
Perceptions and Reconstruction of Customers' Trust of *Baitul Maal wa Tamwil* (BMT) in Pekalongan

Kuat Ismanto, M. Nasrullah, Nalim

Faculty of Islamic Economics and Business, IAIN Pekalongan Indonesia
Email: kuatismanto79@gmail.com

Article Info

Article history:

Received : 14 May 2017
Accepted : 24 May 2017
Published : 1 June 2017

Abstract

This study is aimed at investigating people's perceptions of *Baitul Maal wa Tamwil* (BMT). Since its first existence, BMT has operated with full of both positive and negative dynamics. Negative perceptions and stigma are adhered to this kind of microfinance institution. Therefore, this present study is also conducted to explain well-established steps in eliminating those perceptions. For BMT, people's trust constitutes the foremost asset to exist, particularly in the process of collecting savings from customers. This research employed a qualitative-field approach by using observation, interview, and documentation. The results of this study reveal that based on the people's negative stigma, BMT was considered resembling a conventional financial institution applying the principle of profit sharing, in which the customers pay more. Several steps to eliminate these perceptions coped with socializing groups of people, promoting *baitul maal* with soft loans, carrying out a door-to-door marketing strategy, and empowering the roles of Sharia Supervisory Board (DPS).

Keywords:

BMT; customers' trust; sharia compliance

1. Introduction

One of determinative power in relation to the growth of sharia economics in Indonesia is a bottom-up factor of sharia systems. *Baitul Maal wa Tamwil* –Islamic savings and financing cooperatives– (BMT) is a microfinance institution whose business operations are based on sharia principles (based on Qur'an, Hadith, and ijma/consensus). Playing the pivotal roles of a microfinance institution, BMT is very familiar with people with low economic level, both as fund administrator and financing distributor (the function of intermediary). Furthermore, Ahmed (2002) and Obaidullah (2008) assert that sharia microfinance institutions possess their potential to overcome poverty.

The existence of BMT among people receives both positive and negative responses. The former demonstrates that BMT is able to cope with non-bankable financial needs. As a result, the low economic levels find an alternative sector to save their money even though it is in few amounts. Besides, they do not need to go to BMT by themselves since there is a door-to-door marketing system. Although the presence of BMT is very helpful for those low economic levels, negative stigma or perceptions of BMT stay existing.

One of the negative stigma that exists is the ambivalence between the concept of BMT management and its business operations. This might cause the decrease of people's trust in BMT (Mualim, 2003). Similar assumption stated by Anwar (2013) explains that people's negative stigma to the economic empowerment carried out by BMT is due to the distortion between the theory and practice, especially dealing with the implementation of sharia principles. This stigma is supported with lower understanding of sharia financial institutions or of a margin system in financing. In short, it deals with a system of interest (Kholis, 2007).

The Sharia Advisory Board (DPS) becomes the key component to realize sharia compliance. One of DPS functions is providing periodic reports that financial institutions apply their functions in accordance with sharia principles. Practically, the existence of DPS in sharia financial institutions have not done their proper functions well yet. There are some assumptions that the functions of DPS are only a matter of regulation documents so far, but the implementation of their functions have not been maximal yet. Additionally, Umam (2015) in his research also points out that the roles of DPS has not working maximally yet because its authority still does not exist independently. Consequently, conflict of interest often appears in this board. This case occurs as DPS is provided incentives by the supervisee institutions.

Another stigma comes to the surface is that there have been some sharia financial institutions collapse. This collapse is caused by internal problems (Republika, 2017). The management of moral hazard becomes the most serious issue dealing with the collapse, specifically human resources. As a result, this condition also affects people's trust, particularly BMT customers. In fact, for BMT, trust is the most significant asset for the sake of its sustainability.

The negative stigma to BMT causes a bad signal for the existence and sustainability of BMT in the future. The parties of BMT management require to formulate anticipating steps for eliminating the stigma issues in society. Regarding the theoretical framework, this current study attempts to discuss and analyze the problems presented above.

Research Data and Methodology

This research was conducted at several BMTs located in Pekalongan city and Pekalongan regency, including BMT Bahtera, Minna Lana, Nurussaadah, Nusa Kartika, Madani, and An-Najah. The primary data of this study were collected through interviews, observation, and documentation. In addition, the interviews were organized with the managers of these BMTs. Meanwhile, the

secondary data of this study were collected through books, journal articles, news articles, and supporting documents obtained from the BMTs.

