



IHTIFAZ

JOURNAL OF ISLAMIC ECONOMICS, FINANCE AND BANKING

UNIVERSITAS AHMAD DAHLAN

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Vol. 2, No. 1, Juni 2019, pp. 55-72
ISSN p:2622-4755 e:2622-4798.
DOI: <https://doi.org/10.12928/ijiefb.v2i1.736>

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<https://doi.org/10.12928/ijefb.v2i1.736>

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Journal of
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Vol. 2, No. 1, Juni 2019,
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Abstract

The purpose of this study is to measure the impact of BMT on poverty alleviation in Bandung, as the capital city of West Java with the biggest population province in Indonesia. This study is incorporates income variables of micro-entrepreneur's household, as well as the spiritual level indicator of micro-entrepreneur before and after they received financing from BMT. This is an impact assessment research. Any necessary information for this study will be extracted using empirical method. The primary data obtained through in-depth questionnaires in Bandung, Indonesia. The first object of impact assessment on this study is a group of micro-entrepreneurs that already using financing program from BMT one year or more, and second object is a group of micro-entrepreneurs that less than one year using BMT financing. To measure the impact of the BMT before and after financing on spiritual levels, this research using the pair-t test. The results of this study can be concluded that the number of poor micro-entrepreneurs in Bandung has been decreasing since they received BMT financing and BMT has influencing poverty alleviation among micro-entrepreneurs.

Keywords: Islamic Microfinance, Poverty Alleviation, Micro-Entrepreneur

Abstrak

Tujuan dari penelitian ini adalah untuk mengukur dampak BMT dalam pengentasan kemiskinan di Bandung, sebagai ibu kota Jawa Barat dengan populasi provinsi yang terbesar di Indonesia, tidak hanya berdasarkan tingkat materi tetapi juga pada tingkat spiritual. Studi ini mengamati variabel pendapatan rumah tangga wirausaha mikro, serta indikator tingkat spiritual wirausaha mikro sebelum dan setelah mereka menerima pembiayaan dari BMT.



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Ini adalah penelitian penilaian dampak. Setiap informasi yang diperlukan untuk penelitian ini akan dihasilkan dengan menggunakan metode empiris. Data primer diperoleh melalui kuesioner secara mendalam di Bandung, Indonesia. Objek pertama penilaian dampak pada studi ini adalah sekelompok pengusaha mikro yang sudah menggunakan program pembiayaan dari BMT selama satu tahun atau lebih, dan objek kedua adalah kelompok pengusaha mikro yang kurang dari satu tahun menggunakan pembiayaan BMT. Untuk mengukur dampak BMT sebelum dan sesudah pembiayaan pada level spiritual, penelitian ini menggunakan t-test berpasangan. Hasil penelitian ini dapat disimpulkan bahwa jumlah pengusaha mikro miskin di Bandung telah menurun sejak mereka menerima pembiayaan BMT dan BMT telah mempengaruhi pengentasan kemiskinan di kalangan pengusaha mikro.

Kata Kunci: Lembaga Keuangan Mikro Syariah, Pengentasan Kemiskinan, Pengusaha Mikro

INTRODUCTION

Islamic microfinance can fill up the needs of inclusion for the poor in financial system as well as providing the Muslim clients the Islamic alternative that are more in line with their religious and cultural needs. 650 million Muslims in the world are living below the poverty line, with less than \$2 per day income. Meanwhile, Islamic microfinance services only attempted to get 1.3 million Muslims out of poverty out of 650 million, whereas remaining 649 million Muslim, living in poverty, are still looking forward to any financial assistance through Islamic means (Tariqullah and Obaidullah, 2008).

Microfinance program is become more significant as the main contributor in creating new job opportunities and generating income for the purpose of increasing social and economic status of the poor and alleviating poverty. The integration of entrepreneurial concept, training and microenterprise into microfinance program also contributes in increasing the effectiveness of the program. Islamic microfinance program (IMP), which is based on Shariah and Islamic finance concept, has a very high potential in helping the poor people to expand and diversify their economic activities, increase their income and improve their social well-being. (Nawai, 2018).

