



The Strategic Role of BMT as a Non-Bank Islamic Financial Institution in Empowering MSMEs in Indonesia

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Abstract: Structural poverty in Indonesia reached 8.57% in September 2024, making MSMEs a primary strategy for alleviation despite being hampered by limited capital and managerial skills. This study aims to describe and analyze the strategic role of Baitul Maal wat Tamwil (BMT) as a non-bank Islamic financial institution in empowering MSMEs through Islamic financing and mentoring. A qualitative library research method was used, with a literature population of 2019-2025 from Sinta/Scopus/Google Scholar, a purposive sample of 50+ relevant documents. Secondary data instruments were analyzed through reduction, thematic presentation, triangulation, and content analysis. The results show that BMT provides murabahah, mudharabah, musyarakah, ijarah, qardh al-hasan financing, plus training that increases MSME productivity, supported by QS. Al-Baqarah: 188 and cooperative regulations. The conclusion states that BMT creates sustainable financial inclusion; socialization, innovation, and collaboration are recommended to overcome literacy and capital constraints.

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Introduction

Structural poverty continues to be a major challenge in Indonesia's economic development. Data from the Central Statistics Agency (BPS) shows that in September 2024, the percentage of the poor population reached 8.57%, or approximately 24.06 million people, reflecting the inability of individuals or groups to meet basic needs such as food, clothing, shelter, education, and health (Hermawan et al., 2024; Central Statistics Agency, 2024). Poverty alleviation efforts are a national priority involving the government, financial institutions, universities, and the community, with strengthening Micro, Small, and Medium Enterprises

(MSMEs) as a key strategy because this sector creates jobs, increases income, and reduces social inequality (Mawardi et al., 2019; MSMEs contribute significantly to the national economy as major job providers and growth drivers, while supporting economic equality for lower-income communities and generating foreign exchange (Nandiroh et al., 2023; Fawaid & Fatmala, 2020; Sari et al., 2022).

The MSME sector is not only resilient to crises, as seen in the 1997-1998 period, but also strengthens overall economic stability through its large proportion of Gross Domestic Product (GDP) (Fawaid & Fatmala, 2020; Suci, 2017). This contribution is increasingly relevant amidst the post-pandemic recovery, where MSMEs are the backbone of national economic resilience (Nandiroh et al., 2023; Pratama et al., 2023).

However, MSMEs face serious obstacles such as limited capital, weak business management, limited market access, and a lack of entrepreneurial mentoring, which hinder their growth (Ferniawan et al., 2025; Mawardi et al., 2019). Many MSMEs fail to develop due to limited resources, thus hampering poverty alleviation despite the sector's significant potential (Hermawan et al., 2024; Fawaid & Fatmala, 2020; Widodo & Widyastuti, 2021).

Sharia-compliant microfinance institutions, including Baitul Maal wat Tamwil (BMT), have emerged as a potential solution with their fairness-based and profit-sharing financing schemes, helping MSMEs access capital without the burden of usury, along with managerial assistance (Susilawati, 2023; Hanifa, 2019). However, this challenge still requires government attention to optimize the role of institutions such as BMT in supporting community economic activities (Bahagia & Ridwan, 2022; Pratama, 2023; Setiawan et al., 2023).

This study aims to describe and analyze the strategic role of BMT as a non-bank Islamic financial institution in empowering MSMEs through Islamic financing and mentoring programs. The urgency of this study lies in the urgent need to strengthen Islamic financial inclusion amidst high poverty and MSME dependence on informal capital, where BMT can be an instrument for sustainable poverty alleviation (Susilawati, 2023; Bahagia & Ridwan, 2022). The novelty of this study is the qualitative library research approach that summarizes the latest findings (2021-2025) on the impact of BMT on MSME productivity, including managerial constraints and innovative strategies, which have not been widely integrated in previous national studies to provide inclusive policy recommendations (Pratama, 2023; Hanifa, 2019; Nugroho et al., 2024,)

Research Methods

Types and Methods of Research

This study adopts a qualitative, descriptive-analytical approach to deeply analyze the strategic role of Baitul Maal wat Tamwil (BMT) as a non-bank Islamic financial institution in empowering MSMEs in Indonesia. Library research was the primary method chosen, focusing on collecting secondary data from relevant literature such as scientific journals, books, government regulations, and recent research reports, as recommended for studies of Islamic economic phenomena that require theoretical and empirical synthesis (Sugiyono, 2023; Emzir,



2021). This approach allows for a holistic exploration of BMT's contribution to Islamic financing and empowerment, in line with the characteristics of qualitative research that emphasizes contextual interpretation over quantitative measurement (Creswell & Poth, 2022; Sudaryono, 2024).

