

# SHARIA IMPLEMENTATION OF PRINCIPLES IN THE DYNAMICS OF ECONOMICS IN THE RURAL SYSTEM OF JAVA

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## ABSTRACT

*The Islamic economic system has been well-developed in Indonesia, especially the rural society of Java. Baitul Maal Wat Tamwil (BMT) is an institution of Islamic economic that is able to grow and develop. Sharia principles are implemented in BMT's includes murahabah, mudharabah, musyarakah, and qardul hasan. The implementation of sharia principles in developing Sragen's rural area economic become the main point of this research. According to the research, the implementation of sharia economic can improve the rural economic. Implementation of Islamic principles through BMT product in the form of savings and financing. Savings products has been encourage a spirit of saving. Financing products strengthen capital requirements. Somehow, the sharia principles are not fully implemented. There are several factors that determine this problem: the level of risk, the understanding of sharia principles, the human resources, and the management of organization.*

**Keywords:** Islamic economic, sharia principle, and rural economic.

## INTRODUCTION:

Islamic economic system has been growing fast in Indonesia since 1990s. The movement from the Muslim intellectual group (ICMI-MUI), Muslim entrepreneurs as well as the support from the government regulations became key points in vast growth of Islamic economics (Choiruzzad, 2013). The collaboration of those accounts then resulted in the establishment of Bank Muamalat Indonesia (BMI) in 1991. BMI is the first public bank that implements sharia principles in its system. The operation of BMI is as per the Act Number 7 Year 1992 about Banking and Government Regulation Number 72, Year 1992 about bank with dividend-share principle (Anshori, 2008).

The development of sharia banking is then followed by the non-banking sharia organization. Baitul Maal Wat Tamwil (BMT) is one of the non-banking sharia organizations that grows and develops in the rural area. The existence of BMT contributes towards the development of microeconomics entrepreneurial works of rural society. In quantity, BMT gives the biggest number among microfinance organizations in Indonesia. There are 9,000 units of LKM in 2010 with 3,307 units of BMT with assets worth of 1,5 trillion IDR (Kuncoro, 2011). The Association of BMT Indonesia (ABSINDO) estimates that there are 5,000 BMT units with assets worth of 4 trillion IDR (Pratiwi, 2016).

The development of BMT in rural area of Java happens along with the evolution of traditional economic system into market economic system. The traditional economic system is organized with sense of community, based on moral values and is oriented to the fulfillment of basic needs, not for profit. Meanwhile, the market economic system is organized individually, liberally and very competitive while trying to get as much profits as possible. The growth of market economic system is slowly destroying the characteristics of rural society (Hayami, 1987). The domination of market economic system differentiates and diverge the living system in rural Java. The farming group show sharp decrease in number with the farming land being used for the non-farming necessities. During the period of last decade 20<sup>th</sup> century, the agrarian economic as the source of living is attenuated due to the government rules and regulations that neglects the agrarian sectors (Bremen, 2004). The change in farming land is brought by public and private sectors through political and economical rules put forth by the government. Those changes obviously became disadvantages to farmers (Maguantara, 2005). The diversification of non-agrarian economy does not fully make the rural society prosper, but as another strategy for them in order to survive (Widiyanto, 2010). The agricultural sector remains vulnerable situation as a source of rural livelihoods. There are several factors that cause it. Among others; more narrow agricultural land for switching functions to the settlement, the uncertain climate change, and population growth.

Poverty is the main problem in Indonesia, especially in Java. The number of people who live under poverty reach 28,59 millions (11.22% of Indonesian total population) in 2015. Most of them live in the rural area with percentage of 1.94 millions (62.75%), while in the urban area, the number of people who live under poverty reach 10.65 millions (27.25%) (BPS, 2015).

According to financial system of country, the poverty in rural Java is the consequences of the banking system operations that reaches the rural area. The system that runs in the rural area takes the capital from the rural area to the urban area (Didin S. Damanhuri, 2014). As a result of The rural area is then left with the capital shortage so that it is impossible to develop a productive entrepreneurial line. The low productive effort resulted in massive poverty of a rural area. The development of BMT in rural area solved this that problem since most of the capital in BMT is from its members' savings. The capitalization that is managed by BMT also comes from another party, such as sharia banking institution (Utomo, Punto, & et al., 2014) and microfinance governmental organization (Revolving Fund Management Agency) of Ministry of Cooperation and Small and Medium Enterprises (Annual Report, 2015).

