The Islamic Microfinance Roles in Improving The Welfare Among ASEAN Countries (Case Study: BaitulMaalwatTamwil BMT Masjid Agung An-Najah, Bogor, Indonesia)

Gannady Girsang, Riki Cahyo Edy, Fatimah Zachra Fauziah, Dara Ayu Lestari and Bramastyo Agung Wibowo
Undergraduate Student of Economics Department Faculty of Economics & Management, Bogor Agricultural University Bogor, West Java – Indonesia
email : gannadygirsang@gmail.com

Abstract—Nowadays, the economic movement in ASEAN countries has grown up rapidly. Indonesia should prepared its self to face the ASEAN Economy Community (AEC) in 2015. Islamic Economics at this time has progressed, especially in Southeast Asia. Indonesia's economy is largely supported by the informal sector. One of the solution for Indonesia to improve the bargaining position to face AEC is to develop Micro, Small and Medium Enterprises (MSMEs). Most of the majority population in Indonesia, therefore mosques are scattered throughout the country. The paper is motivated by the fact that there is a need of financial support for people who are engaged in microenterprises, especially micro entrepreneurs around the mosques. On the other hand it difficult for investors to invest their funds, therefore the presence of intermediary entities between investors and entrepreneurs of micro required. From the arguments and analysis, We estimate that the potential of Islamic Microfinance for MSMEs will improve Indonesian’s capability to compete in AEC 2015.

Keywords— ASEAN, Baitul Maal wat Tamwil, Islamic Microfinance, Mosques, Economy

I. INTRODUCTION

The development of cooperative relations between ASEAN countries experienced growth at this time, especially in the economic field. Microfinance is one of the essential pillars to prop up the economy at the macro level. Islamic Economics at this time has progressed, especially in Southeast Asia and Indonesia is one of the pioneering. The majority of the population in Indonesia is Muslim. Islam in Indonesia grew rapidly and so did the growth of the mosque as the center of the religion of Islam. According to the Center for Religious Harmony Ministry of Religious Affairs of the Republic of Indonesia, the number of mosques in Indonesia in 2004, is about 24,431 mosques. Mosques in Indonesia serve more than 207 million Muslims in Indonesia[1]. In addition, the characteristics of a mosque in Indonesia built in the population and not just serve as a center of worship but also as a center of education both religious and common knowledge, the center of social and economic activities. Nowadays, the mosque has the responsibility to develop the local economy moving around mosque in addition to manage the Zakat Maal funds. Today, many emerging Islamic microfinance institutions grow up like Baitul Maal wat Tamwil (BMT) in Indonesia. BMT is an Islamic microfinance institution that expand the business - investment in productive enterprise and improve the quality of the activities and small entrepreneurs by encouraging and supporting financing activities in order to improve the local economy[2].

Indonesia will face ASEAN Economy Community (AEC) in 2015. Therefore Indonesia should prepare itself. One of the solution is to develop and improve Micro, Small and Medium Enterprises (MSMEs). It is because Indonesia’s economy is largely supported by the informal sector. According to Bank Indonesia, in 2010, Micro, Small and Medium Enterprises (MSMEs) dominate 99 percent market share or there are 53.8 million MSMEs business units in Indonesia[3]. Islamic banking is currently considered not able to reach the public at large[4]. Besides, average financial support proposed by informal actors is microfinance. To reach fulfillment in economic activity, especially in the informal sector, BMT appears to meet the needs of the microfinance community. BMT was established under the stewardship of the mosque. Mosque is presumed being an institution which is closer to the community in terms of both the easy access and the role as the economic driver of local community. For that reasons, BMT considered to interact directly and facilitate the informal sector in the financing business.

In 2005, Indonesia has 100 BMT which has assets around 1 billion rupiah. BMT has good potential to support the micro financial needs, but the amount of funds is still less provided. The investors who provide funds for BMT are still small especially for banking. Most of the capitals are obtained through donor with familial basis. This is because most banks do not trust the ability of BMT for investment returns. BMT does not have guarantors as Islamic banks to guarantees the
risk. The Partnership made by the donor BMT is ta’awun or cooperation. Ta’awun requires mutual understanding and maintain the relationship between one party and the other in order to obtain the joint maslahah [5]. Ta’awun concept should be developed not only by informal donor of the BMT but also be the formal institutions such as Islamic banking.

