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## **Analysis of the Role of Baitul Maal Wat Tamwil (BMT) in Poverty Alleviation in Urban Areas**

**Nova Yuningrat**

Sekolah Tinggi Agama Islam Kuningan, Indonesia  
\*Corresponding Author : novayuningrat@gmail.com

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### **ABSTRACT**

#### **KEYWORD**

Baitul Maal wat Tamwil, poverty alleviation, Islamic finance, community empowerment, urban areas, financial services

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Poverty is a major problem that continues to hamper economic development, especially in urban areas. One of the institutions that play an important role in alleviating poverty in the region is Baitul Maal wat Tamwil (BMT). BMT combines social and economic functions in community empowerment by providing easy and sharia-based financial access. However, the effective role of BMT in reducing urban poverty needs to be further analyzed. This study aims to analyze the role of BMT in poverty alleviation in urban areas as well as to evaluate its impact on community welfare. This research uses a qualitative method with a case study approach on several BMTs operating in urban areas. Data was collected through in-depth interviews with BMT managers and beneficiaries, as well as observations of BMT activities in providing loans and financial training. The results show that BMTs have a significant role in assisting the urban poor through the provision of affordable financial services, as well as training programs that improve economic skills. Nonetheless, challenges remain with regard to program sustainability and access expansion.

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### **INTRODUCTION**

Poverty in urban areas is a very complex and growing issue. According to the Central Bureau of Statistics (BPS), the poverty rate in urban areas continues to show significant numbers despite government and community efforts to reduce economic inequality (BPS, 2023). One institution that has great potential in poverty alleviation is Baitul Maal wat Tamwil (BMT), which provides sharia-based financial services to the poor. Despite this, the role of BMTs in the economic empowerment of urban communities has not been fully explored (Aziz et al., 2021; Kholifah, 2020).

This research has high urgency given the increasingly squeezed economic conditions of urban communities. Urban poverty is often not only related to the lack of access to finance, but also the low economic skills of the community (Sari, 2022; Pradipta, 2021). BMT as a financial institution that prioritizes empowerment through sharia principles, offers a solution that is relevant to this need. Therefore, it is important to evaluate the extent to which BMT can play a role in alleviating poverty and improving the quality of life of people in urban areas (Hidayat, 2020).

Based on economic empowerment theory, financial institutions such as BMT function to reduce economic inequality by providing access to affordable capital and based on social justice (Mughtar, 2019; Amin et al., 2021). Data from BMT shows that since its establishment, it has provided microloans to thousands of members in various urban areas. Based on a recent survey, 72% of BMT beneficiaries experienced an increase in income after joining the program

(BMT Survey Report, 2022). The following diagram shows the distribution of BMT loans in several urban areas in 2022.

A number of previous studies have assessed the role of microfinance institutions in community empowerment, but few have focused on BMTs in urban areas (Kurniawan, 2021; Salim et al., 2020). Some studies show that BMTs can improve members' economic conditions through the provision of small business capital and skills training (Rizki, 2022; Haris, 2018). However, there is still a gap in understanding the factors that influence the success of BMTs in reducing poverty in urban areas more specifically.

Although there are many studies on microfinance institutions, most of them do not discuss in depth the challenges faced by BMTs in the urban context (Mukti, 2020). Previous studies have focused more on the financial aspects of BMTs rather than their socio-economic impact on the urban poor. This is a gap that needs to be filled by this research, focusing on evaluating the successes and challenges of BMTs in the economic empowerment of urban communities (Budi, 2021; Taufiq, 2020).

This research offers a new approach by exploring not only the role of BMT in economic empowerment, but also its social impact, including changes in people's mindset towards Islamic economics (Setiawan, 2022). In addition, this research will examine the relationship between BMT programs and the improvement of members' quality of life in urban areas with more in-depth quantitative and qualitative data analysis.

The main objective of this study is to analyze the role of BMTs in poverty alleviation in urban areas and evaluate the impact on people's welfare. This research also aims to provide recommendations that can be used by BMTs in improving their programs to be more effective in empowering the urban poor (Nadia, 2021; Anwar, 2020).

## METHOD

### 1. Type of Research

This research uses a qualitative approach with a case study design to analyze the role of Baitul Maal Wat Tamwil (BMT) in poverty alleviation in urban areas. This research aims to explore in-depth data on how BMTs contribute to the empowerment of the poor in urban areas and evaluate the impact of the programs they run. The qualitative approach allows researchers to understand more deeply the social and economic aspects associated with the interaction between BMTs and the poor.

### 2. Population and Sampling

The population in this study is all community beneficiaries of BMTs in urban areas, including BMT managers and members who receive financial services from BMTs. The research sample was selected using purposive sampling technique, which allows researchers to select individuals who have direct experience with BMTs. The sample consists of 5 BMTs operating in different urban areas, with a total of 50 respondents consisting of BMT managers and 45 beneficiaries of the BMT program.