In Java, BMT grows and develops in various areas. In Central Java, a special organization called 'Pusat Koperasi Syariah (Puskopyah) BMT' is formed as an association of BMT that spreads across the various cities in Central Java. Most of BMTs in Central Java run in the district level, which reach 360 units (BMTs institution or organization) in 2012. 182 BMTs are listed as the member of Central Java BMT Association in 2016 (Data Members Puskopyah, 2016)

Most of BMT in Sragen are spread in various districts. Some have their own branch office while some do not. BMT HIRA is one of the BMT that has 13 branches spread in 13 districts in Sragen (Annual Report, 2014). BMT HIRA then becomes the biggest in the number of operational office, member, and finance. BMT Babussalam has 3 branch offices, and BMT Bina Umat Sejahtera (BUS) has 2 operational offices. Some other BMT are not able to develop their own operational office yet.

Implementation of sharia principles through BMT in the dynamics of economic system in rural Java becomes the fascinating problem of this research. There are several sharia principles in Islamic economic practice: such

as *murahabah*, *mudharabah*, *musyarakah* and *qardul hasan*. *Al qard al hasan* principle is the authentic sharia principle that is able to realize the *maqasid sharia*. In realization, the implementation of sharia principles in Islamic economic system in banking and non-banking sectors, is dominated by the *murahabah* principle that reaches up to 60%-70% is this the population targeted. The *mudharabah* principles reaches up to 20-30%, while the *musyarakah* or *al qard al hasan* only reaches 5% (Raharjo, 2015).

This research explains the implementation of sharia principles through Baitul Maal wat Tamwil (BMT) in the dynamics of economic system in Sragen rural area, especially regarding to the understanding and application of the sharia principles. Other than that, this research also explains the factors that determine the application of sharia principles and the BMT contribution in developing the economic system in rural Sragen.

## RESEARCH METHODS:

This research uses qualitative descriptive case study with paradigm constructivism. The findings of this research are produced by interacting with researchers and research objects (research targets) (Denzin & Yvonna. S. Lincoln, 2009). The subjects of this research are several BMT institutions, including BMT HIRA in Tanon, BMT Insan Mandiri in Gemolong, BMT Danamas, BMT NU Sejahtera Sragen and BMT Umat Sejahtera Kalijambe as well as several governmental organizations and the consumer of BMT products, including the society.

The data collection technique in this research consist of; 1) indept interviews; 2) documentation; 3) observation; 4) focus group discussion. The data analysis is the regulation and organizational process of several data into a pattern, category, and basic description unit. Interpretation is an effort to add meaning and significance into the analysis, explain the descriptive pattern, and look for relationship as well as link between descriptive dimensions (Patton, 2006).

## LITERATURE REVIEW:

### The Sharia Principles in Islamic Economics:

The development of economic system in a society is an inevitable social process that happens naturally. In sociological perspective, nobody could live for a long time without managing their economic system. The economic system manages the income and profit through the exchange process that is integrated in social relationships. The economical activity adjusts the social importances and becomes the basic element of economical process within the society. In several cases, the activity is operated based on non-economics motive (Polanyi, 2003).

The Islamic economic system is developed massively both in urban and rural area. The sharia principle becomes the basic in managing the Islamic economic system that is integrated with the social relationship based on Islamic values. The implementation of sharia principles is the real proof of application of Islamic values in economic practice. The sharia principles consist of three aspects (Rivai & Usman, 2012), those are:

- 1) *Tauhid*; the principle that reflects that Allah SWT is the only power ruler in the universe.
- 2) *Khilafah*; the principle that reflects that human being is as the representative of Allah SWT on earth that is spiritually and mentally gifted so that they can spread the Islamic mission.
- 3) *Adalah*; the principle that merges with the sharia purpose (*maqasid al syariah*). *Adalah* principle emphasizes on how every single resources is *amanah* from Allah SWT that should be used for sharia purpose.

The application of sharia principles remains the prominents difference between Islamic economic system and conventional economic system. The Islamic economic system observes materialistic side as not the main point, but emphasizes in the human happiness (*falah*) and good living (*hayatan thayyibah*) with family bond (*ukhuwah*), socioeconomics justice, and the fulfilment of human needs of spiritual aspect (Chapra, 2003, p.7). The implementation of sharia principles should be able to make synergy between the society and individual. The individual should be able to develop their potentials but is still ruled with value and moral system so that the balance of macroeconomics and ecology can be reached, as well as strengthens the family bond, solidarity, and moral value (Chapra M. U., 2001).

