

## The Role of Baitul Maal Wa Tamwil in Enhancing MSME Empowerment in Lubuklinggau: A Case Study of BMT Al-Azhaar

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Abstract	Article Info
<p>This study aims to analyze the role, strategy, and obstacles of BMT Al-Azhaar in enhancing the empowerment of Micro, Small, and Medium Enterprises (MSMEs) in Lubuklinggau City. This research uses a qualitative method, with data collected through observation, interviews, and documentation analyzed through data reduction, display, verification, and conclusion drawing. The results show that BMT Al-Azhaar plays two key roles in empowering MSMEs: financing and coaching. The financing role distances the community from usury-based practices and provides equitable Sharia-compliant financial support. In contrast, the coaching role helps free MSMEs from dependence on loan sharks through business guidance and mentoring. The strategies used by BMT Al-Azhaar include community-based, local resource-based, and sustainability-based approaches. The institution faces internal obstacles—such as limited human resources and non-performing loans—and external challenges, including public misconceptions equating BMT with conventional financial institutions due to fixed margin perceptions. This study contributes to the literature on Islamic microfinance by presenting a contextual model of MSME empowerment that integrates Sharia-compliant financing with coaching rooted in local values and spiritual ethics. Its novelty is identifying BMT’s empathetic strategies, such as installment deferrals for disaster-affected clients and proactive public education to address misunderstandings about murabahah contracts. These findings affirm BMT Al-Azhaar’s role as a financial provider and an agent of Islamic economic literacy and holistic empowerment.</p>	<p><b>Article History</b>                      Received :                      March 13, 2025                      Revised :                      April 21, 2025                      Accepted :                      June 21, 2025</p> <p><b>Keywords:</b>                      MSME                      Empowerment,                      Baitul Maal Wa                      Tamwil,                      Enhancing MSME                      Empowerment</p>

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### INTRODUCTION

In Indonesia, various programs to improve people's welfare have been widely implemented, both by the government and non-governmental organizations. The financial industry has a very important role in a country's economy, and one of the main sectors in this industry is banking. The banking industry plays a crucial role in supporting the people's economy because almost every aspect of human life is closely related to banking services or financial institutions (Herianingrum, 2016). Indonesia, as the country with the largest Muslim population in the world, reflects a high spirit in economic activities, especially in efforts to seek sustenance through the production sector. In recent years, this spirit has been clearly reflected through the significant growth of entrepreneurship among micro-entrepreneurs, which are now one of the backbones of the national economy. The development of micro-enterprises is closely related to

efforts to empower poor communities, which are the main actors in this sector. However, micro-enterprises still face various challenges, one of which is limited access to capital. Therefore, financing support is needed to encourage the growth and sustainability of these businesses (Muslimin Kara, 20117).

Poverty is a chronic problem that continues to be faced by the Indonesian nation. From the perspective of Islamic economics, poverty is seen as a condition that is identical to suffering, injustice, and unequal and unproductive distribution of wealth. This view is very contrary to Islamic economics, namely achieving prosperity, which emphasizes the achievement of the welfare of the people as a whole (Yusuf Qardhani, 1995). One effective strategy for eradicating poverty is to break the chain through community empowerment, especially through strengthening microfinance institutions. Microfinance plays a role as an inclusive alternative in providing financial services for business actors in the micro sector who have so far experienced obstacles in accessing the formal banking system due to limited capital, collateral, and financial literacy (Siti Fatimah, 2013; Dhiani et al., 2023).

To overcome various existing problems, community empowerment efforts are needed to create changes for the better. This empowerment aims to increase the capacity and independence of the community in directing and managing their own lives. Thus, community empowerment is a series of actions aimed at strengthening the position and power of vulnerable groups, including individuals living in poverty (Arif Subhan, 2014).

