

**POVERTY TREATMENT EFFECTIVENESS IN THE ERA OF PANDEMIC  
COVID-19 WITH THE ROLE OF THE BAITUL MAAL WAT TAMWIL**

**POVERTY TREATMENT EFFECTIVENESS IN THE ERA OF  
PANDEMIC COVID-19 WITH THE ROLE OF THE BAITUL MAAL  
WAT TAMWIL**

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**Abstract**

*Islam teaches to minimize the gap between the rich and the poor through the teachings of Zakat, Infaq and Sedakah (ZIS). Indonesia is one that is included in the red zone of a poor country with various potentials and problems. The problem that will be examined in this research in general is how to strengthen economic institutions run by BMT in poverty reduction efforts. The purpose of this study is to reveal that BMT financing is effective in reducing poverty, where most respondents can increase their income after receiving BMT financing as an effort to reduce poverty and find out what efforts / policies have been established by the government to overcome poverty during the COVID-19 pandemic. 19.*

**Keywords:** *Baitul Maal wat Tamwil (BMT), Poverty, COVID-19 Pandemic*

**1. INTRODUCTION**

As is well known, the economy has an important role in maintaining the stability of the life of the nation and state. The level of growth and development of a country can be seen from economic indicators (Suryati, 2012). The growth and development of the economy can come from business actors, both from large companies, multinational companies, as well as small and medium enterprises. Although there are many business actors in Indonesia, not all businesses can survive during the global crisis.

In general, the condition of poverty in Indonesia is a crucial social phenomenon and is multidimensional because it almost colors all aspects of people's life, where the existence of the poor is not only determined by the size of income alone, but is also influenced by the fulfillment of political, social, cultural and economic rights. Overall, all of which have the impact of weakening economic activity, less than optimal health and education services, inadequate public infrastructure and facilities, decreased public order and public order and lack of public trust in the bureaucracy in providing services, which at the same time have implications for the high number of poor people.

According to the Central Statistics Agency (2010), Indonesia's population living with per capita income below the poverty line is still very high, namely around 9.1% / year during the 2011-2017 period. This percentage is quite small compared to the justification of the World Bank report which states that almost half of Indonesia's population lives on per capita income below USD 2 per day. With regard to the causes of poverty, the core problem of poverty lies in what is called deprivation or shortage traps caused by several disadvantage factors, and vulnerability and powerlessness are factors that often cause poor families to become poorer. In addition, the decline in economic growth and the application of social and mobility restrictions in various regions as a result of the COVID-19 pandemic, not only has the potential to result in large job losses, but also to increase poverty massively.

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The CORE Indonesia research institute (Center of Reform on Economics) said in a press release Tuesday (5/5/2020), these vulnerable and near-poor people generally work in the informal sector and many are highly dependent on government assistance. CORE Executive Director Mohammad Faisal said that the spread of COVID-19, which is currently concentrated in urban areas, has resulted in a greater potential for increasing poverty to occur in urban areas. What needs to be watched out for next is that the potential for the spread of the outbreak from urban to rural areas cannot be prevented, including through limiting the mobility of people from cities to villages, the increase in the number of COVID-19 cases in rural areas cannot be avoided. "The impact is that the potential for increasing the number of poor people in rural areas will be greater than the prediction above. This means that the government's burden to overcome poverty problems, either through subsidies, social assistance and others, is getting bigger. "

To overcome these weaknesses, other parties who can help are needed. Islamic microfinance institutions are considered to be able to help overcome one of these problems, namely financial problems. One of the institutions that is trying to solve this problem is Baitul Maal Wat Tamwil (BMT).

BMT is one of the sharia financial institutions in Indonesia that operates based on sharia principles with two main functions, namely baitul maal and baitul tamwil (Soemitra, 2009). BMT is one of the sharia financial institutions that protects the middle and lower class people from the interest system applied by conventional institutions as well as from moneylenders who set high interest rates on their customers. BMT is different from other financial institutions that provide consumptive financing so that the people's economy tends to be consumptive. BMT tends to provide financing in the form of working capital to people who have micro businesses so that people are encouraged to be more creative and productive.

