Khattab, the baitul maal expanded the basis of zakat and other sources of income and made a policy by imposing quotas on traders from Persia and Rome because the two countries imposed the same thing on traders in Medina. Usman bin Affan and Ali bin Abi Talib continued Umar bin Khattab's policy by maximizing revenue and receipts from the baitul maal, which functioned as fiscal policy

MATERIAL AND METHODOLOGY

The research method in this article utilized qualitative descriptive analysis, which emphasizes contextual issues and conveys data in verbal form Primary and secondary data were collected from various sources including scientific journals, documents, and primary sources. The primary data obtained from 24 BMT managers in East Java were analyzed descriptively to gain a comprehensive understanding of the research object

RESULT AND DISCUSSION

Development of BMT Customers and Employees Number

BMT Customers Number

The number of customers is generally a benchmark for the development of BMT because the more the number of customers owned, the more trust and credibility of BMT are maintained in the public's eyes. Data on the number of BMT customer categories in East Java can be seen in Table 1.

Comment [Ma5]: In an article, it would be better if it is reproduced with quotes. in this section there are no quotes that you use so that the article seems not good enough

Comment [Ma6]: The explanation in this paragraph is still lacking in detail and is still not good enough to describe

Comment [Ma7]: in the method section is still incomplete. there needs to be a lot of additional information regarding what method you used in this research

Table 1. BMT Customers Number

BMT Customers Number	Percentage
>1000	28%
800 - 1000	4%
500 - 800	4%
300 - 500	16%
d 300 100	36%
>100	12%

Comment [Ma8]: The table is still too small, incomplete with sources and figures are still unclear. There should be additional explanation after table 1.

In Indonesia, around 3 million customers receive financing from BMTs throughout Indonesia. According to Subkhan (2008), this is one of the reasons why BMT is multiplying in Indonesia. There are three other reasons Subkhan (2008) put forward regarding the reasons for the rapid development of BMT in Indonesia, including the high demand from the public to obtain financing from BMT due to the lack of access to obtain loans from banks, the strong desire of the Muslim community requires transactions according to Sharia principles; the success of several BMTs in Indonesia has made the community want to establish the same institution, coupled with establishing a BMT, which is relatively easy and requires little capital.

BMT Employees Number

Table 2. BMT Employees Number

BMT Customers Number	Percentage
> 20	8%
15 - 19	8%
10 - 14	24%
5 - 9	28%
< 5	32%

Comment [Ma9]: The deficiencies are the same as those in Table 1

Data on the number of BMT employees in East Java can be seen in Table 2. The data explains that most human resources in BMT are under 15 people reaching 74%. This condition is inversely proportional to the needs of members or customers who reach hundreds or even more than 1000 customers. This resource must be improved for BMT operations, impacting customer service and assistance inequality. These results support the findings of Gampito (2008), which states that the lack of performance of BMT staff comes from a lack of human resources which is also one of the weaknesses of BMT operations.

Systematics of BMT Transactions

Table 3 explains that the systems and contracts used at BMTs in East Java vary widely. It is undoubtedly a requirement for managers and the Sharia Supervisory Board to oversee its implementation to remain following sharia provisions.

Table 3. Systematics of BMT Transactions

BMT Name	Interested system	Buying and selling system used	Profit sharing system that is used	Service system used
Sharia Cooperative Harapan Surabaya	Buy-sell	Murabahah, istishna', ijarah	Murabahah	Qardh
BMT Nusantara Mojopahit	Profit sharing	Murabahah	Murabahah	Rahn
BMT Airlangga Bakti Persada	Profit sharing	Murabahah	Murabahah	-
BMT Khoin Ummat	Buy-sell	Murabahah	Lainnya	Rahn
BMT As-Syifa	Buy-sell	Murabahah, istishna'	Musyarakah, mudharabah	Qardh
Sharia Cooperative Center Annisa East Java	Buy-sell, services	Murabahah, bai' bitsamanin ajil	Musyarakah, mudharabah	-
BMT Harapan Muslima	Buy-sell, services	Murabahah	Musyarakah, mudharabah	Hiwalah, ijarah
Sharia Cooperative Harapan Muslimah	Buy-sell, services	Murabahah	Murabahah	Hiwalah
Sharia Cooperative Amanah Ummat	Buy-sell, profit sharing, services	Murabahah	Murabahah	Wakalah, hiwalah

Comment [Ma10]: Table writing please improve for the better. This is because the use of tables in articles is very important to present data visually, compare data, organize data, support arguments, and provide additional information to readers.

BMT Name	Interested system	Buying and selling system used	Profit sharing system that is used	Service system used
Sharia Women Cooperative Waspada	Buy-sell, profit sharing	Murabahah, rahn	Musarakah, mudharabah	Wakalah
BMT Sri Sejahtera East Java	Profit sharing	Murabahah, istishna', bai' salam	Bai' bitsamanin ajil	Wakalah, ijarah
Cooperative Ships	Profit sharing	Murabahah	Mudharabah	Wakalah
Savings, Loans, and Financing Sharia Cooperative Bina Umat Terpadu East Java	Buy-sell	Murabahah	Musarakah, mudharabah	Hiwalah
Sharia Cooperative Ulya Amanatul Ummah BMT Makin Amin	Profit sharing Buy-sell	Murabahah Murabahah	Mudharabah Mudharabah	Kafalah Qardh, wakalah, kafalah
Savings, Loans, and Financing Sharia Unit Baitut Tamwil Hidayatullah As-Sakinah	Buy-sell	Murabahah, istishna'	Mudharabah mutanaqisoh	Hiwalah
Savings, Loans, and Financing Sharia Cooperative BMT Harapan Umat	Services	Murabahah	Murabahah	Qardh, ujarah
Savings, Loans, and Financing Sharia Cooperative BMT Amanah Ummah	Buy-sell	Murabahah	Lainnya	Tijarah
Sharia Cooperative Surya Amanah Mandiri	Buy-sell, profit sharing	Murabahah, bai' bitsamanin ajil	Lainnya	Lainnya
Savings, Loans, and Financing Sharia Cooperative Syirkah Permata Ukhuwah	Buy-sell, services	Murabahah, ijarah	Murabahah	Wakalah
Sharia Cooperative Berkah Medika Nusantara	Buy-sell	Murabahah	Murabahah	-
Cooperative Faculty of Islamic Economics and Business Universitas Islam Negeri Sunan Ampel Surabaya	Profit sharing	-	-	-
Potre Koneng	Profit sharing	Murabahah	Murabahah	Wakalah, hiwalah
Savings, Loans, and Financing Sharia Cooperative Harapan Ummat	Services	Murabahah	Bai' bitsamanin ajil, murabahah	Qardh

The data shows that the system that customers are most interested in is buying and selling, then profit sharing, and the service system. Thus, the level of need for MSME customers/managers at BMT is very high because most customers need productive capital rather than consumptive funds. Buy-sell, according to Husaeni & Zakiah (2021), is a buying and selling procedure where in practice, BMT appoints customers as agents (who are authorized) to buy goods on behalf of BMT. BMT acts as a customer seller at a purchase price plus profit for BMT or margin. BMT profits will be shared with providers and depositors of funds. Furthermore, the type of sale and purchase contract customers prefer is mudharabah. Mudharabah is a contract that benefits both parties in a business transaction in which the

purchase price is mutually stated, and both parties agree on a profit or margin. This fact implies a good customer enthusiasm for economic empowerment by BMT.

