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## **Social Financial Inclusion of Digital Based and Cooperation to Increase Competitiveness in Baitul Maal Wat Tamwil**

**Fatkur Rohman Albanjari**

University of Sayid Ali Rahmatullah Tulungagung, Indonesia

[fatkhurrohmanalbanjari@gmail.com](mailto:fatkhurrohmanalbanjari@gmail.com)

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### **Abstract**

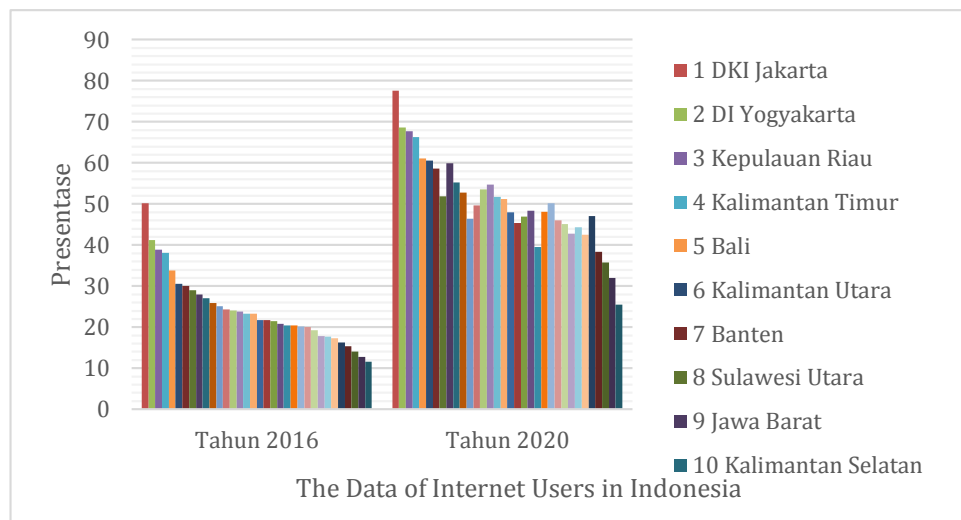
This research is aimed to find out the Social Financial Inclusion of Digital-based and Cooperation in Baitul Maal Wat Tamwil (multisite study of BMT UGT Nusantara Pasuruan and BMT NU Ngasem Bojonegoro). This research used descriptive qualitative method. Data analysis used in this research was done by collecting data sources through profound interview, observation, and the Internet, social media of BMT UGT Nusantara Pasuruan and BMT NU Ngasem Bojonegoro. The technic of analyzing qualitative data in this research was done gradually through data collecting, data reduction, data display, and conclusion. The finding showed that digital implementation of both BMT is done by using social media and promotion, submission and responsibility for social financial management. The cooperation program was also done by both BMT in order that the social financial can be inclusive. The cooperation concepts that was done by both BMT were; cooperation with inter-BMT sector, cooperation with off-BMT institutions, and cooperation with local organizations or communities. The result showed that the inclusion of digital-based social financial and cooperation in this research is able to increase the competitiveness of BMT.

**Keywords:** Social Financial Inclusion, Digital, Cooperation, Competitiveness, Baitul Maal Wat Tamwil

### **Introduction**

The rapid development of digital in the era of society 5.0 is inseparable from the role of Internet users in Indonesia and even the world. 2020 Indonesian Telecommunications Statistics data which is written in the Central Statistics Agency catalog reveals that data on internet users in Indonesia in the last five years has experienced very rapid development and quite a significant increase, where in 2016 it was around 25.37% to 53.73% in 2020. (Statistik Telekomunikasi Indonesia, 2020) Meanwhile, on a global scale, world Internet users are expected to reach 4.95 billion people in January 2022. This amount of number has increased by 3.99% compared to the previous year of 4.67 billion people.

Tabel 1. The Data of Internet Users in Indonesia 2016 & 2020



Source: BPS, National Socioeconomic Survey/BPS-Statistics Indonesia

The data above shows a fairly rapid development, where the Internet users have increased in only 4 years. It can be seen as an opportunity for the banking and financial world to take a more significant step by providing excellent service to the stakeholders. With the use of technology, the users are able to transacting quickly, precisely, comfortably, and more easily. Convenience occurs when making transactions online without requiring coming and queuing at the institution. This is able to provide confidence, with efficient use of digital to increase the number of service users in a philanthropic institution.

