

## BMT'S STRATEGY IN RESPONDING TO FINANCING BOTTLENECKS: A CASE STUDY IN THE GENDING BRANCH (DESCRIBING BMT'S RESPONSE, INTERNAL SOLUTIONS, AND HUMANIST APPROACH)

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**Abstract:** This study aims to analyze the strategic efforts of BMT Masalahah, Gending Branch, in addressing financing bottlenecks. A descriptive qualitative approach was employed, utilizing observation, interviews, and document analysis as data collection techniques. The findings reveal that most financing bottlenecks occur within micro and small business sectors, which are particularly vulnerable to economic fluctuations and weak business registration systems. The contributing factors are both internal such as limited analytical capacity and human resources and external, including economic crises and rising raw material costs. The strategies implemented by BMT include persuasive approaches, financing restructuring, and enhanced monitoring mechanisms. However, these efforts face challenges related to limited human resources, client resistance, and insufficient technological adoption. The study recommends strengthening human resource capacity, implementing simple digitalization systems, and improving member education. Through a comprehensive and sustainable strategy, BMT can maintain institutional stability while reinforcing its pivotal role in advancing the sharia-based economic empowerment movement.

**Keywords:** BMT, Financing bottlenecks, Handling strategies, Restructuring, Sharia economics

### Introduction

As a sharia-based microfinance institution, Baitul Maal wat Tamwil (BMT) plays an important role in the economic development of the local community. In addition to providing financing, BMT provides a forum for community empowerment using sharia-based methodologies. BMTs are more accessible to individuals, micro enterprises, and small businesses that have not been served by traditional financial institutions due to their proximity to grassroots communities (Ayu Fitriana, Muna Sofiana, Siti Nahdiatun Nisa', Satria Putra Arsibal, & Novi Khoiriawati, The Role of Sharia Microfinance Institutions in Poverty Alleviation in Indonesia, Initiative: Journal of Economics, Accounting and Management, March 2023).

However, the challenges faced by BMT in carrying out its operations are quite complex. One of the main problems is financing bottlenecks. This congestion can arise due to various factors, both from the internal customer side and external factors. From the internal side, the causes include weak managerial skills, the use of financing funds that are not in accordance with the designation, and lack of discipline in installment payments. Meanwhile, from the external side, factors such as economic conditions, fluctuations in the price of basic necessities, and emergency situations such as the COVID-19 pandemic also contribute to the increased risk

of problematic financing (Imam Kamaluddin & Azimatul Afifah, Bad Loan Settlement Strategy (Case Study of BMT IKPM Ponorogo), *Al-Muamalat: Journal of Islamic Economics Law*, 2020).

Financial barriers can have a very negative impact if not addressed immediately. In addition to disrupting liquidity and potentially lowering member confidence, this will also reduce the quality of the institution's financing portfolio. As a result of non-fulfillment of obligations, financial barriers can cause social problems and harm the economic condition of consumers. Therefore, an efficient, comprehensive, and sustainable management plan is needed (Kholwatul Mujaddadiyah & Abdul Mujib, Settlement of Bad Financing Disputes at BMT, *Journal Student Scientist Raushan Fikr*, 2022).

A number of studies show that the strategies implemented by BMT in dealing with financing bottlenecks vary, ranging from preventive and repressive measures to final settlement. Preventive efforts are carried out through strict customer selection, business feasibility analysis, and the implementation of clear financing SOPs. Meanwhile, repressive measures include direct assistance, field visits, deliberations with customers, and financing restructuring according to payment ability. If the congestion is severe and there is no solution to the deliberation process, the BMT usually takes legal action or sells the collateralized assets.

However, BMT's approach goes beyond procedures and technicalities. BMT's humanist approach to handling difficult finances is one of the additional characteristics that sets them apart from traditional financial institutions. BMT strives to satisfy its members, communicates regularly, and in certain situations, even helps clients restructure their companies. BMT's humanist approach is both a strength and a defining characteristic, as it allows them to maintain public trust in the face of significant funding issues (Ayu Fitriana et al., 2023).