Data Analysis Instruments and Techniques

The primary research instrument was systematically collected secondary documents, including journals, Islamic economic theory books, regulations such as Sharia Banking Law Number 21 of 2008, and case studies of BMTs related to MSMEs. Data analysis techniques included data reduction (selection of relevant literature), data presentation (classification of findings based on themes such as murabahah and mudharabah financing), and conclusion drawing (synthesis of BMT contributions to poverty alleviation), with source triangulation for validity (Sugiyono, 2023; Emzir, 2021). Qualitative content analysis was applied to identify patterns of BMT roles, as is common in library research on sharia economics (Creswell & Poth, 2022; Moleong, 2021).

Population and Sample

The study population encompasses all relevant scientific literature, regulations, and publications on BMTs, non-bank Islamic financial institutions, and MSME empowerment in Indonesia from 2019 to 2025, with a focus on credible sources such as journals indexed by Sinta, Scopus, and Google Scholar. The sample was purposively selected, consisting of over 50 primary documents representing core themes such as the role of BMTs in MSME productivity (e.g., Anwar et al., 2023; Pratama, 2023). Inclusion criteria included topic relevance, recent publication year, and availability of full access for in-depth analysis (Sudaryono, 2024; Sugiyono, 2023). This purposive sampling approach ensured comprehensive representation without geographical limitations, encompassing both national and regional studies (Emzir, 2021; Taherdoost, 2021).

Research Procedures

The research procedure began with problem identification based on the introduction, followed by a literature search through databases such as Google Scholar, Sinta, and university repositories using the keywords "BMT empowering MSMEs" and "Indonesian non-bank Islamic finance." Next, the literature was selected, thematically coded, and iteratively analyzed to construct a coherent narrative about the role of BMTs, with validation through cross-checking of primary and secondary sources. The final stage included compiling findings and recommendations, ensuring research ethics through accurate citations (Creswell & Poth, 2022; Sudaryono, 2024). This process was carried out in stages from January to December 2025, resulting in an in-depth study aligned with actual conditions (Emzir, 2021; Sugiyono, 2023).

Results and Discussion

Definition and Legal Basis of BMT

BMT is a Sharia-based microfinance institution classified as a non-bank Islamic financial institution. The term BMT has two meanings: Baitul Mal (Baitul Mal) and Baitul



Tamwil (Baitul Tamwil). The word "maal" itself refers to social activities, such as the collection and distribution of ZIS (zakat, infaq, and shodaqoh). Meanwhile, "tamwil" relates to productive business activities and financing. BMTs are not only engaged in economic activities but also contribute to creating equitable social welfare, particularly for the lower-middle class.(Solekha et al., 2021).According to(Ghufron & Dewi, 2023),BMT is a sharia microfinance institution that has a cooperative legal entity in accordance with Law Number 17 of 2012, so that it can carry out its functions as a cooperative that operates in the fields of savings and loans, services, and production.

Referring to the Qur'an and Hadith, the BMT institution is an institution that operates in accordance with Islamic sharia. The initial formation of the BMT institution in 1990 stemmed from public concerns, especially among Muslim business actors, regarding the conventional financial system that contains usury and interest. Islam then presented a solution through a financial system based on the principles of justice, peace, and safety, both in this world and the hereafter. For example, the prohibition of the practice of usury can be done through two ways. The first is implemented through the qardhul hasan system, which means loans without debt or compensation given to borrowers with good intentions to help, and borrowers are only required to repay the principal debt without any additional payments. The second is through Islamic banking, which is a system in accordance with Islamic law.(Sariwulan, 2012).

Finance that grows from community initiatives, providing services in the form of financial products and services based on the principles of sharia contracts in all its operational activities. Furthermore, in the research(Harahap & Ghazali, 2020)explains that BMT acts as an institution that manages community assets, encouraging community economic activity to improve their well-being. BMT is responsible for managing community finances, including both receipts and disbursements.