The use of media in philanthropic institutions helps to increase the literacy index and social financial inclusivity for the surrounding community directly. The substantial agenda for forming financial inclusion is to increase people's capabilities in using money, managing risk and generating profits. This agenda also has a welfare impact on the surrounding community. (I.S Beik & L.D Arsyianti, 2016, p.p 221) Another definition related to financial inclusion is an overall agenda that aims to eliminate all forms of obstacles or challenges, either physical or non-physical in terms of public access in using and utilizing financial services. (Strategi Nasional Keuangan Inklusif, 2022)

The use of technology to manage social funds is an innovation that has great potential in the terms of distribution and collection. This convenience and comfort is offered by philanthropic institutions through services based on smartphone applications that are easy to use by all levels of users of social activities, such as facilitating *Nazir/Amil* in operational management of social funds, facilitating wakif/muzzaki in paying *waqf/zakat* to institutions, etc. Such developments are also imitated by Islamic microfinance institutions, namely Baitul Maal Wat Tamwil (BMT).

The role of BMT activities cannot be separated from the existence of social institutions in it. This is unique compared to other Islamic microfinance institutions, that BMT can carry out social and business functions. The baitul maal at BMT has the same function and role as the Amil Zakat Institution, or in Indonesian it is called as LAZ (*Lembaga Amil Zakat*). Hence, *baitul maal* in BMT must be encouraged so that it can run professionally to become an established LAZ. The function of the BMT *baitul maal* activities includes efforts to collect ZISWAF funds and various other social funding sources, it must also be able to work on the

*zakat* distribution process for the needy people in accordance with existing provisions, based on Law (UU) number 38 of 1999 concerning asset management. (M. Ridwan, 2004, p.p 126)

The existence of a community welfare development program through BMT can be proven by the *baitul maal* program at BMT. There are various kinds of programs, such as; *zakat*, *infaq*, *sadaqah* and endowments by using a digital system in their distribution and collection. The program will further develop in BMT with the cooperation of external parties such as the Amil Zakat Agency or the Amil Zakat Institution, even now the Indonesian Waqf Agency also provides opportunities for BMTs to participate in advancing *waqf* in Indonesia.

One of the easy access to services that can be enjoyed by members of BMT UGT Nusantara is the Mobile UGT application. The UGT Mobile Application online can find out BMT members' savings such as mutations in member savings and member savings balances. Members who have Mobile UGT can find information on balances, account movements, term savings, financing, and savings. Even the mobile can be used for *zakat* and *infaq* as well. It is proven by more than 16,000 people who have downloaded the application.

BMT NU Ngasem also experienced this rapid development of social activities. This BMT has a strategy that is utilizing the existence of technology effectively. It can be proven on social media accounts Facebook, Instagram, and Youtube of BMT NU Ngasem Bojonegoro, there are many posts on institutional products, which these posts are able to attract customers quickly and easily. Even digital service services have been provided by BMT NU Ngasem which is available in BMT NU Ngasem Mobile application. The Cooperation Program is also carried out by BMT by utilizing the Cooperation Network with the public figures of Nahdhatul Ulama in Bojonegoro and around. Cooperation is also carried out among the sectors in BMT related to the distribution and collection of social funds.

This research is expected that digital management of the *baitul maal* by BMT can increase public awareness for more intense transactions. Apart from that, it also provides BMT awareness to raise their social enthusiasm to provide services to the members quickly and easily. So that it can alleviate underprivileged people from poverty, encourage people to be economically empowered to create prosperity.

## **Literature review**

### **1. Social Financial Inclusion**

Financial inclusion is the availability of access to various institutions, products and financial services according to the needs and capabilities of the community in order to improve people's welfare. (Peraturan Otoritas Jasa Keuangan, 2016) Social finance is a term for activities that play a role in collecting and distributing non-profit funds, such as *zakat*, *infaq*, *sadaqah*, *waqf* and other social funds. In BMT, it is known as the *Baitul Maal* (Treasury), where its activities receive deposits of *zakat*, *infaq* and *sadaqah* funds and optimize their distribution in accordance with regulations and mandates. (M. Ridwan, 2004, p.p 126) Along with that, social financial inclusion can be interpreted as an activity where people can access digital services to facilitate transactions in collecting and distributing benevolent funds such as *zakat*, *infaq*, *sadaqah*, endowments, and other social funds.