2. Research Results

2.1. BMT Managers' Responses of Negative Stigma to BMT

BMT constitutes financial institutions that are legally cooperative-incorporated and operationally almost the same as banks. For this reason, BMT functions the same as banks in terms of intermediary institutions (the administrator and distributor of people's funds). However, there are several fundamental differences between banks and BMT. Firstly, banks are obliged to comply a set of banking regulations that is stipulated by the Indonesian government and Bank Indonesia (BI), whereas BMT does not. Secondly, bank capital is bigger than BMT one so that banks are more competitive than BMTs in providing profit sharing and margin. Thirdly, banks tend to cover higher economic level customers while BMTs tend to focus on lower economic level customers.

It has been previously explained that BMT is one of sharia financial institutions that are operationally much closed to the lower economic level customers. The existence of BMT in Pekalongan and its neighboring areas has been started from 1996, in which the piloting one was BMT Bahtera. Since the beginning of 2000 up to now, the sharia financial institutions in the form of BMT have been growing fast surrounding these areas.

Generally, the dynamics of sharia economic growth, or especially of BMT, merely does not persuade people to trust sharia financial institutions or banks, even there are still many Muslims doubt these institutions such as BMT, particularly dealing with the operational system.

Based on the result of the interviews, there were some issues that made people have negative perceptions of BMT. Three research respondents, namely Zakky, Irwanto, and Abror, delivered that most people are still interest-minded so that they did not care about profit sharing. Not to mention, when applying for financing, they only thought that the most important thing was they could earn money as soon as possible. Moreover, they also did not think of margin or other terms provided at BMT.

The majority of these BMT managers also noticed that when BMT customers had transactions, they used to ask how much interest was. Relating to the financing, the customers frequently said that why BMT was getting more expensive than other financial institutions. They regarded that both profit sharing and margin are only for the sake of the substitution of these two terms. It indicates that those people were merely profit-oriented. They only counted how much money that they would obtain if they saved their money at BMT. Additionally, they did not care about *aqad* (contract) that they agreed with BMT.

Another factor decreasing the image of BMT related to the bankruptcy of several BMTs that impacts on reducing people's trust in this kind of financial institution. This negative stigma was deemed as the obstacle of BMT growth, especially in Pekalongan city and Pekalongan regency. Yusuf, as the head of BMT YYY, exposed as follows:

People assume, "this BMT will bankrupt like other BMTs". This stigma causes their worries about BMT.

The majority of the managers asserted that the stigma was caused by the lack of socialization for society in terms of sharia economic systems. Dealing with this kind of stigma, Irwanto stated as in the following:

People are accustomed to using conventional systems that have been existing for many years. The roles of *kiai(s)* or *mubaligh(s)* in socializing/educating sharia economics are also hard

enough to find. Nevertheless, the managers of BMT are optimistic that the stigma appears in society will erode gradually. It can be found that the people who become the part of BMT customers for a long period of time do not ask interest, but profit sharing and *aqad* used in transactions.

The management of BMT is different from the management of conventional ones. There is *ghirah* (passion) found in this kind of financial institution. Mohammad Isroi, as the business manager of BMT YYY explains as follows:

BMT will grow and be trusted by people if there is *ghirah* (passion) in the management of BMT. It means that BMT plays its roles as an institution that is not profit-oriented, but contributes to social aspects in society since BMT comprises two main elements, namely: *Maal* and *Tanwil*. So far, the management of *maal* at BMT has not revealed significant contributions for society yet.

2.2. Anticipating Steps to Eliminate Negative Stigma to BMT

The BMT management, generally, explained that several efforts were greatly attempted to eliminate people's negative stigma or perceptions of BMT. It, however, was not an easy matter to solve so that BMT needed to work hard. There have been some attempts done by BMT for eroding the negative stigma as illustrated in the following.

Socializing/Educating Society

Not only socializing was performed to introduce BMT products to society, but it was also done to explain sharia economics in general. According to the BMT managers, they frequently socialized people both directly and indirectly. Direct socialization was carried out to provide comprehensive explanation of *aqad* to the customers for transacting, both savings and financing.

Indirect socialization, meanwhile, was implemented to socialize/educate people about sharia economics in general through routine religious forums. These religious forums were held not only for people in general, but also for BMT personnel to enhance their knowledge of sharia economics particularly and their knowledge of Islam in general.

Socialization, additionally, was also carried out when BMT personnel have door-to-door marketing strategy to the customers. Agus, as the manager of BMT XXX, stated as follows.

