

BMT Nu Sidey's Strategy in Realized UMKM Financing with Sharia Economic Principles

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ABSTRACT

The development of Micro, Small and Medium Enterprises (MSMEs) has a strategic role in the growth of the community's economy. One of the financial institutions based on sharia concepts that plays a role in empowering and promoting MSMEs is Baitul Maal wat Tamwil (BMT). The aim of this research is to determine the application of the sharia economic principles in building and developing MSMEs in the BMT NU Sidayu area. The research method used is a qualitative approach with data collection techniques through observation, interviews and documentation. The research results show that the application of sharia economic principles at BMT NU Sidayu is able to increase access to capital, business assistance, and the welfare of MSME players. A fair, transparent and partnership-based financing system is the main factor in encouraging the development of MSMEs in the region.

Keywords: : Islamic Economics, MSMEs, BMT NU Sidayu, Economic Empowerment

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are an economic sector that holds a very strategic place in the Indonesian national economy. MSMEs not only serve as drivers of economic activity but also support the national economy by absorbing a large workforce, particularly from the secondary-educated population. In general, they are involved in the informal sector, such as micro, small and medium enterprises and so on. The existence of MSMEs has an impact on efforts to reduce unemployment and eradicate poverty. The emergence of MSMEs in various places, including rural areas, allows for a more even economic circulation throughout Indonesia rather than just in big cities (Trie Hierdawati, 2022)

Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small, and Medium Enterprises defines MSMEs as productive businesses owned by individuals or individual business entities that meet certain criteria based on the size of their assets and turnover. This regulation serves as the legal basis for the government to provide protection, support, facilities, and development to MSMEs so they can grow individually and sustainably. Thus, MSMEs are seen not only as drivers of the informal economy but as an integral part of the national economic system. Through this innovation, MSMEs increase the competitiveness of local products and generate added value for the economy (Dewanti & Nisa, 2023).

Research shows that many micro, small, and medium enterprises (MSMEs) face complex obstacles in developing their businesses. The main obstacles frequently encountered are limited capital, a significant barrier to business development, a lack of managerial skills among MSMEs, and limited access to market information, which limits



their ability to compete in the broader market. This results in low business growth rates and difficulties in increasing competitiveness in an increasingly competitive environment.(Olaleye & Garwe, 2013).

Furthermore, Beck and Demirgüç-Kunt (2006) explain that conventional banking systems tend to be oriented towards formal financial viability and risk management, so that MSMEs with limited assets, small business scale, and inadequate financial records are often considered unbankable. As a result, conventional financing has not been able to reach the majority of MSMEs optimally and sustainably. The high interest rate system, complicated requirements, and the need for collateral often hinder MSMEs from obtaining financing. This results in many MSMEs resorting to loan sharks with exorbitant and burdensome interest rates. This situation has the potential to trap MSMEs in a cycle of debt and hinder business sustainability (Suryana, 2014).

In this regard, Islamic financial institutions, as part of the Islamic economic system, have significant potential to support the growth of MSMEs through fair, inclusive, and sharia-based financial principles (Hariyanto & Nafi'ah, 2022). This system strictly prohibits economic practices that contain elements of usury, gharar (uncertainty), and maisir (speculation), which are considered detrimental to one party. The primary goal of Islamic economics is not merely to pursue material gain but also to achieve social welfare, equitable distribution of wealth, and economic justice in society (Chapra, 2000).

One concrete implementation of the sharia economic system in community economic empowerment efforts is through sharia microfinance institutions, particularly Baitul Maal wat Tamwil (BMT). BMT is a financial institution that serves two functions simultaneously: a social function (baitul maal) and a business function (baitut tamwil). The function of baitul maal plays a role in collecting and distributing social and religious funds, while the function of baitut tamwil focuses on financing productive businesses based on sharia principles. Therefore, the orientation of BMT itself is not only about profit, but also on community empowerment and the welfare of its members. MSME financing is financing provided to MSMEs (Micro, Small, and Medium Enterprises) operating in productive business sectors such as agriculture, fisheries, maritime affairs, industry, forestry, and savings and loan financial services for working capital and investment financing (Muttaqin et al., 2020).

