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## KSPPS BMT Damar's Contribution to Increasing Financial Inclusion and Community Economic Empowerment

| Article   | Abstract  |
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| <p><u>Author</u><br/>           Kalfika Nur Rohmah <sup>1</sup>,<br/>           Noviana Ariani <sup>2*</sup>, Sintya Ayu Ramadhani <sup>3*</sup></p> <p><sup>1</sup>Faculty Economy and Business Nature, Walisongo State Islamic University Semarang</p> <p><sup>2</sup>Faculty Economy and Islamic Business, Islamic University Country The Wali Sanga Semarang</p> <p><sup>3</sup>Faculty Economy and Islamic Business, Islamic University Country The Wali Sanga Semarang</p> <p><u>Corresponding Author:</u><br/>           *Kalfika Nur Rohmah ,<br/> <i>Email ;<br/>           kalfikanurrohmah18@gmail.com</i></p> <p><u>Data:</u><br/>           Received: December 14, 2025<br/>           Accepted:<br/>           Published:</p> | <p>Equitable and sustainable economic development need support system inclusive finance to be able to increase welfare society , especially group earning low and marginalized communities . Although achievements literacy and inclusion finance national Keep going experience improvement , utilization service formal finance at the level public lower Still not optimal. In conditions said , Cooperative Save Sharia Loans and Financing (KSPPS) is present as institution finance micro based communities that play a role bridge limitations access formal finance . Research This aim For study the role of KSPPS BMT Damar in push inclusion finance at a time empowerment economy public through approach qualitative with method studies field . Research results show that KSPPS BMT Damar provides contribution real through provision product savings and financing sharia-based , reduction practice informal loans , distribution of social funds , and mentoring and training business for society . However Thus , BMT Damar still face a number of obstacles , such as Not yet optimally digitalization service , slow disbursement process financing , low level literacy Islamic finance , as well as limited innovation product , so that required strengthening digital strategy, increasing education finance , development product sector certain , and expansion partnership strategic to strengthen the role of KSPPS BMT Damar as institution finance inclusive and sustainable micro sharia .</p> <p><b>Keywords:</b> <i>financial inclusion, community economic empowerment, KSPPS BMT Damar, Islamic microfinance, Islamic cooperatives.</i></p> |

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## Introduction

Equitable and sustainable economic development is a strategic priority in Indonesia's national agenda, particularly in the context of empowering low-income communities and marginalized groups. National economic development is inseparable from the role of inclusive financial institutions that reach all levels of society, including groups excluded from the formal financial sector. <sup>1</sup>One key indicator of equitable development is the level of financial inclusion, which is the active involvement of the community in the formal financial system through access to financial products and services such as savings, financing, insurance, and others. <sup>2</sup>Financial inclusion is considered a fundamental right of every citizen to have access to affordable, high-quality, and tailored financial products and services. This access is believed to enhance community economic empowerment by increasing productivity, reducing poverty, and expanding business opportunities.

The latest 2025 Financial Literacy and Inclusion National Survey (SNLIK) by the Financial Services Authority (OJK) shows that Indonesia's financial literacy index increased by 66.46%, with the financial inclusion index reaching 80.51%. The 2025 SNLIK results represent an improvement compared to the 2024 SNLIK, where the financial literacy index reached 65.43% and the financial inclusion index reached 75.02%. <sup>3</sup>This allows for improved public welfare and economic growth. Increased financial literacy and inclusion enable the public to easily and effectively access financial services.

Despite increasing financial access, a gap remains between financial literacy and inclusion, particularly among lower-income groups. This is evidenced by the fact that most people do not fully understand how to use financial services and optimize their benefits wisely and productively due to a lack of understanding of financial literacy and limited access to financial services.