Based on this matter, the writer focuses this study on "The Effectiveness of the Role of Baitul Maal Wat Tamwil (BMT) in Poverty Reduction in the Middle of the COVID-19 Pandemic" The problem that will be studied in general is how to strengthen local economic institutions carried out by BMT in empowerment. community economy which leads to poverty alleviation efforts, therefore the purpose of this research / study is to describe: 1. The role of BMT in empowering community economic enterprises which leads to poverty alleviation efforts during the COVID-19 pandemic. 2. The role / government policy in efforts to reduce poverty due to the COVID-19 pandemic.

## **2. LITERATURE STUDY**

### **2.1 The Baitul Maal wat Tamwil (BMT)**

Practice of Islamic finance in Indonesia began in 1993 with the establishment of Bank Muamalat Indonesia (Saefullah, 2010). When Islamic finance became known, Islamic microfinance also developed in the 1990s through formal institutions such as Islamic banks and Islamic rural banks (Islamic Rural Banks), and non-bank institutions such as Islamic cooperatives, namely the Pesantren Cooperative and Baitul Mal Wa Tamwil (BMT). ) (Kassim, 2016).

Baitul Maal Wat Tamwil (BMT) consists of two terms, namely Baitul almaal and Baitul tamwil. Baitul maal is more on non-profit fundraising efforts such as zakat, infaq and sodaqoh. Meanwhile, Baitul Tamwil is an effort to collect and distribute commercial funds. This business cannot be separated from BMT as a supporting effort in the economic

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activities of the community (Sudarsono, 2003). In addition, BMT is a variant of Islamic MFI and is defined as a community-based MFI that operates under a cooperative system and the domain of non-governmental organizations (Nazirwan, 2010). In fact, Mu'alim and Abidin (2005) also stated that BMT is an economic organization that focuses on developing cooperation and investment to develop MW and alleviate poverty through a profit sharing system. It is driven by various organizations including Islamic banks, Islamic people's credit banks (BPRS) and, sometimes supported by Islamic organizations such as Nahdatul Ulama and Muhammadiyah which currently have more than one hundred million members (Obaidullah, 2008).

Based on Solehudin (2010), because there are no specific legal rules governing BMTs, BMTs can follow the provisions of cooperatives or self-help groups (SHG) (Community Self-Help Groups / KSM). If the BMT is in the form of a cooperative, it is regulated in the Cooperative Law, namely the Cooperative Law No. 25 / 1992 (Fadilla, 2007). Meanwhile, if a BMT is formed as a KSM, it will only be a group of people and there is no legal rule that regulates it.

Ideally, the establishment of BMTs should be legalized by a notary (Widiyanto and Abdul Ghafar, 2006). If they have not been registered as a legal entity, they will receive a business certificate from the regional Small Business Incubation Center (PINBUK). This is because BMT's Articles of Association are standardized and cover subjects such as identification of areas, objectives and business activities based on sharia principles. For example, sources of funds are determined as a share of founding members, compulsory and voluntary savings, donations, loans and retained earnings. Voluntary savings mobilization, loans from other sources of funds and loans must be based on sharia principles. In addition, 2.5 percent of the annual profit must be donated (zakat) and a minimum of 10 percent (after zakat and taxes) must be allocated in reserves and compensation funds used for management and commissioners (Adnan & Ajija, 2015).

The functions and roles of BMT as described by Buchori in Rahmi (2011) are as follows:

- a. Investment manager, what is meant is that BMT can play its role as an agent or as a liaison for the owners and distribute and that has been collected to candidates or members who have been appointed by the owner of the funds.
- b. Investors, BMTs have a role as investors if BMT receive funds from parties who entrust the management of their funds completely to the BMT concerned.
- c. Socially, BMT is required to be able to provide social services both to members in need and to the poor.

The word financing comes from the word cost which can be interpreted as an unavoidable expense or sacrifice to get an item or service with the aim of obtaining benefits, expenses for a certain activity, purpose, or time, such as shipping costs, packaging, and sales intended to obtain income in the company's income statement (Prasetya & Herianingrum, 2016).

There are many types of financing offered by BMT. Generally, they promote several financing products such as profit-loss sharing (mudarabah and musharakah), murabahah, bai'bitsamanil Ajil and qard hasan. As a social intermediary, BMT handles management, namely the collection and distribution of zakat, infaq, shadaqah and waqf (ZISWAF). Integration between ZISWAF and BMT institutions is needed so that the poor can get financial assistance (Chapra, 1998). Therefore, the basic objective of ZISWAF to solve

complex social problems such as poverty, unemployment, natural disasters, debt and unfair income distribution can be achieved (Al Qardawi, 2002).