Systematic BMT transactions in East Java must be directed and systematic following sharia provisions. According to Imaniyati (2004), the principles of Islamic or Sharia economics that must be used as guidelines by BMT include: (1) Humans are creatures that carry Allah's mandate to prosper life on earth and are given the position of caliph (representative) who is obliged to carry out His instructions; (2) The earth and the heavens are all created to serve the interests of human life and are subject to them to fulfil God's mandate. Allah is also the absolute owner of all of His creation; (3) Humans are obliged to work to fulfil the necessities of life; (4) Work is what produces (productive); Islam determines various forms of work which are lawful and which are unlawful, only work which is lawful is considered valid; (5) Human property rights are burdened with obligations intended for the benefit of society. Property rights have a social function; (6) Wealth should not only circulate among the rich but should be levelled up by fulfilling predetermined material obligations and cultivating social awareness in the form of recommending various kinds of charity; (7) Wealth should not be squandered to fulfil pleasures that exceed the limits. Grateful for and enjoying business gains should be within justified limits; (8) Humanitarian cooperation that is mutually helpful in efforts to meet needs is upheld; (9) The value of justice in human cooperation is upheld; (10) The value of human dignity is maintained and developed to obtain the adequacy and necessities of life; (11) State intervention is justified in the framework of controlling economic activities towards achieving goals.

BMT Social Programs

BMT social programs can be seen in table 4. Based on table 4, not all BMTs have social programs intended for their customers or prospective customers.

Table 4. BMT Social Programs

BMT Name	Social Programs Availability	Program Type
Sharia Cooperative Harapan Surabaya	Available	Ziswaf, social assistance
BMT Nusantara Mojopahit	Available	Ziswaf
BMT Airlangga Bakti Persada	Available	Ziswaf
BMT Khoir Ummat	Available	Ziswaf
BMT As-Syifa	Available	Ziswaf, establishment and mentoring programs of 100 BMT
Sharia Cooperative Center Annisa East Java	Available	Ziswaf
BMT Harapan Muslima	Available	Ziswaf
Sharia Cooperative Harapan Muslimah	Available	Ziswaf
Sharia Cooperative Amanah Ummat	Available	Other
Sharia Women Cooperative Waspada	Available	Bansos
BMT Sri Sejahtera East Java	Available	Ziswaf

BMT Name	Social Programs Availability	Program Type
Cooperative Ships	Available	Ziswaf
Savings, Loans, and Financing Sharia	Not available	-
Cooperative Bina Umat Terpadu East Java		
Sharia Cooperative Ulya Amanatul Ummah	Not available	-
BMT MAKIN AMIN	Available	Ziswaf
Savings, Loans, and Financing Sharia Unit	Available	Other
Baitut Tamwil Hidayatullah As-Sakinah		
Savings, Loans, and Financing Sharia	Not available	-
Cooperative BMT Harapan Umat		
Savings, Loans, and Financing Sharia	Available	Ziswaf
Cooperative BMT Amanah Ummah		
Sharia Cooperative Surya Amanah Mandiri	Available	Other
Savings, Loans, and Financing Sharia	Available	Ziswaf
Cooperative Syirkah Permata Ukhuwah		
Sharia Cooperative Berkah Medika	Available	Ziswaf
Nusantara		
Cooperative Faculty of Islamic Economics	Available	Ziswaf
and Business Universitas Islam Negeri		
Sunan Ampel Surabaya		
Potre Koneng	Available	Ziswaf
Savings, Loans, and Financing Sharia	Not available	-
Cooperative Harapan Ummat		

BMT has a goal that is alignment with the interests of the small community. Therefore, the function of BMT must be connected to social actions that help the community's economy. In East Java, 84% of BMTs have social programs in the form of management of zakat, infaq, alms and waqf funds which are carried out for the benefit of the ummah, while the other 16% still need social programs. This deficiency is a particular task for managers and DPS to restore the proper function of BMT. In addition to achieving worldly goals, it also ensures the achievement of the welfare of the wider community.

For example, Oktavia (2014) researched the role of BMT in the Surabaya area, which has made efforts to improve the morale of the Dolly community. The role of BMT is to contribute to the movement of the small economy by directly entering entrepreneurs and becoming a driving force for development in helping the lower-down community in the Dolly Surabaya area.

Research conducted by Mubarrok et al. (2022) found that social actions carried out by BMTs were factors that built strength in optimizing the role of BMTs. Carrying out social activities opens the way for the government to provide support to BMTs and opens the way for linkage cooperation with the financial industry and other parties. In addition, BMTs are considered closer to SMEs and people experiencing poverty because the distribution of business and social-based funds is right on target and by sharia law. Therefore, the strategy for optimizing the role of BMT in the East Java economy focuses on improving the quality of

management and business operations and adhering to sharia, community empowerment, and strengthening the people's economy.

Comment [Ma11]: not many theories are used to corroborate the results of your study. this is because the strengthening of theory in paragraphs in articles is very important to provide a strong theoretical basis, direct research, support arguments, increase validity, and integrate research with existing literature.

Customer's Business Assistance

BMT has provided business assistance for customers. Table 5 shows business assistance by BMTs in East Java. There are only a few differences in the pattern of assistance.

Table 5. Customer's Business Assistance

BMT name	Customer's Business Assistance Availability	Assistance Type
Sharia Cooperative Harapan Surabaya	Available	Strengthening capital and encouraging entrepreneurship
BMT Nusantara Mojopahit	Available	Business assistance
BMT Airlangga Bakti Persada	Available	MSMEs funding
BMT Khoin Ummat	Available	MSMEs funding
BMT As-Syifa	Available	Sharia compliance education
Sharia Cooperative Center Annisa East Java	Available	Business studies
BMT Harapan Muslima	Available	Business training
Sharia Cooperative Harapan Muslimah	Available	Business training
Sharia Cooperative Amanah Ummat	Available	Product reseller
Sharia Women Cooperative Waspada	Available	Group coaching
BMT Sri Sejahtera East Java	Available	Monthly coaching
Cooperative Ships	Available	Business training
Savings, Loans, and Financing Sharia Cooperative Bina Umat Terpadu East Java	Available	HR upgrading training
Sharia Cooperative Ulya Amanatul Ummah	Not available	No companion available
BMT Makin Amin	Available	No-usury and no-capitalism community
Savings, Loans, and Financing Sharia Unit Baitut Tamwil Hidayatullah As-Sakinah	Not available	-
Savings, Loans, and Financing Sharia Cooperative BMT Harapan Umat	Not available	-
Savings, Loans, and Financing Sharia Cooperative BMT Amanah Ummah	Available	Maintain good communication with members
Sharia Cooperative Surya Amanah Mandiri	Available	Business training
Savings, Loans, and Financing Sharia Cooperative Syirkah Permata Ukhuwah	Available	Business training
Sharia Cooperative Berkah Medika Nusantara	Not available	-
Cooperative Faculty of Islamic Economics and Business Universitas Islam Negeri Sunan Ampel Surabaya	Available	Business training
Potre Koneng	Available	Business training
Savings, Loans, and Financing Sharia Cooperative Harapan Ummat	Not available	-

BMT business assistance can be carried out regularly through groups within 2-4 weeks.

Assistance is carried out with the principles of sharia financing. Training is provided on simple administration and accountancy, which monitors and evaluates the development of assisted MSMEs (Octavia, 2014).

Comment [Ma12]: Before this paragraph, there must be an explanation of the table previously presented. there are many things that should be displayed and strengthen the results of your theoretical study and discussion

BMT will assess the level of business profitability and integrity of the applicant, which

includes honesty, discipline, responsibility, and commitment. Regarding evaluation and supervision, BMT must ensure that everything is under control. If there is an intentional or unintentional default, deliberation is the way to go before legal action (Adnan & Ajija, 2015). However, BMT has never sued customers, so deliberation and kinship always resolve any problems encountered. The proper steps BMTs can take in dealing with defaulted businesses (Adnan & Ajija, 2015).