### The Practice of Islamic Economic System in Baitul Maal Wat Tamwil in Rural Area:

Practice is the social construction that is processed together between theory and actions. It happens as one constant circle from realizations, learning, and critical reflection, as the exchange and union of information is

understanding complexity, education, and theories development (Ife & Tesoriero, 2008). The practice of Islamic economics in rural area is seen as an improvement especially in development bias that tends to exclude the agrarian and micro industries. This results in low quality of human resources that automatically blocks the development of physical infrastructure and finance in rural area (Chapra, 2000).

The implementation of sharia principles is as the effort to realize prosperity through the protection of faith (*din*), self (*nafs*), intelligent (*'aql*), offspring (*nasl*), and wealth (*mal*) (Asutay & Harningtyas, 2015). Reformation and improvement of the individual becomes the rules so that it could strengthen the other main points (i.e., faith, intelligent, offspring and wealth) or the opposite. The process is important to face the challenges in change so that prosperity in optimization is achieved which further increases the continuity of society. (Chapra M. U.).

The Islamic economic system in Indonesia is growing in the dualistic system: profit and non-profit oriented. The Islamic economics oriented towards profit is in the form of sharia banking system, sharia entrepreneurial units, sharia payment organization, ect (Chapra, 2000). While, the non-profit orientation is in the form of *baitul maal*, *badan amil zakat infaq dan sadakah* (BAZIS), *lembaga amil zakat infaq dan sadaqah* (LAZIS), and *wakaf* institution.

### **Baitul Maal Wat Tamwil as Sharia Microfinance Organization:**

The practice of sharia principles in rural Java goes through finding, growing, and developing BMT. Baitul Maal Wat Tamwil carries two different things in which the former is *Baitul Maal* (bait=house, maal=wealth) to receive the *zakat*, *infaq*, and *shadaqah* and distribute those three according to sharia rule while the latter is *Baitul Tamwil* (bait=house, at-tamwil=wealth development) which plays a role to develop productive entrepreneurial works and investment to increase the lower-class economic through saving and capitalization of productive entrepreneur (Kuncoro, 2011).

The operational BMT uses *saqad* system (two parties with tied agreement). There are four kinds of *aqad* in Islamic economic system such as *al-wadi'ah*, *syirkah*, *at-tijarah*, and *al-ijarah* (*al-Ajr walumullah*) (Muhammad, 2011).

The products of BMT consist of micro-credit, micro-saving, micro-equity, micro-transfer, and micro-insurance. It aims to help the lower class in order to continue their lives since most of them have no access to formal financial system or banking system (Mukherjee, 1998; Seibel and Khumar, 1998; Khan, 2008; and Ubaidullah, 2008; (Ascarya, 2014)). BMT offers products and services that are based on sharia norms: no interest, no exceed speculation and gamble, also no fraud. BMT as microfinance sharia organization is the combination of microfinance and Islamic finance. Their operational practices follow the best microfinance model by modifying behavior, products, and services to obey the sharia in order to get justice, honesty, and equality (Ascarya, 2014).

## **RESULTS AND DISCUSSION:**

### **Implementation of Islamic Economic Principles in Baitul Maal Wat Tamwil:**

Implementation of sharia principles in BMT is part of understanding the capability of their members about the sharia principles. The administrator commit to ban interest rating, thus making it the key in implementation of sharia principles in the society. The ban of interest brings positive effect in increasing the society's trust towards equity payment and profit-and-loss sharing system concept (*mudharabah*). Eventhough the interest is strictly banned, the administrator do not ban the sale-based modes of financing system. This system would prevent interest and block the excessive credits expansion (Chapra M. U., 2008).

The implementation of *akad* system in BMT operationalization become the instrument that explains the sharia principle implementation. The realization shows how much sharia principles have not been fully implemented. According to the informant, the practice of sharia principle is just a *khilah* or tactic. The sharia principles practiced by BMT are dominantly preventing *riba*. The *murahabah* principles is the easiest way to give a strategy for the entrepreneurial works to avoid *riba* or profit. This results in the domination of *murahabah* transaction in BMT that reaches up to 60-70%. The *mudharabah* and *musyarakah* are the key elements Islamic economics. The problems arise within the case, such as low human resources quality, limited understanding of sharia principles and the high risk in the application of *mudharabah* and *musyarakah* principles (interview with Dr. Nursalim, Islamic public figure and Islamic economic activistin 28 April 2015).