## **2.2 Zakat, Sadaqah and Waqaf Practices in Baitul Maal wat Tamwil**

There are several alternative models for overcoming the problem of poverty. In many institutions, poverty alleviation efforts are based on a corporate social responsibility approach, but the practice is questionable because many companies sometimes carry out a spread mission when carrying out corporate social responsibility (Raimi, L., Patel & Adelopo, 2014). Corporate social responsibility in some companies is only needed as an image to build action. The religion-based model is a solution for Muslim-majority countries.

Since the Islamic financial system developed rapidly, Islamic financial institutions have been dealing with ethical business. As a solution, institutions will pay zakat, shadakah and waqf to alleviate poverty (Raimi, L., Patel & Adelopo, 2014). Zakat is a blessing, purity, kindness and progress on assets that have a certain value and is distributed to eight people who are entitled to receive zakat funds, such as: the poor, the poor, zakat managers, those whose hearts are inclined towards Islam. (including new converts who lack economic support), slaves, debtors (debt due to real needs), in the way of Allah (Fi sabilillah), and travelers (Ibn Sabil) (Surat At-Taubah: 60). Both must be integrated in a faith-based system to alleviate poverty in Muslim-majority countries (Wulandari, 2019).

### **a. Zakat**

Zakat is a mandatory payment that must be paid by Muslims in the amount of 2.5% of the taxable amount (nisab) equal to 20 dinars (gold) or 200 dirhams (silver) (Raimi, L., Patel & Adelopo, 2014). It is a unique instrument for poverty alleviation. It can be used on eight types of receivers or asnaf. Five are intended for poverty alleviation, namely people in BOP, the poor, debtors, slaves (to free them from captivity), and travelers in need. Another is the administrative fee for zakat, 'those whose hearts are inclined towards Islam and in the way of Allah (Hassan, 2010).

In the case of Indonesia, zakat is usually integrated with Islamic microfinance where zakat funds and Islamic charities will be used as a source of microfinance funds. Thus, zakat funds are specifically aimed at people who are BOP and are carried out as a tool to alleviate poverty, especially extreme poverty. Usually given a *Qardhul hasan* financing scheme (interest-free loans) (Yumna and Clarke, 2009). Zakat is mandatory while waqf is voluntary. Usually the rate is fixed and is only spent once a year and only applies to Muslims (Hassan, 2010).

Islamic MFIs use zakat, infaq and sadakah as their CSR to alleviate poverty and meet the needs of the poor. This concept is applied using the concept *Qardhul Hasan* (Nor & Hashim, 2014). The implementation of CSR in Islamic MFIs will create a microfinance structure platform that is embedded with values and *religiosity*. Islamic MFIs must set aside their profits to provide *Qardhul hasan* financing for the community at the BOP. In Indonesia, Islamic MFIs such as the Sharia Rural Bank (BPRS) indicate that customers will usually choose to pay zakat, infaq and sadakah at the BPRS, and furthermore certain BPRS divisions will manage zakat, infaq and sadakah and distribute funds to the poor. In addition, the BPRS also uses the halal income derived from its operations to be distributed to poor people. Although this practice is controversial, many BPRS have received approval from the scholars to do so.

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### b. Infaq

Infaq is not a mandatory donation but is highly recommended in both the Koran and the Sunnah (Junaidi & Rizkiyah, 2013). Muslims believe that giving infaq not only pleases Allah, but also helps improve society (Kamla & Rammal, 2013). Islamic MFIs, in particular, must invest part of their social funds (zakat, infaq, and shadaqah) in environmentally friendly business practices (Effendi, 2013). Infaq will provide extraordinary incentives to share one's wealth with less fortunate residents of society (Sadeq, 1997).

