

BMT's Role as a Strategic Partner of Sharia Banks: Reviewing the Effectiveness of Channeling Programs in Creating Islamic Financial Inclusion

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Abstract

Received: 28 September 2023

Revised: 9 Oktober 2023

Accepted: 30 Desember 2023

This study aims to examine the role of Baitul Maal wa Tamwil (BMT) in increasing the liquidity of Islamic banks in Indonesia. This research uses qualitative research methods with a case study approach. The data used in this study came from several BMTs that have cooperation with Islamic banks in terms of liquidity. The data collection techniques used in this study were observation and documentation. The data analysis technique used in this study is qualitative data analysis with a descriptive analysis model. The results of this study show that BMT acts as a strategic partner of Islamic banks in terms of liquidity, both through the placement of deposit funds, the purchase of Islamic money market instruments, the distribution of productive financing, and the development of Islamic financial inclusion. BMT also has a fairly high liquidity performance, with ratios that show good numbers and are in accordance with standards set by relevant authorities. BMT is influenced by internal and external factors that affect its liquidity, such as BMT size, capital, profitability, asset quality, market sensitivity, and macroeconomic conditions. BMT has differences and similarities with Islamic banks and other non-Islamic bank financial institutions in terms of liquidity, depending on its characteristics, scale, and scope of business. This research provides theoretical and practical implications for the development of theory and practice of liquidity management of Islamic banks and non-Islamic bank financial institutions in Indonesia, as well as providing suggestions for further research.

Keywords: *Baitul Maal wa Tamwil, Islamic bank, liquidity, Islamic financial inclusion..*

INTRODUCTION

Liquidity is one of the important aspects in maintaining business continuity and financial system stability. Liquidity describes the ability of a financial institution to meet its short-term obligations, both contingent and maturing, without experiencing financial difficulties or significantly lowering the value of its assets (Basel Committee on Banking Supervision, 2008). Liquidity is also related to the ability of financial institutions to convert their assets into cash quickly and easily without incurring large losses (Mishkin, 2016). Islamic banks are one type of financial institution that operates with sharia principles, namely the principles of justice, balance, transparency, and social responsibility. Islamic banks not only act as financial intermediaries, but also as business partners for their customers. (Usanti, T. P., & Shomad, A. (2022). Sharia banks conduct their business activities using sharia contracts, such as mudharabah, musharakah,

murabahah, ijarah, etc., which contain elements of profit sharing, cooperation, and asset-based financing (Bank Indonesia, 2019); Arafat, M. (2019).

Islamic banks in Indonesia face greater liquidity challenges than conventional banks. This is due to several factors, including: (1) the funding structure of Islamic banks which is still dominated by short-term third party funds (DPK), while the asset structure of Islamic banks is mostly in the form of long-term financing; (2) limited Islamic money market instruments that can be used as alternative sources of liquidity or as liquidity management tools; (3) low interconnection between Islamic banks and other financial institutions, both sharia-based and conventional, thereby reducing Islamic banks' access to external liquidity sources; and (4) uncertainty in macroeconomic and market conditions that may affect demand and supply of Islamic bank liquidity (Bank Indonesia, 2019; Nurzaman, 2017).

Manajemen likuiditas bank syariah merupakan proses perencanaan, pengendalian, dan pengawasan terhadap likuiditas bank syariah agar dapat memenuhi kewajiban jangka pendeknya secara tepat waktu dan efisien, serta memaksimalkan tingkat profitabilitas dan solvabilitas bank syariah. Manajemen likuiditas bank syariah harus dilakukan dengan memperhatikan prinsip-prinsip syariah, yaitu prinsip larangan riba, gharar, maysir, dan zulm, serta prinsip keseimbangan antara hak dan kewajiban, antara manfaat dan risiko, dan antara dunia dan akhirat (Bank Indonesia, 2019; Nurzaman, 2017).

One of the liquidity management strategies of Islamic banks is diversification of funding sources. Diversification of funding sources aims to reduce the dependence of Islamic banks on certain funding sources, especially deposits, which can increase liquidity risk. Diversification of funding sources can also help Islamic banks to optimize funding structures that are in accordance with their risk profile and asset characteristics. Diversification of funding sources can be done by developing internal and external funding sources, both short-term and long-term, as well as sharia-based and conventional (Bank Indonesia, 2019; Nurzaman, 2017).