### Method

BMT Maslahah, Gending Branch, Probolinggo Regency, is the location of this research. To better understand BMT's approach in overcoming funding constraints, this study uses a descriptive qualitative methodology (Sugiyono, *Metode Penelitian Kualitatif, Kuantitatif, dan R&D*, 2022:15). Two types of primary and secondary data were used in this study, and most were collected through interviews and observations (Moleong, *Metodologi Penelitian Kualitatif*, 2021:45).

Observations were made to obtain a direct picture of the practices and processes related to handling bad loans at BMT. There are two types of observations made:

1. Direct Observation: The researcher directly observed activities at branch offices, including interactions between financing staff and customers who experienced problems, as well as administrative processes related to financing restructuring (Moleong, 2021:46).
2. Indirect Observation: The researcher also utilizes the data recorded in internal documents and reports available in the BMT, which provides additional information about the process and results of direct observation (Moleong, 2021:47).

The interview was conducted to obtain in-depth information from the parties directly involved in financing management. The interviewees were: (1) Abdul Rohim, as the Head of BMT Branch, who provided insight into policies and strategies in handling problematic financing, and (2) Abu Yazid, as the Staff Remedial Officer or (RO), who explained the direct

interaction with the customer, the settlement procedure, and the obstacles in the field (Hasil wawancara dengan Abdul Rohim dan Abu Yazid, BMT Masalahah Gending, Probolinggo, 2025).

Secondary data is obtained from documents and reports provided by BMT, such as non-performing financing reports, transaction records, and internal policies regarding financing handling (Dokumen internal BMT Masalahah Gending, Laporan Pembiayaan Bermasalah, 2025). This document helps in understanding the context and provides additional information to support the results of observations and interviews.

This study aims to provide a clear and comprehensive picture of how BMT Masalahah Gending Branch responds to financing congestion and understands the experiences and perceptions of managers and customers regarding the strategy of resolving congestion financing (BMT Masalahah Gending, 2025).

## **Results and Discussion**

The financing problem of BMT Masalahah Gending Branch is a complex and multidimensional problem that needs to be carefully considered because it has the potential to affect the continuity of the institution and the trust of members. Based on interview data, micro and small customers are the most often defaulted. The industry is often vulnerable to changes in raw material prices, fluctuations in consumer demand, and working capital shortages. Many member businesses are unable to develop due to uncertain local economic conditions, resulting in delayed or even non-existent installment payments. The high ratio of Non-Performing Financing (NPF) is the main indicator of serious risks to institutional liquidity. This phenomenon is not only experienced by BMT Masalahah, but also recorded in various other BMTs as the results of research by Yunisa Putri Elsanti et al. (2024) which found that weak supervision, misuse of funds, and lack of discipline of customers have also worsened the quality of financing.

### **Factors Causing Congestion**

Internally, this problem is caused by inadequate financing analysis, especially when evaluating capacity and character. Officials found it difficult to evaluate such risks because many clients did not have adequate company records. In addition, verification procedures sometimes rely only on brief interviews and social advice without supporting documentation due to the lack of analyst resources. This increases the risk of moral hazard, which includes things like misusing money for consumer goods or delaying payments even though it's still possible (Rizki et al., 2022).

Meanwhile, from the external side, influential factors include macro and local economic shocks, policy changes, and market conditions. The Covid-19 pandemic is a clear example of how many micro businesses have gone out of business so that financing at BMT has experienced a spike in congestion. Even after the pandemic, the rise and fall in the price of raw materials and energy continues to pressure members' business margins. The study of Rizki et al. (2022) confirms that BMTs and BPRS that do not prepare risk management from the beginning are more vulnerable to a surge in non-performing financing after the crisis.

### **Handling Strategies**

Persuasive tactics are the top priority of BMT Maslahah Gending Branch to overcome this problem. Direct communication, field visits, and conversations with clients are used to implement a humanist approach. The goal is to maintain social ties and trust while raising awareness that a peaceful settlement is better. If these measures do not work, financial restructuring can be carried out through contract restructuring, rescheduling, or reconditioning of terms. A study by Putra et al. (2023) shows that a similar restructuring strategy has proven to be effective in reducing institutional losses while providing space for customers to improve their businesses.