Financing disbursed by BMTs utilizes various sharia-compliant contracts, such as mudharabah (a partnership between capital owners and business managers), ijarah (a rental system), rahn (entrusting goods to a lender), and murabahah (buying and selling with an agreed-upon profit margin). This type of financing prioritizes the principles of fairness, transparency, and partnership, ensuring that risks and profits are shared. With this system, BMTs are considered more suited to the characteristics of MSMEs, which require financing flexibility and a partnership-based relationship, rather than simply a creditor-debtor relationship (Antonio, 2001).

In this regard, BMT NU Sidayu is a sharia-compliant microfinance institution under the auspices of the Nahdlatul Ulama organization, offering an alternative economic empowerment option for communities in the Sidayu area and its surrounding areas. As an institution founded on Islamic values and local wisdom, BMT NU Sidayu, in addition to its financial function, also strives to build sharia economic awareness within the community. Through the implementation of sharia-compliant financing strategies, BMT NU Sidayu provides easier and fairer financing for MSMEs, while simultaneously fostering mutually beneficial and sustainable business relationships. BMT NU Sidayu was pioneered by MWC NU Sidayu through the Nahdlatul Ulama Economic Institute (LPNU). The formal basis of the legal entity is the operation of the BMT NU Sidayu Cooperative from the Minister of Cooperatives and Small and Medium Enterprises of the Republic of

Indonesia with Decree Number: 015024 / BH / M.KUKM.2 / IX / 2019. The inauguration by the chairman of the tanfidziyah PCNU Gresik, namely KH. Moh Chusnan Ali on October 2, 2019, which took place in Gedangan Village, was a marker for the start of the operation of BMT NU Sidayu. With the aim of establishing BMT NU Sidayu is for the welfare of the people.

Adinda Arafah et al (2023) In their research, they explained that in Islamic Banks or Islamic Financial Institutions, there are several types of transactions that are not permitted, such as those involving elements of maghrib, ghissy, najasy, ihtikar, tadtis, ghabn, and so on. In addition, the main principles applied in Islamic Banks include sharia values, such as justice, benefit, rejecting harm, cooperation, mutual assistance, and universality. Maskur et al. (2025) also explained that the basic principles in Islamic finance include the prohibition of interest, gambling, and ambiguity, as well as the distribution of profits and risks, fairness in every transaction, transactions based on real assets, transparency, and compliance with sharia. In implementing this system, BMT NU Sidayu and members are involved in the distribution of profits and risks from each financing contract carried out, thus creating a more transparent economic environment and in accordance with Islamic sharia principles that prioritize justice and transparency in various aspects. The way it works follows the rules contained in the Quran and Hadith. Article 2 of Law No. 21 of 2008 states that business activities based on Sharia principles must not contain elements of usury, gambling, gharar, haram, or zdalim (Nawawi, 2020).

Based on this background, the research aims to examine the strategy of BMT NU Sidayu in realizing MSME financing in accordance with Sharia economic principles. In this case, the researcher emphasizes the value of transparency in the murobahah contract chosen by MSME actors for financing contracts, as well as dissecting the role in empowering MSMEs in the Sidayu region. The results of the study are expected to provide academic contributions to the development of Islamic financial institutions, especially BMTs, in providing sustainable support for MSME actors based on Islamic values.

METHODS

This study uses a qualitative approach with a descriptive approach. The researcher chose a qualitative approach because this study aims to deeply understand the strategies used by BMT NU Sidayu in realizing MSME financing based on Islamic economic principles. Qualitative research allows researchers to comprehensively explore social information, policies, and financing practices from the perspectives of Islamic financial institutions' actors and managers (Moleong, 2019).

This study used observation and interviews as the primary methods for collecting data directly from the research subjects. This allowed researchers to gain a deeper understanding of the issues discussed in the study. Therefore, this study employed a field research approach, emphasizing direct data collection from informants at the research location (Sugiyono, 2013).

This research was conducted at BMT NU Sidayu involving its members who work as MSMEs. There are three techniques for data collection, namely observation, interviews and documentation. The data collection process begins with the search for primary and secondary data, primary data is obtained through the results of observations, interviews and documentation with BMT financing members who work as MSMEs, and secondary data is collected from journals and websites of previous researchers. This approach was chosen because the focus of the research is to understand the perceptions and experiences of members comprehensively through narrative data, not through statistical measurements (Sari et al., 2025).

