

SWOT Analysis of *Baitul Maal Wat Tamwil Beringharjo Yogyakarta*

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Abstract: The *Baitul Maal Wat Tamwil* (BMT) as an Islamic microfinance becomes an alternative for people who are unbankable. But many BMTs bankrupted and failed, because of various things such as mismanagement, lacked funds and human resources. One of the successful examples of BMTs that are able to survive and sustain is BMT Beringharjo Yogyakarta which has been in operation for 23 years. This paper aims to know what are the basic things that BMT Beringharjo had done to survive and sustains using qualitative SWOT analysis. The results: Strengths: The BMT has a material and non-material things, management using planning, organizing, actuating and controlling (POAC) rules, have qualified resources and have a good brand image. Weaknesses: lack of innovation and try to avoid bad work culture. Opportunities: market penetration is still open and the digital era. Threats: the pricing battle from the competitors. BMT Beringharjo must have a comparative advantage and turn threats into opportunities.

1 INTRODUCTION

Number of poor people in Indonesia is 27.76 million in September 2016 or about 10 percent of the total population of Indonesia (www.bps.go.id). Poverty is also caused by the inability of the people to create their own business. One of the reason is the absence of capital. In general, poor people difficult to obtain loans, especially from banks. This is because they belong to the category of the unbankable group. This group is getting attention from the government so becomes the target of the financial inclusion programme (Drissi and Angade, 2017).

One form of inclusive financial is microfinance institutions. This institution is a "banking" for the poor. Under Law No. 1 (2013), microfinance institutions (MFIs) are specialized financial institutions established to provide business development services and community empowerment, either through loans or financing in micro-scale enterprises to members and communities, saving management, or providing consultancy services business development that is not for profit. The goal of an MFI is to help increase the income and welfare of the community, especially for the poor and/or low income. Drissi and Angade (2017) also explained that Islamic microfinance institution as a carrier of financial inclusion service

that must be supported to remain to survive and sustain.

In Indonesia, there is a type of Islamic MFIs, its name is *Baitul Maal Wattamwil* (BMT). The uniqueness of this institution is not only as a profit-oriented institution but also a non-profit oriented institution. BMT plays a role in improving the standard of living of the poor people, by helping them financing for capital or additional business capital, with the pattern of cooperation and business partnership (Yusuf, 2014). Therefore, BMT is a solution to the limitations of banking access for micro, small and medium enterprises. BMT also plays a role in eliminating the practice of usurer that using the poor as a target. This practice happened in the market, in remote villages (Yusriallis, 2014). BMT can also have good performance if managed well, this is shown by Inayati et al. (2014) stated that BMT Usaha Gabungan Terpadu (UGT) Sidogiri has positive value on the calculation of Economic Value Added (EVA), that means, the BMT can create added value. This happens because the value of net profit after tax has a significant increase compared with the cost of capital, this increase indicates that BMT UGT Sidogiri has a good performance.

Rahman and Dean (2013), Wulandari and Kassim (2016) argued that most of the Islamic microfinance institutions include the BMT have

some problems such as poor market penetration, low sustainability, high transaction costs, low efficiency and have not been effective in alleviating poverty. For example, *Koperasi Jasa Keahlian Teknosa* was the first pioneer of BMT in Indonesia. This cooperative was founded by activist Masjid Salman Institute Technology of Bandung (ITB) in 1980. This cooperative officially changed its operational activities into BMT Teknosa in 1984. Unfortunately, in 1989 BMT Teknosa closed its business due to mismanagement, they had high non-performing finance (NPF) (Sakti, 2013).

Furthermore, Hamzah et al. (2013) found some BMTs failed and bankrupted due to lack of quality human resource and lack of special rules for governing the BMT. They suggested to give the education and training process for the employees and make special regulations for BMT governance. Nugroho (2014) also argued that one of the challenges for the future BMT is about developments and changes in the needs of low-income people. BMT must innovate and if necessary will do the transformation.

One of a success BMT in Indonesia is BMT Beringharjo Yogyakarta. This BMT has been operating for 23 years and never used banking for funding, but in 2006 and 2014 got revolving funds from the Ministry of Cooperatives, each amount was Rp 1 and 8 billion. In the beginning of the operation, its capital only Rp 1 million but in 2017, its already has assets Rp 148 billion. In addition, BMT Beringharjo has 17 branch offices in five provinces, with a total of employees is 140 persons and total its membership is 10 thousand people (Kontan.co.id, 2017).

