



## The Role of BMT in Increasing Islamic Financial Literacy in Society (*Case Study in BMT Amanah Ummat Taram Kecamatan Harau*)

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Corresponding Author: Hebby Rahmatul Utamy, Padang, Indonesia

Email : [hebby.ru@iainbatusangkar.ac.id](mailto:hebby.ru@iainbatusangkar.ac.id)

Hebby Rahmatul Utamy, Muhammad Deni Putra, Frida Amelia & Wahyu Putra Utama

### Abstract

One of the reasons for the low public transactions in Islamic banks is their low Islamic financial literacy. Financial literacy is the level of knowledge, skills, trust in financial institutions, along with their products and services. The objective of this research is to understand the role of BMT in increasing Islamic financial literacy among society. This study is field research in nature.

The study employed descriptive analysis with a qualitative approach, and the data were collected through interviews and documentation. The study was conducted in BMT Amanah Ummat Taram, Kecamatan Harau, Kabupaten Limapuluh Kota. The result showed that Islamic financial literacy is of the utmost importance in society. The society could carry out economic activities under Islamic law and start to move from conventional financial institutions to Islamic financial institutions, such as BMT.

Efforts have been taken by BMT to increase Islamic financial literacy. These efforts are the socialization of the Islamic economy, communal Qur'an reading, and skill coaching to improve the quality of internal human resources. Improvements in BMT efforts are including introducing transaction agreements and BMT products to increase customers' knowledge, promoting products and services through social media to increase customers' trust, and educating financial management and saving to increase customers' skills. The main obstacles faced by BMT in their efforts increase Islamic financial literacy is the mindset of the society, education, and lack of skilled and competent staff.

**Keywords:** BMT, Islamic financial institution, Islamic financial literacy



## INTRODUCTION

### A. Background

The establishment of Islamic Financial Institutions (LKS) is the result of the understanding of the Muamalah principles in Islamic economic law, which is further presented in the form of economic institutions similar to Islamic financial institutions. Among many Islamic financial institutions, BMT is an Islamic economic institution based on society, because it was created from, by, and for the society. In terms of numbers, BMT is the highest Islamic financial institution compared to other Islamic financial institutions.

One of the BMTs that financing and is present in society is BMT Amanah Ummat. BMT Amanah Ummat is a BMT strategically located close to Pasar Taram. BMT Amanah Ummat has several products, including:

Tabel 1. 1  
Products of BMT Amanah Ummat

Funding Products	Lending Products
Tabungan Wadi'ah	Modal Kerja
Tabungan Mudharabah	Modal Usaha
Simpanan Berjangka	Konsumtif
Tabungan Siswa	Kredit Elektronik Syariah
Tabungan Qurban	Pinjaman Kebajikan
Tabungan Fitrah Aqiqah	
Tabungan Haji	

Source: BMT Amanah Ummat Savings Book

According to Sudarsono (2003:85), BMT has four roles, including distancing society from non-Islamic economic practices, fostering and funding small businesses, abandoning dependence on moneylenders, and maintaining economic justice of society with equitable distribution.

Based on interviews with ten customers, it is found that six of the customers have not made transactions at conventional banks since joining BMT Amanah Ummat. Four of the customers said that they still made transactions at conventional banks. This finding showed that BMT helps decrease societal dependence on conventional banks, although not entirely.



In addition, random interviews were conducted with merchants in the Pasar Taram. Two of ten respondents saved at BMT while the rest saved at conventional banks. This finding showed that many people still made transactions at conventional banks, even though BMT is located close to the market. The presence of BMT is expected to play a role in keeping society away from non-Islamic economic practices, freeing customers and society from poverty and bringing the economic order towards Allah's direction and under the Islamic law.

The lack of understanding of the differences between Islamic financial institutions and conventional financial institutions has decreased the interest of society in Islamic financial institutions. Therefore, the authors consider it essential to examine the role of Islamic financial institutions themselves to increase Islamic financial literacy.