Problems of BMT in Empowering MSMEs in Indonesia

The fact that there are BMTs that grow and develop, but on the other hand, there are those that fall and fail indicates that there are problems surrounding BMTs in East Java as shown in Table 6.

Table 6. BMT Problems

BMT Name	Problems
Sharia Cooperative Harapan Surabaya	Capital, understanding of the sharia economics of managers, sharia supervisory boards, and customers
BMT Nusantara Mojopahit	Low public trust
BMT Airlangga Bakti Persada	BMT is less popular and BMT funding for MSMEs is limited
BMT Khoin Ummat	-
BMT As-Syifa	Trustworthiness and professionalism in implementation and management are considered challenging to carry out by sharia compliance
Sharia Cooperative Center Annisa East Java	The activity combines conventional and sharia economics. A pure profit-sharing system (according to Islamic teaching) still needs to be implemented.
BMT Harapan Muslima	Low capital, business skills, and professionalism
Sharia Cooperative Harapan Muslimah	Low capital, business skills, and professionalism
Sharia Cooperative Amanah Ummat	Low capital, business skills, and professionalism
Sharia Women Cooperative Waspada	Low customer knowledge regarding sharia rules
BMT Sri Sejahtera East Java	Low capital growth and people's awareness to save
Cooperative Ships	Poor management
Savings, Loans, and Financing Sharia Cooperative	Lack of assistance and economic empowerment (capital strengthening) for members and urban BMTs.
Bina Umat Terpadu East Java	Limited fund
Sharia Cooperative Ulya Amanatul Ummah	Edukasi tentang muamalah syariah sangat kurang, kesadaran masyarakat untuk mencintai produk lokal rendah, dan pemimpin atau tokoh umat kurang mendukung penguatan ekonomi umat
BMT Makin Amin	-
Savings, Loans, and Financing Sharia Unit Baitut	-
Tamwil Hidayatullah As-Sakinah	-

BMT Name	Problems
Savings, Loans, and Financing Sharia Cooperative BMT Harapan Umat	There are still only a few Muslims who save at BMT. Customers do not pay loans orderly due to a misunderstanding regarding sharia rules.
Savings, Loans, and Financing Sharia Cooperative BMT Amanah Ummah	Lack of Islamic economy education for the public
Sharia Cooperative Surya Amanah Mandiri	Lack of Islamic financial principal for the public
Savings, Loans, and Financing Sharia Cooperative Syirkah Permata Ukhuwah	Low customer financing agreements understanding
Sharia Cooperative Berkah Medika Nusantara	Low MSMEs' cost turnover
Cooperative Faculty of Islamic Economics and Business Universitas Islam Negeri Sunan Ampel Surabaya	Low sharia literacy
Potre Koneng	Members are more accustomed to the conventional economic system.
Savings, Loans, and Financing Sharia Cooperative Harapan Ummat	Work system needs improvement.

Based on table 6, the main classification of problems experienced by BMT is further explained in table 7.

Problems	Percentage
Understanding of Islamic finance and economics	27,03%
Capital	21,6%
Member business skills	16,22%
Public	13,51%
Technical implementation and management	8,12%
Regulation	2,7%
BMT existence	2,7%
Limited human resources	2,7%
A sense of belonging toward BMT	2,7%
Other	2,72%

The problems of BMT are dominated by the limited understanding of sharia finance and economics by managers, sharia supervisory boards, members, and the public (27.03%). Furthermore, the limited capital of BMT made the funds distributed unable to meet the needs of members (21.6%). This weakness will impact slow business development, and capital turnover between members and BMT could be more optimal. Then, members' expertise in business management is also a complex problem. Community support, trust and involvement in BMT are also still low. It has become one of the classic problems in BMT. Furthermore, several other problems also emerged, i.e., regulation, existence, limited human resources, and a sense of belonging to BMT from the employees.

These results align with the findings of Muhammad (2002) that the internal factor that is the main problem for BMT is a lack of understanding related to finance. Only complete financial reports and the use of funds by the plan make the funds provided insufficient to run

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the business. It is influenced by borrowers (BMT HR) who need to be more competent and have a good and neat management system. The absence of particular attention regarding awareness and knowledge being promoted regarding Islamic finance issues is one of the reasons for the need for more public interest in understanding sharia-based knowledge (Zulpahmi et al., 2022). Meanwhile, according to Rusby & Hamzah (2016), from a theoretical point of view, the main problem hindering BMT's development and growth, especially in Pekanbaru, is the need for more quality human resources owned by BMT.

Ariwibowo et al. (2021) have another review regarding the main weaknesses that can hinder the functioning of BMT, namely the facilities and technology factors it has. The weaknesses include (1) the firm's infrastructure, such as ATMs, debit cards and phone banking; (2) information technology, which includes performance management systems, ATM features, e-banking features, call-banking features, and credit scoring. These reviews indicate that more attention is needed from various sectors so that BMT can survive and develop in Indonesia like from the government, society, and practitioners. In contrast, the external problem is the absence of specific regulations governing BMT, which means that the lack of attention from the government sector also affects the performance of BMT development.

The Role of Baitul Maal wat Tamwil in Empowering MSMEs

Based on information from the Central Statistics Agency, since 2019, the number of poor people has increased from 10.37% to 11.40% in 2021 (Statistic Indonesia, 2021). In a broader sense, poverty is not only living in conditions of lack of clothing, food and shelter but also weak access to resources and low ownership of productive assets to obtain a decent life in terms of knowledge, information, technology and capital (Jayengsari & Husaeni, 2021).

The increase in the population in the poor category indicates that there is still turbulence in poverty alleviation. As a non-bank Islamic financial institution with social goals, BMT can increase household income, family education, and the progress of community businesses through economic empowerment (Rokhman, 2013). The research results from Rusby & Hamzah (2016) also show that the establishment of BMT positively affected the development of the people's economy that tried to escape poverty and unemployment. In addition, Ridwan (2013) also argues that BMT is a non-bank financial institution as an integrated independent business centre *bayt al-mal wa at-tamwil*. In this institution, productive and investment businesses are developed to improve the quality of small entrepreneurs' businesses and encourage other investment forms to empower worldly and spiritual businesses through *infaq*,

zakat and alms. Furthermore, as an informal non-banking financial institution, BMT uses a management system that is thoroughly coloured by fundamental Islamic values and is based on the principles of justice, humanity, mutual help, kinship, and cooperation should be able to bring about efficiency and effectiveness in achieving maximum results by the objectives of the establishment of the BMT, namely one of them is poverty alleviation.

However, the reality in the field is that several dominant factors in the development of BMT divided into human resources, technical, legal/structure, and market/communal. According to the results of research conducted by Rusydiana & Devi (2013), Hadisumarto & Ghafar B. Ismail (2010), and Wulandari & Kassim (2016) that, the problems experienced by BMTs are disharmony of legal umbrellas for BMTs, inadequate training, supervision, and awareness resources, the absence of LPS interference, and the factor of competition, in direct comparison with the problems of BMT in East Java, which are dominated by weak human resources in terms of quantity and quality, minimal capital, regulations, and unprofessional service systems. Some of the problems above are also the problems of MSMEs in Indonesia. So, according to Arauco et al. (2022), appropriate policies and attention from local, regional, and national entities are needed to support the operation of economic activities that support and are inclusive of marginalized communities or people in the lower middle class.