On the other hand, the Sharia Savings and Loans Cooperative (KSPPS) is one of the microeconomic institutions that plays a role as an alternative media to meet the needs of low-income communities inclusively, especially through the approach of sharia values and principles <sup>4</sup>. One of the characteristics of KSPPS is that it is a religious community-based cooperative, such as KSPPS BMT DAMAR which not only acts as a provider of sharia financial access but also as an agent of community economic empowerment, especially among communities in rural areas. Despite having great potential in increasing community inclusion and empowerment, the real

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<sup>1</sup> Misbahatul Lailiyah, Herlina Monica Sari, and Diana Ayu Wulandari, "The Role of Islamic Commercial Banks in Increasing Financial Inclusion in Indonesia," *Gudang Jurnal Multidisciplinary Ilmu* 2 (2024): 93–98.

<sup>2</sup> Financial Services Authority. (2022). National Survey of Financial Literacy and Inclusion (SNLIK) 2022. Jakarta: OJK.

<sup>3</sup> Financial Services Authority & Central Statistics Agency . (2025, May 2). *Broadcast press together : Results of the National Literacy and Inclusion Survey Financial Report (SNLIK) 2025*. Jakarta. <https://ojk.go.id>

<sup>4</sup> Rafsanjani, H.2022, Sharia Cooperatives and Inclusive Finance, *Journal Masharif Al-Syariah: Journal of Islamic Economics and Banking*, 4(2).

contribution of KSPPS in increasing community inclusion and economic empowerment is still considered less than optimal, especially at the grassroots level.

With religious-based sharia cooperative performance indicators focusing on financial inclusion and community economic empowerment, most studies only highlight one aspect, for example, focusing only on the economic empowerment approach that only discusses the role and factors of KSPPS in economic empowerment.<sup>5</sup> Other studies also focus only on the discussion of inclusion where the research only refers to the influence of financial literacy and inclusion on the performance of MSMEs which are considered to have a positive and significant influence on the performance of MSMEs.<sup>6</sup> Various studies have reviewed the contribution of microfinance institutions to economic empowerment<sup>7</sup>. Based on previous gap research. Novelty This essay analyzes the contribution of KSPPS BMT Damar in increasing financial inclusion and community economic empowerment through a qualitative approach and field studies. The main focus is the evaluation of the business and social roles of BMT with sharia principles. The results are expected to enrich Islamic economic studies and provide an overview of the practical implementation of sharia microfinance.

This study focuses on analyzing the contribution of KSPPS BMT Damar in increasing financial inclusion and community economic empowerment, while identifying various challenges faced in its implementation and strategic solutions implemented to overcome them. This study aims to gain a comprehensive understanding of the role of KSPPS BMT Damar as a community-based Islamic microfinance institution in expanding access to inclusive financial services and encouraging community economic empowerment. The results of this study are expected to provide academic benefits by enriching the treasury of Islamic economic studies, and practically serve as evaluation material for the management and development of BMT Damar programs while increasing public awareness of the importance of access to Islamic financial services.

## Research methods

Study This use approach qualitative with type studies field research) For analyze contribution of KSPPS BMT Damar in increase inclusion finance and empowerment economy community . Approach This chosen For get deep understanding about role institution finance micro sharia based community , including challenges faced and the strategies implemented . Subject study covering selected managers and members of KSPPS BMT Damar in a way purposive sampling based on relevance information with focus study .

Data collection was carried out through The data were analyzed using in-depth interviews , observation , and documentation . The data obtained were analyzed using qualitative descriptive

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<sup>5</sup> Zihab, Z., M. Syarif, M. Hirjan, & H.M. Dewi. 2022. The Role of the Al-Hasan Mitra Umat Lenetk Sharia Savings and Loans Cooperative (KSPPS) in Community Economic Empowerment . Corpus ID: 259474291.

<sup>6</sup> Arrezqi , M., D. Setyadi , M. Nahar, Sugiyanta , & DV Widyanti . 2024. " The Influence Literacy Finance and Inclusion Finance On the Performance of Semarang Culinary People's MSMEs (RANKKUL)." *Journal Indonesian Scientific* . Corpus ID: 273073181.

