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Social and Environmental Contribution of Indonesian Baitul Maal wat Tamwil (BMT) to the SDGs Implementation

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Abstract

Objective: This study aims to analyze the social and environmental contribution of Baitul Maal wat Tamwil (BMT) in Indonesia in supporting the implementation of SDGs in Indonesia. **Theoretical framework:** The underpinning theoretical framework of the study lies in the concept of Islamic economics with special reference to its social and environmental contributions. **Literature review:** The study's literature review provides the research development based on previous findings. It highlights the gap in the literature in the field of study, which needs to be addressed. **Methods:** The paper uses primary data that were obtained from in-depth interviews with 24 BMTs in several jurisdictions in Indonesia. A qualitative research method was used to explore and analyze BMTs' role thoroughly. **Results:** The results of this study inferred that BMTs in Indonesia have been actively contributing to society's social and environmental development. Their contributions are implemented through innovative programs tackling social and environmental issues. However, few BMTs contributed to one aspect but not the other and are expected to improve their contribution. This paper is unique from previous research with some recommendations and future implications. **Implications:** The study suggests some essential policy implications supporting the contributions of BMT in tackling the social and environmental issues in achieving the SDGs. **Novelty:** The research comes with new perspectives in the study of BMT towards SDGs implementation.

Keywords: social, environment, contribution, bmt *(*baitul maal wat tamwil), sdgs.

INTRODUCTION

Baitul Maal Wat Tamwil (BMT) is a Sharia cooperative that stands out in Indonesia. BMT itself is the result of a merger of the functions of Baitul Maal and Baitul Tamwil [1]–[3]. BMT is a financial institution based on Islamic law, founded to help and encourage people to avoid usury [4]. BMT offers a savings and loan service that is based on Sharia principles, which leads to profits [5]–[7]. BMT has an essential role in reducing poverty in Indonesia [8]. This is influenced by its social influence, which helps the lower class with financing or economic problems.

A global action plan, namely the Sustainable Development Goals (SDGs), has 17 goals, including the first goal, No Poverty [9]. Therefore, attention is needed to develop action for eradication, one of which is through the financial system. However, in practice, financial institutions seek maximum profit to grow bigger. The existence of Islamic Micro Finance Institutions (IMFIs) is vital in participating in solving the problems of national development challenges, with the initial goal of helping the lower classes of society [10]. It can be said that Islamic financial instruments can be an appropriate alternative to respond to this phenomenon. Islamic financial instruments bring the value of Islam, which is embedded within the system, to face issues of society [11].

The emergence of the COVID-19 pandemic has had an enormous impact on life, starting from the economic, social, environmental, religious, and political sectors. This adds to the financial situation, significantly affecting an increasingly dismal economy [12]. This drastic social and environmental change has shocked various institutions in every sector and will likely considerably impact Corporate Social Responsibility (CSR) [13]. In the financial industry, for example, many financial institutions have modified work programs and systems to adapt to the COVID-19 pandemic. Apart from this, CSR can influence customer loyalty to corporate institutions. Besides that, CSR also has a reciprocal relationship with socioeconomic development [14], [15].

CSR is a company's commitment to contribute to sustainable economic development through collaboration with the local community and the general public to improve the quality of life in a way that benefits both the company itself and the development of society [16]. In addition to CSR, a company must pay attention to Environmental, Social, and Governance (ESG) management for the company's sustainability and to minimize the possibility of negative impacts from ESG that will appear at a later time [17], [18]. ESG positively affects company performance, so it is not surprising that companies allocate many resources to respond to issues regarding ESG [19], [20].

CSR is a movement for companies to care about environmental and social issues. Besides aiming to help society, CSR can help companies show a good image so that people pay more attention to the company's products. The contribution shown is in the form of contributions to social and environmental issues, where these two problems are the most frequent in society. BMT is a Sharia financial institution that targets the lower middle class, so these two contributions can solve existing problems.