### c. Waqaf

Waqaf is a tool developed to meet crucial needs such as education, transportation and health (Mohsin, 2013). It also refers to valuable property or tangible assets as gifts to God. In practice, it can be monetized as a leasing facility but cannot be sold (Raimi, L., Patel & Adelo, 2014). In fact, waqf is a charity to hold special properties for sustainability (Hassan, 2010). There are two classifications of *awqaf*: *awqaf al-Ahli* and *awqaf al-khayri*. The requirement for "*Awqaf al-Ahli*" is an endowment fund set aside for the family of the person making donations (wakif)". While *Awqaf al-Khayri* on the other hand refers to an endowment fund set aside for the general welfare of people in BOP, widows, orphans and people who are economically disadvantaged (Raimi, L., Patel & Adelo, 2014).

Furthermore, there are three kinds of *awqaf*: religious *awqaf* (focusing on building and maintaining religious institutions), *awqaf* philanthropy (providing support to the community at BOP such as health services) and family *awqaf* (given to families first) (Hassan, 2010). Currently, cash *awqaf* is very popular where a certain amount of money is given as *awqaf* to build property in order to create community welfare (Mohsin, 2013). In this case, *awqaf* can be integrated with microfinance. A *awqaf*-Islamic-based MFI will facilitate wealth building for the poor. This can reduce the cost of financing which can create wider access to the community in BOP (Ahmed, 2007).

Islamic MFIs allow charity funds such as zakat, infaq and sadakah as sources of funding (Samad, 2014). These tools will help the poorest of the poor have access to Islamic MFIs. In addition, using LKM charity funds can increase the level of community creditworthiness at the BOP and minimize uneven distribution (Effendi, 2013). Islamic MFIs can reach a higher number of poor individuals than conventional ones because the zakat funds are distributed by the *qard alhasan* scheme (Effendi, 2013).

On the other hand, semi-formal Islamic MFI practices such as BMT carry out two functions:

*Baitul Maal* (managing zakat, infaq and sadakah) and *Baitul Tamwil* (managing savings and funding). BMT can manage charity funds by collecting zakat, infaq and donations. The main objective of BMT is not only to provide funding but also to involve borrowers in community development programs by cutting the role of money sharks in the community (Kamla & Rammal, 2013).

### 2.3 Poverty

There is still no universally accepted definition of poverty (Tambunan, 2003). Because poverty is multidimensional, as it has income and non-income dimensions that are usually interrelated, there are always difficulties in deciding where to draw the line between the poor and the "non-poor". Despite this, many experts have tried to define poverty. BPS tries to explain poverty as the inability to meet basic needs, as measured by expenditure. This



means that people whose expenditures are below the average poverty line are included in the poor.

According to United Nations (2001) as quoted by Barber (2008) defines poverty as: Microfinance in Indonesian Islamic Institutions 163 [...] A human condition characterized by continuous or chronic deprivation of resources, abilities, choices, security and power necessary to enjoy adequate standards of life and civil, cultural, economic, political and other social rights.

In Indonesia, poverty is measured by comparing per capita household consumption with the poverty line set by the Central Bureau of Statistics (Alisjahbana and Yusuf, 2003). If per capita household consumption expenditure falls below the poverty line, then the household is considered poor. Sumner et al. (2020) However, it is asserted that a slight decrease in per capita household consumption will mean an increase in income-based poverty in the region. This situation is likely to push more families down the poverty line (Mahler et al., 2020).

During the outbreak of the COVID-19 virus, Indonesia witnessed tremendous economic losses as the government faced losses in public income, besides that the government is also struggling to provide the support needed for its citizens. This forces people from low-income families to bear the long-term effects of this pandemic, especially those without economic, social, health and education support services (Buheji et al., 2020)

Despite the fear of catching the virus and the COVID-19 pandemic mortality rate, -19 is currently unpredictable and containment of its spread is very difficult due to the transmissibility of this pathogen. Fiscal recession and social impacts are unavoidable and unpredictable in the current pandemic (Abideen, Mohamad, & Hassan, 2020). Many people are unable to stay at home because the longer they do so, the lower their income and chances of survival. The increase in essential commodity prices has exacerbated the situation for many people, especially informal sector workers, most of whom earn less than the national average (Owusu & Frimpong-Manso, 2020)

#### **2.4 The government's strategy in reducing poverty during the COVID-19 pandemic**

The five steps to poverty that can be taken include (Safitri, 2020):

##### **a. Population Data Update**

Target recipient of the Family Hope Program (PKH) that the government has budgeted for during the pandemic is 10 million families with a budget allocation of IDR 37.4 trillion or IDR

3.7 million per year. Meanwhile, the basic food cards are targeted at 20 million families with a budget of Rp. 43.6 trillion, consisting of Rp. 200,000 per month for nine months, including Rp. 600,000 for 1,776 million families in Jabodetabek for three months. In addition, there is a cash transfer from the Pre-employment Card Program for 5.6 million participants worth IDR 600,000 for four months.