The Qur'an, as the primary foundation of Islamic teachings, provides comprehensive guidance, including in the management and governance of finances carried out by institutions such as Baitul Maal wat Tamwil (BMT). The legal basis for BMT activities can be found in the word of Allah SWT in Surah Al-Baqarah verse 188 which means: "And do not some of you consume the property of others among you unjustly, and do not bring the matter of property to the judge in order that you may consume part of other people's property sinfully, while you know." (QS. Al-Baqarah: 188)

Say "بَيْنَكُمْ"(between you)" in verse 188 of QS. Al-Baqarah (Quran, 20:188) implies a reciprocal relationship between the two parties in every transaction. Wealth is central, an object that must be managed with balance, so that neither party is disadvantaged or gains excessive profits at the expense of the other. This principle is the basis for the operation of Islamic financial institutions such as BMT in maintaining justice and the economic blessings of the community.(Ghufron & Dewi, 2023).

BMTs in Indonesia are legally registered as cooperatives, and therefore, their activities are required to comply with the provisions of Law Number 25 of 1992 concerning Cooperatives and its derivative regulations. Some of the regulations that form the operational basis for BMTs operating as cooperatives include:

- The legal basis for the operations of BMTs, which are incorporated as cooperatives, is guided by several government regulations. These include Government Regulation No. 9 of



1995, which governs the implementation of savings and loan activities by cooperatives, and Decree of the Minister of Cooperatives and SMEs No. 91/Kep/M.KUKM/IX/2004, which provides technical guidance for Islamic financial services cooperatives. Furthermore, Sharia-based savings and loan and financing activities are further regulated in Regulation of the Minister of Cooperatives and SMEs No. 11/PER/M.KUKM/XII/2017.

- The oversight mechanism for Islamic financial services cooperatives and Islamic business units is regulated in the Regulation of the Minister of Cooperatives and SMEs Number 39/Per/M.KUKM/XII/2007. Meanwhile, for Islamic financial institutions with banking status, the legal basis is regulated separately through Law Number 21 of 2008 concerning Islamic Banking.

Furthermore, within the realm of Islamic banking, legal provisions are specifically regulated through Law Number 21 of 2008. This law states that Islamic banks are financial institutions that operate in accordance with Islamic principles. By type, Islamic banks can be divided into two categories:

1. Islamic General Bank (BUS) is a banking institution that operates by offering various services, including activities in the payment transaction flow.
2. Sharia Rural Financing Banks (BPRS) are banks that operate without involvement in payment processing services. According to Article 4 of Law Number 21 of 2008, every Islamic bank is obligated to collect and distribute public funds. Furthermore, Islamic banks also serve a social function as a Baitul Maal (trust) institution, responsible for managing zakat (alms), infaq (donations), sadaqah (charity), grants, and other social funds, including cash waqf (endowments), in accordance with the provisions and objectives established by the endowment provider.

Financial and Financing Services Provided by BMT

Baitul Maal wa Tamwil (BMT), as a sharia-compliant microfinance institution in Indonesia, serves two functions: as a social institution (maal) and a business institution (tamwil). BMT plays a crucial role in the development of the sharia economy by providing sharia-compliant financing services to MSMEs that struggle to access conventional financial services.(Purwanto et al., 2021)In its social function, BMT manages zakat, infaq, sedekah, and waqf funds, while its business function includes collecting and distributing funds and other financial services (Subakti & Marsono, 2020).

One of the types of financing most widely implemented in BMT is murabahah financing, namely a sale and purchase agreement between BMT and its members, where BMT acts as the seller and members as buyers, with the determination of profit margins based on mutual agreement.(Melina & Zulfa, 2020)explains that the murabahah contract is widely applied because it provides fixed profits for BMT and ease of payment for members. Research(Musarofah et al., 2024)also emphasized that murabahah financing at BMT Al-Huda has a significant role in expanding community access to productive business capital.

In addition to murabahah, BMTs also implement profit-sharing financing, such as mudharabah and musyarakah contracts. In both schemes, the BMT acts as the capital provider, while members manage the business. Research results(Nurhasanah & Qadariyah, 2023)shows that the application of mudharabah and musyarakah contracts at BMT Makin Amin Kamal is



able to strengthen partnership relations between institutions and micro-business actors because it is based on the principles of mutual trust and justice.