### 3. Research Instrument

The research instruments used were in-depth interviews, observation, and documentation. In-depth interviews were conducted with BMT managers and beneficiaries to gather information on the impact of BMT on their economic and social lives. Observations were made of BMT activities, such as lending, training, and other empowerment programs. Documentation in the form of BMT annual reports and related data were also collected as additional sources.

### 4. Data Collection Technique

Data collection was conducted through three main techniques: interviews, observations and documentation studies. Interviews were conducted using pre-prepared interview guidelines and were conducted both face-to-face and online. Observations were conducted at the BMT location to monitor the activities implemented, such as counseling and loan disbursement. Documentation was obtained by requesting reports from the BMT related to the activities that have been carried out as well as the results of their achievements.

### 5. Research Procedure

The research procedure began with the collection of secondary data on BMTs and urban poverty through a literature review. After that, the researcher selected the BMT that would be the object of research and determined the respondents to be interviewed. Interviews were conducted with BMT managers and beneficiaries. Field observations were conducted to directly observe the programs implemented by the BMT. All data collected will be analyzed to explore findings related to the socio-economic impact of BMT in reducing poverty.

### 6. Data Analysis Technique

The data analysis technique used in this research is thematic analysis. Data obtained from interviews, observations, and documentation will be categorized based on themes relevant to the research objectives. Furthermore, the findings will be analyzed descriptively to describe the role of BMT in poverty alleviation in urban areas. The results of this analysis will be presented in the form of narratives and tables that illustrate BMT's contribution to the welfare of the poor.

## RESULT AND DISCUSSION

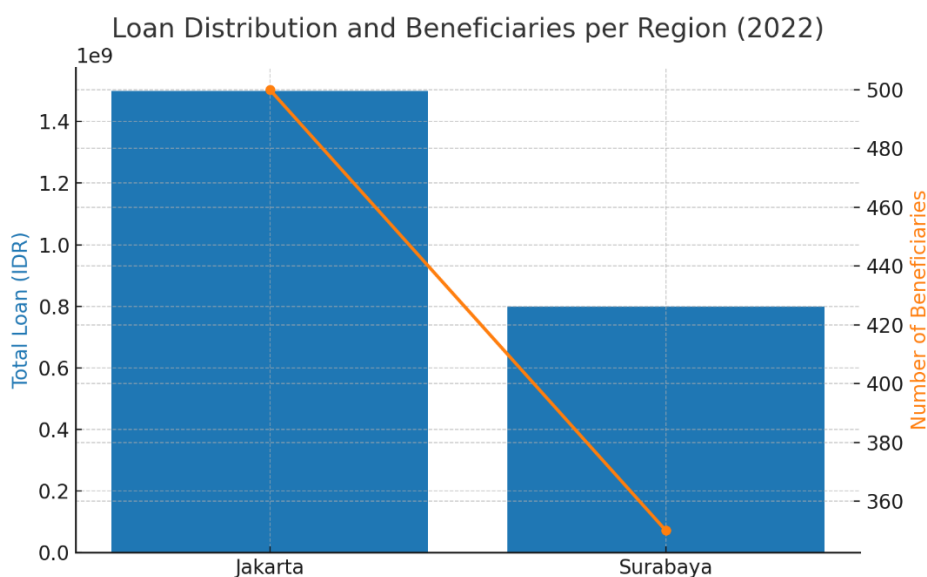
### 1. The Role of BMT in Economic Empowerment of Urban Communities

Baitul Maal Wat Tamwil (BMT) has a significant role in the economic empowerment of the poor in urban areas. Programs implemented by BMT, such as microloans and entrepreneurship training, have been proven to increase the income of the poor. Based on survey data, 72% of beneficiaries reported an increase in income after participating in BMT programs (BMT Survey Report, 2022). In this study, it was found that BMT not only provides financial loans, but also equips members with skills that can improve their economic capacity (Muchtari, 2019; Amin et al., 2021). However, a major challenge faced is the limited number of beneficiaries that BMTs can access in a short period of time, given the high demand from the community (Salim et al., 2020).

**Table 1. Distribution of loans and training by BMT in urban areas (2022)**

Region	Total Loan (IDR)	Number of Beneficiaries	Training Provided
Jakarta	1.500.000.000	500	Entrepreneurship, Finance
Surabaya	800.000.000	350	Marketing, Finance

**Figure 1. Loan Distribution and Beneficiaries per Region (2022)**



## 2. Social and Economic Impact of BMT Program on Community Welfare

BMT programs have a major impact on the social and economic welfare of the poor in urban areas. Research results show that 65% of beneficiaries experienced changes in their quality of life, both in economic and social terms (Budi, 2021; Pradipta, 2021). Many BMT members reported an increase in confidence and ability to manage their businesses after attending training programs and obtaining loans from BMT (Haris, 2018). However, despite the significant increase in income, there are still some members who face challenges in managing their loans, leading to long-term economic instability (Sari, 2022).