### **2. Digitalization**

Digitalization is the terminology used to explain the process of shifting work using media devices. Digitalization can also be interpreted as the use of technology for new business activities and the provision of opportunities to create value within a company. Digitalization is the development of work methods, scope and work environment. (I. Nurfalah & A.S Rusydiana, 2019)

### **3. Cooperation**

Cooperation is a work carried out by a group of individuals that involves interaction and mutual cooperation with each other's tasks until the goal is achieved. It can also be interpreted as a grouping that occurs between known creatures. Cooperation involves the division of tasks where each individual/group does each job which is their responsibility in order to achieve goals. (L. Thomas & E.B. Johnson, 2014, pp. 164) It means a joint activity to achieve goals.

### **4. Competitiveness**

Competitiveness is a company's ability to produce superior goods/services. Competing in a company is very dependent on its relative level of resources or usually called as competitive advantage. The urgency of competitiveness is to support productivity independently, increase capacity, market efficiency. (M.E Porter, 2001, pp. 12-14)

### **5. Baitul Maal Wat Tamwil (BMT)**

BMT is an integrated independent business center which the activities are developing productive and non-productive businesses to improve the economic quality of small entrepreneurs (its members). BMT activities are encouraging its members to invest and support the economic financing of fellow members. (A.H Ridwan, 2013, pp. 23) BMT also carries out activities to receive ZISWAF deposits and distribute them according to applicable regulations, based on the agreement and trust of the members. BMT is an informal non-bank *sharia* financial institution which was jointly established by non-governmental organizations. (Atjep Djazuli, etc, 2002, pp. 183)

## **Research method**

This research used a qualitative approach, while the type of research was in the form of multiple sites case study. The research was carried out using observation, profound interviews and document reviews, and object of research was namely digital-based social financial inclusion and cooperation in increasing the competitiveness of BMT.

This research can be said as a multi-site single case since this study has the characteristics as explained by Yin, (R.K Yin, 2014) those are: (1) representing critical cases; (2) extreme cases (unique); (3) cases that represent others; (4) revelator case; (5) long case. It is called as multi-site since this research was explored from various locations, those are BMTs. The objects which became the sites of this research were BMT UGT Nusantara Pasuruan and BMT NU Ngasem Bojonegoro.

The qualitative data analysis technique in this study was carried out in stages through data collecting, data reduction, data display, and conclusion. According to Atkinson, the steps of case study analysis were firstly proposing the establishment of a data repository using basic relational database theory. (John Atkinson, 2014) The second step was involving coding to identify data that is still scattered. These generated codes were then analyzed and rationalized. The third step was analyzing the data of case study by producing various reports. The fourth step was generating the final proposition by connecting the rationalized code back to the initial proposition and where a corresponding new proposition is generated. The results of these four steps reflected the inclusion of digitalization-based social finance and cooperation in BMTs.

## Result and Discussion

### 1. Digital Social Finance System in BMT

As a philanthropic institution, BMT also carries out social activities, those are managing funds in the form of *zakat*, *infaq*, *sadaqah* and *waqf* (ZISWAF). The management of these funds genuinely aims to realize a role in the social sector. One of the outlooks of the BMT that manages funds in the social sector was the funds raised by the BMT could alleviate the poverty of members either the surrounding communities.

Wulandari and Khotijah explained that the impact of digital implementation has made it easier for *muzakki* and those who are desired to donate in any way, inseparable from the increased acceptability of ZISWAF. In addition, the government imposes social law restrictions to assist digital platforms in collecting ZISWAF. The widespread usage of digital platforms, cooperation with markets and e-commerce has emerged as one of the main factors contributing to the development of ZISWAF acceptability year by year. (T. Wulandari & Siti A.K, 2022)

The digital service ecosystem for BMT social finance is designed around three core institutional activities; the process of collecting, distributing and managing ZISWAF BMT funds. The chart below illustrates how digitization enters each stage of BMT activities with today's technological developments. The following are the three pillars of digitization.