CONCLUSION

The BMT presence is expected to support in terms of capital and coaching, bearing in mind that the purpose of establishing BMT is to generate profits and promote the benefit of the ummah. The problem is that BMT will impact on hampering its growth and existence. The problems are understanding the Islamic economy and finance, capital, low participation of the public, limited human resources, regulation, sense of ownership, and BMT management techniques. Economic empowerment is a step that must be encouraged to increase regional economic growth, such as by maximising the potential for MSME development.

LIMITATION

This research is limited to BMTs in East Java and only looks at their role in empowering the ummah's economy. So this study is intended to analyse the performance of BMT in helping MSMEs and reducing poverty. This research was only conducted on 24 BMTs from 626 officially registered BMTs in East Java. Therefore, this limitation cannot significantly represent

Comment [Ma14]: Conclusion still does not describe the general summary of the article written. there are still many things that need to be fixed and added in the article

the actual condition of BMT in East Java. This study can be extended and modified in various ways. The number of BMT analysed needs to be added to represent the total BMT in East Java in each region. Subsequent studies can also expand the reach of the research area throughout Indonesia to increase the concreteness of research results and present solutions for BMT development.

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Comment [Ma15]: There are still not many references and do not meet good standards in journals, there are still many citations that are not in the article

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REVIEWER 2

A Study on the Empowerment of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia through Baitul Maal Wat Tamwil: Examining Indonesian Islamic Microfinance Institutions

ARTICLE INFO	ABSTRACT
Article history:	This study aims to determine the problems in Baitul Maal Wat Tamwil (BMT) in empowering the economy of the ummah. The main topics discussed are the concept and systematics of Baitul Maal Wa Tamwil, the role of BMT in the economic empowerment of MSMEs and people experiencing poverty, and the problems BMT faces. This study uses a descriptive qualitative method that conveys data verbally and emphasizes contextual issues. Data were obtained from 24 BMT managers spread across East Java. The results of this study confirm that there are various problems perceived by BMT, including a lack of understanding of sharia economics owned by managers, DPS and members, limited capital, low participation of the general public, BMT regulations, existence, weak entrepreneurship skills of members, lack of sense of ownership of BMT presence, and implementation techniques and management that are not optimal. This research contributes to classifying the problems that are currently occurring in several BMTs in East Java so that evaluations in several sectors can be identified that must be improved in order to optimize the role of the BMT in helping marginal communities to be free from poverty. This research classifies the problems of BMT in Indonesia, not only discussing it from an economic perspective but this research also discussing BMT regulations.
Received	
Accepted	
Keywords:	
BMT Problems; Economic Empowerment; Islamic Microfinance.	

Comment [Ma16]: The title of the article should not be too long, enough with a sentence that is short but very clear and describes the contents of the article

Comment [Ma17]: Abstract should describe something clear, including the method used when conducting research, so it is necessary to add methods in this article

O PAPEL DO BAITUL MAAL WAT TAMWIL EM CAPACITAR AS MPMEs NA INDONÉSIA: UM ESTUDO DAS INSTITUIÇÕES DE MICROFINANÇAS ISLÂMICAS INDONÉSIAS

RESUMO

Objetivo: Este estudo visa determinar os problemas em Baitul Maal Wat Tamwil (BMT) em fortalecer a economia do ummah na Indonésia.

Estrutura teórica: Os principais tópicos discutidos são o conceito e a sistemática do Baitul Maal Wa Tamwil, o papel do BMT no empoderamento econômico das MPMEs e pessoas em situação de pobreza, e os problemas que o BMT enfrenta.

Design/metodologia/abordagem: Este estudo utiliza um método qualitativo descritivo que transmite os dados verbalmente e enfatiza as questões contextuais. Os dados foram obtidos de 24 gerentes do BMT espalhados por Java Oriental.

^A Associate Professor of Islamic Economics, Department of Islamic Economics. Universitas Negeri Surabaya.

E-mail: khoirulamwar@unesa.ac.id Orcid: <https://orcid.org/0000-0003-3681-4762>

^B Assistant Professor of Islamic Economics, Department of Islamic Economics. Universitas Negeri Surabaya.

E-mail: ahmadajibridlwan@unesa.ac.id Orcid: <https://orcid.org/0000-0002-8982-8642>

^C Master of Islamic Economics, Graduate Program of Islamic Economics. Universitas Islam Negeri Sunan Ampel Surabaya. E-mail: lailyrahma15@gmail.com Orcid: <https://orcid.org/0000-0003-2023-3736>

Descobertas: Os resultados deste estudo confirmam que existem vários problemas percebidos pelo BMT, incluindo a falta de compreensão da economia da sharia de propriedade dos gerentes, DPS e membros, capital limitado, baixa participação do público em geral, regulamentos do BMT, existência, fracas habilidades empresariais dos membros, falta de senso de propriedade da presença do BMT, e técnicas de implementação e gestão que não são ótimas.

Pesquisa, implicações práticas e sociais: Esta pesquisa contribui para classificar os problemas que estão ocorrendo atualmente em vários BMTs no Leste de Java para que avaliações em vários setores possam ser identificadas que devem ser melhoradas a fim de otimizar o papel do BMT em ajudar as comunidades marginais a se libertarem da pobreza.

Originalidade/valor: Esta pesquisa classifica os problemas do BMT na Indonésia, não apenas discutindo-o a partir de uma perspectiva econômica, mas também discutindo a regulamentação do BMT.

Palavras-chave: Problemas de BMT, Empoderamento Econômico, Microfinanças Islâmicas.

EL PAPEL DE BAITUL MAAL WAT TAMWIL EN LA CAPACITACIÓN DE LAS MICROEMPRESAS EN INDONESIA: UN ESTUDIO DE LAS INSTITUCIONES DE MICROFINANCIACIÓN ISLÁMICAS INDONESIAS

RESUMEN

Propósito: Este estudio tiene como objetivo determinar los problemas de Baitul Maal Wat Tamwil (BMT) en la potenciación de la economía de la ummah en Indonesia.

Marco teórico: Los principales temas tratados son el concepto y la sistemática de Baitul Maal Wa Tamwil, el papel de BMT en la potenciación económica de las mipymes y las personas en situación de pobreza, y los problemas a los que se enfrenta BMT.

Diseño/metodología/enfoque: Este estudio utiliza un método cualitativo descriptivo que transmite los datos verbalmente y hace hincapié en las cuestiones contextuales. Se obtuvieron datos de 24 directivos de BMT repartidos por Java Oriental.

Resultados: Los resultados de este estudio confirman que hay varios problemas percibidos por BMT, incluyendo una falta de comprensión de la economía de la sharia propiedad de los gerentes, DPS y miembros, capital limitado, baja participación del público en general, BMT reglamentos, existencia, habilidades empresariales débiles de los miembros, la falta de sentido de propiedad de la presencia de BMT, y las técnicas de aplicación y gestión que no son óptimas.

Investigación, implicaciones prácticas y sociales: Esta investigación contribuye a clasificar los problemas que se dan actualmente en varios BMT de Java Oriental, de modo que puedan identificarse las evaluaciones en varios sectores que deben mejorarse para optimizar el papel del BMT a la hora de ayudar a las comunidades marginales a liberarse de la pobreza.

Originalidad/valor: Esta investigación clasifica los problemas del BMT en Indonesia, no sólo discutiéndolo desde una perspectiva económica sino que esta investigación también discute las regulaciones del BMT.

Palabras clave: Problemas BMT, Empoderamiento Económico, Microfinanzas Islámicas.