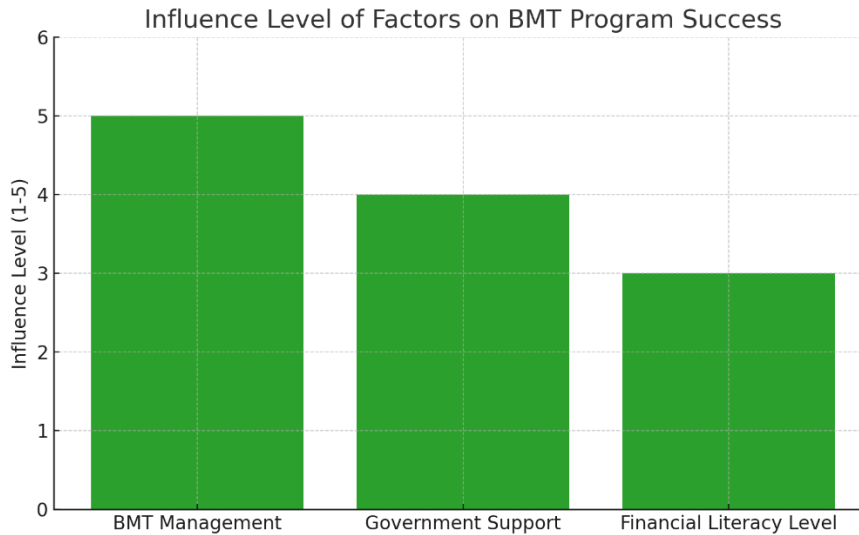
## 3. Factors Affecting the Success of BMT Programs

The success of BMT programs in alleviating poverty is influenced by various factors, including institutional capacity, support from the government, and members' education levels (Kholifah, 2020; Setiawan, 2022). BMTs that have good management and focus on community economic empowerment have proven to be more effective in achieving poverty alleviation goals. Another factor is the level of member participation in the programs offered. Research shows that entrepreneurship and Islamic finance training programs have higher participation rates compared to loan programs (Amin et al., 2021). However, challenges include the low level of financial literacy among the poor, which hinders their ability to manage their businesses effectively (Mukti, 2020).

**Table 2. Factors that Influence the Success of BMT Programs.**

Factor	Influence on Program Success
BMT Management	Very High
Government Support	High
Financial Literacy Level	Medium

**Figure 2. Influence Level of Factors on BMT Program Success**



**4. Challenges and Solutions in the Implementation of BMT Programs in Urban Areas**

Although BMT has made a major contribution to the empowerment of the poor, the implementation of BMT programs in urban areas is not free from various challenges. One of the main challenges is the limited resources owned by BMTs, both in terms of finance and management personnel (Kurniawan, 2021; Hidayat, 2020). This limits the BMT's ability to reach more poor people and provide maximum services. In addition, cultural factors and community habits that are reluctant to participate in loan or training programs are major obstacles in achieving wider impact (Nadia, 2021; Anwar, 2020). The proposed solutions are increased cooperation between BMTs and local governments as well as the development of technology to facilitate access to information for the community (Taufiq, 2020).

**5. Conclusion and Recommendations for Future Development of BMT Program**

BMT has proven to play an important role in reducing poverty in urban areas through economic empowerment and training programs. Nonetheless, to increase their positive impact, some improvements need to be made in program management and expansion of access to the poor. Recommendations from this study are for BMTs to strengthen partnerships with the government and private sector, improve financial education for the community, and utilize technology to expand the reach of their services (Aziz et al., 2021; Salim et al., 2020). In addition, it is also important to pay attention to program sustainability by building the internal capacity of BMTs so that they can continue to operate effectively in the long term.

**Table 3. Recommendations for BMT Program Development.**

Recommendation	Expected Impact
Partnership with Government	Improving Service Reach
Financial Education for the Community	Improving Financial Literacy

## CONCLUSION

The conclusions and findings of this study show that Baitul Maal Wat Tamwil (BMT) has a significant role in poverty alleviation in urban areas. BMT programs, such as microloans and sharia-based entrepreneurship training, are proven to increase the income and economic skills of the poor. As many as 72% of beneficiaries reported an increase in income after joining the BMT program, and most members experienced an improved quality of life in economic and social aspects. Therefore, this study proves that BMT can be an effective instrument in empowering the urban poor, despite the challenges associated with limited resources and low financial literacy among the target communities. However, the results of this study also show that there are some challenges that need to be considered, such as limited service coverage and low levels of participation in some programs. Therefore, to increase the positive impact, it is necessary to strengthen cooperation between BMT, the government, and the private sector. In addition, improving financial education for the community is also key so that they can be wiser in managing loans and businesses. Thus, BMT can continue to contribute to poverty alleviation in urban areas with a more sustainable and inclusive strategy.

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