Another type of financing that has been developed is ijarah financing, namely rental-based financing for productive goods or services.(Kusumasari et al., 2024)found that the application of the ijarah contract at BMT Tumang was carried out with the principles of transparency and responsibility to avoid an imbalance between the lessee and the asset owner.

In addition to commercial financing services, BMT also carries out social functions through qardh al-hasan financing, namely interest-free loans intended to help members who need emergency funds or additional small capital.(Bari et al., 2024)at BMT UGT Nusantara shows that this type of financing is very helpful for micro traders in maintaining their businesses when facing capital limitations.

In terms of economic impact, various studies show that financing provided by BMTs contributes positively to strengthening the MSME sector.(Purnamasari & Salam, 2019) found that Islamic microfinance provided by BMT had a significant impact on increasing income and the success of micro-businesses.

The Role of BMT in Empowering MSMEs

One form of community economic empowerment is the development of productive businesses at the small level, such as MSMEs. In this context, Baitul Maal wat Tamwil (BMT) is a Sharia-based microfinance institution that plays a strategic role in strengthening the community economy. This institution exists to help improve the welfare of low-income groups, including the poor (Maidawati, 2022). BMT, as a non-bank Sharia financial institution focused on the micro-scale, plays a significant role in promoting economic empowerment. Many micro- and medium-sized businesses use BMT as their primary source of capital (Lubis, 2016). BMTs implement various forms of empowerment, including providing financing, savings services, and training, mentoring, and coaching (Bistiana & Indrarini, 2021).

BMT supports low-income communities by channeling financing to members in need of business capital, including small business owners or MSMEs. The application process is also relatively simple: copies of the husband and wife's ID cards, marriage certificate, financing application form, family financial report, and business proposal (Maidawati, 2022). Financing commonly used by BMTs includes murabahah, mudharabah, musyarakah, and ijarah contracts (Asmita, 2020). Distributing financing to members who own or intend to start small businesses has a direct impact on community economic empowerment. First, additional capital from BMTs encourages increased productivity because entrepreneurs can expand their business activities, thus becoming more independent and prosperous. Second, access to financing helps communities maintain and expand their businesses, which automatically increases income, including household income, and contributes to improved family welfare. Third, this financing opens up new job opportunities because entrepreneurs can start or expand their businesses, which then absorbs labor, especially from the family environment (Maidawati, 2022).

BMTs help strengthen the economy by providing savings services to their members (Asmita, 2020). The funds collected from these deposits are then used as a source of financing (Bistiana & Indrarini, 2021). The savings products offered are also tailored to the needs of the communities in which the BMT operates (Sugianto, 2022). In addition to saving for the future,



members also benefit through a profit-sharing system on their savings (Lubis, 2016).

In addition to providing financing and savings, BMTs also provide economic empowerment through training, mentoring, and coaching. Coaching is typically provided to members experiencing challenges in managing their finances (Lubis, 2016). Training is designed to improve members' ability to manage their businesses (Martiana et al., 2022). Training and mentoring activities cover business management, product innovation, marketing strategies, and other forms of guidance aimed at helping members maintain the sustainability of their businesses (Maidawati, 2022). Through these interactions, BMTs can also monitor the condition of members' businesses and provide motivation and input when problems arise (Fitria & Qulub, 2019).

BMT's Obstacles in Empowering MSMEs

The main obstacles faced by BMT in its efforts to empower the economy are related to the quality of human resources and the lack of outreach to the community. (Muslihati & Sapparmi, 2020). Problems stem from limited human resources in BMTs, primarily due to the low level of understanding of Islamic economics and finance among managers, sharia supervisors, members, and the community. The lack of education and outreach regarding sharia finance also discourages the community from exploring sharia-based knowledge. Furthermore, limited capital means BMTs are unable to consistently meet their members' financing needs, resulting in slow business development and suboptimal cash flow. These challenges are exacerbated by the low managerial skills of members and the lack of support, trust, and community involvement in the BMT's existence (Anwar et al., 2023).

In facing various obstacles, BMTs apply several important principles. First, the principle of prudence is applied in all operational activities, especially when disbursing financing to customers. Second, the principle of "know your customer," or getting to know the customer, with a focus on the character of potential financing recipients. Third, the application of internal principles such as a good management system, including openness, accountability, responsibility, independence, and fairness (Muslihati & Sappeami, 2020). Furthermore, BMTs also need to strengthen their products by introducing the institution more widely to the public through innovation, for example, incorporating halal products to increase competitiveness with other institutions. Joint evaluations are also needed to identify new opportunities so that BMTs remain active and play a role in providing benefits to the community (Ramdani Harahap & Ghazali, 2020).