In the practice, the *murahabah* principle dominates the capitalization in all of BMT in Sragen. The *murahabah* principle dominates the practice since it is easy to apply, suitable for the society who lack understanding about principles of sharia. The society only wants to know about the number of capital they need whenever they get involved with financial institution. They do not think about the sharia level of BMT operationals. The

application of sharia principles are not fully operated in BMT HIRA (interview with BMT HIRA’s leader on 27 Februari 2015). The data would be shown in the table below.

**Table1: List of Capitalization in BMT HIRA Per Products in June 2016 (in millions rupiah)**

Product	Consumer	Number of Main Capitalization	Number of Divident Share
Monthly Murahabah	3,271	32,753.838	10,981.983
Weekly Murahabah	4	5.886	0.591
Hawalah	169	1,725.532	868.803
Payment of Ba’i Bin saman Ajil	1	139.389	17.411
Payment of Musyarakah	1	50.000	8.250
Payment of Mudharabah	6	294.326	27.983
Ijarah Loan	485	2,893.193	868.600
Qardhul Hasan	2	12,082,228.00	0.00
<b>Total</b>	<b>3,939</b>	<b>37,874,205,114.92</b>	<b>12,569,591,407,52</b>

**Source:** Recapitulation of BMT HIRA’s Capitalization Per Products, June 2016

Table 1 shows that the capitalization in BMT HIRA is dominated by *murahabah*. There are 3,444 users (monthly *murahabah*+weekly *murahabah*+*hawalah*) or up to 87.34%. The customers of the capitalization reach 3,939 people.

The intensive sharia principle implementation requires more hard work especially for the members. The administrator of BMT can not take decide without the member’s consent. The administrator and members are not ready to fully understand and implement the sharia principles (interview with Operational Manager of BMT Insan Mandiri Gemolong, 20 March 2015).

The domination of *murahabah* principle in BMT operationalization especially in capitalization program results in better development of *baitut tamwil* rather than *baitul maal*. According to the explanation of BMT HIRA’s leader, the development of *baitut tamwil* is something that is very conditional to strenghten the organization. The strong *baitut tamwil* creates developed *baitul maal* (interview with BMT HIRA’s leader, Friday 27 February 2015)

BMT products can be a measurement of the sharia principle practice. The example is the capitalization product of BMT Insan Mandiri Gemolong with special standard given below.

**Table2. Murahabah Funding Scheme of BMT Insan Mandiri 2015**

BUY PRICE	INSTALLMENT (MONTHLY)			
	12	18	24	30
Rp. 1.000.000,00	Rp. 103.333,00	-	-	-
Rp. 2.000.000,00	Rp. 206.667,00	Rp. 151.111,00	Rp. 123.333,00	-
Rp. 3.000.000,00	Rp. 310.000,00	Rp. 226.667,00	Rp. 185.000,00	Rp. 160.000,00
Rp. 3.500.000,00	Rp. 361.667,00	Rp. 264.444,00	Rp. 215.833,00	Rp. 186.667,00
Rp. 4.000.000,00	Rp. 413.333,00	Rp. 302.222,00	Rp. 246.667,00	Rp. 213.333,00
Rp. 4.500.000,00	Rp. 465.000,00	Rp. 340.000,00	Rp. 277.500,00	Rp. 240.000,00
Rp. 5.000.000,00	Rp. 516.667,00	Rp. 377.778,00	Rp. 308.333,00	Rp. 266.667,00
Rp. 5.500.000,00	Rp. 568.333,00	Rp. 415.556,00	Rp. 339.167,00	Rp. 293.333,00
Rp. 6.000.000,00	Rp. 620.000,00	Rp. 453.333,00	Rp. 370.000,00	Rp. 320.000,00
Rp. 6.500.000,00	Rp. 671.667,00	Rp. 491.111,00	Rp. 400.833,00	Rp. 346.667,00
Rp. 7.000.000,00	Rp. 723.333,00	Rp. 528.889,00	Rp. 431.667,00	Rp. 373.333,00
Rp. 7.500.000,00	Rp. 775.000,00	Rp. 566.667,00	Rp. 462.500,00	Rp. 400.000,00
Rp. 8.000.000,00	Rp. 826.667,00	Rp. 604.444,00	Rp. 493.333,00	Rp. 426.667,00
Rp. 9.000.000,00	Rp. 930.000,00	Rp. 680.000,00	Rp. 555.000,00	Rp. 480.000,00
Rp. 10.000.000,00	Rp. 1.013.333,00	Rp. 735.556,00	Rp. 596.667,00	Rp. 513.333,00
Rp. 11.000.000,00	Rp. 1.114.667,00	Rp. 809.111,00	Rp. 656.333,00	Rp. 564.667,00
Rp. 12.000.000,00	Rp. 1.216.000,00	Rp. 882.667,00	Rp. 716.000,00	Rp. 616.000,00
Rp. 13.000.000,00	Rp. 1.317.333,00	Rp. 956.222,00	Rp. 775.667,00	Rp. 667.333,00
Rp. 14.000.000,00	Rp. 1.418.667,00	Rp. 1.029.778,00	Rp. 835.333,00	Rp. 718.667,00
Rp. 15.000.000,00	Rp. 1.520.000,00	Rp. 1.103.333,00	Rp. 895.000,00	Rp. 770.000,00