Poverty alleviation efforts can be carried out, one of which is by breaking the chain of poverty through strengthening various aspects in the Micro, Small, and Medium Enterprises (UMKM) sector. UMKM are basically part of the poor community group that has the will and ability to work productively. The role of UMKM is very important and undeniable, considering their contribution as the largest provider of employment in the Indonesian economy. However, the development of this sector is still faced with various challenges, such as limited infrastructure, access to government permits and bureaucracy, and high levies. Therefore, empowering UMKM is a very necessary step because it is believed to be able to provide a significant contribution to the recovery and strengthening of the national economy (Sudaryanto, 2002; Irianto e al., 2023; Faiz et al., 2023).

One of the solutions offered is the establishment of financial institutions such as Baitul Maal wat Tamwil (BMT). According to Soedjito, through BMT, poor people and small traders can be freed from the trap of the usury (interest) system and transferred to the Islamic economic system based on profit sharing. Ayu Wulandari also conveyed a similar thing in her research, which stated that the role of BMT is greatly needed by Small and Medium Enterprises (SMEs) because conventional banks have not been able to guarantee their welfare. Traditional banks tend to emphasize the interest system, which is very different from the principle of BMT, which applies a sharia system based on profit sharing. In fact, if customers experience losses in their businesses, BMT not only provides flexibility in the repayment period but can also add financing to help restore their businesses (Euis Amalia, 2009).

*Baitul Maal wat Tamwil* (BMT) is a sharia microfinance institution that has two main roles, namely social and business roles. In its social aspect, BMT focuses on collecting and distributing non-commercial funds such as *zakat*, *infaq*, and *shodaqoh*. Meanwhile, in its business function, BMT manages the collection and distribution of funds in the form of commercial financing. These two functions complement each other and make BMT an institution that plays an important role in supporting the economy of small communities based on sharia principles (Sudarsono, 2007).

In addition, *Baitul Maal wat Tamwil* (BMT) is a microfinance institution that operates based on the principle of profit sharing, with the aim of developing micro-enterprises and improving the status, dignity, and welfare of people with low incomes. BMT was born from the initiative and initial capital of local community leaders and is based on an economic system that upholds the values of safety, justice, peace, and welfare (Andri Soemitra, 2009). *Baitul Maal wat Tamwil* (BMT) consists of two terms, namely *Baitul Maal* and *Baitul Tamwil*. *Baitul Maal* focuses more on collecting and distributing non-profit funds such as *zakat*, *infaq*, and *sedekah*, while *Baitul Tamwil* carries out the function of collecting and distributing funds commercially. These two activities

are an integral part of BMT as an institution supporting the economic activities of small communities based on Islamic principles (Sudarsono, 2007).

The important role of *Baitul Maal wat Tamwil* (BMT) lies in the function of coaching and funding based on *sharia* principles. As a microfinance institution, *BMT* is required to actively carry out its strategic role through mentoring, coaching, counseling, and supervision of the businesses of customers and the community in general. This role emphasizes the urgency of implementing *sharia* values in the economic life of the community. As a *Sharia* financial institution that interacts directly with the lower middle-class community and often faces limitations in terms of both knowledge and access to capital, *BMT* bears an important responsibility in carrying out the Islamic mission that includes social, economic, and spiritual dimensions in the life of the community (Nur Rianto 2012).

According to Law Number 25 of 1992 Article 3, the cooperative in question is to improve the welfare of members in particular and society in general and to play an active role in building a national economic order in order to realize a just, prosperous, and prosperous society based on the values of Pancasila and the 1945 Constitution. In this framework, *Baitul Maal wat Tamwil* (BMT), as a non-banking financial institution with a cooperative legal entity, has a strategic responsibility to improve the welfare of its members. Therefore, the existence of BMT Syariah through the financing programs distributed is expected to provide a real contribution to helping members and encouraging an increase in their standard of living sustainably (Rahmat Imanto, 2021).