Finding a global movement in responding to companies' social and environmental contributions to introduce and develop the financial industry, this study is an attempt by researchers to investigate the social and environmental contributions of 24 BMTs in Indonesia. BMT can be one of the instruments used to develop the global financial industry. This paper is structured into several sections as follows. Part one is an introduction to the meaning of BMT, international social and environmental plans, the emergence of the COVID-19 problem, and the importance of CSR in a company. Section two is a literature review on the performance and growth of BMT in Indonesia and related social and environmental contribution issues. The data and methodology are presented in section three. Section four will discuss the results and findings regarding BMT's social and environmental contributions in Indonesia. The last section is a conclusion from the results found based on the analysis of the results [19], [20].

LITERATURE REVIEW

Indonesia is a country with the largest Muslim population in the world [21]. The concept of sharia in Indonesia can attract a lot of attention, including BMT, which is a hope for IMFIs. In response to this, one of the strategies carried out by the government includes providing direction to the community to achieve prosperity through the utilization of zakat, improving the quality of human resources, and developing the economy [22]. It is said that BMT has the potential to bring economic growth to Indonesia, which has given BMT a positive response from the community [23], [24]. This openness of society goes hand in hand with the increasing proliferation of Sharia business activities that enter various fields [25]. It cannot be denied that BMT has enormous potential to develop the nation's economy.

In the poverty alleviation program, the existence of IMFIs plays an essential role in its implementation. Some studies found that IMFIs have less credit risk, are financially sustainable, are better at reaching poverty, and have less possibility of deviating from the mission; however, they are less profitable [26]. It is said that microfinance institutions that are growing rapidly receive political support and are accepted by religion [27]. BMT is a major player in Islamic Microfinance Institutions in Indonesia, which has grown significantly, as seen from the number of BMTs and their total assets [28].

Previous research found that IMFIs located in religious areas tend to be far from deviating from religious values with the presence of a religious society surrounding them [29]. IMFIs in Indonesia tend to provide competitive products that support the development of society, especially for those who do not have access to the banking system [30], [31]. On the other hand, Islamic financial institutions are institutions that can experience adverse shocks from musyarakah assets to mudharabah. In its development in Indonesia, through the study, it was conveyed that there is a collaboration program between macro (Sharia banks) and micro (BMT) institutions, namely Branchless Banking, to provide convenience for small businesses [32].

There are several obstacles to the development of BMT in Indonesia. Therefore, several works of literature attempted to analyze the factors and found that products and mechanisms lack support from policymakers [33]. Zakat, Infak, and Shadaqah can be allocated and utilized in programs supporting poverty eradication. Meanwhile, IMFIs will be needed by many workers to increase their income and welfare, so they must be strong and healthy both in structure and capital.

In the case of BMT credit risk failure, it is caused by an inadequate or less stringent screening of members [34]. Therefore, carrying out an integrated program design will be a critical foundation for the sustainability of BMT [35]. A Study by Dariah found that one of the methods is increasing Qardhul Hasan financing (interest-free loans) by using zakat, infaq, and alms, which reflect social capital to solve financing problems faced by BMTs. This needs to be considered because of the microfinance approach in terms of poverty loans through low-margin loans that are channeled to people experiencing poverty [36].

Amid its development and growth, BMT received a big bump and shock from the global conditions of the COVID-19 pandemic. IMFIs are considered necessary for economic recovery [37]. At that time, BMT was affected, including financial difficulties, because the community had trouble obtaining income to participate in BMT activities [38]. However, at the same time, this has led to increased interest from the government, business people, and academicians to study this issue further [39]. Even though the presence of COVID-19 shakes BMT, it will be able to continue its existence again through the coming years. Ascarya inferred that BMT can recover from the pandemic crisis through digital marketing [40]. It doesn't stop there; an institution that promotes education needs to carry out an in-depth promotion to the community, such as in the field of education, for example, by providing educational assistance [41].