BMT personnel who are assigned to carry out door-to-door marketing may suggest the customers in relation to their well-established business. By employing this marketing system, people will be more loyal since they possess emotional connections with BMT.

Activating the Roles of *Baitul Maal* at BMT

Basically, BMT constitutes business and social institutions. As a business institution, BMT plays the roles of administering and distributing customers' funds while as a social institution, BMT functions to collect and to distribute *zakat*, *infaq*, and *shadaqah* (alms and donations) from society, even to manage productive *wakaf* funds/money. However, in fact, the first role (*tamwil*) runs well. Conversely, the second role (*maal*) finds lots of obstacles. Mohammad Isroi, the business manager of BMT YYY explained as illustrated in the following.

At BMT Bahtera, the function of *maal* has been running well, even the office and the personnel working for *maal* affairs are separated each other. The mall collection is done through applying door-to-door system, paying it at the office, and providing donation boxes at some places. The results of *maal* collection are used for social activities such as granting scholarships, training prospective entrepreneurs, providing free ambulances, and so on.

Meanwhile, some BMTs performed the same thing as other ones in terms of social practices, but they differed from the aspect of management such as BMT YYY, ZZZ, and KKK. These BMTs took

advantage of their own *maal* funds for buying *mukenas* (two pieces of prayer-garment consisting of a long khimar and a long skirt), sarongs, and Qur'an to be donated for mosques or *mushalas* (smaller prayer buildings). Even though *baitul maal* at BMT still cover limited scopes, it would give positive impacts on BMT as long as the roles of *baitul maal* are sustainably developed to benefit lots of people.

Enhancing the Competence of Human Resources at BMT

Human resources are pivotal assets for institutions, including BMT so that their roles need to be enhanced. As a sharia financial institution, it is important for BMTs to pay serious attention to the competence of their human resources. The human resources are not only required to work professionally, but also to have good attitudes, specifically when dealing with their customers.

Isroi (2016) suggests that it is important for BMT managers and employees to comprehend the appropriateness between BMT products and *aqad*. Furthermore, BMT recruits employees based on their knowledge of Islam in general, accounting, and their characters (Irwanto, 2016). It indicates that there is such idealism in recruiting BMT human resources dealing with their knowledge of Islam as the main foundation to do their job. This idealism is done to avoid moral hazards such as speculation, corruption, and many others.

Each BMT also had its own ways to enhance the competence of the personnel such as holding routine religious forums, *takhtiman*, and studies of *turats* (inherited Arabic references). These events were organized to make BMT personnel responsible for doing their job.

Communicating with Sharia Supervisory Board (DPS) Actively

Based on the results of this study, almost all the BMTs in this research had their own Sharia Supervisory Board (DPS). They deemed that DPS was the part of an organization structure that could be found in sharia financial institutions.

BMT, moreover, consulted DPS when releasing new products. It was done to ask DPS consideration and agreement. The fact reveals that the presence of DPS at BMT did not perform the consultation service totally. This board had not actively participated when supervising BMT operations. Consequently, it brings the assumption that DPS is the additional part of an organization structure since the roles have not demonstrated maximal results yet.

3. Discussion

BMTs have become sharia microfinance institutions to play their roles as one of alternatives for Muslims preferring sharia services in Indonesia. However, when playing these roles, there have been lots of problems to solve. From the research findings, one of critical issues appeared to BMT was dealing with negative perceptions/stigma. One perception related to the ratio (*nisbah*) between profit sharing of savings and margin of financing/funds. The majority of common people deemed that both of them were similar with interest employed at banks or other conventional financial institutions. In fact, theoretically, the ratio of profit sharing which is applied by BMT differs from the concept of interest at conventional financial institutions.

The difference between profit sharing and interest include (1) interest is made with must-be-profit orientation, whereas profit sharing is determined by employing the guideline of profit or loss possibility, (2) the percentage of interest is based on the amount of a certain loan while the ratio of profit sharing is based on the amount of profit made, (3) the payment of interest does not consider the principles of profit and loss, whereas profit sharing depends on profit that is made by customers (Antonio, 2001: 61). People, in this case, cannot stand in the wrong position if they still regard that profit sharing and interest are the same thing. It is due to the fact that people lack of socialization in terms of sharia economics, specifically BMT.

Based on the conditions presented above, strategic steps need to be done as the attempt to recover the customers' understanding of BMT as well as the effort to build positive perceptions both for society and customers.