Muhammad Yunus (1999) offered solution to world poverty that founded on the belief that credit is a fundamental human right: lend poor people money on terms that are suitable for them, teach them a few sound financial principles, and they will help themselves. Yunus is the founder of the Grameen Bank in Bangladesh, known as a pioneer of the microcredit concept that uses small loans made at affordable interest rates to transform the lives of impoverished people, mostly women. Yunus and Grameen were jointly awarded the Nobel Peace Prize in 2006. Study conducted by Khandker (1995) in Bangladesh

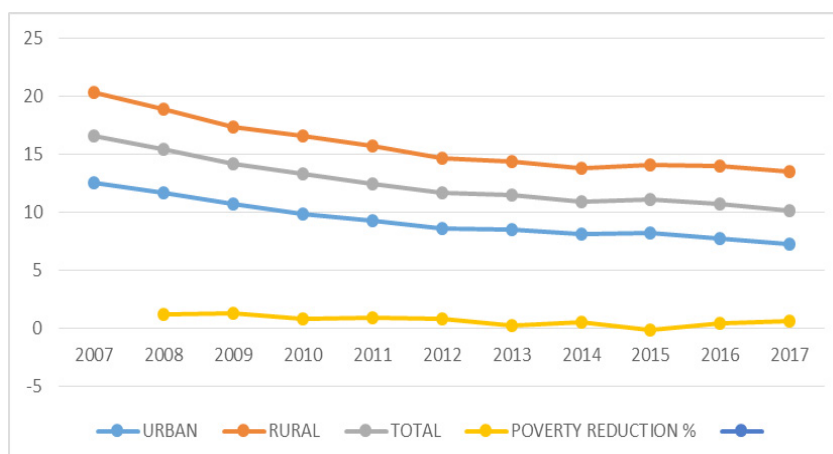
has focused on Grameen Bank, and Bangladesh Rural Advancement Committee (BRAC). He found that microcredit alleviated poverty up to 5 percent annually (in Shirazi and Khan, 2009). Moreover, Rena, Ravinder and Ghirmai (2006) found that microfinance is the founding stone for poverty reduction. They showed that there is a fundamental linkage between microfinance and poverty eradication (in Durrani et al, 2011).

In Indonesia, Islamic microfinance institutions were established through the presence of Baitul Mal wa Tamwil (BMT), the most popular type of Islamic microfinance institutions. The potential clients of the Islamic microfinance are the micro-entrepreneurs that operates their activities mostly at the traditional markets, known as micro-entrepreneurs.

SMERU Research Institute (2007) mentioned that almost every traditional market in Indonesia still have to tumble with the internal market problem, such as bad market management, the insufficient of market facilities and infrastructures, and the difficulties of traditional market entrepreneurs to get working capital. BMT as Islamic microfinance institution, in the nearest traditional market, give the easiest access (no collateral, faster process) to micro-entrepreneur to earn financing that normally they do not get from banking institutions. The impact of the access to BMT program on poverty alleviation of micro-entrepreneur needs to be evaluated.

Indonesia was successful in reducing its poverty level from 10.12 percent in September 2017 to 9.82 percent in March 2018, or 25.95 million poor people in absolute terms (National Statistical Agency, 2018). Previously in 2014, the poverty level was 12 percent overall; this translated to poverty levels of 15 percent in rural areas and to about 9 percent in urban areas in 2012. (IF Social Report 2014, Thomson Reuters).

Figure 1. The Growth of Poverty Reduction in Indonesia



Source : Adaptation From Indonesia's Badan Pusat Statistik (National Statistical Agencies)

Figure 1 above shows that poverty level in Indonesia has been reduced for the past 10 years but at the same time the reducing level was slowed down. The poverty reduction percentage show slowed down from year to year with the exception of 2015 to 2016, because in 2015 the number of poor people has increased since 2014. But overall from 2008 to 2017 the reducing level of poverty has been slowed down.