The object of this study is BMT Al-Azhaar, the only *Baitul Maal wat Tamwil* operating in Lubuklinggau City and under the auspices of the Al-Azhaar Lubuklinggau Islamic Boarding School. BMT Al-Azhaar has made a significant contribution to supporting the community's economy, especially for micro-entrepreneurs and low-income groups who experience limitations in accessing conventional banking services. By providing savings and loan services based on *sharia* principles, this BMT has become an inclusive financial alternative. Until now, BMT Al-Azhaar has served around 2,980 customers who have been recorded, and its growth is reflected in the existence of three branch offices spread across Lubuklinggau City and Musi Rawas Regency.

Based on the description, the author is interested in studying the role, strategies used, and obstacles faced by BMT Al-Azhaar in increasing the empowerment of UMKM in Lubuklinggau City. This study aims to answer these questions systematically and easily understood by readers, as well as being a reference in understanding the role of BMT in empowering UMKM.

## **METHOD**

This study uses a qualitative method with a descriptive approach. The type of research applied is a case study, which focuses on one particular phenomenon or entity to be analyzed in-depth and comprehensively. This study aims to explore the role of financing carried out by BMT Al-Azhaar, Lubuklinggau City, in improving the welfare of members receiving financing. Data collection techniques are carried out through field observations and in-depth interviews with related parties.

The data analysis process follows stages consisting of data reduction, data presentation (data display), and data verification, which are then continued with a conclusion. The data that has been reduced and presented is then analyzed systematically and described descriptively. The results of the analysis are expected to provide a clear, structured, and easy-to-understand picture (Sugiyono, 2017).

## **RESULT AND DISCUSSION**

*Baitul Maal wat Tamwil* (BMT) Al-Azhaar, which is under the auspices of the Sharia Savings and Loans Cooperative of Lubuklinggau City, was officially established in 2011. Born from concerns about the economic inequality felt by the community, especially the lower middle class, this BMT is present as a solution to the dominance of the capitalist economic system that has been deeply rooted and makes it difficult for the lower classes to improve their standard of living. Since its inception until this year, BMT Al-Azhaar has consistently provided the best service to the

community by carrying the motto "Be Safe, Be True, Be a Solution." Its head office is located at Jl. Yos Sudarso No. 13, RT 03, Taba Jemekeh Village, Lubuklinggau Timur I District, Lubuklinggau City (Mansur, 2025).

BMT Syariah Al-Azhaar Lubuklinggau City has a Vision, namely "to realize an honest business culture. Amanah and sharia and oriented towards empowering the people's economy that is just towards a prosperous society physically and mentally," while the Mission of BMT Al Azhaar Lubuklinggau City is; (a) building an independent economic system based on the Qur'an and *Sunnah*, free from usury transactions (b) Providing business financing with an *infaq* pattern and a profit-sharing margin pattern (c) Providing a fair profit-sharing margin for savers (shahibul maal) with transparent distribution (d) Providing charcoal ownership credit with a murabahah system, (e) Providing blessed *haji* and *umrah* advances (f) Preparing a blessed future with pension funds and education insurance g. Providing Islamic, wholehearted, and friendly services (Mansur, 2025).

In general, managers at BMT Syariah Al-Azhaar play a strategic role in directing the institution's operations to align with the vision, mission, and policies set by the management. Their main responsibilities include preparing annual, monthly, and weekly work plans that cover various important aspects such as marketing strategies, financing plans, operational cost management, financial planning, and preparing BMT health assessment reports. Currently, the manager position is held by Mr. Aditya A. Pamungkas, S.E., who carries out his duties with a professional team that supports the smooth running of BMT's daily activities.

It is necessary to understand that managers at BMT Syariah Al-Azhaar play a key role in ensuring the effectiveness and sustainability of the institution's operations through strategic and structured planning, organizing, and supervision functions. With primary responsibility in preparing work plans and managing various functional aspects such as marketing, financing, and finance, managers act as a liaison between management policies and technical implementation in the field so that an institution's vision and mission can be achieved.