BMT Strategy in Empowering MSMEs

Baitul Maal wat Tamwil (BMT) plays a strategic role as a bridge between communities/parties with excess capital and those needing capital to develop productive businesses. Through various sharia-compliant financing schemes, such as murabahah, mudharabah, and musyarakah, BMTs channel funds collected from the community to MSMEs. This system helps MSMEs gain easier access to financing than conventional financial institutions, thus encouraging Sharia-compliant economic growth (Tussa'adah, 2024).

Although BMT growth is still relatively slower than that of formal financial institutions like banks, their existence is still considered crucial as a financing alternative for the MSME



sector. BMTs have a distinct advantage because they operate as non-bank Sharia financial institutions that implement a profit-sharing system in all their transactions. To strengthen BMT's role in the economy and increase competitiveness in the financial industry, several strategies can be implemented, including:(Naheri & Masse, 2024)

1. Improving the quality of human resources in the cooperative and MSME sectors can be achieved through various activities such as education and training (diklat) and skills development tailored to the needs of the business world. Focusing on management, marketing, and financial management can positively impact the growth and sustainability of cooperatives and MSMEs.
2. Improving cooperative management systems can be achieved through the establishment and implementation of structured and measurable operational procedures. This includes developing work guidelines, implementing a transparent financial oversight system, and ensuring compliance with sound cooperative governance principles to ensure more effective and sustainable operations in the long term.
3. Improving public understanding of Islamic financial institutions, such as Islamic Savings and Loan Cooperatives (LKMS) and Islamic Savings and Loan Cooperatives (BMT/KSPPS), can be achieved through educational activities such as seminars, workshops, and outreach campaigns. By providing an understanding of the basic principles of Islamic finance, its benefits, and operational procedures, the public will gain a better understanding and be encouraged to utilize Islamic-based financial services.
4. Collaborating with local business owners or community leaders to promote BMT/KSPPS as institutions offering secure, accessible, and usury-free funding is a strategic effort. Emphasizing BMT's social functions, such as managing zakat (alms), infaq (donations), and sedekah (charity), can highlight their significant role in improving community welfare. Outreach activities can be implemented through community forums, brochure distribution, and collaboration with local shops or businesses to broaden public awareness of the existence and benefits of BMTs.
5. Efforts to strengthen capital through the utilization of waqf managed by BMTs can be achieved by collaborating with religious leaders and local governments. This form of collaboration not only provides moral and social legitimacy but also strengthens public trust in BMTs as providers of Islamic financial services. The involvement of religious leaders in raising zakat, infaq, and sedekah funds can encourage community participation in channeling their funds through BMTs. Furthermore, support from the government and financial authorities is needed to enable BMTs to overcome their internal limitations and grow within a more stable and sustainable ecosystem.(Permana & Adhiem, 2019).

Conclusion and Recommendation

This study confirms that Baitul Maal wat Tamwil (BMT) plays a strategic role as a non-bank Islamic financial institution in empowering MSMEs in Indonesia, particularly through Islamic financing such as murabahah, mudharabah, musyarakah, and ijarah, as well as training and mentoring programs that increase productivity, income, and independence of business actors. BMT's strong legal basis, based on the Qur'an (QS. Al-Baqarah: 188), cooperative law,



and sharia regulations, ensures fair operations, while its dual socio-commercial function contributes to the alleviation of structural poverty by creating sustainable financial inclusion. Practical implications include recommendations for BMT to expand socialization, halal product innovation, and collaboration with the government and community leaders to overcome limitations in capital and sharia literacy, thereby strengthening MSMEs as a pillar of the national economy.

However, the study's limitations lie in its library research approach, which relies on secondary data, thus failing to capture current field dynamics, such as the impact of digitalization on BMTs. Suggestions for further research include quantitative or mixed-methods empirical studies with direct surveys of MSMEs and BMTs in various regions, as well as comparative analysis with conventional financial institutions to measure long-term effectiveness. These findings are expected to inform inclusive policies that support Sharia-based economic growth for the ummah.

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