INTRODUCTION

Poverty can be eliminated by seeking to empower micro-enterprises and provide capital assistance (Amalia, 2009). One of the efforts that can be made to empower stable and independent economies is to develop ordinary people's entrepreneurial skills, often called Micro, Small and Medium Enterprises (MSMEs). The role of MSMEs has been proven since 1997, when the monetary crisis occurred, and is seen as a critical sector behind the national economic recovery (Rofiah, 2011).

Over time, the development of MSMEs implies excellent potential from domestic strength if managed optimally. Therefore, it is necessary to empower MSMEs in terms of

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Comment [Ma19]: it is advisable to change the reference because it is more than the last 10 years

quality and quantity. However, on the other hand, MSMEs face classic problems, i.e., product marketing and limited access to financing from formal financial institutions, such as banks (Risman et al., 2018).

It is inversely proportional to the fact that it has been more than 20 years that Indonesia has had the Ministry of Cooperatives and Small and Medium Enterprises (SMEs), supported by the banks' obligation to set aside 20% of total credit for MSMEs, and State Own Companies (SOEs)' obligation to set aside some of their profits for MSMEs development. However, it needs to be fulfilled because banks prefer to channel credit for consumption activities. Ultimately, MSMEs remain undeveloped, and poverty and unemployment remain classic problems (Sobana & Husaeni, 2019).

Islamic microfinance exists to provide financial services to people experiencing poverty who previously received funds through third-party sources such as charity (infaq and sadaqah) and zakat, commonly called mustahiq. Islamic microfinance is a proper way to meet the financial needs of the community because it offers funds without charging interest and has a mission to maximize social services by utilizing zakat, infaq, and alms to meet financial needs in the form of community economic empowerment (Siraj et al., 2021).

Baitul Maal wa Tamwil (BMT) is a sharia microfinance institution in Indonesia which has a unique role as Baitul Maal, which functions as an amil that manages, collects, and distributes zakat and acts as a financial intermediary by managing funds, savings and providing financing (tamwil). BMT's social function is through qardhul hasan financing (interest-free loans). In addition, BMT also offers other contracts based on the principle of profit-sharing contracts based on Islamic values (Hadisumarto & Ghafar B. Ismail, 2010).

The alternative capital for MSMEs is Baitul Maal wa Tamwil (BMT) because the system is more flexible and targets the lower middle class who are not bankable and anti-usury. It can create opportunities for MSME development. However, data on the number and distribution of BMTs needs to be more accurate, and the number of BMTs that have fallen and are no longer operating, human resources, and institutions (Sakti, 2013; Zulkifli et al., 2018).

The existence of BMT with a significant number in several regions in Indonesia is not supported by supporting factors that allow BMT to continue to grow and run well. Facts on the ground show that many BMTs have fallen and sunk. By looking at this phenomenon, it is felt that the development of BMT has not been fully able to answer the fundamental economic problems in society (Rusydia & Devi, 2013).

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Given the importance of the role of BMT in the economic empowerment of Indonesian society, it is necessary to conduct research that emphasizes the systematic mapping of BMT problems in Indonesia so that the problem can be understood comprehensively.

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LITERATURE REVIEW

Baitul Maal wa Tamwil

In language, Baitul Maal wa Tamwil, which is usually abbreviated as BMT, has two meanings, namely a fund house (baitul maal) and a business house (baitul Tamwil), while the general understanding is that BMT is a business organization that has a social role (Sapudin et al., 2018). BMT is a type of microfinance institution operated on the principle of profit sharing through the development of small-scale businesses to raise the dignity and prioritize the interests of people experiencing poverty. Initially, BMTs could be formed and established on local community leaders' initiative and initial capital based on an Islamic economic system that upholds safety, justice, peace and prosperity (Sholihin, 2010). Rusby & Hamzah (2016) explained that BMT is a small financing institution that operates using a combination of the "Baitul Maal" and "Baitul Tamwil" concepts with targets and targets in the small business sector. BMT is a simple Islamic financial institution activating increased development of community economic activities based on sharia laws in every activity and activity (Djayussma, 2015). Harahap & Ghozali (2020) state that BMT is a business organization that also acts as a social centre. From the several definitions of BMT above, an understanding can be drawn that BMT has two main characteristics, which are as a business institution that aims to improve the quality of economic business and community welfare as well as a social institution that can collect and distribute zakat, infaq, alms and endowments (ZISWAF) to for mustahiq.

Baitul Mal wa Tamwil Roles and Function

Sudarsono (2007) explains some of the roles of BMT as follows:

- e) Distancing and preventing society from economic practices that contain elements of usury and actively conducting social interactions with the community related to the importance of creating an Islamic economic system.
- f) Conduct coaching, mentoring, and funding for small businesses, such as acting as extension officers and supervisors of customer businesses by shari'ah principles.
- g) Releasing the dependence of the community, especially the grassroots community, on loan sharks by providing services by providing healthy funds at any

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time, which is managed according to sharia economic principles and creating a flexible and easy bureaucracy.

h) Maintain social and economic justice with an even distribution.

Ridwan (2004) suggests several functions of the BMT as follows:

f) Identify, mobilize, organize, encourage, and develop the economic potential of members in their working area.

g) Improving the quality of human resources owned by BMT to become more professional and Islamic in facing global competition.

h) Accommodate the community's potential around the BMT to improve members' welfare.

i) Become a financial intermediary for social funds such as zakat, infaq, sadaqah, waqf, and grants to be managed professionally.

j) Become a financial intermediary between owners of funds as investors and depositors (shahibul mal) and users of funds to develop productive businesses.

Furthermore, nowadays, the economic potentials of society are starting to be developed and slowly surviving in the free market era (Pradja, 2013). Thus, BMT is tasked with developing productive and investment businesses in improving the quality of economic activities of macro and micro business actors, among others, by encouraging saving activities and supporting the financing of their economic activities, especially for people at the lower middle level who are run by sharia provisions (Ridwan, 2013). Husaeni & Zakiah (2021) argue that BMT products come in two forms: Fundraising (Funding) through deposits that use them on principle. The second is the distribution of funds (lending) through financing consisting of profit sharing and buying and selling.

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BMT Management in the Era of Prophet Muhammad SAW & Companions

In the Qur'an, it is not explicitly stated regarding Financial Institutions. However, an institution is formed if it fulfils structure, management, and functions. There are rights and obligations and is clearly stated by the ummah (community group), approved by muluk (government), balad (state), and required suq (market), which indicates the function and role are the same as the existing institutions

During the time of the Prophet, two financial institutions were established: Baitul Maal and Wilayatul Hisbah. Baitul Maal was a depository institution that managed income and expenses for the welfare of the ummah. Wilayatul Hisbah, on the other hand, served as a supervisory agency directly overseen by the Prophet, supporting economic and muamalat activities

Whereas financial institutions during the Rashidun Khulafaur era continued and developed, financial institutions were built and operated during the time of the Prophet, when baitul maal was getting stronger and could be used as a foundation for the economic strength of the ummah. During the time of Umar Bin Khattab, the baitul maal expanded the basis of zakat and other sources of income and made a policy by imposing quotas on traders from Persia and Rome because the two countries imposed the same thing on traders in Medina. Usman bin Affan and Ali bin Abi Talib continued Umar bin Khattab's policy by maximizing revenue and receipts from the baitul maal, which functioned as fiscal policy

MATERIAL AND METHODOLOGY

The research method in this article utilized qualitative descriptive analysis, which emphasizes contextual issues and conveys data in verbal form Primary and secondary data were collected from various sources including scientific journals, documents, and primary sources. The primary data obtained from 24 BMT managers in East Java were analyzed descriptively to gain a comprehensive understanding of the research object

RESULT AND DISCUSSION

Development of BMT Customers and Employees Number

BMT Customers Number

The number of customers is generally a benchmark for the development of BMT because the more the number of customers owned, the more trust and credibility of BMT are maintained in the public's eyes. Data on the number of BMT customer categories in East Java can be seen in Table 1.