<sup>7</sup> Zamroni, Z., & Susilo, H. (2019). The Role of BMT in Financial Inclusion of Small Communities in East Java. *Journal of Islamic Economics and Finance*, 5(2), 105–114. [<https://doi.org/10.20885/jeki.vol5.iss2.art2>](<https://doi.org/10.20885/jeki.vol5.iss2.art2>)

analysis with the stages of data reduction, data presentation, and conclusion drawing. The results of the analysis were linked to the concepts of financial inclusion, community economic empowerment, and Islamic microfinance principles to produce a comprehensive and systematic picture of the sustainable contribution of KSPPS BMT Damar.

## DISCUSSION

### Profile of KSPPS BMT DAMAR

Baitul Maal wa Tamwil (BMT) is a Sharia-compliant financial cooperative that is not solely profit-oriented but also serves as a missionary institution to uphold Islamic values and empower the community economically, especially the middle class. BMT's distinctive characteristic lies in its blend of social and commercial aspects, with Baitul Maal acting as a bridge between the wealthy and the less fortunate through compassionate fund distribution.

KSU BMT Damar (Dana Mardhatillah) is one example of a BMT that was established on July 29, 2003 at Jalan Wismasari Raya No. 9, Ngaliyan District, Semarang City. The inauguration was carried out by two important figures of Central Java, namely Drs. H. Ahmad (Deputy Governor I of Central Java at that time) and Drs. H. Ali Mufiz, MPZ (former Governor of Central Java). With the legality of the Decree of the Minister of State for Cooperatives and SMEs of the Republic of Indonesia No. 180.08 / 1016.23 / XII / 2003, BMT Damar started its operations through the initiative of 23 people with an initial capital of IDR 90 million. Now, BMT Damar has grown with two branches in Semarang, namely at Jalan Fatmawati No. 222B, Tembalang District, and Jalan Pemuda No. 238A, Boja District<sup>8</sup>.

KSPPS BMT DAMAR in carrying out its role in the social and empowerment sector and has a strong vision and mission which are stated as follows:

| No. | Category       | Contents   |
|-----|----------------|--|
| 1   | <b>Vision</b>  | Creating a superior, professional, and blessed KSPPS BMT Damar in Central Java in 2025 |
| 2   | <b>Mission</b> | Creating the newest products   |
|     |                | Managing finances with the principles of openness and accountability                   |
|     |                | Improving the quality and capabilities of SDI  |
|     |                | Carrying out operations based on sharia principles                                     |
|     |                | Developing work areas or service coverage across all provinces                         |

KSPPS BMT Damar offers several financing services and products focused on improving community well-being. These include :

#### 1. BMT Damar Savings Products

| No | Savings Product Name           | Contract             | Purpose/Use                       |
|----|--------------------------------|----------------------|-----------------------------------|
| 1  | Voluntary Savings (SI RIDHO)   | Wadi'ah & Mudharabah | Free deposit & withdrawal savings |
| 2  | Student Savings (RIDHO PANJAR) | Wadi'ah              | Education fund planning           |

<sup>8</sup>KSPPS BMT Damar, *Profile and History of KSPPS BMT Damar*, Internal documents of KSPPS BMT Damar, Semarang, 2003.

|   |                                     |            |                                  |
|---|-------------------------------------|------------|----------------------------------|
| 3 | Eid al-Fitr Savings (RIDHO FITRI)   | Wadi'ah    | Eid fund preparation             |
| 4 | Qurban Savings (RIDHO QURBAN)       | Wadi'ah    | Preparation of sacrificial funds |
| 5 | Hajj & Umrah Savings (RIDHO MABRUR) | Wadi'ah    | Preparation for Hajj & Umrah     |
| 6 | Term Savings (RIDHO-KA)             | Mudharabah | Term deposit                     |
| 7 | Education Savings (RIDHO DIDIK)     | Wadi'ah    | Long-term education fund         |