The contribution of the study is to fill the gap, between the failed and success BMT. It is important to learn about how a BMT or Islamic microfinance can survive and sustain. BMT Beringharjo can be a role model for learning and developing of other BMTs or Islamic microfinance. This BMT has a good strategic management so can prove its existence until now. Therefore, the paper will discuss BMT Beringharjo's strategic management using SWOT analysis.

2 LITERATURE REVIEW

2.1 *Baitul Maal Wat Tamwil* (BMT)

In Arabic terms, Baitul Maal wat Tamwil (BMT) is a combination of Bait al-Mal, which means are social institution, and Bait at-Tamwil, which means are

profit-oriented financial institution. BMT is a micro financing institution that only exist in Indonesia. Operational activities of BMT similar to Islamic Cooperatives these are collect funds from its members and distribute it again with various forms of products with the aim of earning profit. Different from Islamic Cooperatives, BMT also collecting funds from *zakat*, *infak*, *shodaqoh* and *wakaf* (ZISWAF) and distributing the fund to the poor and needy. *Zakat* is the certain percentage of the wealth that must be distributed by the moslems to the mustahiq, people who are entitled to get social funds based on Islamic Shari'a. *Infak* is all kinds of expenditure of moslems for their self, family, or society. *Shodaqoh* is the spending in the way of Allah, charity does not have to be money and *wakaf* is holding and utilizing the property or wealth of moslems which the owner has handed over to the other. So, BMT has two basic operational activities these are as a profit and non-profit financial institution (Kasdi, 2016).

Today, the operational legal basis of BMT is Law No.1 of 2013 about Micro Finance Institutions. Based on the Law, firstly, BMT can become cooperatives with the legal basis of Law no. 25 of 1992 on cooperatives. Secondly, BMT can become a company with the legal basis of Law no. 21 of 2011 on the Financial Services Authority (Masyithoh, 2014).

2.2 SWOT Analysis

SWOT analysis is an extension of Strengths, Weaknesses, Opportunities, and Threats. This analysis is a basic element in the preparation of strategic choices that combine elements of the strengths and weaknesses of an organization with the opportunities and threats that exist in its environment (Ruocco and Proctor, 1994). In the qualitatif SWOT analysis, there are two factors; internal factors and external factors. Internal factors are analyzed using Strengths and weaknesses strategy, while external factors use strategy Opportunities and Threats. Common questions asked in analyzing Strengths, Weaknesses, Opportunities and Threats are (shahzadtc.com, 2016):

2.2.1 Strengths

- What are the advantages of having?
- Have you done well?
- Is there access to relevant resources?
- What are our strengths according to others?

2.2.2 Weakness

- What can be improved?
- Have you done well?
- What should be avoided

2.2.3 Opportunities

- Where and what are the exciting opportunities in your market?
- Is there a new trend in the market?
- Can a managed organization predict new opportunities in the future?

2.2.4 Threats

- What obstacles are facing?
- What has the competitor done? Does this suppress organizational development?
- Are there any changes in products and services due to specific specifications of the work performed?
- Are the required specifications for your work, product or service changing?

2.3 BMT and SWOT Analysis

Ginting and Sudrajat (2014), examined BMT development strategy in Medan by using SWOT quantitative analysis. The results that should be developed are: developing a bookkeeping system in accordance with the Islamic system and more transparent with sharing system, utilizing the network of Islamic banks, improve facilities and infrastructure of systems information and technology

Hidayah (2015) examined the condition of BMT Bina Ihsanul Fikri (BIF) in Kota Gede Yogyakarta. This study used a quantitative SWOT analysis. The result showed that BMT BIF in competitive condition and had high market growth.

Tribuana (2016) examined the financing of BMT Al-Falah to traders in the Sumber market. This research was a qualitative research and used SWOT analysis. The result of this research was BMT Al-Falah had strength: good operational management, professional human resources, reputation, and missions vision were measurable. But the weakness of BMT Al-Falah was the lack of socialization about empowerment and flexibility of financing application. While the opportunity BMT Al-Falah: more maximize empowerment program, especially in the Sumber market. The threat of BMT Al-Falah: competitor and financing risks. Therefore BMT Al-Falah must have some strategies: more innovative in

making financing programs, more socialization about financing and do more prudential principles.

Mahri et al. (2016) tried to find the best models to empower the business sector through BMT. 10 BMTs are used to be sampled and analyzed using SWOT analysis. The empowerment model is divided into three groups. The research result indicates that BMT in the second group already does economic empowerment, but not yet perform in the social function. Some BMTs have the potential to be developed but lack of qualified human resources.