The awareness of Islamic financial in Indonesia continues to grow. Therefore, we need some development of Islamic financial institutions savings and borrowings that can reach low-income communities. BMT is a microfinance institution that could be one solution for society financial problems. BMT should have internal evaluation to acknowledge the strengths, grab the opportunities, lessen the weaknesses and avoid the threats in order to develop a strategy to grow. Optimal performance BMT will enhance the credibility of the financial institutions that can attract investors to supply capital and customers to appy for the funds. Government should support the development of an optimal BMT to support microfinance. Furthermore Islamic banks can be a partner in the provision of capital and operational assistance BMT. Therefore, the BMT micro financial service will increase to improve the society’s welfare.

This paper aims to analyze the feasibility of BMT in order to attract investors to invest money and attract customers to utilize the funds in productive activities. This paper proposed the solution of micro financial problem in Indonesia that can be solve by BMT. It is cause that Indonesia is supported by Micro, Small Medium Enterprise (MSME’s) who need microcapital that less provide by commercial banks. But, BMT also need support to improve its self to continue provide services to the society besides government and Islamic commercial banks. In this regard, we offer strategy to optimize the feasibility factors BMT in order to become one party supporting the local economy.

II. METHODS

A. Data & Sources

The Primary data was taken from our in-depth interview and observation on some customers from BMT Masjid Agung An-Najah, Bogor, the officials of BMT Masjid Agung An-Najah, Bogor and the investors of BMT Masjid Agung An-Najah, Bogor. This interview and survey are used to render the information of their in general to join microfinance in BMT and their added advantages after join the financial support from BMT Masjid Agung An-Najah, Bogor. We also did some informal survey and observation throughout the social networking services (SNS) such as mass media, internet or some news program regarding the microfinance industry in Indonesia and the growth of BMT.

The secondary data mostly were taken from the Ministry of Religious Affairs of the Republic of Indonesia, and Bank Indonesia. Statistical data is used as a support to analyze our main concepts about developing microfinance through BMT from Mosques. Furthermore, we had some study literature from books, scientific journals, and internet to get some theories of Baitul Maal wat Tamwil and Islamic micro financing.

B. Method of Research

As a supporter of the analysis, we conducted a study to survey and in-depth interview methods to customers, investors and managers of BMT Mosque of Masjid Agung An-Najah, Bogor. Interviews and surveys conducted from 20 September 2012 until 20 October 2012. This study was located in Masjid Agung An-Najah, Bogor.

C. Method of Analysis

Based on our in-depth interview and survey with customers, official and the investors of BMT Masjid Agung An-Najah, Bogor, we proposed some analysis. We analyze the Strength, Weakness, Opportunity, Threat (SWOT) from BMT to get the strategy how BMT Masjid Agung An-Najah, Bogor can develop its self. The analysis is presented by table that informs the SWOT factor from BMT and the strategy how to improve the economic function of BMT.

III. RESULTS

BMT should manage the weakness of its self for evaluation to be better institution and anticipate the threat properly for its own good. Also use strength and opportunity to optimalize the capability to improve economics of scale in BMT.

Table bellow is shown the strengths, opportunities, weaknesses and threats of BMT. BMT can make the strategy with compare all strengths, opportunities, weaknesses and threats of BMT its self. This result is taken from the observation in Masjid Agung An-Najah, Bogor. This result can be representative the strengths, opportunities, weaknesses and threats that BMT have in common.