## **THEORETICAL REVIEW**

### **A. Theoretical Background**

#### **1. Reviews on BMT**

##### **a. Definitions**

BMT is the abbreviation for Baitu Maal Wa Tamwil, also can be written as Baitul Maal Wa Baitul Tamwil. Baitul Maal means house of funds, and Baitul Tamwil means house of business. From this definition, it can be drawn that BMT is a business organization that also has social roles (Ridwan, 2005: 126).

M. Amin Aziz explained that BMT (Integrated Independent Business Center) is a populist economic business institution able to serve small-scale business based on profit sharing and transaction by utilizing the potential assurances in its environment (Iska and Rizal, 2005: 82)

##### **b. Principles and Foundation**

BMT is governed by Pancasila and UUD 1945, and it is also regulated by Islamic law principles that comprise al-Qur'an and al-Hadith, faith, cohesiveness, cooperativeness, togetherness, independence, and professionalism.

Therefore, the BMT is a legal organization. As an Islamic financial institution, BMT must strictly follow Islamic principles. Faith becomes the foundation to grow and develop. Cohesiveness implies hope to achieve success in this world and the afterlife, as well as the cohesiveness of social and business objectives. Togetherness indicates that efforts to achieve success are made collectively. Independence means BMT cannot survive only with government aid but also by developing and increasing the participation of society. Therefore professional management is required (Muhammad Ridwan, 2004: 129).

**c. Main Principles**

BMT adheres to main principles as follows: (Ridwan, 2004: 130)

1. To show faith and devotion to Allah that is shown by the implementation of Islamic law and *Mua'alah* in day to day business.
2. To show cohesiveness, that comprises of spiritual and moral values that move and directs the dynamic, proactive, progressive, just, and noble business ethics.
3. To show kinship, that accentuates collective rather than individual interest. Managers at every management level and its caretakers and customers are built upon a sense of kinship that nurtures protection and supports.
4. To show togetherness, that is shown by the unison of mindset, attitude, and goal of all BMT elements. Managers and caretakers are united under the same vision and, together with customers, attempt to improve economic and social conditions.
5. To have independence, that is shown by avoiding political interest. Independence is also shown by the independence from loan and relief funds while proactively collecting funds from society.
6. To have professionalism, that is built by the eagerness to learn to achieve the highest working standard.

7. To be Istiqamah, consistent, consequent, and continuous.

## 1. Definition of Islamic Financial Literacy

Islamic financial literacy is a series of processes or activities to enhance the knowledge, skills, and trust of society to the Islamic financial institutions, their products, and services, so consumers and society could manage their finances better. Otoritas Jasa Keuangan and Bank Indonesia have been continued to improve Islamic financial literacy by publishing several books. Another effort is to educate and promote Islamic finances among society and in universities in various forms such as seminars, talk shows, training, training of trainers, and workshops.

The Organization for Economic Co-operation and Development (OECD) defines financial literacy as “a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual wellbeing.” Therefore, it is a combination of awareness, knowledge, attitudes, and behaviors needed to make financial decisions that ultimately reach individual prosperity.

Thus, Islamic financial literacy can be understood as a combination of knowledge, attitudes, and behaviors needed in decision making. With a good understanding, it will affect one’s Islamic financial behavior. Literacy has been widely studied in various fields, including customers’ behavior. Literacy usually is associated with knowledge, and it is the knowledge of an element that could influence various things in one’s behavior (Journal of Community Service, p. 657).

### d. Principles of Islamic Financial Literacy Development

According to Agustianto, the aim of Islamic financial literacy development is, “first, to increase the financial literacy of someone who was previously less literate or illiterate in Islamic finance to become well literate. Second, to increase the customers of Islamic financial products and services”. Therefore, the objectives of Islamic financial literacy are to ensure customers choose the Islamic financial products and services that fit their

needs, to ensure that customers understand the benefits and the risks of the offered products and services. Further, the objectives also ensure that customers understand their rights and obligations and to ensure that customers are aware of the benefits of the products and services to increase their wellbeing as regulated by Islamic principles.