#### Tamwil Financing Products

| No | Types of Financing              | Short Description   |
|----|---------------------------------|---|
| 1  | Business Capital Financing      | For the development of micro and MSME businesses                  |
| 2  | Automotive Financing            | Financing of two or four wheeled vehicles                         |
| 3  | Hajj and Umrah Financing        | Advance funds for pilgrimage travel costs                         |
| 4  | Gold Collateral Financing       | Financing with gold collateral                                    |
| 5  | Electronic Goods Financing      | Financing for purchasing electronics (TV, refrigerator, etc.)     |
| 6  | Multi-Service Financing         | For service needs such as education, health, etc.                 |
| 7  | Cash Collateral Financing       | Cash collateral based financing                                   |
| 8  | Home Renovation Financing       | For home repair or renovation costs                               |
| 9  | Farming Business Financing      | For capital for chicken, cow, goat, etc. farming.                 |
| 10 | Agricultural Business Financing | For farming capital such as fertilizer, seeds, agricultural tools |

#### Contribution of KSPPS BMT Damar in Increase Inclusion Finance

communities without access to formal banking. Among KSPPS BMT DAMAR's contributions to increasing financial inclusion are the following:

| Aspect                                    | Contribution of KSPPS BMT DAMAR   |
|---|---|
| Provision of access to financial services | Ease of access to services through sharia-based financing and savings for micro-entrepreneurs and the less bankable community.                      |
| Reduction of informal loans               | Reducing people's dependence on informal loans (loan sharks) which are detrimental by providing financing through halal contracts without interest. |
| Convenience and Transparency              | Make it easier for the public to understand the mechanisms of savings and financing products such as BBA ( Bai'Bitsaman)                            |

|                    |  |
|--------------------|--|
|                    | Ajil ) with accounting governance that is quite simple and transparent   |
| Quality of service | Focus on good service quality to increase member satisfaction and trust can encourage sustainable financial inclusion. |

KSPPS BMT DAMAR makes a significant contribution to increasing financial inclusion through various service aspects <sup>9</sup>. First, this institution facilitates public access, especially micro-businesses and underbanked groups, to sharia-based savings and financing services. Second, KSPPS BMT DAMAR also plays a role in reducing the community's dependence on informal loans or loan sharks that tend to be detrimental, by providing financing through halal and interest-free contracts. Furthermore, the aspects of convenience and transparency are also strengthened by the provision of products such as BBA (Bai' Bitsaman) Ajil ) has a simple mechanism and accounting that is easy for the public to understand. Finally, a focus on improving service quality is a priority to foster member satisfaction and trust, which in turn supports sustainable financial inclusion at the local level.

### **Contribution of KSPPS BMT Damar in Increase Community Economic Empowerment**

Community economic empowerment is a key pillar of KSPPS BMT DAMAR, a sharia microfinance institution. BMT DAMAR not only distributes financing but also drives the people's economy through social and economic approaches. The following are KSPPS BMT DAMAR's concrete contributions to improving community empowerment.

| <b>Aspect</b>                     | <b>Contribution of KSPPS BMT DAMAR</b>  |
|-----------------------------------|---|
| Drivers of socio-economic balance | As a distributor of zakat and social funds to the community and a provider of micro-business financing through Baitul Mal   |
| Islamic microfinance              | Provider of halal Islamic micro capital and financing in accordance with Islamic principles without interest                |
| Business Training                 | Strengthening the capacity of MSMEs through entrepreneurship education with special training and mentoring                  |
| Community Empowerment             | Driving local economic empowerment and strengthening local communities through inclusive and productive financial solutions |

KSPPS BMT DAMAR contributes to promoting socio-economic balance through its role as a distributor of zakat and social funds to the community, as well as providing micro-enterprise financing through the Baitul Mal institution. Furthermore, this institution also provides halal and interest-free sharia micro-financing, in accordance with sharia principles. Not only in the financial aspect, KSPPS BMT DAMAR also focuses on strengthening the capacity of MSMEs by providing entrepreneurship education, training, and special mentoring. Furthermore, this institution is active in encouraging the economic empowerment of local communities by providing inclusive and productive financial solutions, thereby strengthening the community's economic resilience in a sustainable manner.