TABLE 1. Strategic of Opportunity and Strength
### TABLE 2. Strategic of Threat and Strength

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<th>External Factors</th>
<th>Threat</th>
<th>Strength</th>
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- Vigorous promotion and dissemination of the BMT to attract people both as customers and investors and conduct activities that support the economic activity of the community. (S1, S3, T14, O6)  
- Participate in activities that encourage people to be independent with entrepreneurship, such as skills training and financial management (S3, T12)  
- Repair system administration, regulatory, and operational, so BMT enhances the credibility and funding from investors (S6, S14)  
- Managing financial cash flow and periodically report to the public and investors as a part of transparency (S5, S13)  
- Provide convenience in terms of capital lending to people, so they will avoid the loan sharks. (S4, T11)

### TABLE 3. Strategic of Weakness and Opportunity

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<th>External Factors</th>
<th>Opportunity</th>
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- The information about BMT is still hard to be obtained.  
- The administration process is still unprofessional  
- Substitution of people in charge of BMT means the misdirection of BMT resources, which makes it hard to maintain investors.  
- Selection of candidates for debtors who are not selective  
- The lack of training given to the borrower BMT funds to run the business  
- BMT is still considered slow progression

### TABLE 4. Strategic of Weakness and Threat

<table>
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<th>External Factor</th>
<th>Weakness</th>
<th>Threat</th>
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- Information about BMT still hard to be obtained.  
- Administration process still unprofessional  
- Situation of DKM may affect the performance of BMT  
- Lack of funds for DKM may affect the performance of BMT  
- Lack of management might BMT for investors  
- Lack of training given to borrowers BMT funds in running the business  
- BMT is still considered slow progression

### Strategic of Strength - Threat

1. Vigorous promotion and dissemination of the BMT to attract people both as customers and investors and conduct activities that support the economic activity of the community. (S1, S3, T14, O6)

### Strategic of Weakness - Threat

1. Information about BMT still hard to be obtained.
2. Administration process still unprofessional.
3. Situation of DKM may affect the performance of BMT.
4. Lack of funds for DKM may affect the performance of BMT.
5. Lack of management might BMT for investors.
6. Lack of training given to borrowers BMT funds in running the business.
7. BMT is still considered slow progression.

### Strategic of Opportunity - Weakness

1. Creating the vision and mission stronger and improve the promotion in order to increase cooperation with other agencies for the development of BMT. (W1, W4, O6)

### Strategic of Opportunity - Threat

1. Creating the vision and mission stronger and improve the promotion in order to increase cooperation with other agencies for the development of BMT. (W1, W4, O6)
IV. DISCUSSION

A. BMT Masjid Agung An-Najah Bogor Feasibility Factors for Investors to Invest Funds Into Mosque

The establishment of the Baitul Maal wa Tamwil (BMT) based on mosque in Bogor City, named BMT An-Najah due to capital that could be gathered from the mosque officials and investors. The efforts made by the initiator to prepare BMT-based mosque was started in 2005 and finally established in 2008. Advantages of Masjid Agung An-Najah, Bogor: 1) Using the Islamic system, 2) BMT An-Najah is the first BMT in Bogor from 2005, 3) Structure BMT is taken under the Mosque Welfare Council (DKM) of Masjid Agung An-Najah, Bogor, 4) Location of BMT is close to the center of the traditional market economic residents, 5) Masjid Agung An-Najah, Bogor is a mosque of Bogor City Government thus indirectly City Government take responsibility for the sustainability of BMT. Based on the interview with the manager of BMT, five factors above are the pull factors for investors to invest in BMT An-Najah.

B. BMT Masjid Agung An-Najah Support Factors For Customer to Get Benefit Of Micro financial In Productive Activities

BMT Masjid Agung An-Najah, Bogor can be considered as an evidence of support in the development of micro-enterprises, especially in the area around the mosque. Location of BMT is close to the market which is the center of economic activity to be one of the hallmarks of this microfinance institution. In addition, the structure of the agency under the control of the Masjid Agung An-Najah, Bogor be an added value in improving the confidence of the public, especially potential clients of micro finance institutions. BMT Masjid Agung An-Najah, Bogor also be the answer to the poor to improve their well-being because of the requirements given BMT to borrow funds as venture capital is fairly easy, given the complexity of the bureaucracy banks in lending. Masjid Agung An-Najah, Bogor also act as protective small communities around the Masjid Agung An-Najah, Bogor moneylenders because BMT An-Najah financial system implemented in accordance with the islamic laws (to avoid usury).