### **The Role of BMT Al-Azhaar in Improving The Empowerment UMKM**

There are two types of roles carried out by BMT Al-Azhaar in empowering UMKM, namely the role of financing and the role of coaching; for more clarity, it will be explained as follows;

#### **1. Role of Financing**

Two factors will affect the course of BMT financing in increasing the empowerment of UMKM, including distancing the community from usury practices. BMT uses a profit-sharing system based on Sharia principles. If the customer experiences losses in his business, BMT is willing to add funds or loans and extend the receivables repayment period.

In the practice of Murabahah financing at BMT Al-Azhaar, the *Murabahah bil Wakalah* contract is applied, which is a contract that uses a representative system, where BMT provides funds and acts as a representative to purchase goods needed by customers. Before the financing process is provided, BMT analyzes prospective customers to identify and minimize potential risks that may arise related to financing problems. The financing application procedure is relatively simple. Namely, you fill out an application form and submit a photocopy of the KTP and Family Card. Collateral is only required if the amount of the loan applied for exceeds three million rupiahs and is generally in the form of a vehicle BPKB, which is adjusted to the value of the financing used (Mansur, 2025).

From this, it can be concluded that the Provision of financing by BMT Al-Azhaar has been in accordance with Islamic norms and rules by fulfilling five elements, namely: first, there are no transactions containing usury because transactions are transparent between BMT Al-Azhaar and customers. Second, there is an introduction to zakat and giving alms, where in the contract process, there are infak and alms fees, the amount of which is voluntary from the customer. Third, there are no practices that are contrary to Islamic law. Fourth, there are no transactions that are gambling or unclear; all transactions are carried out clearly and in accordance with Islamic law. Fifth, Provision of sharia insurance in the form of life insurance for customers who carry out financing with the aim of providing guarantees to customers (Ahmad, 2025).

Thus, BMT Al-Azhaar financing is able to distance the community from non-Islamic economic practices while supporting the development of UMKM. The development of businesses from several customers proves this. An example is the business of Mrs. Ida, who previously had a grocery business and then experienced development to become an LPG agent. We can see that there are changes and developments in her business due to the financial assistance provided by BMT Al-Azhaar (Ibu I. N).

Meanwhile, to provide financing fairly and evenly, BMT Al-Azhaar distributes financing only to customers who meet the requirements and have gone through a strict selection process. These requirements include a Family Card, KTP, and BPKB or other certificates if the loan amount exceeds three million rupiahs (Mansur, 2025) Meanwhile, to provide financing fairly and evenly, BMT Al-Azhaar distributes financing only to customers who meet the requirements and have gone through a strict selection process. These requirements include a Family Card, KTP, and BPKB or other certificates if the loan amount exceeds three million rupiahs (Ahmad, 2025).

## **2. The Role of Coaching**

Two factors will influence the course of BMT coaching's role in increasing the empowerment of UMKM, including releasing dependence on loan sharks. BMT Al-Azhaar has the advantage of a financing management system that is in accordance with Islamic Sharia principles, which are different from loan shark practices. Loan shark practices are still rampant in society because of their easy requirements, lack of collateral, and fast disbursement of funds. This condition is what makes people tend to choose loan sharks over banks or other formal financial institutions. To overcome this, BMT Al-Azhaar took similar steps to loan sharks in terms of easy loan requirements, no collateral required, and a fast disbursement process. However, the main difference lies in the contract and form of profit. BMT gains profit through a sale and purchase contract according to Sharia principles, while loan sharks gain profit from excess payments (interest), which include usury and late fines, which BMT does not apply. BMT only reminds customers if they are late in paying (Ahmad, 2025).