Fatemi revealed that the power of ESG can increase firm value and vice versa, which also applies to micro institutions [42]. Many large companies do not pay attention to ESG management, such as the Kuwait Petroleum Corporation oil company in Kuwait, ConocoPhillips crude oil and natural gas company in Texas, Chevron oil and gas company in California, Royal Dutch Shell oil and gas company in the Netherlands, they ignore ESG and provide extraordinary pollution to the environment [43]. This indicates that ESG investment is needed to get good results by managing social and environmental risks [44]. Hence, it is said that BMT must pay close attention to this matter in carrying out the role

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and sustainability of the institution. Even though micro-institutions such as BMT do not produce significant pollution, they can make efforts to deal with ESG issues.

In Indonesia, pollution is among the main environmental issues faced by society. The case of the Kamagra Kurnia Textile Industry, which has polluted the water in the Citarum River for a long time, makes the availability of clean water difficult [45]. However, the clean water crisis is not only caused by wrong ESG management but also by nature. Nature is not always calm without disaster; sometimes, unexpected disasters, such as volcanic eruptions, tsunamis, floods, landslides, and global warming, occur. Natural disasters often impact the business and industrial sectors. In response, BMT can take a role in disaster mitigation because by participating in this role, BMT has invested in ESG and CSR.

Based on the literature study presented above, various schemes and instruments from BMT are applied to assist the SDGs program in poverty alleviation. The management of IMFI schemes and instruments is closely related to CSR and ESG, and BMT has a close relationship with CSR and ESG, which must be transmuted even in the conditions of the COVID-19 pandemic. Therefore, this paper humbly attempts to fill the gap in the study and provide an assessment of Indonesia's BMTs' social and environmental contributions by analyzing their reality and outlook. This study is expected to be one of the references for future studies in BMT and its development, especially in Indonesia. In addition, the paper hopes to contribute to the vast literature of Islamic economics and finance as a reference in policymakers' decision-making.

METHODOLOGY

This study adopts a qualitative research approach to explore the social and environmental contributions of Baitul Maal wat Tamwil (BMT) institutions in Indonesia and their alignment with the Sustainable Development Goals (SDGs). The research aims to understand how BMTs contribute to sustainable development, particularly in areas such as poverty alleviation, decent work and economic growth, and reduced inequalities [46].

The primary data were collected through in-depth interviews with representatives of 24 BMTs located mainly in the Greater Solo area, as well as other regions in Indonesia. The selected BMTs include: BMT Yaqawiyyu, BMT Abdurrohman Karanganyar, BMT Khasanah Ponorogo, BMT Mitra Mandiri Wonogiri, BMT Bee Mass Ngawi, BMT Ahmad Dahlan, BMT NU Sejahtera, BMT Insan Mandiri Wonogiri, BMT HIRA, BMT Insan Sejahtera, BMT Akbar, BMT Amanah Ummah, BMT Fadhilah Sentosa, BMT An Naafi', BMT AL Falah Ceper, BMT AL-Hasan Mitra Umat, BMT Melati Prima Utama, BMT Mitra Niaga, BMT Bersinar Muhammadiyah Central Lampung, BMT Dana Mulia Utama Boyolali, BMT Muamalah, BMT Tumang, BMT Al-Firdaus, and BMT Atunnisa Boyolali.

These locations were purposefully chosen considering the growing presence and role of BMTs in promoting Islamic microfinance and community empowerment across Indonesia. The interview method was used to obtain non-numerical, in-depth data, allowing the researchers to capture the perspectives, experiences, and strategies of each BMT in promoting social welfare and environmental sustainability. In addition to interviews, secondary data from relevant literature were analyzed to support and triangulate the primary findings. This approach enhances the validity of the study and allows for a broader understanding of how BMTs address socio-economic and environmental issues.