Two determining factors to provide comprehensive socialization of BMT is the employees and the management of BMT itself. Anwar and Edward (2016) propose that employees' education needs to get serious attention. It demonstrates that the more BMT employees possess their education level, the more they understand the implementation concept of Sharia Financial Institution (LKS), particularly the knowledge of the LKS management.

There were positive steps that several BMTs had attempted such as organizing Islamic forums of discussion, studies of *turats* (inherited Arabic references), and other routine activities. Ariyanto and Mutia Jati (2010) point out that competence affects the productivity at work.

In addition to the roles of employees, the roles of DPS are needed. For example, DPS functions to supervise sharia compliance of BMT products and operations. The main problem that may appear is DPS consists of some *kiai* (Islamic preachers) who do not have comprehensive understanding of financial institutions' operations although they possess sufficient knowledge of Islam. It indicates that DPS only functions as the counselor of halal products without having deeper understanding of the detailed operations of the institutions.

For this reason, DPS needs to be certified. For those who are assigned as DPS should possess good competence in the domains of sharia and management. Umam (2015) asserts that there must be a standardization of DPS roles. DPS has good competence and comprehensive understanding not only in terms of fiqh muamalat, but also the modern science of Islamic finance such as economics, accounting, and the management system of sharia finance. It reveals that the capacity of DPS is also very pivotal to play its role as the auditor of sharia compliance. In other words, DPS guarantees that the investment and economic activities at sharia financial institutions are halal.

Another stigma to BMT was dealing with the bankruptcy of several BMTs. It has been found that there were lots of BMTs collapsed due to the moral hazard of the management or employees, including the cases of speculation, collusion, corruption, and so on. The case of this bankruptcy made people worry about having transaction with BMT. If this paradigm comes to reality, BMT will not have good growth.

Relating to this problem, one of attempts to overcome is that BMT constructs a system of good management and should comprise the best personnel in terms of both morality and characters. Rasulullah (PBUH) modeled how to realize human resources and ethics of an institution as the supporting component and the prerequisite of being a good institution (Rivai, & Veithzal, 2008: 64).

Beik and Purnamasari (2011) propose that the prospect of sharia microfinance institutions is good enough, particularly for developing people's economic condition, even though there are no sufficient competent human resources. Therefore, good management is needed to organize BMT. Furthermore, for the sake of sustainability, BMT also requires *ghirah* (passion) asserting that the management of BMT focuses not only on profit, but also how to manage BMT to be able to contribute to society.

Interestingly, BMT has two main roles, namely the roles as *baitul maal* and *baitut tamwil*. Hamidah (2007: 16) states that the term BMT is the combination of *Baitul Mal* dan *Baitul Tamwil*. The former is a financial institution which functions to cover the management of zakat, *infaq*, and *shadaqah* (alms and donations), or other halal sources. Afterwards, they are distributed to *mustahiq* (people who are entitled to receive zakat). The latter is a financial institution that functions to collect and distribute people's funds and has a profit motive.

BMTs, unfortunately, have not maximized the function of *maal* as they are concentrating on the function of *tanwil* (business). It demonstrates that BMTs focus more on their role of business even though they possess multiple functions, namely the functions of business and social. Ideally, these two functions are well-balanced, or even the function of social is emphasized more than the business one. In short, it makes sense because the term “BMT” stands for *Baitul Maal* followed by *Baitul Tamwil*.

The imbalance of BMT operations between *Baitul Maal* and *Baitul Tamwil* is due to several issues. Ismanto (2015) exposes that at least, there are three main reasons causing the imbalance. Firstly, BMTs have not possessed human resources who have special missions for collecting and managing as well as distributing zakat, *infaq*, and *sadaqah*. Secondly, there have been no a particular office that is provided for *Baitul Maal* yet. Thirdly, the board of BMT management does not pay more attention to the empowerment of *Baitul Maal*.

Those two functions have not been recognized by society, or even by BMT customers. Most Muslims tend to pay zakat or donate *infaq* and *shadaqah* (ZIS) directly, whereas others do it via institutions for managing zakat, *infaq*, and *shadaqah* (LAZIS), including governmental institutions and private ones. This condition makes BMTs only collect few ZIS donations. In fact, the collected donations are dominantly derived from the personnel, profit, and customers of BMT.

It is necessary for BMTs to optimize their function of *maal* since it is able to increase people’s economic condition as well as promote that BMTs constitute institutions which care about low economic levels and are not merely profit-oriented financial institutions. It illustrates that the BMT promotions would catch people’s attention to take advantages of the BMT functions, including for funding and financing.