In addition, there is a cash transfer from the Pre-employment Card Program for 5.6 million participants worth IDR 600,000 for four months. "In addition to continuing to update data on the poor and vulnerable to poor who deserve social assistance, the government needs to increase the Social Assistance budget and expand the number of aid recipients to people who have fallen into poverty due to COVID-19," (Faisal, 2020).

##### **b. The Integrity of the Distribution of Social Assistance**

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In many places, various forms of Social Assistance of different types and numbers have created social tensions in a number of areas. This is exacerbated by the Social Assistance database, in particular the Integrated Social Welfare Data (DTKS), which is used by local governments that do not yet include people who were previously unregistered but whose economic conditions deteriorated during the pandemic. One alternative that can be taken by the government is to partner with state banks to transfer Social Assistance directly through a special account for each beneficiary. "Apart from more efficient distribution, recipients of aid do not overlap. In addition, the potential to reduce the amount of aid can be avoided,".

### c. Administrative Prices Subsidies

Reduce the burden on public expenditures, especially for the poor and near-poor, especially by reducing administered prices. Among them:

- 1) Reducing the price of fuel, which is one of the largest components of expenditure for the poor (5 percent for the urban poor and 4 percent for the rural poor). Although the current decrease in mobility of people has an impact on reducing the use of BBM, BBM still plays a major role in the mobility of goods (logistics) which remains very crucial during the outbreak. Moreover, the price of crude oil has continued to decline to below 25 dollars per barrel. The base price of fuel under RON 95 should drop to at least Rp. 4,500 to Rp. 5,000 per liter. "The price is potentially lower if the Ministry of Energy and Mineral Resources reduces constant costs (alpha procurement, storage, and distribution) and the margins of fuel distribution companies,"

Increase the number of households receiving electricity tariff cuts so that they cover a minimum of all 900 VA customers. Currently, apart from the R1 / 450 VA group (24 million subscribers) who get free electricity for three months, the R1 / 900 VA household group that gets 50 percent deduction is only 7.2 million subscribers out of a total of 22.1 million.

- 2) Lowering the price of three kilograms of LPG, which is mostly consumed by the lower middle class. This is also in line with the price of propane and butane, which are the main raw materials for LPG, which fell sharply. The price of Aramco propane, which is the reference for calculating the price of LPG subsidies, fell from US \$ 430 per tonne in March to US \$ 230 per tonne in April 2020. Meanwhile, the butane price fell from US \$ 480 per tonne to US \$ 240 per tonne. in the same period. Therefore, in line with the potential decline in the realization of the three kilograms (Rp. 50.6 trillion) LPG subsidy budget this year, the government has enough room to lower the fuel price by around Rp. 1,000 to Rp. 2,000 per kg. "This reduction will have a large enough effect to reduce the cost of living for people, especially those affected by COVID-19," (Faisal, 2020).
- 3) Providing discounts or eliminating water rates for households, especially in areas that have implemented the PSBB. Many developing countries have adopted this policy, such as Malaysia and Thailand. Because the management of clean water is under the control of the Regional Government, Faisal appealed to them for the time to share part of the burden on the community by providing discounts or eliminating clean water tariffs in their areas.
- 4) Incentives in Agriculture, Animal Husbandry and Fisheries

Increasing incentives for farmers, ranchers and fishermen through government product purchase schemes and improving logistics lines for agricultural, livestock and fishery products are necessary considering these sectors continue to produce and face

minimal market absorption. If incentives in this sector are not immediately and specifically provided, then they have the potential to increase the number of people in poverty. The agricultural sector currently absorbs the largest number of workers up to 34.58 million people or 27.3 percent of the national workforce as of August 2019. "This policy will also help the government secure the availability of national food stocks, especially during the pandemic period," (Faisal, 2020).