This strategy is very effective in changing people's mindsets as if BMT Al-Azhaar offers easy and fast loans. In this way, BMT is able to attract people's interest in borrowing legally, helping them escape the clutches of loan sharks and educating them to be smarter in managing loans. One example is if people are not smart in borrowing, they will experience the same thing as Mrs. Diana, who once borrowed from a loan shark; she said that loans from loan sharks could harm her business, with large initial deductions, high interest, and additional fines if late payment. So, the profits obtained from her business were only used to cover the installments she had made to the loan shark. However, when she borrowed from BMT Al-Azhaar, the conditions were different, and BMT Al-Azhaar was able to help and bring her out of confusion and feel that her business was back to normal (Ibu D. N, 2025). The above can be concluded that the role of coaching carried out by BMT Al-Azhaar in empowering UMKM is greatly influenced by its ability to offer competitive financing alternatives that are in accordance with Sharia principles, especially in efforts to free society from dependence on loan shark practices. By adjusting the financing mechanism to be easy, fast, and without collateral - but still based on sharia contracts- BMT Al-Azhaar has succeeded in creating a fairer and more sustainable financing solution for UMKM actors. This strategy is not only effective in attracting public interest but also functions as an educational tool to form a smarter and more religious mindset in managing loans. The case of Mrs. Diana is a concrete example of how BMT intervention can provide a real positive impact on the sustainability of small community businesses that were previously trapped in an exploitative loan system. Thus, BMT Al-Azhaar not only plays a role as a financial institution but also as an agent of economic empowerment based on sharia values. Meanwhile, it guides customer businesses. BMT Al-Azhaar not only acts as a lender but also actively provides solutions and advice to customers who have businesses. These guidance activities include seminars, counseling on the company being run, and providing information related to business opportunities, buying and selling, innovation suggestions, and motivation to customers. For example, Mr. Ahmad received assistance in the form of recommendations for strategic locations for his grass jelly ice cream

business. In addition, BMT always reminds customers to maintain honesty and fairness in transactions (Pak A. S, 2025).

In addition, BMT Al-Azhaar provides relief to customers who experience disasters, such as a three-month delay in installment payments. This policy is very helpful for customers who are facing difficult times. This is what was experienced by Mr. Rudi, the owner of a soto betawi business; according to him, the pandemic did not affect his business (IBu I. F, 2025). This happened because he was able to overcome these difficulties by utilizing technological advances, namely by using food delivery applications such as Grab Food, food, and Superfood.

From the points above, BMT Al-Azhaar shows a holistic role in supporting the economic empowerment of customers through a sustainable coaching approach. Not only does BMT function as a financial institution that provides financing, but it is also active in providing business assistance in the form of seminars, counseling, and relevant business opportunity information, as well as motivation and innovative advice to customers. This approach proves BMT's commitment to increasing the entrepreneurial capacity of customers, as seen in the case of Mr. Ahmad, who received a recommendation for a strategic business location. In addition, the policy of relief for customers affected by disasters, such as delaying installment payments, reflects BMT's flexibility and social concern for the economic conditions of its members. Examples of success, such as Mr. Rudi, show that the combination of coaching, technology adaptation, and institutional support can encourage business resilience amidst external challenges. Thus, the role of BMT Al-Azhaar is not only transactional but also transformative in fostering and strengthening the MSME sector as a whole.

#### **BMT Al-Azhaar's strategy for increasing UMKM empowerment**

This empowerment concept reflects characteristics that are designed to be in line with and adaptive to community needs, with reference to three main aspects. The first is community-based, where the community plays an active role as the main actor in designing and implementing economic empowerment programs. They are given space to make collective decisions regarding the steps that need to be taken in the empowerment process (selective decision) and, second, based on local resources (local resources based), meaning that the program is designed by optimizing the potential and local wealth available in the area. Third, based on sustainability (sustainability), the program must be able to be a driving force that continues to run, not stopping when formal activities are completed. To ensure long-term success, a mature strategy, proper planning, and effective implementation are needed (Ahmad, 2025).

The main motivation of BMT Al-Azhaar in encouraging the progress of MSMEs is to increase the capacity and competitiveness of business actors so that they can become more resilient and provide a real positive impact on society, especially for UMKM actors themselves. Based on this concept, the empowerment implemented by BMT Al-Azhaar prioritizes a participatory and sustainable approach that is in line with the needs and potential of the local community. This strategy includes three main pillars: community-based empowerment, local resources-based, and sustainable. This approach illustrates BMT Al-Azhaar's orientation to strengthening the capacity and competitiveness of UMKM actors, with the aim of creating significant economic and social impacts. Therefore, the empowerment program run by BMT Al-Azhaar is not only reactive to current needs but also proactive in forming the independence and financial resilience of the community in a sustainable manner.