<sup>9</sup>KSPPS BMT Damar. *Internal Report and Profile KSPPS BMT Damar Services*, Semarang, 2024.

### Challenge in Contribution of KSPPS BMT Damar in Increase Inclusion Finance and Community Economic Empowerment

Based on interviews with five members of the KSPPS BMT DAMAR, several issues were identified that remain challenges in the implementation of this sharia cooperative's services. One major issue is delays in the disbursement of financing funds, which in some cases can take up to 3-4 days, thus hampering the smooth running of members' businesses. Furthermore, the lack of a digital service system is a significant obstacle, especially for younger members and digital entrepreneurs who require fast and practical access <sup>10</sup>. The lack of socialization of new programs and products is also a significant concern, as it leaves some members unaware of available opportunities to develop their businesses or strengthen their finances.

Furthermore, limited product innovation, particularly targeting the agriculture, children's education, and digital business sectors, demonstrates that cooperatives still need to adapt to the specific needs of their members. Other challenges, such as low Islamic financial literacy, limited access to technology in rural areas, and competition from informal financial institutions, further reinforce the urgency of improving cooperative institutional capacity. Nevertheless, KSPPS BMT DAMAR's excellence in socio-religious approaches and community-based services remains a key strength. Therefore, strengthening digital strategies, product diversification, financial education, and collaboration with external parties are crucial steps in addressing these challenges and strengthening the role of cooperatives as pillars of the grassroots economy. A more concise explanation is provided in the following table:

| No. | Problems  | Brief Explanation   |
|-----|---|---|
| 1   | Delay in Fund Disbursement                      | The financing disbursement process takes up to 3–4 days.  |
| 2   | Digital Services Not Yet Available              | Transaction and service processes are still carried out manually, there are no online applications or platforms yet . |
| 3   | Lack of Socialization of New Programs           | Information regarding cooperative programs and products has not reached all members equally.                          |
| 4   | Lack of Product Innovation for Specific Sectors | Financing products do not yet support sectors such as agriculture and livestock with special schemes.                 |
| 5   | Low Sharia Financial Literacy                   | Members still have little understanding of financial recording and the basic principles of Islamic financing.         |
| 6   | Limited Technology Access in Rural Areas        | Remote areas are still difficult to reach by digital technology, hampering access to cooperative services.            |

<sup>10</sup>Results of interviews with five members of KSPPS BMT Damar, Semarang, May 2025.

|    |  |  |
|----|--|--|
| 7  | Reliance on Manual Systems & Field Officers                  | Services still rely on physical visits, which limits the efficiency and reach of cooperatives.           |
| 8  | Thematic Savings Products Unavailability                     | The hope for savings for education, Hajj, and others has not been facilitated by cooperatives.           |
| 9  | Competition with Fintech and Informal Financial Institutions | Loan sharks and illegal fintech are faster in disbursing funds, even though they are not Sharia-based.   |
| 10 | The Scale of Cooperative Businesses is Still Limited         | Limited capital and human resources hamper the expansion of cooperative products and financing capacity. |

### **Solution in Contribution of KSPPS BMT Damar in Increase Inclusion Finance and Community Economic Empowerment**

In an effort to increase financial inclusion and empower the community's economy, KSPPS BMT DAMAR plays a strategic role as a community-based Islamic financial institution. Despite facing various challenges such as delayed disbursement of funds, low financial literacy, and limited digital services, BMT DAMAR still has significant potential to address the needs of grassroots communities through an innovative approach based on Islamic values. One solution that can be implemented is the digitalization of services, both in financing disbursement and transaction management, thereby streamlining previously time-consuming processes and making them more efficient.