**d. Careful APBN Management**

Increased government intervention to cope with the pandemic will certainly have an impact on increasing the government budget. Although there is room to widen the deficit, the government can optimize the reallocation of the budget that has been prepared and implement several alternative policies, including:

- 1) Reallocating part of the capital expenditure budget and APBN goods expenditures, and carrying out burden sharing between the Central Government and Regional Governments by diverting part of the Transfer to Regions and Village Fund budgets, to be allocated into the Social Assistance budget. The government also needs to renegotiate foreign debt payments to foreign creditors, both institutions and countries.
- 2) Reallocating the budget for handling COVID-19 worth IDR 150 trillion (out of a total funding of IDR 405 trillion) which was originally intended to support the National Economic Recovery Program, which details have not been explained, for social safety-net budget activities and an increase in the budget for COVID-19 countermeasures.
- 3) Reallocating the Pre-Work Card program budget, which is used to pay for training programs worth Rp. 5.63 trillion, which is irrelevant to the current needs of society, especially the workforce who are unemployed due to layoffs. After all, most of the material on offer can be found free of charge on the internet. "Thus, these funds can be allocated to provide social assistance that is more needed by the poor and near-poor, especially in the form of providing basic necessities,"

**2.5 BMT and Poverty Alleviation**

Widiyanto and Abdul Ghafar (2010) measure the effectiveness of BMT in reducing poverty by evaluating the effectiveness of BMT financing to develop MW. MW development has the potential for poverty reduction in several ways:

- a. Providing credit (financing) and / or providing classes to the poor to help them start or strengthen their businesses (Schreiner and Woller, 2003)
  - b. Providing assistance / compensation to groups of 8 asnaf who need to lighten their burdens
  - c. Builds self-esteem and independence
  - d. Creating autonomy
  - e. Creating a community atmosphere (Geroy et al., 1997).
- Goldmark (2001), reveals that: "The future of microenterprise development (ME) considers a wider range of services, both financial and non-financial, in which small business owners can build relationships with larger businesses and more profitable markets."



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This means, to use MW development as a means of poverty alleviation, a wider availability of non-financial services is needed to increase the effectiveness of financing. Increasing the effectiveness of financing is not only beneficial for the development of MUs and poverty alleviation but also provides benefits for Islamic microfinance institutions by reducing business risks and increasing program sustainability (Widiyanto and Abdul Ghafar, 2010).

In addition, the effectiveness of other BMTs in reducing poverty is by distributing direct assistance from zakat, donations and alms. This is to help directly those who are experiencing difficulties and motivate them to immediately rise from adversity (Iskandar, Possumah, & Aqba, 2020).

### 3. RESEARCH METHODOLOGY

Design of this study was a Literature Review or literature review. Literature research or literature review (literature review) is research that critically reviews or reviews the knowledge, ideas, or findings contained in the academic-oriented literature, and formulates theoretical and methodological contributions to certain topics. , Cooper (2010).

The nature of this research is descriptive analysis, namely the regular breakdown of the data that has been obtained, then given an understanding and explanation so that it can be properly understood by the reader. In addition, data collection used is in the form of keywords related to this research topic. Where the use of this method is related to the COVID-19 pandemic situation which limits researchers in direct data collection. In this study data were taken from previous studies and journals related to the COVID-19 pandemic.

### 4. RESULT AND DISCUSSION

Among the solutions that can be offered within the framework of the concept and economic system as well as Islamic financial solutions which are the effectiveness of the role of BMT in poverty reduction efforts during the COVID-19 pandemic, namely:

**First**, the distribution of direct cash assistance from zakat, infaq and alms, both from zakat collection units and from the community. Facing the current situation, it is not only the government that is moving, the community is also expected to contribute according to their respective abilities and conditions. In this context, it takes sacrifice from the rich and patience from the poor who are affected by the plague, on the basis of love which is manifested in the form of solidarity among humans, where the more fortunate people help those who are less fortunate (Linge, 2015). One form, in the midst of the COVID-19 pandemic, is to pay zakat, donations and alms. Especially for zakat that is paid, the distribution can be focused on the poor who are directly affected by COVID-19, as the one who has the right to receive it (mustahik).