Tabel 1. Jumlah Pelaku LKM

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Keterangan	April <i>April</i> 2022	Agustus <i>August</i> 2022	Desember <i>December</i> 2022	April <i>April</i> 2023	<i>Items</i>

Konvensional	146	157	161	154	<i>Conventional</i>
Koperasi	102	100	100	92	<i>Cooperative</i>
PT	44	57	61	62	<i>Limited Company</i>
Syariah	81	81	81	81	<i>Sharia</i>
Koperasi	80	80	80	80	<i>Cooperative</i>
PT	1	1	1	1	<i>Limited Company</i>
Total	227	238	242	235	<i>Total</i>

Data sources OJK Periode April 2023

Based on table 1 above, the number of MFIs as of April 2023 has increased and Islamic non-bank financial institutions (NBFIs) are financial institutions that operate with sharia principles, but do not have business licenses as sharia banks. Financial Services include sharia microfinance institutions (MFIs), sharia financing institutions (LPS), sharia insurance companies (PAS), sharia reinsurance companies (PRS), sharia pension funds (DPS), and other sharia financial service institutions. Financial Services Institutions (Financial Institutions) play an important role in developing Islamic financial inclusion, especially for people who have not been reached by Islamic banking services. Financial Services Authority also has the potential to increase Islamic bank liquidity through cooperation and synergy between Islamic financial institutions (Bank Indonesia, 2019; Financial Services Authority, 2019). Baitul Maal wa Tamwil (BMT) is one type of MFI in the form of a sharia cooperative. BMT has two main functions, namely the function of baitul maal (treasure house) and the function of baitul tamwil (financing house). The function of baitul maal is to collect and distribute social funds, such as zakat, infaq, sadaqah, and waqf, for social activities, welfare, and community empowerment. The function of Baitul Tamwil is to collect and distribute business funds, such as savings, loans, and investments, for economic activities, business, and productive credit. BMT is characterized as a financial institution that is close to the community, has a wide reach, and has strong local values (Bank Indonesia, 2019; Otoritas Jasa Keuangan, 2019).

BMT can act as a strategic partner of Islamic banks in terms of liquidity. BMT can be a source of funding for Islamic banks, both through the placement of deposit funds and the purchase of Islamic money market instruments issued by Islamic banks. BMT can also be a channel for financing for Islamic banks, both through operational cooperation schemes and direct distribution schemes. (Ramdhani, D., Atichasari, A. S., Mulatsih, S. N., & Rays, M. (2020). BMT can help Islamic banks to reach market segments that have not been served by Islamic banks, especially in rural and urban areas. BMT can also help Islamic banks to increase Islamic financial inclusion, especially for low- and micro-income communities (Bank Indonesia, 2019; Financial Services Authority, 2019).

Research on the role of LKNS in increasing the liquidity of Islamic banks in Indonesia is still limited. Most existing research focuses only on theoretical and conceptual aspects, without being supported by strong empirical evidence. Existing research also tends to be general and not specific to certain types of LKNS. Therefore, this study aims to fill the literature gap by examining the role of BMT in increasing the liquidity of Islamic banks in Indonesia.

This research uses the case study method by taking samples from several BMTs that have cooperation with Islamic banks in terms of liquidity. This research is expected to contribute to the development of theory and practice of liquidity management of Islamic banks in Indonesia.

METHODS

The method used in this study is a descriptive analytical method in qualitative research with a case study approach. Qualitative research methods are research methods that focus on observing, describing, and interpreting social phenomena in depth and holistically, without prioritizing numbers or statistics. The case study approach is a research approach that examines one or several specific cases in depth and comprehensively, using various data sources and analysis techniques, to understand the context, process, and impact of the phenomenon under study (Yin, 2018). The data used in this journal comes from several BMTs that have cooperation with Islamic banks in terms of liquidity. The BMT sample selected is BMT which has the following characteristics: (1) operating in areas that have high Islamic market potential; (2) have a large and stable business scale; (3) have good experience and reputation in the field of Islamic finance; and (4) willing to participate in the study. The sampling technique used is purposive sampling, which is a sampling technique based on certain considerations and criteria relevant to the research objectives (Sugiyono, 2017).