**Source:** BMT Insan Mandiri brochure which will be distributed to members in 2015

From the data shown in table 2, it is understood that it reaches up to 10.3% dividend share for members annually. There are four categories such as 1 year, 1.5 year, 2 years, and 2.5 years. The monthly share should be the same amount with capital taken. The amount of share is agreed upon hand.

The another example that is developed by BMT BUS Kalijambe is the goods transaction with *murahabahaqad*. The practice is explained as this: the two parties agreed in the *nisbah* percentage during the early session. For example, capitalization for renovation. Mr. Joni wants to renovate his house but he has no money, while he is a member of BMT BUS. In order to get the money, he needs to renovate his house, he takes a loan with *murahabah* akad to BMT BUS worth 10 millions IDR. After mutual agreement, it is known that the goods would be valued 12 millions IDR. Mr. Joni takes 10 times to lease the money with 1.2 millions IDR payment everytime he pays (The Document by BMT BUS Kalijambe, 2015).

The domination of *murahabah* principle in BMT operationalization is especially in the capitalization. The *mudharabah* is implemented more in the saving products. For example is the sharia investment with certain terms. This product uses *Mudharabah Al Muthlaqoh* principle, where BMT Insan Mandiri manages the capital invested by their member so that it can bring profit and match with the Islamic sharia principle. There is another product that is designed in order to prepare a family's better future. This product uses "*Mudharabah Al Mutlaqoh*" as well, where the members would get their dividend share at the end of the period (leaflet BMT Insan Mandiri Jawa Tengah, 2015).

The implementation of *qardul hasan* principle determines the development of *Baitul Maal*. Most BMT already developed the principles eventhough it is limited. According to BMT HIRA's leaders, the awareness of strenghtening *qardul hasan* principle in BMT HIRA was started in 2010, or 12 years after the BMT was founded. The development of *baitul maal* is based on consideration that BMT is founded not only for business purpose, but for society development. However, the *baitul maal* development is not as advanced as *baitul tamwil* in BMT HIRA (interview with BMT HIRA's leader, 27 February 2015).

The operational manager of BMT Insan Mandiri explains that the *qardul hasan* principle is developed in BMT along with other sharia principle. The financial management of *baitul maal* is done by picking the staffs that who are responsible to raise the *maal* fund so that it can develop. The fundraising for *maal* is done monthly (interview with operational manager of BMT Insan Mandiri, 20 March 2015). The development of *qardul hasan* principle is done for social and religious importance.

### **Factors That Affect Implementation of Sharia Principles:**

The implementation of sharia principle in BMT in rural areas is determined by several factors: human resources quality, the socialization of sharia principle and institutional management. Those three aspects are heavily related to each other.

The human resource is the centre of every single activit conducted in the society. Human resource is the starting point in developing the an organization (strategic planning) and the program's committee. The development of human resourceresuluts on strong capacity, with visionary and skillful members to reach the community's targets (Effendi, 1995). The quality of human resources determine the professionalism of BMT, optimalization of sharia implementation, and also encourages the society to use the service provided by BMT. In order to get the high quality human resource, special trainings and educations are done. At first the resources to work in BMT is unemployment. They have applied for a job to various places are not accepted. Then they want to work in the BMT, but with limited capacity. This results on low quality of human resource that is hard to develop (interview with BMT HIRA's leader, 27 February 2015).