**Second**, strengthening cash waqf with cash waqf schemes, productive waqf and waqf linked sukuk needs to be improved. As is well known, waqf has a very big role in infrastructure development in various kinds of public facilities and the economic empowerment of the people (Asri, A., Aqbar & Iskandar, 2020), where cash waqf is an alternative that is expected to overcome the problem of poverty in society. (especially for those affected by COVID-19), with the active participation of non-government parties (the community), especially the rich and have the ability to help alleviate the suffering of the poor. One example in Bangladesh is that non-government efforts to address the problem of

poverty have been tried to be answered through the existence of an institution called Social Investment Bank Limited (SIBL). This institution operates by raising public funds (rich), especially through cash waqf funds, to be managed and the results of their management distributed to the poor. In the case of Indonesia, efforts such as those made by SIBL are an attractive alternative and should be accommodated. With the majority of the Muslim population, efforts to raise and manage waqf funds (cash) as in Bangladesh are expected to be more appreciated by the community (Muslims), at least culturally, especially during this pandemic. And one of the institutions in Indonesia, for example, can go through BMT, which is expected that this BMT can later manage and distribute it to the poor.

**Third**, superior business capital assistance during a crisis. In the midst of a crisis, many business sectors or Micro, Small and Medium Enterprises (MSMEs) are struggling to survive. This business is often difficult to survive due to limited capital. The existence of MSMEs as a non- muzakki group is a group that is very vulnerable to falling into the abyss of poverty and bankruptcy due to shocks or economic shocks. So that the number of mustahik can increase very sharply, while the number of muzakki can continue to decrease significantly (Ascarya, nd). This is where BMT plays one of the roles of BMT, during the COVID-19 pandemic condition, it is hoped that BMT will be able to provide capital to the business sector or MSMEs in order to continue to struggle and stabilize businesses that are in crisis.

The existence of micro, small and medium enterprises, especially traders in traditional markets is a form of economic life for most Indonesians. This position has placed traditional market traders as the main thing that needs attention, especially in terms of capital. The process of developing traditional market traders is a manifestation of economic development which has become very important. Efforts to develop and strengthen the potential of traditional market traders as a strategic economic group must be oriented towards empowerment, so that independent and strong local economic actors are formed through Micro Financial Institutions (LKM), especially Islamic Microfinance Institutions (LKMS) (Sabirin & Sukimin, 2017). Therefore, the provision of capital by BMTs to businesses is used as a means of reducing the impact of the crisis. This provision of capital can be done with several policy alternatives, such as providing additional stimulation of sharia banking relaxation and restructuring or deferral of sharia credit / financing payments for the next few months. In order to be stronger, this provision of capital from Islamic banking / financial institutions needs to be supported and strengthened with assistance so that it can be accounted for.

**Fourth**, the above business capital can also be followed by a loan *Qardhul hasan*. In sharia economic / financial terminology, *Qardhul hasan* is a loan that does not take any benefits (profits) but is still emphasized to be repaid (Sari, 2015). This product / scheme is one of the products / schemes of the Islamic financial system which is very important in supporting the recovery or sustaining the economy. One of them is:

*Baitul Mal wa Tamwil* (BMT), through *Baitul Mal* to be one institution that can participate in providing a solution to this problem, namely by way of implementing development programs through product *Qardhul hasan* (Mubarok, 2019). Implementasi *Qardhul hasan* this Not only serves as a financing platform, but this form of financing is also equipped with a mentoring model, so that with this assistance, the implementation of the financing model can run well and in the end this noble goal will also be realized.

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**Fifth**, the Islamic Economic and Financial System as a system that is full of values as well as an indication of the Creator is believed to be capable of realizing productive economic activities within the framework of justice. For this reason, the public needs to be given a correct understanding of sharia economics and finance in order to increase Islamic economic and financial literacy, including through the provision of Islamic economic education assistance for students affected by COVID-19; granting permits and facilities for State and Private Universities to run the Distance Program (PJJ) which offers Sharia Economics programs with an emphasis on moral development; and expansion of internet connection infrastructure to support PJJ that is evenly distributed throughout Indonesia for free.