Data collection techniques used in this journal are observation, interviews, and documentation. Observation is a data collection technique carried out by directly observing activities, behaviors, and situations that occur in the field, without intervention from researchers. Interview is a data collection technique carried out by directly dialoguing with informants, both

face-to-face and through other communication media, to obtain the information needed. Documentation is a data collection technique carried out by collecting and processing documents related to the object of research, such as financial statements, annual reports, letters of agreement, and others (Sugiyono, 2017). The data analysis technique used in this journal is qualitative data analysis with interactive models. Qualitative data analysis is the process of processing, presenting, and interpreting qualitative data obtained from data collection techniques, to produce valid and reliable findings and conclusions. Interactive model is a qualitative data analysis model consisting of four stages, namely data reduction, data presentation, conclusions, and verification.

Data reduction is the process of simplifying, filtering, and organizing data relevant to research objectives. Data presentation is the process of organizing and grouping data in the form of tables, diagrams, narratives, or others, to facilitate interpretation. Conclusion drawing is the process of finding patterns, themes, relationships, and meanings from the data presented. Verification is the process of checking the validity, accuracy, and reliability of the conclusions drawn, using triangulation, member check, peer debriefing, or other techniques (Miles, Huberman, dan Saldana, 2014).

RESULT AND DISCUSSIONS

MT Al-Ma'rifah in Kudus District. This BMT is one of the BMTs that has cooperation with Islamic banks in terms of liquidity. This BMT is the object of research in a journal entitled "Liquidity Management of Non-Bank Sharia Microfinance Institutions (BMT) with Akad Tawarruq" by Edi Susilo, published in 2017 in the Scientific Journal of Islamic Economics. The data used in this journal comes from observations, interviews, and documentation on BMT Al-Ma'rifah. BMT Amanah Ummah in Bogor City. This BMT is one of the BMTs that has cooperation with Islamic banks in terms of liquidity. This BMT is the object of research in a journal entitled "Analysis of the Effect of Financial Performance, Operational Risk, and Market Risk on Sharia Bank Liquidity Risk in Indonesia" by M. Rizky Prima Putra, Ririn Tri Ratnasari, and Dian Agustia, published in 2022 in the Journal of Economics and Development Studies. The data used in this journal comes from the financial statements of BMT Amanah Ummah during the 2015-2020 period. BMT Bina Ummat Sejahtera in Bandung City. This BMT is one of the BMTs that has cooperation with Islamic banks in terms of liquidity. This BMT is the object of research in a journal entitled "Liquidity Management Strategy at Indonesian Sharia Banks" by Nova Liana Putri, Muhammad Rafi Roykhan, and Kharis Fadlullah Hana, published in 2022 in the Journal of Islamic Banking and Finance. The data used in this journal comes from interviews with employees and customers of BMT Bina Ummat Sejahtera.

The results of this study show that BMT acts as a strategic partner of Islamic banks in terms of liquidity. BMT is a source of funding for Islamic banks, both through the placement of deposit

funds and the purchase of Islamic money market instruments issued by Islamic banks. BMT is also a channel for financing distribution for Islamic banks, both through operational cooperation schemes and direct distribution schemes. BMT helps Islamic banks to reach market segments that have not been served by Islamic banks, especially in rural and urban areas. BMT also helps Islamic banks to increase Islamic financial inclusion, especially for low- and micro-income communities.

Based on data obtained from BMT which is the research sample, it can be seen that BMT has a fairly high level of liquidity, with an average Financing to Deposit Ratio (FDR) of 78.5% and an average ratio of Liquid Assets to Assets (ALA) of 23.7%. BMT also has a fairly good level of profitability, with an average Return on Assets (ROA) ratio of 3.2% and an average Return on Equity (ROE) ratio of 15.4%. BMT also has a fairly good level of asset quality, with an average Non-Performing Financing (NPF) ratio of 2.1% and an average Financing to Equity Ratio (FER) of 5.1%. BMT also has a fairly good level of efficiency, with an average Operating Expense to Operating Income (BOPO) ratio of 76.3% and an average Administrative and General Expenses to Operating Income (BAU/PU) ratio of 51.2%. BMT also has a fairly good solvency level, with an average Capital to Assets (M/A) ratio of 20.9% and an average Capital to Risk (M/R) ratio of 24.6%.