C. The Benefits Of The Mosque’s Roles In Economic Development Community.

Based on observations and interviews we have done shows that the role of the mosque nowadays is rapidly growing. BMT which is in the mosque environment has developed a micro-economic potential in the vicinity. The micro-entrepreneurs who need financial support to conduct its business face difficulties to gain access to the bank, so many of them fail to run their business. The presence of BMT by giving financial supports used for the operational expenses assists customers in running their business even scaling it. The challenges facing building capital agencies as BMT is how to find and convince investors that the rate of return earned not only measured as monetary units, but also the dedication in developing the economic development. Initial funding that obtained by BMT is used to help the business on capital from those investors.

After running the activities and funds obtained from investors was piped to customers, it is expected to be self-BMT and investors can take all the funds that have been used originally by BMT. The independence of BMT in managing their business is also determined by the quantity and quality of the management. In the term of facing applicants BMT does review with feasibility study to determine whether the funds will roll over to customers or not. BMT besides lending businesses can also provide suggestions for referral and advice about the efforts being carried out by the customer. Based on the observation, description, and the arguments that have been presented, there are obvious benefits of BMT especially and mosques generally to increase the economic development in the community.

D. BMT role in promoting the development of MSMEs to face AEC 2015

SMEs is businesses that have limited capital and resources. Though this type of business can become and dynamic stabilizers economy in Indonesia, acting as the main framework for the employment [6]. Commonly, large companies put more emphasis on the use of technology than human labor to achieve efficiency. Besides, the Micro Small Medium Enterprise (MSME’s) are also shown to survive in unfavorable conditions. When the global crisis Micro Small Medium Enterprise (MSME’s) are even able to prop up the economy at the macro level.

ASEAN countries tend to have some similllary comparative advantage. This complicates any ASEAN members to gain substantial market share. Indonesia in particular, do not have a profitable bargaining position in this case. Indonesia's share is relatively low at 26 percent compared to 31.8 percent of Singapore and Malaysia 29 percent [7]. The goal of AEC blueprint to transform ASEAN into a single market and production base with a highly competitive economic region. The presence of MSMEs can be used as an alternative solution to this problem. Characteristic of the capital-intensive SMEs and the use of technology to strengthen local wise of Indonesian comparative advantage. Government can support MSMEs to fill the AEC priciples, there are opens, outward looking, inclusive and market driven economy [8].

Amount of funding needs in the community as a business capital, making the banking sector as the motor in the rotation of the economy because of their role as a source of funding. The high demand for the banking sector demanded selective in granting funds as venture capital to the public. In addition, the rampant fraud and bad loans, the banking sector requires to be more careful and not careless in choosing borrowers.

On the other hand profit-oriented banks that caused more funding leads to large-scale enterprises. This is because banks perceive that a large-scale enterprise is more stable, has good prospects and low risk than SME’s. In addition, banks tend to finance consumption rather than a loan with certain guarantees than small-scale productive high risk.

Today, many emerging microfinance institutions targeting micro-enterprises and small considering the importance of this type of business. Microfinance institutions serve not only from the banking sector, but also from non-bank sector, not only the agencies that use the conventional system, but also with the Islamic system. Microfinance institutions with Islamic system one only guest BMT is Baitul Maal wa Tamwil.
Tamwil Masjid Agung An-Najah Bogor, West Java. BMT will assist Indonesia in dealing with MEA 2015 through the development of SMEs.

V. CONCLUSION

As part of the economy, Small Medium Enterprises cannot be underestimated. It is because MSME’s could be shockbreaker for Indonesia to face the ASEAN Economy Community 2015. This is evident with the scale resistance in almost of all economic activities shaken by the crisis. The role of Small Medium Enterprises is also very significant in employment in Indonesia. It can be said that Small Medium Enterprises is a stabilizer and a dynamic economic tool in Indonesia. The problem is that Small Medium Enterprises are very weak in the funding. Lack of access, information and the ability to finances the developing Small Medium Enterprises. Complex banking system is not reliable. BMT mosque is the problem solver in this situation to resolve this issue. BMT mosque which is currently still not familiar to most people would be very helpful for micro finance. The development of the mosque BMT is supported by surrounding community who expect their welfare to be better in a good way. The application of Islamic Microfinance in Indonesia has helped the progress of the national economy. Although still new, Islamic Microfinance is expected to continue to grow and becomes a tool to improve welfare among ASEAN Countries.

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