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Comment [Ma27]: The methodology should be displayed more fully. need to add a lot of parts such as what approach is used, methods of data collection and others.

Table 1. BMT Customers Number

BMT Customers Number	Percentage
>1000	28%
800 - 1000	4%
500 - 800	4%
300 - 500	16%
d 300 100	36%
>100	12%

Comment [Ma28]: The table is still too small, incomplete with sources and figures are still unclear. There should be additional explanation after table 1.

In Indonesia, around 3 million customers receive financing from BMTs throughout Indonesia. According to Subkhan (2008), this is one of the reasons why BMT is multiplying in Indonesia. There are three other reasons Subkhan (2008) put forward regarding the reasons for the rapid development of BMT in Indonesia, including the high demand from the public to obtain financing from BMT due to the lack of access to obtain loans from banks, the strong desire of the Muslim community requires transactions according to Sharia principles; the success of several BMTs in Indonesia has made the community want to establish the same institution, coupled with establishing a BMT, which is relatively easy and requires little capital.

BMT Employees Number

Table 2. BMT Employees Number

BMT Customers Number	Percentage
> 20	8%
15 -19	8%
10 - 14	24%
5 - 9	28%
< 5	32%

Comment [Ma29]: Table 2 still does not meet the table writing standards. e.g. there is no source yet where this table was taken from

Data on the number of BMT employees in East Java can be seen in Table 2. The data explains that most human resources in BMT are under 15 people reaching 74%. This condition is inversely proportional to the needs of members or customers who reach hundreds or even more than 1000 customers. This resource must be improved for BMT operations, impacting customer service and assistance inequality. These results support the findings of Gampito (2008), which states that the lack of performance of BMT staff comes from a lack of human resources which is also one of the weaknesses of BMT operations.

Systematics of BMT Transactions

Table 3 explains that the systems and contracts used at BMTs in East Java vary widely. It is undoubtedly a requirement for managers and the Sharia Supervisory Board to oversee its implementation to remain following sharia provisions.

Table 3. Systematics of BMT Transactions

BMT Name	Interested system	Buying and selling system used	Profit sharing system that is used	Service system used
Sharia Cooperative Harapan Surabaya	Buy-sell	Murabahah, istishna', ijarah	Murabahah	Qardh
BMT Nusantara Mojopahit	Profit sharing	Murabahah	Murabahah	Rahn
BMT Airlangga Bakti Persada	Profit sharing	Murabahah	Murabahah	-
BMT Khoin Ummat	Buy-sell	Murabahah	Lainnya	Rahn
BMT As-Syifa	Buy-sell	Murabahah, istishna'	Musyarakah, mudharabah	Qardh
Sharia Cooperative Center Annisa East Java	Buy-sell, services	Murabahah, bai' bitsamanin ajil	Musyarakah, mudharabah	-
BMT Harapan Muslima	Buy-sell, services	Murabahah	Musyarakah, mudharabah	Hiwalah, ijarah
Sharia Cooperative Harapan Muslimah	Buy-sell, services	Murabahah	Murabahah	Hiwalah
Sharia Cooperative Amanah Ummat	Buy-sell, profit sharing, services	Murabahah	Murabahah	Wakalah, hiwalah

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BMT Name	Interested system	Buying and selling system used	Profit sharing system that is used	Service system used
Sharia Women Cooperative Waspada	Buy-sell, profit sharing	Murabahah, rahn	Musyarakah, mudharabah	Wakalah
BMT Sri Sejahtera East Java	Profit sharing	Murabahah, istishna', bai' salam	Bai' bitsamanin ajil	Wakalah, ijarah
Cooperative Ships	Profit sharing	Murabahah	Mudharabah	Wakalah
Savings, Loans, and Financing Sharia Cooperative Bina Umat Terpadu East Java	Buy-sell	Murabahah	Musyarakah, mudharabah	Hiwalah
Sharia Cooperative Ulya Amanatul Ummah	Profit sharing	Murabahah	Mudharabah	Kafalah
BMT Makin Amin	Buy-sell	Murabahah	Mudharabah	Qardh, wakalah, kafalah
Savings, Loans, and Financing Sharia Unit Baitut Tamwil Hidayatullah As-Sakinah	Buy-sell	Murabahah, istishna'	Mudharabah mutanaqisoh	Hiwalah
Savings, Loans, and Financing Sharia Cooperative BMT Harapan Umat	Services	Murabahah	Murabahah	Qardh, ujarah
Savings, Loans, and Financing Sharia Cooperative BMT Amanah Ummah	Buy-sell	Murabahah	Lainnya	Tijarah
Sharia Cooperative Surya Amanah Mandiri	Buy-sell, profit sharing	Murabahah, bai' bitsamanin ajil	Lainnya	Lainnya
Savings, Loans, and Financing Sharia Cooperative Syirkah Permata Ukhuwah	Buy-sell, services	Murabahah, ijarah	Murabahah	Wakalah
Sharia Cooperative Berkah Medika Nusantara	Buy-sell	Murabahah	Murabahah	-
Cooperative Faculty of Islamic Economics and Business Universitas Islam Negeri Sunan Ampel Surabaya	Profit sharing	-	-	-
Potre Koneng	Profit sharing	Murabahah	Murabahah	Wakalah, hiwalah
Savings, Loans, and Financing Sharia Cooperative Harapan Ummat	Services	Murabahah	Bai' bitsamanin ajil, murabahah	Qardh

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The data shows that the system that customers are most interested in is buying and selling, then profit sharing, and the service system. Thus, the level of need for MSME customers/managers at BMT is very high because most customers need productive capital rather than consumptive funds. Buy-sell, according to Husaeni & Zakiah (2021), is a buying and selling procedure where in practice, BMT appoints customers as agents (who are authorized) to buy goods on behalf of BMT. BMT acts as a customer seller at a purchase price plus profit for BMT or margin. BMT profits will be shared with providers and depositors of funds. Furthermore, the type of sale and purchase contract customers prefer is mudharabah. Mudharabah is a contract that benefits both parties in a business transaction in which the

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purchase price is mutually stated, and both parties agree on a profit or margin. This fact implies a good customer enthusiasm for economic empowerment by BMT.

Systematic BMT transactions in East Java must be directed and systematic following sharia provisions. According to Imaniyati (2004), the principles of Islamic or Sharia economics that must be used as guidelines by BMT include: (1) Humans are creatures that carry Allah's mandate to prosper life on earth and are given the position of caliph (representative) who is obliged to carry out His instructions; (2) The earth and the heavens are all created to serve the interests of human life and are subject to them to fulfil God's mandate. Allah is also the absolute owner of all of His creation; (3) Humans are obliged to work to fulfil the necessities of life; (4) Work is what produces (productive); Islam determines various forms of work which are lawful and which are unlawful, only work which is lawful is considered valid; (5) Human property rights are burdened with obligations intended for the benefit of society. Property rights have a social function; (6) Wealth should not only circulate among the rich but should be levelled up by fulfilling predetermined material obligations and cultivating social awareness in the form of recommending various kinds of charity; (7) Wealth should not be squandered to fulfil pleasures that exceed the limits. Grateful for and enjoying business gains should be within justified limits; (8) Humanitarian cooperation that is mutually helpful in efforts to meet needs is upheld; (9) The value of justice in human cooperation is upheld; (10) The value of human dignity is maintained and developed to obtain the adequacy and necessities of life; (11) State intervention is justified in the framework of controlling economic activities towards achieving goals.