According to National Statistical Agencies (2010), West Java is the biggest population province in Indonesia. It has 43,053,732 people in 2010, and 10 percent of them are micro-entrepreneurs. These micro-entrepreneurs are "economically active poor" according to World Bank (Robinson, 2001). They earn their livelihoods by being self-employed or by working in microenterprises (very small businesses which may employ up to 4 people). These micro-entrepreneurs make a wide range of goods in small workshops; engage in small trading and retail activities; make pots, pans and furniture; or sell fruits and vegetables (UNDP, 1999). In Indonesia there are three provinces region that has the biggest Baitul Mal Wa Tamwil (BMT) institutions: West Java, East Java and Central Java. The biggest number of BMT located in West Java with 637 BMTs, East Java has 600 BMTs, while the number of BMTs in Central Java is 513 (Muhammad Kholim, 2004).

The growth of BMTs as Islamic microfinance institution seems contradictory to the slowing down of growth of poverty reduction. This raise question for this study: is there any impact of Islamic microfinance on the poverty alleviation in Indonesia? Therefore, this study proposes to investigate whether there is any impact of Islamic microfinance on the poverty alleviation in Indonesia.

It is known that Islamic microfinance institutions in Indonesia has 60 percent of their market segment in micro-entrepreneurs. This makes microfinance sector as one of important factor in the country effort to reducing poverty. Especially those micro-entrepreneurs in traditional markets which are the closest trading activities to the livelihood of society. The impact of access to BMT financing needs to be evaluated in alleviating poverty of micro-entrepreneurs. This research try to fill the gap in the study of poverty alleviation in general, as well as Islamic microfinance in particular on poverty alleviation of micro-entrepreneur, that mostly only measuring the material aspect and not cater the spiritual aspect of the recipient financing program.

METHODOLOGY

Methodology is defined as a general approach to conduct a particular research topic. This research is an impact assessment research. Any necessary information for this study will be extracted using empirical method.

This research will make assessment on the influence of BMT financing program on household income and spiritual level of micro-

entrepreneur, by examining their level condition of poverty before they join BMT financing program and their level condition after they join the BMT program. To measure the impact of the BMT before and after financing on spiritual levels, this research compare their means using the pair-t test.

According to Beik and Arsyanti (2015), if a person both suffer poverty (material and spiritual needs) it means he or she is at the absolute poor condition. On the other hand, if a person is on a condition that can fulfill both material and spiritual needs, it means he or she has reach the "sejahtera" level of life. For the purpose of this study, the researcher adapting the CIBEST model from Beik and Arsyanti (2015) to determine the spiritual aspects of business performance. There are five variables of basic spiritual aspects that could impacting the business performance of micro-entrepreneurs: practicing shalat (prayer), practicing saum (fasting), paying zakat, business environment, and government policy environment. This CIBEST model has officially being use by National Zakat Agency (Baznas) in Indonesia.

Table 1. Spiritual Needs Indicator Based on CIBEST Model

Variables	Likert Scale					Poverty Standard
	1	2	3	4	5	
Prayer	Blocking other to pray	Against the concept of prayer	Performing obligatory prayer but not on regular basic	Always performing obligatory prayer but not in recommended prayer	Performing prayer for obligatory one and perform recommended prayer	
Saum (Fasting)	Blocking other to undertake fasting	Against the concept of Fasting	Not fully Performing obligatory fasting	Performing only obligatory fasting	Performing obligatory Fasting and recommendable Fasting	Average score for spirituals poor is equal to 3 (SV= 3)
Zakat And infaq	Blocking other to pay zakat and infaq	Against the concept of Zakat and infaq	Not paying infaq at least once in a year	Paying zakat al fitrah and zakat al maal	Paying zakat al fitr, zakat al maal and infaq	
Business Environment	Forbid ibaadah	Against implementation of ibaadah	Consider ibaadah as private matter for household member	Support the practicing of ibaadah	Establishing conducive environment to always practicing ibaadah	
Government Policy Environment	Forbid ibaadah	Against implementation of ibaadah	Consider ibaadah as private matter	Support practicing of ibaadah	Establishing conducive environment to always practicing ibaadah	

Source: Beik and Arsyanti (2015)

Spiritual line (SV) is derived from five variables explained in the above sub section. It is the line showing actual spiritual condition of the micro-entrepreneur. Likert scale is used to assist the evaluation of

micro-entrepreneur spiritual condition. Table 1 provides the indicators of the five variables of spiritual needs.