The qualitative method was particularly suitable for understanding the reality of the BMTs' operations and contributions in the context of the SDGs, including but not limited to Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), and Goal 10 (Reduced Inequalities). By analyzing their programs, funding models, and social outreach, this study seeks to highlight the strategic role of BMTs in achieving inclusive and sustainable development in Indonesia [46].

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Table 1. Research Methods

Component	Description
Research Method	Qualitative Research
Approach	In-depth Interview
Data Type	Primary and Secondary Data
Primary Data Source	In-depth interviews with 24 BMTs in Indonesia
List of Interviewed BMTs	BMT Yaqawiyyu, BMT Abdurrohman Karanganyar, BMT Khasanah Ponorogo, BMT Mitra Mandiri Wonogiri, BMT Bee Mass Ngawi, BMT Ahmad Dahlan, BMT NU Sejahtera, BMT Insan Mandiri Wonogiri, BMT HIRA, BMT Insan Sejahtera, BMT Akbar, BMT Amanah Ummah, BMT Fadhilah Sentosa, BMT An Naafi', BMT AL Falah Ceper, BMT AL-Hasan Mitra Umat, BMT Melati Prima Utama, BMT Mitra Niaga, BMT Bersinar Muhammadiyah Central Lampung, BMT Dana Mulia Utama Boyolali, BMT Muamalah, BMT Tumang, BMT Al-Firdaus, BMT Atunnisa Boyolali
Secondary Data Source	Literature related to BMTs' social and environmental contributions
Research Location	Indonesia, primarily in the Greater Solo area
Sampling Technique	Purposive Sampling (based on the development and relevance of BMTs in the region)
Data Collection Technique	In-depth Interviews and Document Review
Objective of Methodology	To explore and understand the social and environmental contributions of BMTs from the perspectives of their managers and relevant documentation
Type of Data Collected	Non-numerical data such as opinions, experiences, and perspectives

RESULTS AND DISCUSSION

Indonesia is one of the most populous countries in the world. From the 2021 data, the country occupies the fourth position globally with the largest population, with 227,858,332 people [47]. This is in line with the existence of BMT, which is accepted by the lower middle class. The development of BMT in Indonesia is growing rapidly; at this time, it is estimated that the number of BMTs is around 5,500 BMT, and it is possible that this could still increase to become a special concern for various communities, including the Indonesian government, both central and regional [48]. BMT is a financial institution that applies Sharia principles, focusing on the lower middle class and MSME players. The goal is to prosper and alleviate poverty for the middle and lower classes through savings and financing programs.

The total assets of BMT are still far behind those of Islamic banking, with IDR 356.5 trillion at the beginning of 2017 [49]. Nonetheless, BMTs are improving their governance and regulatory systems to create BMTs that interest the public. Supported by the growing number of MSME actors and many middle- and lower-middle-class Muslim residents, they are the main factors that help BMT develop.

This study examines social and environmental contributions with data from 24 Indonesian BMTs. This study found that social contribution programs at BMT are very diverse, including education, health, and others. The environmental contribution program, regarding relief and financing, helps people affected by disasters and others. Details of the implementation of social and environmental contributions from BMT programs are shown in the table below:

Table 2. Table Indonesian BMT Social and Environmental Contribution Practices

BMT Name	Social Contribution	Environmental Contribution
BMT Yaqawiyyu	Donations for the poor, scholarships, foster children, house renovation, poverty alleviation through Islamic financing (mudharabah, musyarakah, etc.)	Aid for people affected by natural disasters
BMT Abdurrohman Karanganyar	Zakat and sadaqah distribution, aid for orphans and disaster victims, COVID-19 financial relief and business analysis	Rescheduling and leniency for pandemic-affected members
BMT Khasanah Ponorogo	Distribution of infaq and alms via Lazismu, member loans	Disaster aid (floods, eruptions), donations through Lazismu
BMT Mitra Mandiri Wonogiri	Support for poor, widows, teachers, mosque staff, MSME program, Quran memorization scholarships	Clean water supply, well drilling, evacuation volunteers, disaster aid
BMT Bee Mass Ngawi	Collateral-free Ijarah financing	Greening, clean environment programs
BMT Ahmad Dahlan	Empowerment grants, scholarships, creative industry initiatives, social fundraising	–
BMT NU Sejahtera	COVID-19 business support with BAZNAS, UMi program, food package assistance	–
BMT Insan Mandiri Wonogiri	Collection and distribution of ZISWAF funds	Well construction, clean water waqf, support in landslide-prone areas
BMT HIRA	Entrepreneurship programs, scholarships, groceries, empowerment for dhu'afa, Ta'awun funds	–
BMT Insan Sejahtera	Musyarakah and Qardhul Hasan financing, micro-business support	–
BMT Akbar	Zakat distribution, farm animal empowerment	Disaster relief via head office
BMT Amanah Ummah	Orphan gifts, job creation, mosque construction, LAZIS participation, business support	Rubber boats, clean water supply
BMT Fadhilah Sentosa	Orphan aid, scholarships, food programs, baitulmaal via FAU, MSME support	–
BMT An Naafi'	MSME empowerment, disability support, Ramadan food packages, Qurbani, fish pond initiative	Clean water in rural areas, disinfectant spraying
BMT AL Falah Ceper	Baitulmaal venture capital, ZIS program	Clean water donation
BMT AL-Hasan Mitra Umat	Business and employment creation, elderly and orphan support	Flood assistance in Mataram, disaster agency planning
BMT Melati Prima Utama	LAZISMU collaboration, baitulmaal-based programs	Semeru disaster aid, partnerships with humanitarian organizations
BMT Mitra Niaga	Savings culture, MSME capital	Tree planting with PAUD collaboration
BMT Bersinar Muhammadiyah Lampung Tengah	Deposit disbursement in one day, billing tolerance	–
BMT Dana Mulia Utama Boyolali	ZIS from late payment surpluses, scholarships, MSME support	Natural disaster relief via LAZISMU
BMT Muamalah	Community economic empowerment, infaq and alms	Disaster aid through LAZISMU
BMT Tumang	Mosque construction, house renovation, ambulance service, scholarships, orphan support	Drilled well construction, financial and food aid for disasters
BMT Al-Firdaus	Public lectures, orphan compensation, business capital support	Well construction, boat aid for fishermen, SAR team
BMT Atunnisa Boyolali	Free scholarships, clinics for the needy	Aid for Semeru eruption victims, ambulance deployment

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From the data above, it is clear that of the 24 BMTs, only 17 BMTs have social and environmental contribution programs, while 7 BMTs do not have environmental contribution programs, namely BMT Abdurrohman Karanganyar, BMT Ahmad Dahlan, BMT HIRA, BMT Instan Sejahtera, BMT Fadhila Sentosa, BMT Shining Muhammadiyah Central Lampung, and Prosperous BMT NU.

Several social contribution programs include education, health, and others. The data above shows more social risk management programs than environmental ones. The environmental contribution program includes helping people affected by disasters, drilling wells, and other activities. BMT Amanah Ummah and BMT Abdurrohman Karanganyar have the most social contribution programs compared to other BMTs. BMT Mitra Mandiri Wonogiri has four more environmental contribution programs than other BMTs. From the data above, social contribution programs dominate more than environmental contribution programs.