Moreover, Agustianto stated the principles of Islamic financial literacy development that is based on Indonesia's financial literacy national strategy. These principles are:

1. **Universal and Inclusive:** Islamic financial literacy programs should include all classes of society to show *Rahmatan Lil' Alamin*, regardless of the religions and classes.
2. **Systematic and Measured:** Islamic financial literacy programs are conducted in a planned, systematic, simple, and understandable manner, and the result can be measured.
3. **Ease of Access:** Services and information related to Islamic financial literacy are widespread and easily accessible.
4. **Benefit:** Islamic financial literacy programs must bring significant benefits to all Indonesians.
5. **Collaboration:** Islamic financial literacy programs must involve Islamic stakeholders and the government in their planning and implementation.

## **B. Methods**

The study is field research and took place at BMT Amanah Ummat, Pasar Taram, Balai Cubadak, Kenagarian Taram, Harau, Limapuluh Kota. The study was conducted from December 2018 to June 2019. The subjects and the data source were the managers, employees, and customers of BMT Amanah Ummat. The primary data source was collected through interviews and the secondary data that were collected through related documents, reports, and letters.

## **C. Findings and Discussion**

### **1. Analysis of the Role of BMT in Improving Islamic**

## **Financial Literacy**

According to Sudarsono, BMT has several roles in society, including:

- a. Distance society from non-Islamic economic practices, which is done by actively socializing the importance of the Indonesian economic system. In addition, training on Islamic transactions, for example, evidence in commerce, the prohibition of cheating in weighing goods, and honest attitude towards customers.
- b. Foster and fund small businesses. BMT must be active in carrying out their functions as microfinance institutions, that include assisting, guiding, counseling, and supervising customers' businesses, and society in general.
- c. Abandon dependence on moneylenders, which is done by immediately fulfilling the financial needs of society. Therefore, BMT needs to serve society well by ensuring the availability of funds at any time and simplifying bureaucracy.

Based on the theory, four steps were formulated on how BMT Amanah Ummah BMT could improve Islamic financial literacy, namely:

### **D. Socialiaze Islamic economy**

The public understanding of the Islamic economy needs to be improved. Many people only have surface knowledge of the Islamic economy. As an Islamic financial institution, BMT is obliged to introduce the Islamic economy to society.

The effort made by BMT Amanah Ummat is to socialize Islamic economics. Socialization is a process that helps society to learn, to know, and to understand norms, values, and roles. In its operational activities, BMT Amanah Ummat holds a brief sermon to its staff and employees. It is expected that the staff and employees could socialize the Islamic economy to prospective customers or the general public. The staff and employees are required to be able to explain the contracts and the offered products to gain interest from society and invite them to move from conventional financial institutions to Islamic financial institutions.

### **E. Provide coaching and training to staff and employees**

BMT Amanah Ummat holds a weekly brief sermon or communal Qur'an recitation with its staff and employees. Besides that, BMT Amanah Ummat also provides training in collaboration with BMT Indragiri to improve the quality of BMT Amanah Ummat. It is expected that the staff and employees could socialize the Islamic economy to prospective customers or the general public. The staff and employees are required to be able to explain the contracts and the offered products to gain interest from society and invite them to move from conventional financial institutions to Islamic financial institutions.

#### **F. Provide in-depth explanation to prospective customers on BMT Amanah Ummat services**

As a financial institution, BMT Amanah Ummat is also financing to people who need financial assistance in their businesses. BMT Amanah Ummat guides customers who asked for financial assistance, starting from introducing types of contracts suitable with customer needs, educating financial management, especially installments payments, and teaching customers to save the remaining monthly installment fees. In addition, BMT Amanah Ummat guiding customers who want to save their money.

Berdasarkan wawancara dengan ibu Mona selaku nasabah deposito BMT Amanah Ummat, beliau mengatakan:

Based on interviews with Mrs. Mona, a BMT Amanah Ummat deposit customer, she said:

*“When I received the julo-julo, I planned to save my money at BMT. However, one of the employees suggested me to open a deposit account. So the money is not only stored but also collect benefit from profit-sharing, and finally, I open a deposit account.”*

The socialization given by BMT made the customers understand the offered products and services. In addition to increasing customers' knowledge, customers will receive benefits.