3 METHODS

This research is a qualitative research using primary data by interviewing the General Manager of BMT Beringharjo Yogyakarta and secondary data from the other relevant sources. BMT Beringharjo Yogyakarta was selected as a sample because of its ability to survive and sustain. Qualitative SWOT analysis is used to analyze the strength, weakness, opportunity and threats in the BMT Beringharjo.

4 FINDING AND DISCUSSIONS

Head Office BMT Beringharjo is located at West Ringroad Banyuraden Kaliabu Gamping Sleman Yogyakarta. In 2001, Dompot Dhuafa Republika invested to this BMT and got revolving fund from the Ministry of Cooperatives in 2006 and 2014. The latest, BMT Beringharjo has assets of Rp. 148 billion and has been operating for 23 years. BMT operates based on the merchant community in the Beringharjo market Yogyakarta Based on SWOT analysis, this chapter will discuss the analysis of strategies required by BMT Beringharjo. These strategies include aggressive, competitive, conservative and defensive strategies.

4.1 Strengths

BMT Beringharjo has a financial benefit that can be seen from its return on equity about 15-20 percent per year. This means that every Rp 1 invested by shareholders (BMT members) will earn Rp 0.15 to 0.20. Another benefit is non-material profit, BMT feels happy because of reward from Allah with the Islamic economic da'wah and the empowerment of micro small seller program. Islamic economic da'wah program makes the public know if usury is haram, including interest. The empowerment program makes BMT members more prosperous because of their economies condition are better than before.

The process of managing BMT refers to the rules of POAC (Planning, Organizing, Actuating and Controlling). Planning is done by creating a strategic plan for all activities (programs) every three years, both financial and non-financial programs. Organizing is done by creating a detailed organizational structure and doing the job evaluation. Actuating is done by routine monthly coordination each work unit. Controlling is done by making a written report, both financial and non-financial programs and the presence of internal audit supervision.

One of the important resources in the management of BMT is the human resource. The management did open recruitment by "below and above" system. That means job vacancy information is disseminated simultaneously to the wide people using specialized media such as leaflets, posters, banners, billboards or social media.

The advantages of BMT according to others: have a brand, human resources, and governance. BMT Beringharjo has been operating for 23 years, meaning that people are familiar with the name of BMT Beringharjo. BMT human resource is suitable for its needs, so can work with the maximum. The existence of POAC rules in the management means BMT has good governance.

4.2 Weaknesses

One of the things that need to be improved is innovation. Currently, innovation in BMT Beringharjo is low in both products and services. A monotonous product or service will create saturation and no longer attractive to BMT members. It needs a breakthrough to create an innovation by training and benchmarking to others who are considered qualified in a particular field. Another thing to avoid is bad work culture (prejudice to others). It will raise suspicion so there is no longer a sense of togetherness and mutual help in work units and BMT will be affected with this condition.

4.3 Opportunities

The Beringharjo market placed in an area of 2.5 hectares with 600 sellers. They occupy 5441 stalls. The average number of visitors to the Beringharjo market is around 16,000 person each day. This market also became one of the tourist destinations in Yogyakarta, because of historical factors and also its location near Malioboro area. This situation makes BMT Beringharjo has the opportunity for wider market penetration. In addition, the needed of capital

by the seller remain high because of crowded visitors in the market, makes BMT has an opportunity to supply the fund to the seller.

This section must be in two columns. Another opportunity is era 4.0. Currently, the industry is facing a 4.0 era that requires industry players to change manufacturing processes by integrating online-based systems within a production chain. The microfinance industry is expected to be flexible faced this condition. BMT Beringharjo as an Islamic microfinance sees era 4.0 as an opportunity to improve innovation. There are several things that can be done such as digitization in its products and annually member meeting (Rapat Anggota Tahunan/RAT) online where in this RAT system can be held by using digital media.

4.4 Threats

Today, there are around 40 BMTs and 4000 microfinance institutions in Yogyakarta that actively serve some products. This fact makes the competition between BMT and microfinance institutions have started high. BMT Beringharjo also felt the consequences of the condition, because of pricing battle happened. This situation makes BMT Beringharjo disturbed, because of its revenue will decline. In addition, BMT Beringharjo product must be changed due to the cheap credit business from the competitors. This situation makes BMT Beringharjo create a more interesting product. Addition supervision of the new product is required to avoid problems in the future.

5 CONCLUSIONS

BMT Beringharjo success to survive and sustain up to the moment by doing some basic things that are:

- Having a comparative advantage. BMT Beringharjo has a comparative advantage as a BMT that specifically serve the market seller, make it as a market specialist and becomes its uniqueness compared with other BMT;
- Redefine existing threats and turn them into opportunities. Product innovation is needed by BMT Beringharjo to deal with existing threats, by making products with cheap margin.

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