Furthermore, Sharia financial outreach and education need to be intensified to ensure cooperative members understand basic principles such as contracts, margins, and Sharia-compliant governance. This is crucial given the limited financial literacy of many members. KSPPS BMT DAMAR can also design more specific financing products for the agriculture and livestock sectors, tailored to the needs of the majority of rural communities. By prioritizing musyarakah and mudharabah principles and flexible payment mechanisms, cooperatives can provide inclusive and locally relevant financial solutions.

To strengthen its competitiveness amidst the rise of fintech and loan sharks, BMT DAMAR needs to build partnerships with zakat institutions, local governments, and civil society organizations. This approach not only strengthens the cooperative's capital but also expands the reach of community empowerment programs. Through the synergy between technology, education, and product innovation, KSPPS BMT DAMAR has the potential to become a key pillar in a just and sustainable Islamic microfinance system. For more details, see the following table :

| <b>No</b> | <b>Problems</b>            | <b>KSPPS BMT DAMAR Contribution Solution</b>   |
|-----------|----------------------------|--|
| 1         | Delay in Fund Disbursement | Implementing a digitalization system for the financing process ( workflow) automation ) so that funds can be disbursed within 1 working day with automatic verification. |

|   |  |  |
|---|--|--|
| 2 | Digital Services Not Yet Available                           | Developing a simple Android-based mobile application for transaction services, financing simulations, balance checks, and product info.                |
| 3 | Lack of Socialization of New Programs                        | Conducting regular educational campaigns through member WhatsApp Groups, social media, and direct community-based outreach.                            |
| 4 | Lack of Product Innovation for Specific Sectors              | Designing musyarakah-based financing products for agriculture and mudharabah for livestock with flexible installments according to the harvest season. |
| 5 | Low Sharia Financial Literacy                                | Conducting regular training on family financial management and local wisdom-based sharia financing principles.   |
| 6 | Limited Technology Access in Rural Areas                     | Providing <i>mobile services agent</i> (on-the-go service) with tablet/ offline device system for areas without internet.                              |
| 7 | Reliance on Manual Systems & Field Officers                  | Building an integrated database system and real-time financial reporting so that field officers can focus solely on education and coaching.            |
| 8 | Competition with Fintech and Informal Financial Institutions | Offering micro-financing with a fast process, competitive margins, and supported by business mentoring that loan sharks do not offer.                  |
| 9 | The Scale of Cooperative Businesses is Still Limited         | Establish strategic partnerships with ZISWAF Institutions, BAZNAS, and Regional Governments to strengthen capital and empowerment programs.            |

## Conclusion

KSPPS BMT DAMAR contributes significantly to increasing financial inclusion and community economic empowerment. Through a sharia-compliant and community-based approach, BMT DAMAR can provide fairer financial access and reach a wider community. Its diverse savings and financing products, along with social activities such as zakat distribution and business training, make BMT DAMAR an agent of socio-economic transformation. However, the institution still faces various challenges, such as delays in disbursement of funds, limited digital services, low sharia financial literacy, and limited product innovation. However, these challenges can be addressed by developing digitalization, improving financial education, and establishing strategic partnerships. BMT DAMAR has great potential as a key pillar in a sustainable and inclusive sharia microfinance system.

### Suggestion

To strengthen BMT DAMAR's contribution in increasing financial inclusion and community economic empowerment, the author offers the following solutions:

1. further optimize the digitalization of services to simplify and accelerate transaction and financing processes.
2. increase Financial literacy for members and the community is also something that BMT DAMAR needs to do, both through training and community outreach.
3. Innovating financing products that suit the needs of specific sectors such as agriculture, livestock, and digital businesses
4. Building strategic partnerships with zakat institutions and community organizations that can help strengthen capital, expand reach, and increase the social and economic impact of cooperatives in a sustainable manner.

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