#### **G. Increase promotion media to attract prospective customers**

Promotion is a fundamental strategy in offering products and services. Likewise, with promotion, prospective customers will be interested and want to seek more about the offered product and

services. BMT Amanah Ummat, as a promotion effort, created social media accounts, i.e., Facebook and Instagram, to offer its products and services. BMT Amanah Ummat also put billboards at the front of the office there to attract prospective customers.

#### Obstacles in increasing Islamic financial literacy

Obstacles are inevitable in carrying out a process or activity. In the effort to increase Islamic financial literacy, BMT Amanah Ummat faced several obstacles as stated by Mr. Alfi Imra:

*“In the efforts to increase public understanding and knowledge of Islamic finance, of course, there are difficulties and obstacles encountered. Among those obstacles, for example, is the mindset of society that assumed both conventional and Islamic banks are the same, as well as BMT. Besides that, the nature of our society that wants everything to be done in a fast and easy manner makes people tend to choose conventional systems (Alfi Imra, interview, 14 May 2019). “*

Similarly, one of the tellers, Ms. Suci, explained that:

*“Education and knowledge also influence the success of BMT in introducing the Islamic financial system to society. People with more knowledge and open-mindset tend to be more receptive to suggestions given by BMT regarding the contracts and products offered by BMT Amanah Ummat, compared to those who lack the knowledge or do not care about the Islamic financial system. “*

Apart from those factors, one of the obstacles in the efforts is the lack of skilled and competent staff. It is not uncommon to find staff or employees in Islamic financial institutions without any related educational background. In turn, this problem affects the effectiveness of this effort.

#### H. Conclusion

Based on the discussion in the previous subsections, it can be concluded that:

1. Islamic financial literacy is of the utmost importance for society, especially Muslims. Good financial literacy could ensure people to carry out economic activities under Islamic law and start to move from conventional financial institutions to Islamic financial institutions, such as BMT.
2. BMT Amanah Ummat has several roles in increasing Islamic

finance knowledge and literacy. Among the steps taken by BMT Amanah Ummat are socializing the Islamic economy. BMT Amanah Ummat holds a weekly brief sermon or communal Qur'an recitation with its staff and employees. Besides that, BMT Amanah Ummat also provides training in collaboration with BMT Indragiri to improve the quality of BMT Amanah Ummat.

3. The roles of BMT Amanah Ummat in increasing customers' trust in Islamic finance are by providing guidance and a more in-depth explanation of the types of products, services, and contracts that fit their needs.
4. The role of BMT Amanah Umat in increasing customers' skills and knowledge in Islamic finance is by educating financial management. Customers are obliged to create a savings account, and each month, BMT Amanah Ummat will take half of the installment fees and move them to their savings account. Those savings might be beneficial for them, especially during installment payments.
5. Obstacles faced by BMT Amanah Ummat in increasing Islamic financial literacy, are:
  - a. The mindset of society that assumed both conventional and Islamic banks are the same, as well as BMT. Besides that, the nature of our society that wants everything to be done in a fast and easy manner makes people tend to choose conventional systems
  - b. Education and knowledge also influence the success of BMT in introducing the Islamic financial system to society. People with more knowledge and open-mindset tend to be more receptive to suggestions given by BMT regarding the contracts and products offered by BMT Amanah Ummat, compared to those who lack the knowledge or do not care about the Islamic financial system.
  - c. BMT Amanah Ummat lacks skilled and competent staff, especially in Islamic finance. This problem, in turn, will affect the effectiveness of increasing Islamic financial literacy.

Following the topic of the discussion, the researchers suggest

some suggestions, namely:

1. It is expected from BMT Amanah Ummat to increase its socialization and educational activities, i.e., holding seminars or sermons on Islamic economics, that increase the awareness and interest of society in Islamic finance.
2. It is expected from BMT Amanah Ummat to, in terms of fostering small businesses, provide financial management training or entrepreneurship seminars.
3. Specifically for staff and employees of BMT Amanah Ummat, it is expected from them to have regular training to increase their quality, which in turn will positively affect the future development of BMT Amanah Ummat.

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