#### **Obstacles of BMT Al-Azhaar in Increasing MSME Empowerment**

The obstacles faced by BMT Al-Azhaar in increasing the empowerment of MSMEs come from two sources, namely internal factors and external factors. Internal factors and internal obstacles are obstacles that come from within the BMT itself, such as a lack of human resources (HR) or staff, which causes the business assistance process to be less than optimal. In addition, the existence of problematic financing or bad credit slows down the turnover of funds, so the capacity for providing financing is limited. External factors, namely external obstacles, come from outside the BMT, such as the public's assumption that BMT is the same as a conventional financial institution. To overcome this, BMT provides education to the public through a seminar on

introducing Islamic financial institutions. The seminar not only aims to educate the public but also as a promotional event to attract new customers (Ahmad, 2025).

Another thing that is certainly one of the reasons why people consider BMT similar to conventional institutions is that the margins imposed are quite high. However, BMT uses a murabahah contract with a flat rate system, where the customer's installments remain until the agreement period ends. In contrast, conventional financial institutions apply interest that follows the market (credit interest rates), which can go up and down, so that when interest rates rise, the amount of installments also increases without the customer's consent (Ahmad Mansur, 2025). From this point related to the obstacles faced by BMT Al-Azhaar, we can conclude that the challenges in the efforts to UMKM by BMT Al-Azhaar come from internal and external factors that mutually influence the effectiveness of the programs being run. Internally, limited human resources hinder the optimization of the business assistance process, while problematic financing or bad debts reduce liquidity and limit BMT's ability to distribute new funding. On the external side, the public perception that equates BMT with conventional financial institutions is a challenge in itself. This is reinforced by the assumption that the margin applied by BMT is quite high. To respond to these challenges, BMT Al-Azhaar prioritizes an educational approach through seminars on introducing Islamic financial institutions as a strategy to increase public literacy while distinguishing itself from conventional institutions. The emphasis on the use of murabahah contracts with a flat rate system is also a form of transparency and certainty for customers. Thus, despite facing various obstacles, BMT Al-Azhaar continues to strive to overcome these obstacles through strategic innovation and education that is oriented toward increasing public trust and participation.

Based on the results of interviews and observations conducted on the implementation of the role of BMT Al-Azhaar in empowering MSMEs, several significant findings were obtained that reflect the strategic contribution of this institution to the economic development of micro-entrepreneurs. First, BMT Al-Azhaar has proven to provide sharia-based financing solutions with a murabahah bil wakalah scheme and simple procedures to access it by small business actors who formal financial institutions have not reached. This system is not only free from usury but is also designed adaptively according to the capabilities and conditions of the customer. Second, BMT Al-Azhaar not only distributes funds but also actively and sustainably coaches. This assistance is realized through entrepreneurship seminars, which provide business information, motivation, and strategic advice related to business development. The institution's presence as a business companion strengthens customers' entrepreneurial capacity and encourages them to grow independently. Third, the findings show that BMT Al-Azhaar has freed the community from exploitative loan shark lending practices and replaced them with a fairer, more ethical Sharia economic system. This transformation is structural and touches on the psychological and spiritual aspects of business actors who feel calmer and morally empowered. Fourth, BMT's policy of providing installment payment relief to customers affected by disasters or crises, such as during the COVID-19 pandemic, shows that this institution prioritizes the values of social concern and empathy in its operations. This reflects the institutional character that is not only oriented towards profit but also towards collective welfare. Fifth, BMT Al-Azhaar's empowerment strategy is participatory, based on local potential, and oriented towards long-term sustainability. This approach allows MSME actors to develop by strengthening their environment's resources and fostering a sense of ownership of the empowerment process. Finally, it was found that BMT Al-Azhaar faced internal obstacles in the form of limited human resources, problematic credit, and external barriers in the form of low public literacy regarding Sharia finance. However, this challenge was responded to with educational strategies such as seminars on introducing sharia financial institutions and transparency in contracts, which showed the institution's progressive commitment to building public trust and expanding the reach of its services.