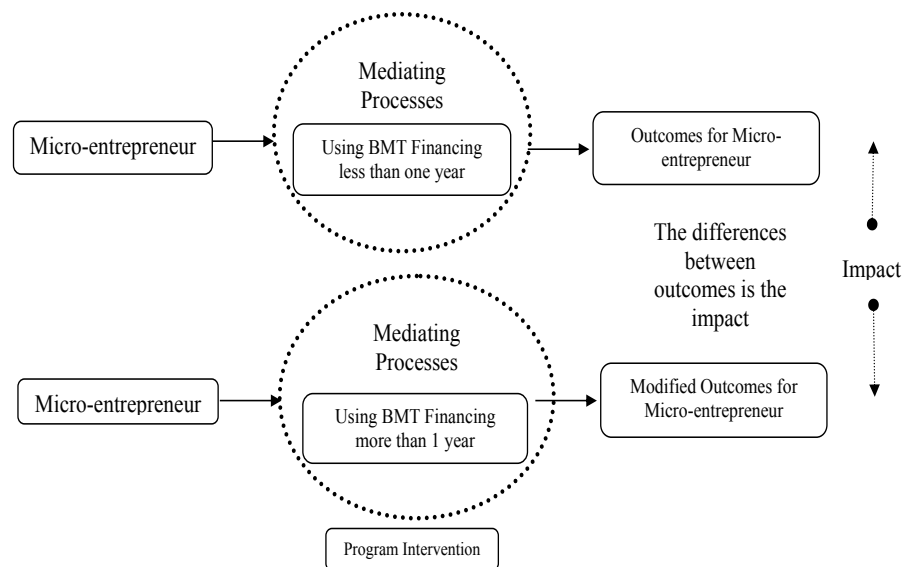
The Likert scale used is ranging from 1 to 5. The value of 1 shows the worst indicator while that of 5 indicates the best condition. Spiritual standard, which separates spiritually poor micro-entrepreneur and spiritually rich micro-entrepreneur, is determined to be equal to 3. Mathematically, it can be written as follow.

$$SV = 3 \dots\dots\dots (6)$$

whereby:

SV = absolute line (standard) for spiritual poverty

Figure 2. Model of Impact Assessment of Microfinance



Source: Adaption from David Hulme, 2000

Impact assessment is to assess the difference in the values of key variables between the outcomes on “agent” (individual, enterprises, household, population, policy maker, etc.) which have experienced an intervention against the values of those variables that would have occurred has there been no intervention (David Hulme, 2000).

The object of impact assessment on this study is a group of micro-entrepreneurs that already using financing program from BMT one year or more, this group is Treatment Group (V_1). And second object is a group of micro-entrepreneurs that less than one year using BMT financing, as control group (V_0).

The primary data obtained through in-depth questionnaires in Bandung, Indonesia. Bandung is the capital city of West Java, the biggest population province in Indonesia. 20% of total number of West Java micro-entrepreneurs are located in Bandung.

Location

This research has been taken place at Bandung, West Java to micro-entrepreneurs who has been receiving financing program from Baitul Maal Wat Tamwil.

Time of Research

The questionnaire has been conducted from December 2018 to February of 2019.

Sample of Research

Sample of this research are the micro-entrepreneurs who has been receiving financing program from Baitul Maal Wat Tamwil as mentioned above. The biggest number BMT located in West Java with 637 BMTs (Kholim 2004), or around 15% of the total BMTs in Indonesia. According to latest estimates there were 1.5 million micro-entrepreneurs as recipients of micro-financing from BMTs in Indonesia (Thomson-Reuters, 2014). It is estimated the number of micro-entrepreneur in West Java is 15% of the 1.5 million or equal with 240,000 micro-entrepreneurs, and 20% of them are located in Bandung as capital city of West Java.

Since we have no idea about the population's behavior, we used Slovin's formula to find the sample size.

Slovin Formula

$$n = \frac{N}{1 + Ne^2}$$

where : n = sample, N = Population, e = confidence level

This study would use a 95% confidence level, with a population size of 240,000. From the formula, we can gets :

$$n = \frac{48,000}{1 + (48,000 \times 0.05^2)}$$
$$n = 80$$

Therefore, the number of sample is 80 micro-entrepreneurs.