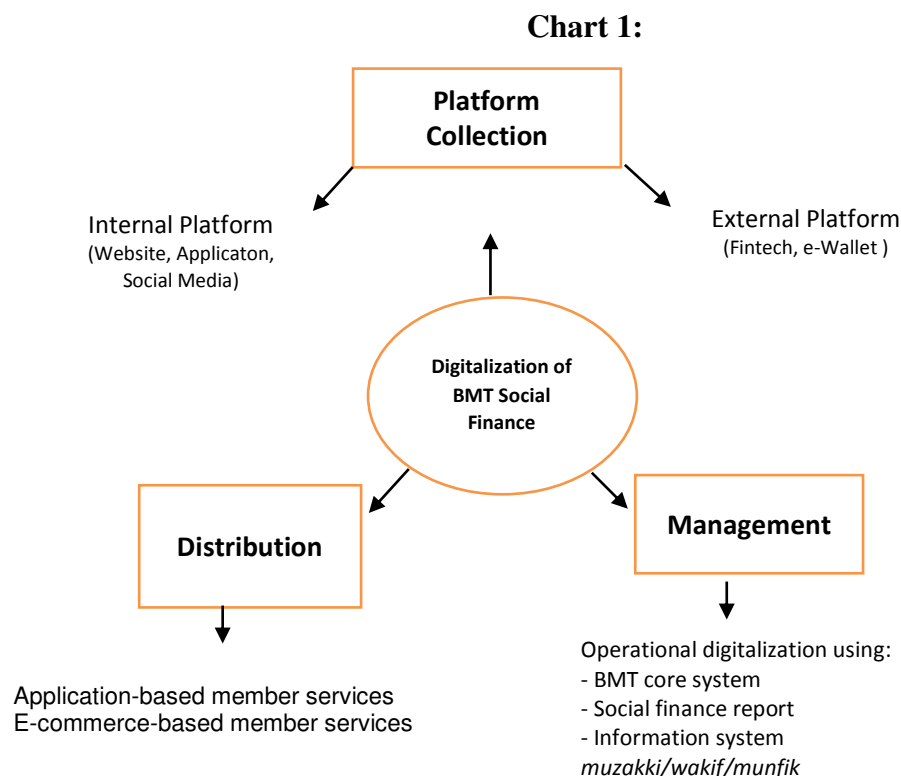


Figure 1. Chart 1: Three pillars of digitalization of BMT

#### a. Digital system for collecting social funds

ZISWAF activities at BMT UGT Nusantara Pasuruan and BMT NU Ngasem Bojonegoro were carried out online through internal platforms such as social media (Instagram, FB, etc.), then websites and supporting applications were created. BMT NU Ngasem was an example of media promotion and platform for raising funds that is safe and fast for BMT members. Subsequently, through an external platform where BMT UGT Nusantara also collaborated with fintech for members to easily transferring from any bank or from any fintech company to BMT so that transfers are convenient anywhere and anytime online, an example of cooperation between fintech and BMT UGT is LinkAja Syariah.

External platforms for raising funds through e-wallets or digital wallets are also busy, especially using e-wallets which are easier, faster and safer under the auspices of BI and OJK without monthly fee cut like in banking. The examples of popular e-wallets are OVO, DANA, Gopay, LinkAja, Jenius, Isaku, and Sakuku. Several e-wallets that have cooperated with BMT NU Ngasem Bojonegoro can transact with the mobile BMT application provided by BMT for its members to access finance easily.

**b. Digitalization of institutional management**

Digitalization in management forms a system that is integrated with the center to facilitate supervision and compliance. The Integrated Micro-banking System, Core Micro Banking application or software from the small business incubation center has been operated by more than 2000 BMTs (IMBX). The application has modules for teller services, accounting, reporting, deposit financing, and customer service. (Komite Nasional Keuangan Syariah, 2020) This helped the efficiency of the performance of human resources in BMT as well as cost and efforts which also has an impact on accelerating Islamic financial inclusion.

The implementation of digital-based social financial management was also carried out by BMT NU Ngasem Bojonegoro. In this case, the manager (*Muzakki*) of BMT directly supervises the distribution and collection of funds through digital applications. This digital application named "Baitul Maal BMT NU Ngasem" provides easy service and distribution of funds. *Muzakki* can directly transfer to the accounts of donation recipient such as mosque staff, social communities, people who need BMT social donation, etc.