Comment [Ma33]: References need to be updated because it is more than the last 10 years

BMT Social Programs

BMT social programs can be seen in table 4. Based on table 4, not all BMTs have social programs intended for their customers or prospective customers.

Table 4. BMT Social Programs

BMT Name	Social Programs Availability	Program Type
Sharia Cooperative Harapan Surabaya	Available	Ziswaf, social assistance
BMT Nusantara Mojopahit	Available	Ziswaf
BMT Airlangga Bakti Persada	Available	Ziswaf
BMT Khoin Ummat	Available	Ziswaf
BMT As-Syifa	Available	Ziswaf, establishment and mentoring programs of 100 BMT
Sharia Cooperative Center Annisa East Java	Available	Ziswaf
BMT Harapan Muslima	Available	Ziswaf
Sharia Cooperative Harapan Muslimah	Available	Ziswaf
Sharia Cooperative Amanah Ummat	Available	Other
Sharia Women Cooperative Waspada	Available	Bansos
BMT Sri Sejahtera East Java	Available	Ziswaf

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BMT Name	Social Programs Availability	Program Type
Cooperative Ships	Available	Ziswaf
Savings, Loans, and Financing Sharia	Not available	-
Cooperative Bina Umat Terpadu East Java		
Sharia Cooperative Ulya Amanatul Ummah	Not available	-
BMT MAKIN AMIN	Available	Ziswaf
Savings, Loans, and Financing Sharia Unit	Available	Other
Baitut Tamwil Hidayatullah As-Sakinah		
Savings, Loans, and Financing Sharia	Not available	-
Cooperative BMT Harapan Umat		
Savings, Loans, and Financing Sharia	Available	Ziswaf
Cooperative BMT Amanah Ummah		
Sharia Cooperative Surya Amanah Mandiri	Available	Other
Savings, Loans, and Financing Sharia	Available	Ziswaf
Cooperative Syirkah Permata Ukhuwah		
Sharia Cooperative Berkah Medika	Available	Ziswaf
Nusantara		
Cooperative Faculty of Islamic Economics	Available	Ziswaf
and Business Universitas Islam Negeri		
Sunan Ampel Surabaya		
Potre Koneng	Available	Ziswaf
Savings, Loans, and Financing Sharia	Not available	-
Cooperative Harapan Ummat		

BMT has a goal that is alignment with the interests of the small community. Therefore, the function of BMT must be connected to social actions that help the community's economy. In East Java, 84% of BMTs have social programs in the form of management of zakat, infaq, alms and waqf funds which are carried out for the benefit of the ummah, while the other 16% still need social programs. This deficiency is a particular task for managers and DPS to restore the proper function of BMT. In addition to achieving worldly goals, it also ensures the achievement of the welfare of the wider community.

For example, Oktavia (2014) researched the role of BMT in the Surabaya area, which has made efforts to improve the morale of the Dolly community. The role of BMT is to contribute to the movement of the small economy by directly entering entrepreneurs and becoming a driving force for development in helping the lower-down community in the Dolly Surabaya area.

Research conducted by Mubarrok et al. (2022) found that social actions carried out by BMTs were factors that built strength in optimizing the role of BMTs. Carrying out social activities opens the way for the government to provide support to BMTs and opens the way for linkage cooperation with the financial industry and other parties. In addition, BMTs are considered closer to SMEs and people experiencing poverty because the distribution of business and social-based funds is right on target and by sharia law. Therefore, the strategy for optimizing the role of BMT in the East Java economy focuses on improving the quality of

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management and business operations and adhering to sharia, community empowerment, and strengthening the people's economy.

Customer's Business Assistance

BMT has provided business assistance for customers. Table 5 shows business assistance by BMTs in East Java. There are only a few differences in the pattern of assistance.

Table 5. Customer's Business Assistance

BMT name	Customer's Business Assistance Availability	Assistance Type
Sharia Cooperative Harapan Surabaya	Available	Strengthening capital and encouraging entrepreneurship
BMT Nusantara Mojopahit	Available	Business assistance
BMT Airlangga Bakti Persada	Available	MSMEs funding
BMT Khoin Ummat	Available	MSMEs funding
BMT As-Syifa	Available	Sharia compliance education
Sharia Cooperative Center Annisa East Java	Available	Business studies
BMT Harapan Muslima	Available	Business training
Sharia Cooperative Harapan Muslimah	Available	Business training
Sharia Cooperative Amanah Ummat	Available	Product reseller
Sharia Women Cooperative Waspada	Available	Group coaching
BMT Sri Sejahtera East Java	Available	Monthly coaching
Cooperative Ships	Available	Business training
Savings, Loans, and Financing Sharia Cooperative Bina Umat Terpadu East Java	Available	HR upgrading training
Sharia Cooperative Ulya Amanatul Ummah	Not available	No companion available
BMT Makin Amin	Available	No-usury and no-capitalism community
Savings, Loans, and Financing Sharia Unit Baitut Tamwil Hidayatullah As-Sakinah	Not available	-
Savings, Loans, and Financing Sharia Cooperative BMT Harapan Umat	Not available	-
Savings, Loans, and Financing Sharia Cooperative BMT Amanah Ummah	Available	Maintain good communication with members
Sharia Cooperative Surya Amanah Mandiri	Available	Business training
Savings, Loans, and Financing Sharia Cooperative Syirkah Permata Ukhuwah	Available	Business training
Sharia Cooperative Berkah Medika Nusantara	Not available	-
Cooperative Faculty of Islamic Economics and Business Universitas Islam Negeri Sunan Ampel Surabaya	Available	Business training
Potre Koneng	Available	Business training
Savings, Loans, and Financing Sharia Cooperative Harapan Ummat	Not available	-

Comment [Ma36]: Writing needs to be improved so that it is more pleasant to see and read

BMT business assistance can be carried out regularly through groups within 2-4 weeks.

Assistance is carried out with the principles of sharia financing. Training is provided on simple administration and accountancy, which monitors and evaluates the development of assisted MSMEs (Octavia, 2014).

BMT will assess the level of business profitability and integrity of the applicant, which

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includes honesty, discipline, responsibility, and commitment. Regarding evaluation and supervision, BMT must ensure that everything is under control. If there is an intentional or unintentional default, deliberation is the way to go before legal action (Adnan & Ajija, 2015). However, BMT has never sued customers, so deliberation and kinship always resolve any problems encountered. The proper steps BMTs can take in dealing with defaulted businesses (Adnan & Ajija, 2015).

Problems of BMT in Empowering MSMEs in Indonesia

The fact that there are BMTs that grow and develop, but on the other hand, there are those that fall and fail indicates that there are problems surrounding BMTs in East Java as shown in Table 6.