4. Conclusions

Based on the elaboration above, this present study promotes that if people’s negative stigma/perceptions of BMT are not intensively overcome, it tends to have negative impacts on the reputation and the existence of BMT. For this reason, the board of management needs to perform serious attempts for reconstructing the comprehensive understanding and the practice of BMT intensively. In other words, these attempts are carried out to eliminate the negative stigma. Meanwhile, sharia compliance, as the effort of reconstruction, is deemed to be the determining element instead of profit-oriented policies. It indicates that BMT cannot be separated from sharia principles. Additionally, BMTs require to hold strategic attempts. For instance, the socialization of the BMT functions can be done by the personnel and through Islamic discussion forums. This socialization includes the explanation of a profit sharing concept, the upgrading of human resources competence, the empowerment of *Baitul Maal* functions, and the increase of frequent communication with Sharia Supervisory Board (DPS). In fact, after the management of BMT provides the socialization, the customers obtain more comprehensive understanding and are no longer asking questions about interest at BMT.

Acknowledgements

We sincerely express our gratitude to the Head of the Institute for Research and Community Service (LPPM) and the Rector of IAIN Pekalongan for providing us with a research grant so that this study is well-accomplished. We also thank the managers of the BMTs who gave their worthwhile time so that we could collect data of this study.

References

- Ahmed, H. (2002). Financing microenterprises: An analytical study of Islamic microfinance institutions. *Islamic Economic Studies*, 9(2), 27-64.
- Antonio, M. S. (2001). *Bank Syariah: Dari Teori ke Praktik*. Jakarta: Gema Insani.
- Anwar, A. Z., & Edward, M. Y. (2016). Analisis Syariah Compliance Pembiayaan Murabahah pada Gabungan Koperasi BMT Mitra Se-Kabupaten Jepara. <http://hdl.handle.net/11617/6738> (Accessed on February 10, 2017).
- Anwar, M. K. (2013). Operasional *Baitul Mal Wa Tamwil* (BMT) dalam Pemberdayaan Ekonomi Umat di Kabupaten Sidoarjo. *Jurnal AKRUAL*, 4(2).
- Ariyanto, D., & Mutia Jati, A. (2010). Pengaruh Independensi, Kompetensi, dan Sensitivitas Etika Profesi terhadap Produktivitas Kerja Auditor Eksternal (Studi Kasus pada Auditor Perwakilan BPK RI Provinsi Bali). *Jurnal Ilmiah Akuntansi dan Bisnis*, 5(2).
- Beik, I. S., & Purnamasari, I. (2011). Empirical Role of Islamic Cooperatives in Financing Micro and Small Scale Entrepreneurs in Indonesia. Case study of KOSPIN Jasa Syariah Pekalongan. *Presented on Islamic Finance Conference in Qatar*.
- Hamidah, L. (2007). Pentingnya Likuiditas dalam Manajemen Dana pada BMT Masalah Mursalah Lil Ummah Pasuruan. *Final Project. UIN Malang*.
<http://www.republika.co.id/berita/koran/pareto/15/03/13/n1524k-beberapa-kendala-kerap-menahan-bmt> (Accessed on Maret 7, 2017).
- Ismanto, K. (2015). Pengelolaan Baitul Maal pada Baitul Maal Wa Tamwil (BMT) di Kota Pekalongan. *Jurnal Penelitian*, 12(1), 24-38.
- Ismanto, K. (2016). Faktor-Faktor yang Mempengaruhi Eksistensi BMT/BTM di Pekalongan. *Jurnal Litbang* 2015, 9(1).
- Kholis, N. (2007). Kajian terhadap Kepatuhan Syariah dalam Praktik Pembiayaan di BMT Sleman, Yogyakarta. *Jurnal Fenomena*, 5(2).
- Mu'allim, A. (2003). Persepsi Masyarakat terhadap Lembaga Keuangan Syariah. *Al-Mawarid*, 10.
- Obaidullah, M. (August 1, 2008). Introduction to Islamic Microfinance, IBF Net Limited, 2008. Available at SSRN: <https://ssrn.com/abstract=1506072>.
- Rivai, H. V., & Veithzal, A. P. (2008). *Islamic Financial Management: Teori, Konsep dan Aplikasi Panduan Praktis untuk Lembaga Keuangan, Nasabah, Praktisi, dan Mahasiswa*. Rajawali.
- Umam, K. (2015). Urgensi Standarisasi Dewan Pengawas Syariah dalam Meningkatkan Kualitas Audit Kepatuhan Syariah. *Panggung Hukum*, 1(2).