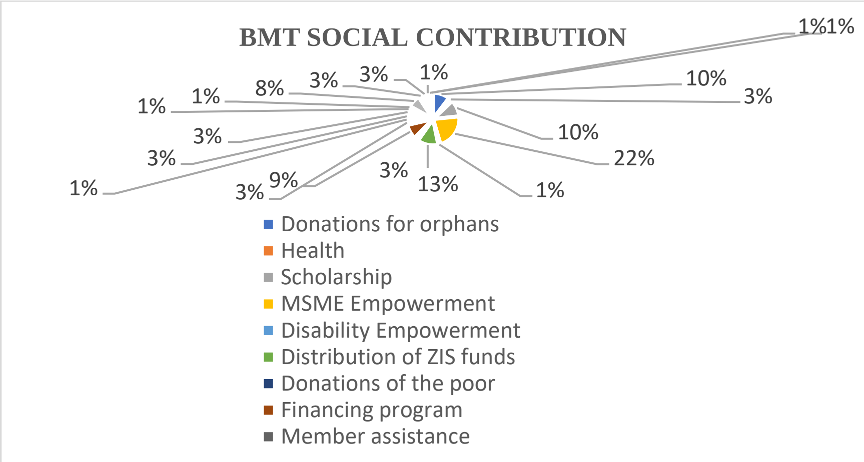

Figure 1. Social Contribution Programs

The chart above provides a more concise description of social contributions dominated by MSME empowerment, distribution of ZIS funds, educational assistance, health, and compensation for orphans. One of the Sharia financial institutions of interest to the lower middle-class community has raised the initiative to assist in empowering MSMEs by 22% of the programs, most often held by BMTs. The second position is occupied by the distribution of ZIS funds, with a percentage of 13%. Furthermore, the third position is compensation for orphans and educational scholarships, which have the same rate of 10%. In addition to the savings program at BMT, there is financing that aims to improve the community's welfare by 9%. The staple food program occupies the fifth position by 8%. The sixth position is occupied by contributions from the poor, health, member assistance, construction of houses of worship, financing relief, job provision, and religious studies, with the same percentage of 3%. The fewest programs are empowerment for people with disabilities, building Islamic boarding schools, house renovations, ta'awun programs, empowering livestock, diligent savings programs, and community assistance of only 1%.

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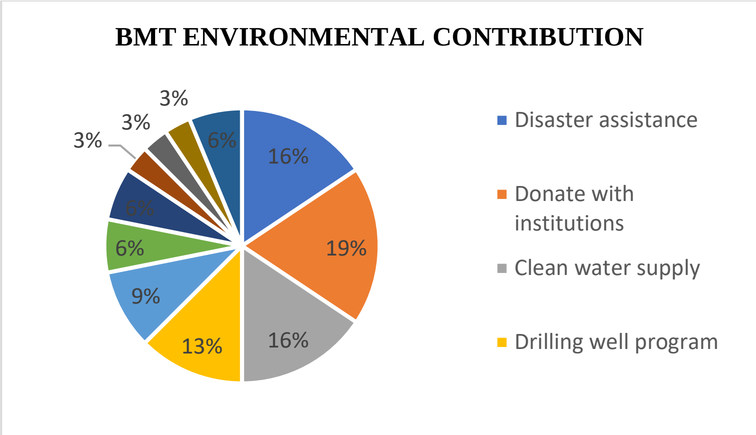

Figure 2. Environmental Contribution Programs

The chart above illustrates that managing environmental contributions includes many essential aspects that occur in society. BMT's most frequent outreach program is opening donations in collaboration with related institutions at 19%, indicating that BMT pays special attention to humanitarian programs. Moreover, Indonesia is one of the countries most frequently affected by natural and human-made disasters. The second program is occupied by disaster relief and clean water supply, with the same percentage, 16%. The third program is occupied by the drilled healthy program made in villages around the BMT by 13%. The fourth program establishes natural disaster agencies and volunteers to help affected communities, with the most significant percentage being 9%. The fifth program is a material assistance program to repair damaged buildings affected by the disaster, a rubber boat program, and reforestation in the form of tree planting by 6%. The last program is a clean environment program, spraying disinfectants and sending an ambulance to the disaster location at 3%.

Analysis. The research comprehensively explores the dual role of Baitul Maal wat Tamwil (BMT) in Indonesia as both a financial institution and a socio-environmental agent aligned with the Sustainable Development Goals (SDGs). Based on qualitative data from 24 BMTs across Indonesia, primarily on Java Island, the study reveals that BMTs have a strong inclination towards social contributions, with relatively limited but growing attention to environmental initiatives.