The activities of management and reporting in BMT NU Ngasem Bojonegoro funds were also published on BMT social media. It was aimed to make BMT's social activities transparent or visible. Accountability and transparency of BMT activity and financial reports caused to emerge loyalty for members in transferring their donations.

**c. Social fund distribution system**

Distribution of BMT social activities using internal and external platforms from BMT, an example that has been implemented at BMT NU Ngasem is an application service that helps *muzaki* who is desired to do *zakat*, *infaq*, *sadaqah* or *waqf* directly to the recipient of *zakat*. Through the BMT application, transactions were easier and faster, and the BMT simply provides individual supervision and reporting via e-mail and WhatsApp. This digital service makes the transferring is easy for the members without requiring coming to the BMT office to distribute their donations.

Distribution with an e-commerce platform is a technology-based service for micro small medium enterprises (MSME) in particular, BMT as an institution engaged in micro e-commerce is needed for buying and selling service transactions. MSMEs e-commerce can sell and buy goods online, so that financial applications are needed as a tool to check savings balances, account mutations checking, payment, and receipt of funds. The existence of cooperation between BMT digital and e-commerce facilitates financial management in MSME businesses and business development. It is also create convenience for members to access goods purchase transactions through marketplaces and so on.

## **2. Cooperation Strategy in Maintaining the Existence of Competitiveness in BMT**

BMT is a Islamic micro-finance institution that has the authority to manage social funds. This authority is considered as the uniqueness of BMT since it was able to manage profit and non-profit institutions under one umbrella. In this case, BMT obviously has a greater chance of developing the institution and its sustainability. It is known that the potential for *zakat* in Indonesia is considerable with the majority being Muslim, which is a profitable potential for managing these funds. According to Mars et al, one of the most developed Islamic-based microfinance institutions in Indonesia is BMT. This institution operates a dual function as an intermediary for financial institutions and socio-religious funding institutions. (Andri Martiani, etc. 2022)

To operate the dual functions in BMT, it is necessary to establish cooperation with BMT. The cooperation that is established is an effort to maintain the existence of the institution so that it remains able to compete in the digital era. Cooperation was driven by a sense of mutual need and mutual assistance with cooperation providing space for BMT to become increasingly known and in demand by many people, such as implementing financial inclusion still requires cooperation from various institutions, either in social organizations or profit company institutions as a joint effort in poverty alleviation and community welfare.

The concept of cooperation found in research at both BMTs was promotional cooperation between fields within BMT, collaboration with institutions outside BMT, and collaboration with local communities/organizations. According to Dana Prihadi, establishing and maintaining relations with the media is an effective way to build, maintain, and enhance an organization's image or reputation in public perspective. Media relations are very important as the communication and mediation between an institution and the public. (Dana Prihadi, 2020)

### **a. Promotional cooperation among sectors in BMT**

Cooperation in these sectors was carried out when BMT members arrived. Anyone who served BMT members must promote BMT social activities. The activities of product promotions for social activities were not only carried out by the *baitul maal* manager or the *baitul maal* sector, but the whole BMT employees. Even the employees at BMT NU Ngasem Bojonegoro would be rewarded when they could get customers who are willing to donate to BMT. Hence, the employees compete in looking for *muzakki/wakif*.

### **b. Cooperation with other social institutions**

In managing social funds at BMT UGT Nusantara, not all of them were managed directly by BMT. *Infaq* and *sadaqah* which formed in the UGT Care program were managed directly by BMT UGT, while *zakat* were managed in collaboration with Amil Zakat Institution in Sidogiri. This is an Amil Zakat Institution which is managed by a boarding school named the Sidogiri boarding school. Well, to establish collaboration in carrying out the financial inclusion function, BMT UGT utilized an existing institution.

BMT NU Ngasem in the management of *zakat* cooperated with LAZISNU (amil *zakat*, *infaq*, and *sadaqah* Nahdlatul Ulama institutions) for the management of *zakat* and *infaq*. In its social funding, BMT NU Ngasem Bojonegoro also supported the activities of the LAZISNU Zakat Management Unit at the Ngasem District Office. Along with the 10 MWC NU institutions that have become partners in the success of the "*Koin NU Peduli*" movement, there have been 10,000 boxes of cans spread across various Ngasem Districts. Great potential is obtained per month, around 100 million rupiah (1.2 billion rupiah each year). In total, there have been more than 35 thousand boxes with a potential of 500 million rupiah per month (7.5 billion rupiah per year). In addition, hundreds of millions rupiah of *zakat* funds have been collected and distributed according to 8 *asnaf*, with a percentage of 80 percent for productive programs and 20 percent for consumptive activities.