In addition, the existence of the Sharia Economic Community Organization as a forum that aims to be a reference and to be followed as an example for efforts to accelerate the development and application of the economic system and Islamic business ethics in Indonesia can be involved in this effort (Lubis, 2019). Islamic Financial Literacy in Indonesia is still in the low category (Hayati, 2019), only occupying the ninth position in the share of the Islamic financial market in the world. Due to the lack of knowledge and technological knowledge of the Indonesian people, many people do not know about the existence of Islamic financial products that are very useful for life.

From the many efforts made above, it can be said that BMT is effective in reducing poverty during the COVID-19 pandemic. Where the various kinds of efforts carried out by BMT in Indonesia can reduce the poverty gap that occurs, besides that the difference in income differences earned by the poor can also be reduced through the assistance and financing provided by BMT. The condition of the poor can be said to be more prosperous when they get financing or assistance from BMT. Even the distance that separates the poor from the inequality between the poor and the poverty line is reduced after they receive financing and assistance from BMT.

Prosperous society conditions mentioned in the Quran letter Quraysh: 3-4 following:

لِيُعْبَدُوا رَبَّ هَذَا الْبَيْتِ ۚ آلَ ذِي الْقُرْبَيْنِ ۚ أَن يَأْكُلُوا مِن ثَمَرِهِمْ ۚ أَن يَرَوْا سَكَنًا فِيهَا ۚ وَإِن تُكْفِرُوا بَأْسَ اللَّهِ فَاعْلَمُوا أَنَّهُ هَادٍ لِلذَّلَالِ ۚ إِنَّ اللَّهَ ذُو الْقُدْرَةِ الْعَظِيمِ ۚ

Meaning: "So let them worship the Lord of this house (Ka'bah). Who has given them food to get rid of hunger and save them from fear" (QS. Quraish / 106: 3-4, Ministry of Religion of the Republic of Indonesia).

In this verse, it can be seen that there are three indicators of welfare, namely worshiping Allah, eliminating hunger, and eliminating fear. The indicator of eliminating hunger shows the fulfillment of basic human needs (Adhilla & Herianingrum, 2020).

### 5. CONCLUSION

As a country with the largest Muslim population in the world, Muslims can give their best role through various forms or models of *philanthropy* in Islamic economics and finance, especially during the COVID-19 pandemic. This role is expected to be able to overcome economic shocks that occur, one of which is poverty and the entire community, especially Muslims, can participate in contributing to recovering these shocks. Among the solutions offered by BMT in the effectiveness of poverty reduction during the COVID-19 pandemic, namely: (1) By distributing direct cash assistance from zakat, donations and alms; (2) By strengthening waqf in the form of cash waqf, productive waqf, waqf linked sukuk and waqf

for infrastructure; (3) Through superior business capital assistance for the business sector or Micro, Small and Medium Enterprises (UMKM); (4) Through the qardhul hasan scheme; and (5) Increasing Islamic economic and financial literacy.

With these efforts, it can be concluded that BMT is effective in reducing poverty. Where these efforts lead to increased income after receiving BMT financing. Empowerment of the poor in various productive efforts has been able to reduce the extent and severity of poverty. Therefore, an integrated program for the poor designed by BMT, namely the provision of financial and non-financial services including spiritual development through the internalization of Islamic moral values is an important tool in poverty alleviation. BMT not only has an important role in reducing poverty and promoting local economic development, but also in reducing the scope and prevalence of illegal moneylenders that trap the poor. Using the qard hasan scheme, BMT has succeeded in eliminating the number of moneylenders as well as educating the public about the dangers of usury.

Poverty alleviation will be successful if Islamic financing institutions such as BMT are carried out massively in many areas (Widiyanto and Abdul Ghafar, 2010). So, given the important role of BMTs in poverty reduction, it is hoped that the Government of Indonesia, both local and international Islamic organizations will increase their support for BMTs. The government can channel a portion of the public budget through the BMT which will then organize and manage funds for the clients accordingly. The two largest Islamic communities in Indonesia such as Nahdhatul Ulama and Muhammadiyah can also maximize the role of BMT to help society. Ummah, because the majority are still poor. The role of BMT can be maximized if the government and the Muslim community work well together.

Of course all the efforts made are inseparable from noble efforts and intentions, and of course all these efforts must be really encouraged, so that in the future it is hoped that it can help the economic surplus re-form so that the acceleration of economic recovery can be realized and ultimately can reduce the poverty level occurred during the COVID-19 pandemic onwards.

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