## **DISCUSSION**

This study confirms that BMT Al-Azhaar Lubuklinggau has a strategic role in empowering MSMEs, especially in two main aspects: sharia-based financing and sustainable business

development. This finding shows that sharia-based microfinance institutions function as providers of funds and as agents of social and economic transformation for small communities. The *murabahah bil wakalah* financing system has been proven to provide fair and transparent access to capital. At the same time, the coaching approach is carried out to increase business capacity and build MSME independence.

The results of this study are powerfully relevant to international studies that discuss the role of Islamic microfinance institutions, especially Baitul Maal wat Tamwil (BMT), in microeconomic empowerment. One survey by Ascarya and Yumanita (2008) in the Review of Islamic Economics shows that Islamic microfinance institutions such as BMT can become a tool for empowering the people's economy by prioritizing the principles of justice and financial inclusion, in line with the findings that BMT Al-Azhaar provides financing without usury and simple procedures.

Research by Obaidullah & Khan (2008) conducted by the Islamic Development Bank states that Islamic microfinance directly impacts poverty and improves micro-entrepreneurs resilience, especially when accompanied by coaching and mentoring. This is in line with the coaching practice by BMT Al-Azhaar, which regularly provides financing, education, and business motivation. Furthermore, a study by Dusuki (2008) in Humanomics emphasizes the importance of integrating the principles of maqashid sharia with microfinance practices to create sustainability and added social value. This approach is reflected in BMT Al-Azhaar's development strategy and social policies, such as postponing installments for customers affected by disasters. Ahmed (2002) in Islamic Economic Studies emphasized that Islamic microfinance institutions promote risk-sharing and reduce economic vulnerability. BMT Al-Azhaar demonstrates this role through the flexibility of financing offered to customers who experience business losses. A study by Karim, Tarazi, & Reille (2008) from CGAP emphasized that Islamic microfinance must prioritize public education to improve Islamic financial literacy. This is done by BMT Al-Azhaar through seminars and socialization so that the public understands the difference between margin and conventional interest. Mariadas (2017), in the Journal of Islamic Accounting and Business Research, found that Islamic trust and service are the keys to customer loyalty in sharia-based microfinance, which is also reflected in the service strategy and personal communication implemented by BMT Al-Azhaar. Bhuiyan (2022), in their study, showed that Islamic microfinance institutions are more socially embedded than conventional MFIs, thus providing a stronger empowerment effect due to cultural and spiritual closeness. This can be seen from the existence of BMT Al-Azhaar, which is based on Islamic boarding schools and is socially close to the Lubuklinggau community. A study by Yumna & Clarke (2019) in the Journal of Islamic Economics, Banking, and Finance stated that the success of BMT depends on a holistic approach that combines economic, social, and spiritual an approach that BMT Al-Azhaar consistently implements in fostering and distributing funds. Susminingsih (2017), in the International Journal of Islamic Business, found that BMT's empowerment of MSMEs is more effective if combined with entrepreneurship training and network strengthening. This approach is identical to BMT Al-Azhaar's strategy, which provides assistance and strategic recommendations to customers. Finally, Habib Ahmed (2011), in his report for the Islamic Research and Training Institute, suggests that Islamic MFIs should start moving towards value-based empowerment rather than mere financing a principle reflected in BMT Al-Azhaar's spiritual, ethical, and educational orientation towards its customers.