Meanwhile, for the management of endowments, BMT NU Ngasem Bojonegoro cooperated with the Indonesian Waqf Board/ *Badan Waqaf Indonesia* (BWI). In this case, the BMT got proper and proper management and management of waqf. In addition, BMT also received a *waqf nadzir* management certificate from the Indonesian Waqf Board, so that BMT management already has a legal protection. BMT NU also has an obligation to report all *waqf* management funds to BWI for accountability, transparency, and management responsibility.

### **c. Collaboration with local communities or organizations**

The research found that BMT UGT Nusantara collaborated with the Sidogiri Islamic Boarding School and the alumni organization of the Sidogiri Islamic Boarding School to facilitate the distribution of social funds consisting of *infaq* and *alms* funds that have been distributed through the "BMT Peduli" program with a focus on building and house renovation, while the education sector is obtained from residual income of BMT UGT Nusantara from the percentage of social funds.

This collaboration was also carried out by BMT NU Ngasem Bojonegoro. BMT provided offers to members for savings and investment fund programs. This savings program is directed in the form of *qurban* savings and investment to BMT in the form of goats. This investment program by BMT is directed at "*Kambing Bergulir*" activities which are used to empower Islamic teachers (*ustadz*) in certain areas.

The "*Kambing Bergulir*" program is given to the *ustadz* who have cages and an abundance of food. BMT already has a good area to be used in the "*Kambing Bergulir*" program in around Bojonegoro which is close to the market. This "*Kambing Bergulir*" program is located in Bobol Village, Sekar District, Bojonegoro Regency. 100 percent of the profit sharing obtained from this "*Kambing Bergulir*" program will be given to the *ustadz* in all areas of the BMT NU Ngasem Bojonegoro office.



The *mualaf* village program was also one of the social activities at BMT. This program was aimed to provide assistance to the people in the *mualaf* village who were formerly Christian from a religious perspective. Religious assistance was carried out by conducting Qur'an lessons. BMT also provides compensation and assistance to the people in the *mualaf* village where most of the population is not prosperous.

In both BMTs, we found out that collaboration was also carried out with the local communities. Well, BMT did not carry out its own program, since it will hinder its development. Hence, this is in accordance with the opinion of Tenner and Detoro in Eva "teamwork is a group of individuals working together to achieve a common goal", which means that working together to achieve a goal will be easier to achieve than doing it alone. (E.S Lawasi & Boge Triatmanto, 2017)

## **Conclusion**

In this study, to achieve high competitiveness, BMTs need to implement digital systems and collaboration in managing social funds. The implementation of social financial inclusion at BMT Sidogiri Pasuruan and BMT NU Ngasem Bojonegoro is an example of an Islamic microfinance institution that is able to compete with philanthropic institutions. The activities carried out by the two BMTs along with various parties, proven by the many programs that have been conducted. The participation of BMT members, integrated management, modern systems, and great cooperation are proof that BMT is able to survive in the middle of financial industry competition. This is an effort by BMT to become a philanthropic institution by promoting humanity in realizing community welfare with a concept that follows the development of the times.

Digitization services for BMT social finance are designed with the aim of accelerating the process of collecting, distributing and managing BMT institutions. This research describes how digitalization enters every stage of BMT activities with today's technological developments. Utilization of social media, websites, BMT mobiles, and digital financial application systems can make BMTs highly competitive. Utilizing technology will make it easier for every user of digital services. Both BMTs provide good service to all members to use technology.

The implementation of the cooperation found in this research towards these two BMTs is promotional cooperation between fields within the BMT, cooperation with institutions outside the BMT, and collaboration with local communities/organizations. Collaboration is driven by a sense of mutual need and mutual assistance. With this collaboration, it provides space for BMT to become increasingly known and in demand by many people, such as implementing financial inclusion still requires cooperation from various institutions to achieve the goals.

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