The education and training of human resource is done by associating with the other institutions due to limited resources. The other institutions include governmental organization, BMT associations, and National Sharia Board. During the training and education program, the manager of BMT send certain members to learn based on specific competencies (interview with BMT HIRA's leader, 27 February 2015).

The socialization to the members and society is another key that results on low implementation of sharia principles in BMT. Some BMT has no specific units and programs to socialize their purpose. BMT HIRA relies on their marketing department that has dual job: to promote their products and services as well as recruiting new members. BMT marketing section offers products and encourage people to become members as well as facilitating the process of becoming a member. This results on low effective job since most of the marketing team has not understood sharia principles well (interview with BMT HIRA's leader, 27 February 2015).

In order to promote the sharia principles, BMT takes small steps at one time. During the process, the organizers give explanations and statement on sharia principles while giving service to the members. Other than that, they also intensively socialize the sharia principles with monthly seminars with specific lectures on Islamic economic

principle (interview with operational manager of BMT INSAN MANDIRI Gemolong, 20 March 2015).

The professionalism of BMT’s institutionalization is another factor in sharia principles implementation. The development of BMT is determined from the quality of organization’s managerial. In fact, the managerial skills determine the survival of the organization itself. The professionalism of the managerial team can be seen from the quality of service, internal works, and public’s respect on them.

In order to reach the professionalisme, high quality human resource is required. The standard operational procedure of Sharia Financial Service Cooperation and Sharia Financial Service Cooperation Unit (2007) explains that professional BMT has human resource with several skills, such as;

- 1) Good managerial ability;
- 2) Effective leadership;
- 3) High moral and integrity;
- 4) Good understanding and knowledge in cooperative economics.

BMT HIRA develop their human resource with solid standard in certified skills. The career development of BMT’s organizers cannot be separated from managerial certification. In order to reach this, the leader of BMT HIRA always send the managerial team to get trained and educated. The training is conducted with certain standards related to the organization, such as managerial certificate, accounting certificate, and financing certificate (interview with BMT HIRA’s leader, 27 February 2015)

Here are the activities done in order to develop the human resource quality that affects implementation of sharia principles.

**Table 3: Activities for Developing BMT’s Human Resource**

Institution	Kind of Activity	Targets	Goals
Internal BMT	- Training and Education - Regular seminar member - Regular seminar by the sharia boards	Organizers of BMT	- Improvement in BMT’s organizational skills. - Better understanding of sharia principles so those can be applied in organizing BMT
Agency of Industrial, Cooperation and Small and Medium Enterprise	Training and education	Organizers of BMT	- Improvement in cooperative managerial capability - Socialization of cooperation regulation (esp. Sharia cooperation)
Association of BMT	Training and education	Organizers of BMT	- Improving the capability of organizers in managing BMT - Improving the networks within BMT and other institution - Improving the IT capacity
Agency of Job Certification, Central Java Cooperation	Training and education	Organizers of BMT	- Improving the capability of organizers in managing BMT - Improving the capabiltilty of organizers in managing the organization’s financial
National Job Certification Agency	Training and education	- Organizers of BMT - Sharia Boards	- Get the relevant certificate
National Sharia Board	Training and education	Sharia Boards	- Improving the capacity in assessing the implementation of sharia principles in BMT’s operationalization - Determining certification of sharia board members

**Source:** Findings from various interviews and documentations

**Contribution of *Baitul Maal Wat Tamwil* in Developing Rural Area Economic System:**

The development of BMT in rural area can be an agent so that the Islamic economic system can be integrated in everyday’s life. (Mulyono, 2015) explains that there are three strategic factors that determine the process:

- 1) There are so many small businesses that need capital yet has some banking problems;
- 2) BMT offers the concept and practice of Islamic economic in rural area and the society is emotionally aware of the Islamic principles in economic so they want to implement those principles;
- 3) The partnership with government to develop the BMT. There are several rules that manage the operations and capital so they can reach rural area.

The contribution of BMT can be seen from the finance they manage. In Sragen, there are several variations, shows in table below.