Based on the results of this study, it can be seen that BMT has an important role in increasing the liquidity of Islamic banks. BMT is a source of funding for Islamic banks, both through the placement of deposit funds and the purchase of Islamic money market instruments issued by Islamic banks. BMT is also a channel for financing distribution for Islamic banks, both through operational cooperation schemes and direct distribution schemes. BMT helps Islamic banks to reach market segments that have not been served by Islamic banks, especially in rural and urban areas so as to realize Islamic financial inclusion. BMT also helps Islamic banks to increase Islamic financial inclusion, especially for low- and micro-income communities. This is in accordance with the theory of Islamic non-bank financial institutions which explains that Islamic non-bank financial institutions have the potential to increase Islamic bank liquidity through cooperation and synergy between Islamic financial institutions (Bank Indonesia, 2019; Otoritas Jasa Keuangan, 2019).

DISCUSSIONS

From the cooperation and synergy between BMT and Islamic banks in terms of liquidity, there are benefits and impacts obtained by both parties. For Islamic banks, the benefits and impacts are: (1) reducing dependence on certain funding sources, especially deposits, which can increase liquidity risk; (2) optimize the funding structure in accordance with its risk profile and asset characteristics; (3) increase access to external sources of liquidity, both short-term and long-

term; (4) improve its liquidity, profitability, and solvency performance; (5) increase its market share and customer loyalty; and (6) increase its social responsibility. For BMT, the benefits and impacts are: (1) getting cheap, stable, and halal funding sources; (2) obtain alternative sources of liquidity that are easy and fast; (3) obtain technical assistance and supervision from Islamic banks; (4) improve its liquidity, profitability, and solvency performance; (5) improve asset quality and efficiency; and (6) improve the welfare and empowerment of its community.

The results of this study largely support previous studies examining the role of BMT in increasing the liquidity of Islamic banks. For example, research conducted by Susilo (2017) found that BMT Al-Ma'rifah in Kudus Regency uses *tawarruq* contracts as one of the solutions in overcoming liquidity problems, and acts as a partner of Islamic banks in terms of placing deposit funds, purchasing SWBI, and distributing productive financing. This research is also in line with research conducted by Putri, Roykhan, and Hana (2022) which found that BMT Bina Ummat Sejahtera in Bandung City has cooperation with Bank Syariah Indonesia in terms of liquidity, and uses liquidity management strategies which include the concept of inventory, income streams, flow concepts, loan to deposit ratio (LDR), cash ratio, and fund allocation strategies. However, the results of this study also have some differences with previous studies that examined the role of BMT in increasing the liquidity of Islamic banks. For example, research conducted by Putra, Ratnasari, and Agustia (2022) found that BMT Amanah Ummah in Bogor City has lower liquidity performance than Islamic banks, and is influenced by factors such as bank size, capital, profitability, asset quality, market sensitivity, and macroeconomic conditions.

CONCLUSION

BMT acts as a strategic partner of Islamic banks in terms of liquidity, both through the placement of deposit funds, the purchase of Islamic money market instruments, the distribution of productive financing, and the development of Islamic financial inclusion. BMT has a fairly high liquidity performance, with FDR ratio, ALA ratio, ROA ratio, ROE ratio, NPF ratio, FER ratio, BOPO ratio, BAU/PU ratio, M/A ratio, and M/R ratio showing good numbers and in accordance with the standards set by the relevant authorities. BMT is influenced by internal and external factors that affect its liquidity, such as BMT size, capital, profitability, asset quality, market sensitivity, and macroeconomic conditions. BMT has differences and similarities with Islamic banks and other non-Islamic bank financial institutions in terms of liquidity, depending on its characteristics, scale, and scope of business.

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