The dominance of social programs illustrates BMTs' responsiveness to SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), and SDG 8 (Decent Work and Economic Growth). These programs include MSME empowerment, ZIS (Zakat, Infaq, Sadaqah) distribution, orphan compensation, educational scholarships, and financing for marginalized groups. Most BMTs target the economic empowerment of the lower-middle class, demonstrating Islamic microfinance's potential as a grassroots poverty alleviation strategy. The COVID-19 pandemic amplified the relevance of BMTs in addressing urgent social challenges. During this period, several BMTs extended relief to their members, restructured financing, provided basic needs, and maintained economic activities for micro-entrepreneurs. This underscores BMTs' critical role in ensuring community resilience during crises, strengthening their alignment with the SDGs.

BMT Mitra Mandiri Wonogiri, for instance, implemented four different environmental programs, setting a best-practice example in integrating SDG 6 (Clean Water and Sanitation) and SDG 13 (Climate Action) into BMT operations. However, the findings also identify gaps. Out of 24 BMTs, only 17 implemented both social and environmental programs, while seven BMTs lacked any environmental contribution. Furthermore, there is a lack of strategic ESG (Environmental, Social, and Governance) management frameworks within most BMTs. While CSR activities are frequent, they are often reactive rather than institutionalized, limiting long-term environmental impact and accountability. This reveals

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a significant area of development: BMTs need structured guidelines and capacity-building support to design, implement, and evaluate ESG-integrated programs effectively. There is also a need for a policy framework that encourages the standardization of BMTs' contributions toward the SDGs.

CONCLUSION

This study investigates the social and environmental contributions of Baitul Maal wat Tamwil (BMT) institutions in Indonesia, with a particular focus on their alignment with the Sustainable Development Goals (SDGs). Based on in-depth interviews with 24 BMTs across various regions, primarily on Java Island, the findings reveal that the majority of BMTs actively implement social contribution programs, while environmental initiatives are still relatively limited. This suggests a greater institutional emphasis on addressing immediate community needs, particularly in areas aligned with SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), and SDG 8 (Decent Work and Economic Growth). Notably, many BMTs intensified their social and environmental roles during the COVID-19 pandemic, offering support through charity-based financing, distribution of basic needs, and health-related assistance. These programs had tangible positive impacts, helping to mitigate the socio-economic effects of the crisis and reinforcing BMTs' relevance as grassroots financial institutions committed to community well-being. However, this study also identifies several challenges and limitations. First, while many BMTs demonstrate initiative, there remains a lack of standardized policy frameworks for the consistent and effective implementation of social and environmental programs. Second, the research is geographically limited, covering only a small portion of Indonesia's vast BMT network, predominantly centered in Java. Third, the reliance on qualitative interviews with just 24 BMTs may not fully represent the broader BMT landscape. Despite these limitations, the research confirms that BMTs contribute meaningfully to the SDGs, especially in reducing poverty, promoting economic inclusion, and addressing community-level needs. For future studies, it is recommended to expand the sample size and geographic scope to include BMTs outside Java Island. Furthermore, deeper analysis into how BMTs evaluate, report, and institutionalize their SDG-aligned programs will be essential to enhance their impact. Strengthening the policy framework and strategic integration of environmental initiatives—aligned with SDG 13 (Climate Action)—should also be prioritized in future efforts.

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Author Contribution

All authors contributed equally to the conception, design, data collection, analysis, and writing of this research. Each institution provided complementary expertise, ensuring a multidisciplinary approach. The collaborative effort reflects a shared commitment to promoting the role of Islamic finance in achieving sustainable development goals through BMTs in Indonesia.

Conflicts of Interest

The authors declare no conflicts of interest related to the research, authorship, or publication of this collaborative study. All findings and interpretations are solely those of the authors.

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