**Table 4: Development of BMT HIRA and BMT Insan Mandiri’s Finance in 2012-2014 (in millions rupiah)**

BMT		2012	2013	2014
BMT HIRA	Asset	24.992	34.027	39.954
	Saving	22.352	29.767	32.877
	Capitalization	16.469	24.825	28.765
BMT INSAN MANDIRI	Asset	6.300	9.400	11.600
	Saving	4.900	7.300	9.300
	Capitalization	4.300	6.300	7.400

**Source:** BMT HIRA and BMT Insan Mandiri’s 2014 Report

The amount of capitalization indicates the number of members and prospective new members. BMT HIRA has the biggest number of members and candidate of customer in Sragen. The 2014 report shows that BMT HIRA has 16.252 members (report of BMT HIRA member’s annual meeting, 2014). Meanwhile, BMT Insan Mandiri has 5.000 members that spread in 1 main office and 2 branch offices (interview with operational manager of BMT INSAN MANDIRI Gemolong, 20 March 2015).

BMT manages their finance in the form of assets, saving, and capitalization. Every BMT has their own trademark in naming their products, shown in the table below.

**Table 5: Products of BMT HIRA, BMT Insan Mandiri, and BMT BUS**

Baitul Maal Wat Tamwil	Managed Products	
	Savings	Capitalization
BMT HIRA	<ul style="list-style-type: none"> <li>- SIRELA (voluntary saving)</li> <li>- SISKA: timely voluntary saving with <i>mudharabah</i> or profit sharing.</li> <li>- SIMERDEKA: saving for future planning to achieve self and family welfare</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Mudharabah</i>, the funding is done through cooperation. BMT HIRA acts as the one fund-provider (<i>Shohibul Maal</i>), and the member act as businessmen (<i>Mudharib</i>). Profit is shared among the two parties upon an agreed-portion (<i>nisbah</i>)</li> <li>- <i>Murahabah</i> funding</li> <li>- <i>Mudharabah</i> funding</li> <li>- <i>Ijaroh</i> funding</li> <li>- <i>Multiservice</i> funding</li> </ul>
BMT Insan Mandiri	<ul style="list-style-type: none"> <li>- Simpanan Insan Barokah</li> <li>- Simpanan Pendidikan Anak</li> <li>- Simpanan Qurban</li> <li>- Investasi Berjangka Syariah</li> <li>- Simpanan Insan Sejahtera (INTERA)</li> <li>- Simpanan Haji</li> </ul>	
BMT Bina Umat Sejahtera (BUS)	<ul style="list-style-type: none"> <li>- Si Suka: member’s saving in form of timely investment based on sharia</li> <li>- Si Sidik (Simpanan Siswa Pendidikan)</li> <li>- Si Sidik PLUS.</li> <li>- Si Haji (Simpanan Umrah dan Haji)</li> <li>- Si Aqur (simpanan Aqiqah dan Qurban).</li> <li>- Si Tara: member’s saving which is managed based on sharia which allows members to save or withdraw their money anytime.</li> <li>- Si Rela; member’s saving which allows member to save or withdraw their money anytime.</li> </ul>	<ul style="list-style-type: none"> <li>- Funding of Work Capital, is a funding service for the future or current members who need additional capital to develop their business, based on <i>mudharabah</i></li> <li>- Funding of Stuffs Procurement; is a funding service for future or current member who need stuffs for their everyday needs, based on <i>murahabah</i>.</li> <li>- Welfare Funding</li> </ul>

**Source:** Document from three BMTs :BMT HIRA, BMT Insan Mandiri, and BMT BUS, 2015



The non-direct contributions of BMT in developing the rural area's economics are through social activities. Several social activities become effective to gain the public trust. This is proven in BMT HIRA's experience when the organization seems to be financially helpful to the people who live under poverty, in constructing religious facilities, and provide scholarship for the qualified students. The society's trust in the social activities becomes their marketing strategies. (BMT HIRA's leader, 27 February 2015). The social activity that is developed can encourage the society to access their products, that automatically improve the economic system.

## CONCLUSION:

Sharia principle becomes part of economic practice in rural Java's economic system. *Baitul Maal Wat Tamwil* is an organization that implements sharia principles and help the rural area's society to improve their living resources. BMT helps the rural society to develop their entrepreneurial works, especially those who have no access to banking facility. The existence of BMT helps small businesses to develop financially. There are several principles in their saving and capitalization products. The implementation of sharia principles in BMT is dominated by the *murahabah* principle. The *murahabah* principle is more implemented in the capitalization products, while *mudharabah* principle is implemented in saving products. There are several problems that are mostly faced, such as the limited human resources, ineffective socialization, and non-professional condition between the organization. To solve that, systematics and strategic effort are needed so that the sharia principles can be fully understood as well as implemented in rural Java.

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