The location of this research was at BMT NU Sidayu which was carried out in December 2025. Purposive sampling was chosen as a way of determining informants, namely the deliberate selection of informants based on predetermined criteria, such as (1) Active members of BMT NU Sidayu, (2) Sharia financing or savings members who work as MSME actors, (3) Willing to be informants or respondents, (4) Have been members of BMT NU Sidayu for 1 year.

RESULTS AND DISCUSSION

BMT NU Sidayu and the context of sharia MSME financing

BMT NU Sidayu is a sharia-compliant microfinance institution under the auspices of Nahdlatul Ulama (NU) in Sidayu District, Gresik Regency. BMT functions as a financial intermediary based on sharia principles, oriented towards empowering the community in general and Micro, Small, and Medium Enterprises (MSMEs) in particular. BMT NU Sidayu provides a solution to the limited access to financing for MSMEs from conventional financial institutions, which have strict requirements and interest rates that are not based on Islamic economic principles.

Institutionally, BMT NU Sidayu adopts two main functions, namely **treasury** And **baitut tamwil**. The Baitul Maal (the Islamic trust) functions to manage social funds such as zakat, infaq, and alms, while the Baitul Tamwil (the Islamic trust) collects and distributes commercial funds through productive financing under sharia-compliant contracts. These two functions enable BMT NU Sidayu to focus not only on profit but also on community empowerment and well-being.

The research results show that the majority of BMT NU Sidayu financing members are MSMEs, fish farming, and service providers. With limited capital, simple management, and reliance on daily revenue turnover, MSMEs require flexible financing strategies that align with Sharia principles.

Strategy for implementing transparent murobahah financing contracts

The main focus of this study is BMT NU Sidayu's strategy in selecting financing contracts that are safe, easy to understand, and appropriate to the characteristics of MSMEs. The primary correlation between murabahah and the principle of transparency lies in the mandatory disclosure of cost prices and profit margins. Research by Nurhayati and Wasilah (2015) shows that price transparency in murabahah is a direct implementation of the principles of fairness and openness in Islamic economics.

In addition, Rahmawati (2018) found that non-transparent murabahah practices tend to be perceived by customers as resembling an interest system, thus potentially damaging trust in Islamic banks.

According to Karim (2010), transparency in murabahah contracts serves as a mechanism to prevent gharar, because all material information is known from the outset of the contract. This aligns with the objectives of sharia (maqāṣid al-syarī'ah) in safeguarding assets (hifz al-māl).

Research by Hidayat (2019) in the Islamic Economics Journal concluded that unclear margins and additional costs in murabahah can lead to violations of Sharia principles, even though the contract is formally called murabahah. Transparency in murabahah

financing significantly impacts customer trust and satisfaction. An empirical study by Sari and Anshori (2017) demonstrated that transparency in murabahah contracts increases customer loyalty in Islamic banks. Conversely, a lack of transparency can lead to negative perceptions and diminish the bank's Sharia legitimacy, as noted by Muhamad (2020).

The dominance of murabahah financing at BMT NU Sidayu

Based on interviews, murabahah financing is the most dominant product used by BMT NU Sidayu members, particularly MSMEs. Informants stated that murabahah contracts are easier to understand and more transparent because they offer clear pricing, margins, and financing terms, thus avoiding ghoror (misappropriation).

Most informants stated that the certainty of installments in murabahah provides a sense of security for members. This makes murabahah more attractive than mudharabah and ijarah contracts, which are considered more complex.

Murabahah development strategy with many product choices

Interview results indicate that BMT NU Sidayu's primary strategy is to expand the variety of murabahah products. These include murabahah for business capital, murabahah for the purchase of work equipment, murabahah for productive consumer goods, and murabahah with certain collateral.

Informants from the management stated that the variety of murabahah products is adjusted to the needs of members, so that the NPF figure or problematic financing level can be reduced.

The effectiveness and transparency of murabahah compared to other contracts

From the management's perspective, murabahah is considered more effective because the financing risk is relatively low and it doesn't rely on members' business profit reports. Marketing also notes that murabahah education is easier to provide to the community.

Members stated that murabahah is more transparent because they know from the start the total obligation that must be paid.

Social and family-based financing feasibility analysis strategy

Conventional financial institutions use collateral-based financing as an assessment of feasibility, whereas at BMT NU Sidayu it is based on an assessment of member characteristics (*character-based*), honesty of members, and social views of prospective members in the community (*community-based*) become the main thing in making financing decisions.