The results of this study are similar to those of previous studies due to the approach and basic principles used by Islamic microfinance institutions, namely the principles of justice, partnership, and empowerment. However, this study also reveals a unique dimension rarely discussed in previous studies, namely the existence of an installment relief strategy for disaster-affected customers and intensive public education efforts to break the negative stigma against margins in Islamic financing. Differences in results, for example, in the effectiveness of public education or coaching models, are likely influenced by the local context, BMT organizational culture, and the level of literacy of the Lubuklinggau community, which is the background of this study. In addition, the Islamic boarding school base that houses BMT Al-Azhaar has a more substantial influence on Islamic values in the operation and ethics of the institution.

This study contributes to strengthening the study of Islamic economic empowerment by implementing BMT at the local level. Its novelty lies in integrating flexible sharia financing with community-based empowerment that includes financial, moral, and spiritual aspects. This study also found an empathetic strategy in the form of installment delays for disaster-affected customers and an active public education model to increase literacy on murabahah margins and sharia principles.

This study shows that BMT can be an effective model of Islamic financial inclusion for MSMEs through a humanist approach and prudent yet straightforward financing procedures. Academically, this finding enriches the literature on Islamic microfinance and opens up space for developing empowerment theory based on Islamic values. From a policy perspective, the results of this study can be a reference for the government in designing regulations that support the strengthening of BMT, including financing incentives, improving the quality of human resources, and expanding Islamic financial literacy.

Further research is suggested to use a quantitative approach to measure the impact of BMT financing on increasing MSME income. In addition, it is necessary to develop an empowerment model based on maqashid sharia and evaluate the effectiveness of the coaching program. Comparative studies between BMTs in various regions are also critical to identifying patterns of success and challenges in local economic empowerment.

Figure 1. BMT Al-Azhaar's Role in UMKM Empowerment

Characteristic	Financing	Coaching
 <b>Goal</b>	Distancing community from usury	Releasing dependence on loan sharks
 <b>Method</b>	Profit-sharing, *Murabahah bil Wakalah* contract	Easy loan requirements, fast disbursement
 <b>Requirements</b>	Family Card, KTP, BPKB if applicable	Easy loan requirements, fast disbursement
 <b>Benefits</b>	Sharia compliance, business development	Competitive financing, business guidance
 <b>Additional support</b>	Zakat introduction, sharia insurance	Seminars, counseling, business information
 <b>Disaster relief</b>	Installment payment delays	Business advice, innovation suggestions
 <b>Empowerment strategy</b>	Community-based, local resources, sustainability	Community-based, local resources, sustainability
 <b>Internal Obstacles</b>	Limited HR, problematic financing	Limited HR, problematic financing
 <b>External Obstacles</b>	Public perception, high margins	Public perception, high margins

## CONCLUSION

Based on the results of the research that has been conducted, BMT Al-Azhaar plays an important role in empowering UMKM through two main aspects, namely financing and coaching. In terms of financing, BMT Al-Azhaar is able to distance the community from usury practices by using a fair and transparent *murabahah* system. The funding provided is also distributed evenly and selectively through a strict selection and survey process to ensure it is right on target. Meanwhile, in terms of coaching, BMT Al-Azhaar plays a role in reducing the community's dependence on loan sharks by socializing the dangers of usury, simplifying application procedures, accelerating disbursement of funds, and providing loans without collateral. In addition to providing financing, BMT is also active in providing business coaching through counseling and seminars, as well as advice and motivation for customers. The policy of postponing installment payments for customers who experience disasters is also part of BMT's form of support. BMT Al-Azhaar's strategy in improving UMKM performance is strengthening the quality and competitiveness of business actors. Therefore, BMT provides coaching programs that include education, human resource skills training, and the provision of an entrepreneurial spirit. This program is designed to prepare UMKM to compete in the ASEAN free market by prioritizing creativity and innovation. However, in empowering UMKM, BMT Al-Azhaar faces several obstacles, both internal and external. Internal obstacles include limited human resources, which results in less than optimal assistance, and bad debts that slow down the turnover of funds, so financing becomes limited. Meanwhile, external obstacles come from the public perception that BMTs are still the same as conventional financial institutions, especially related to financing margins that are considered too high.

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