Table 6. BMT Problems

BMT Name	Problems
Sharia Cooperative Harapan Surabaya	Capital, understanding of the sharia economics of managers, sharia supervisory boards, and customers
BMT Nusantara Mojopahit	Low public trust
BMT Airlangga Bakti Persada	BMT is less popular and BMT funding for MSMEs is limited
BMT Khoin Ummat	-
BMT As-Syifa	Trustworthiness and professionalism in implementation and management are considered challenging to carry out by sharia compliance
Sharia Cooperative Center Annisa East Java	The activity combines conventional and sharia economics. A pure profit-sharing system (according to Islamic teaching) still needs to be implemented.
BMT Harapan Muslima	Low capital, business skills, and professionalism
Sharia Cooperative Harapan Muslimah	Low capital, business skills, and professionalism
Sharia Cooperative Amanah Ummat	Low capital, business skills, and professionalism
Sharia Women Cooperative Waspada	Low customer knowledge regarding sharia rules
BMT Sri Sejahtera East Java	Low capital growth and people's awareness to save
Cooperative Ships	Poor management
Savings, Loans, and Financing Sharia Cooperative	Lack of assistance and economic empowerment (capital strengthening) for members and urban BMTs.
Bina Umat Terpadu East Java	Limited fund
Sharia Cooperative Ulya Amanatul Ummah	Edukasi tentang muamalah syariah sangat kurang, kesadaran masyarakat untuk mencintai produk lokal rendah, dan pemimpin atau tokoh umat kurang mendukung penguatan ekonomi umat
BMT Makin Amin	-
Savings, Loans, and Financing Sharia Unit Baitut	-
Tamwil Hidayatullah As-Sakinah	-

BMT Name	Problems
Savings, Loans, and Financing Sharia Cooperative BMT Harapan Umat	There are still only a few Muslims who save at BMT. Customers do not pay loans orderly due to a misunderstanding regarding sharia rules.
Savings, Loans, and Financing Sharia Cooperative BMT Amanah Ummah	Lack of Islamic economy education for the public
Sharia Cooperative Surya Amanah Mandiri	Lack of Islamic financial principal for the public
Savings, Loans, and Financing Sharia Cooperative Syirkah Permata Ukhuwah	Low customer financing agreements understanding
Sharia Cooperative Berkah Medika Nusantara	Low MSMEs' cost turnover
Cooperative Faculty of Islamic Economics and Business Universitas Islam Negeri Sunan Ampel Surabaya	Low sharia literacy
Potre Koneng	Members are more accustomed to the conventional economic system.
Savings, Loans, and Financing Sharia Cooperative Harapan Ummat	Work system needs improvement.

Based on table 6, the main classification of problems experienced by BMT is further explained in table 7.

Problems	Percentage
Understanding of Islamic finance and economics	27,03%
Capital	21,6%
Member business skills	16,22%
Public	13,51%
Technical implementation and management	8,12%
Regulation	2,7%
BMT existence	2,7%
Limited human resources	2,7%
A sense of belonging toward BMT	2,7%
Other	2,72%

The problems of BMT are dominated by the limited understanding of sharia finance and economics by managers, sharia supervisory boards, members, and the public (27.03%). Furthermore, the limited capital of BMT made the funds distributed unable to meet the needs of members (21.6%). This weakness will impact slow business development, and capital turnover between members and BMT could be more optimal. Then, members' expertise in business management is also a complex problem. Community support, trust and involvement in BMT are also still low. It has become one of the classic problems in BMT. Furthermore, several other problems also emerged, i.e., regulation, existence, limited human resources, and a sense of belonging to BMT from the employees.

These results align with the findings of Muhammad (2002) that the internal factor that is the main problem for BMT is a lack of understanding related to finance. Only complete financial reports and the use of funds by the plan make the funds provided insufficient to run

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the business. It is influenced by borrowers (BMT HR) who need to be more competent and have a good and neat management system. The absence of particular attention regarding awareness and knowledge being promoted regarding Islamic finance issues is one of the reasons for the need for more public interest in understanding sharia-based knowledge (Zulpahmi et al., 2022). Meanwhile, according to Rusby & Hamzah (2016), from a theoretical point of view, the main problem hindering BMT's development and growth, especially in Pekanbaru, is the need for more quality human resources owned by BMT.

Ariwibowo et al. (2021) have another review regarding the main weaknesses that can hinder the functioning of BMT, namely the facilities and technology factors it has. The weaknesses include (1) the firm's infrastructure, such as ATMs, debit cards and phone banking; (2) information technology, which includes performance management systems, ATM features, e-banking features, call-banking features, and credit scoring. These reviews indicate that more attention is needed from various sectors so that BMT can survive and develop in Indonesia like from the government, society, and practitioners. In contrast, the external problem is the absence of specific regulations governing BMT, which means that the lack of attention from the government sector also affects the performance of BMT development.

The Role of Baitul Maal wat Tamwil in Empowering MSMEs

Based on information from the Central Statistics Agency, since 2019, the number of poor people has increased from 10.37% to 11.40% in 2021 (Statistic Indonesia, 2021). In a broader sense, poverty is not only living in conditions of lack of clothing, food and shelter but also weak access to resources and low ownership of productive assets to obtain a decent life in terms of knowledge, information, technology and capital (Jayengsari & Husaeni, 2021).

The increase in the population in the poor category indicates that there is still turbulence in poverty alleviation. As a non-bank Islamic financial institution with social goals, BMT can increase household income, family education, and the progress of community businesses through economic empowerment (Rokhman, 2013). The research results from Rusby & Hamzah (2016) also show that the establishment of BMT positively affected the development of the people's economy that tried to escape poverty and unemployment. In addition, Ridwan (2013) also argues that BMT is a non-bank financial institution as an integrated independent business centre *bayt al-mal wa at-tamwil*. In this institution, productive and investment businesses are developed to improve the quality of small entrepreneurs' businesses and encourage other investment forms to empower worldly and spiritual businesses through *infaq*,

zakat and alms. Furthermore, as an informal non-banking financial institution, BMT uses a management system that is thoroughly coloured by fundamental Islamic values and is based on the principles of justice, humanity, mutual help, kinship, and cooperation should be able to bring about efficiency and effectiveness in achieving maximum results by the objectives of the establishment of the BMT, namely one of them is poverty alleviation.

However, the reality in the field is that several dominant factors in the development of BMT divided into human resources, technical, legal/structure, and market/communal. According to the results of research conducted by Rusydiana & Devi (2013), Hadisumarto & Ghafar B. Ismail (2010), and Wulandari & Kassim (2016) that, the problems experienced by BMTs are disharmony of legal umbrellas for BMTs, inadequate training, supervision, and awareness resources, the absence of LPS interference, and the factor of competition, in direct comparison with the problems of BMT in East Java, which are dominated by weak human resources in terms of quantity and quality, minimal capital, regulations, and unprofessional service systems. Some of the problems above are also the problems of MSMEs in Indonesia. So, according to Arauco et al. (2022), appropriate policies and attention from local, regional, and national entities are needed to support the operation of economic activities that support and are inclusive of marginalized communities or people in the lower middle class.

CONCLUSION

The BMT presence is expected to support in terms of capital and coaching, bearing in mind that the purpose of establishing BMT is to generate profits and promote the benefit of the ummah. The problem is that BMT will impact on hampering its growth and existence. The problems are understanding the Islamic economy and finance, capital, low participation of the public, limited human resources, regulation, sense of ownership, and BMT management techniques. Economic empowerment is a step that must be encouraged to increase regional economic growth, such as by maximising the potential for MSME development.

LIMITATION

This research is limited to BMTs in East Java and only looks at their role in empowering the ummah's economy. So this study is intended to analyse the performance of BMT in helping MSMEs and reducing poverty. This research was only conducted on 24 BMTs from 626 officially registered BMTs in East Java. Therefore, this limitation cannot significantly represent

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the actual condition of BMT in East Java. This study can be extended and modified in various ways. The number of BMT analysed needs to be added to represent the total BMT in East Java in each region. Subsequent studies can also expand the reach of the research area throughout Indonesia to increase the concreteness of research results and present solutions for BMT development.

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