Interviews showed that BMT NU Sidayu officers went directly into the field to inspect prospective members' businesses and engage in dialogue with the surrounding community. This approach not only served to assess financing eligibility but also to directly build community trust.

This direct social approach has proven to be more effective in reducing the percentage of non-performing financing (NPF) and problematic financing levels. This is in line with the theory **social capital** (social capital theory) which states that social

relations, norms, and trust can increase the effectiveness of economic institutions (Putnam, 1993).

Mentoring and empowerment of MSMEs as a non-financial strategy

The results of the study show that BMT NU Sidayu not only provides capital, but also plays a role in providing business assistance, such as...

1. Islamic financial education and business management

Through Sharia financial education, including understanding contracts, payment obligations, and how to manage business cash flow. For MSMEs, the majority of whom have secondary education backgrounds and are unfamiliar with simple financial record-keeping, this education is considered crucial. With mentoring, members gain a better understanding of Sharia and economic obligations related to the financing they receive. This strategy supports the concept of **empowerment-based microfinance**, where the success of financing is not only determined by capital, but also by increasing the capacity of business actors (Ledgerwood, 2013).

2. Spiritual guidance and Islamic business ethics

In addition to technical assistance, BMT NU Sidayu also integrates Islamic values into its MSME financing, such as encouraging honesty in trade, prohibiting price manipulation, and prioritizing business blessings. These values are reinforced through NU religious activities such as religious study groups, istighotsah (religious prayer), and community forums. Thus, MSME financing not only increases revenue but also fosters Islamic business ethics.

Challenges of implementing a murabaha financing strategy

In implementing the strategy, BMT NU Sidayu itself has several obstacles, such as limited Sharia financial literacy and unstable income of its members.

1. Limited financial literacy and sharia contracts

The lack of Islamic financial literacy among MSMEs is a major obstacle. Many members perceive Islamic financing as the same as regular loans, without understanding the fundamental differences between margin and interest. This situation leads to misunderstandings in the implementation of contracts, particularly regarding profit-sharing financing. Therefore, BMT NU Sidayu needs to strengthen education and ongoing socialization of contracts.

2. Business risks and income instability of MSMEs

Economic fluctuations that are vulnerable to impacting MSMEs, such as rising raw material prices and reduced purchasing power, ultimately directly impact members' ability to meet their financing installment obligations.

The Sharia-compliant financing restructuring strategy is the right strategy to overcome this problem, such as extending the financing period without interest penalties.

The impact of BMT NU Sidayu's murobahah financing strategy on MSMEs.

1. Increasing access to capital and business independence

The research results show that BMT NU Sidayu financing has significantly impacted production capacity and the sustainability of MSME businesses. Many members who

previously relied on conventional loans have switched to more transparent and fair Sharia financing.

2. Strengthening the sharia economy at the local level

BMT NU Sidayu plays a role as an agent for strengthening the sharia economy among the lower-middle class. The application of the principles of justice, mutual assistance, and balance is a tangible contribution to building the community's economy.

3. Relation to previous research

The findings of this study are in line with various previous studies which state that BMT has a strategic role in empowering MSMEs through sharia financing, business assistance, and strengthening socio-religious values (Ascarya, 2015; Karim, 2010; Wiroso, 2011)..

CONCLUSIONS

This study shows that BMT NU Sidayu's Sharia-based strategy is categorized as good. This is especially true for its mudhorobah financing strategy, which helps MSMEs in the Sidayu sub-district. The introduction and coaching provided by BMT NU Sidayu are also considered to be able to significantly assist and effectively target the lower-middle class economy. However, there are also obstacles such as the loss of contact with members who are currently in the financing period, resulting in a loss of trust between members and the community.

The strategy implemented is considered very appropriate, this can be proven by the increasing development of members who have long been partners with BMT NU Sidayu, both in financing products and Sharia savings, and the increasingly wide reach of new members registered at BMT NU Sidayu.

Based on the results of qualitative research, it can be concluded that BMT NU Sidayu's sharia financing strategy places greater emphasis on strengthening the murabahah contract through product diversification and risk management. Rahn contracts play a supporting role, while ijarah and mudharabah are used selectively according to the members' readiness.

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