In addition to curative strategies, BMT also strengthens preventive aspects through strict monitoring. Officers conduct routine monitoring to business locations to identify symptoms of decreased performance before falling into severe congestion. Some Islamic institutions have even begun to adopt simple digitization to monitor payment flows. The study by Agustuty et al. (2023) emphasizes that the use of a digital reporting system can increase financing transparency, although in BMT its implementation is still limited due to cost constraints and technological literacy.

### **Implementation Constraints**

Apart from the formulation of the strategy that has been prepared, there are a number of challenges in its implementation. First, inadequate human resources, both in terms of quantity and quality. Monitoring is less than ideal because field officers often have to handle multiple clients at once. Second, a thorough risk analysis is a challenge due to the lack of company data. The majority of MSME clients only have incorrect basic records, instead of official financial statements. Third, there is the problem of customer resistance. There are clients who are reluctant to accept restructuring because they are afraid of adding to the burden or feeling that their self-esteem is tarnished. Fourth, technological barriers are still large, because some BMTs do not have an integrated reporting system that can detect delays in real time. Fifth, external factors that are difficult to predict, such as natural disasters or policy changes, make financing risks even higher (Elsanti et al., 2024).

### **Comparison with Cutting-edge Theory**

Over the past five years, BMT Maslahah Gending's approach has really moved towards more relevant practices compared to Islamic financing risk management theory. Exchange theory highlights the importance of implementing early warning systems, digitizing risk monitoring, and an emphasis on preventive, rather than curative, measures. Islamic institutions that strictly adhere to conservative principles from the financial analysis stage are generally more resilient to economic turmoil, according to research by Samsuri and Zulaiha (2024).

In addition, flexibility in the contract is also an important part. A study at BMT UGT Sidogiri (2024) shows that the conversion of the contract from Murabahah to Mudharabah can be an alternative solution when the old scheme is not possible.

### **Implications and Recommendations**

Through rigorous training in business analysis, risk management, and effective communication, the Gending Branch of BMT Maslahah must increase its human resource

capacity to strengthen its strategy. Customers must be required to provide verifiable basic records to strengthen the company's data collection system. Even basic technology tools, such as Android-based reporting apps or centralized monitoring spreadsheets, can help with early detection of hazards. Standard Operating Procedures (SOPs) for restructuring, including requirements for customers eligible for restructuring, should also be tightened and more transparent. Education to members about the importance of business registration, payment discipline, and moral responsibility in sharia financing must also be intensified.

### **Final Synthesis**

In line with the principle of prudence in Islamic finance, the approach of BMT Masalahah Gending Branch as a whole includes preventive, therapeutic, and persuasive elements. However, there are still obstacles related to technology, documents, and limited resources. Increasing human resources, digitizing monitoring, and educating members are crucial steps that need to be taken immediately so that BMT can be more resilient in facing funding constraints. Thus, the organization will maintain its financial continuity while strengthening the moral and ethical principles that guide it.

### **Conclusion**

One of the main problems faced by BMT, especially the Gending Branch of BMT Masalahah, is financing difficulties. This phenomenon is influenced by external factors such as price fluctuations, unstable economic conditions, and unforeseen crises, as well as internal factors such as inadequate funding analysis and weak monitoring mechanisms. BMT remains committed to maintaining the continuity of its members' businesses while preserving financial stability, as reflected in its persuasive policies, financial restructuring, and enhanced supervision. However, several obstacles still need to be addressed, particularly regarding human resource capacity, technology utilization, and customer discipline in fulfilling obligations. Therefore, strengthening human resources, improving the business registration system, digitizing monitoring processes, and educating members are key steps to improving financing quality in the future. With a more comprehensive strategy and support from all stakeholders, BMT is expected not only to overcome problematic financing but also to strengthen its role as an Islamic microfinance institution that enhances members' welfare, based on the principles of justice, togetherness, and blessing (barakah).

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