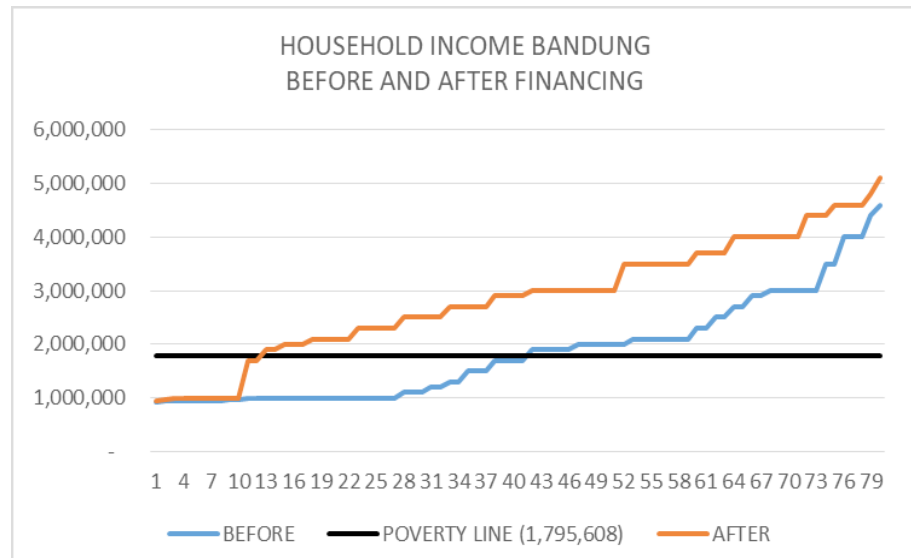
FINDINGS AND DISCUSSION

This section will explain about findings and comprehensive discussion of the research.

Household Income Before And After BMT Financing

First section will explain findings of the research, which is about household income before and after BMT financing.

Figure 3. Household Income Before and After, in Bandung



Source: Primary Data, 2019

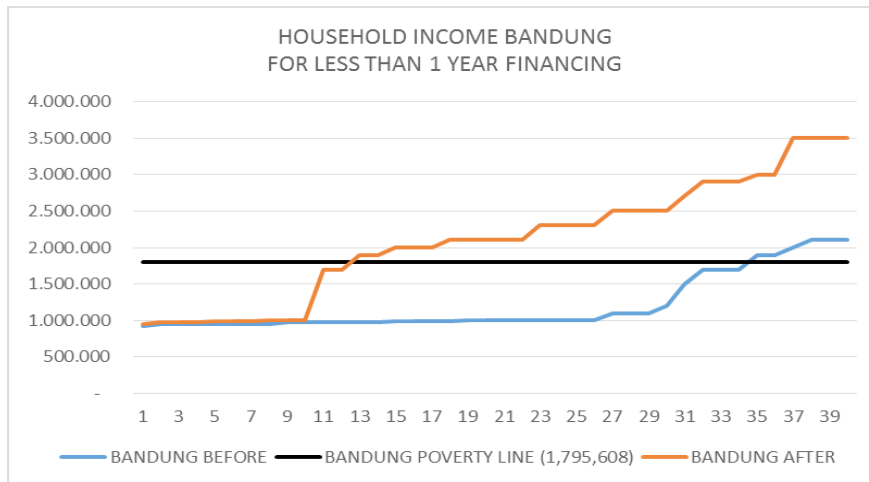
The above figure 3, describe the household income level, before and after micro-entrepreneurs received BMT financing in Bandung.

Based on Indonesia’s National Statistical Board data on September 2018, the household poverty line in Bandung are at IDR 1,795,608 level. Before BMT financing, there are 41 household out of 80 respondents, i.e. micro-entrepreneurs, that has income below poverty line of Bandung. While after BMT financing, there are only 12 household of micro-entrepreneurs that has income below poverty line of Bandung.

It means the number of poor micro-entrepreneurs in Bandung has been decreasing since they received BMT financing and BMT has influencing poverty alleviation among micro-entrepreneurs household.

This research then take further steps in categorizing household income between those respondents whom has BMT financing for less than 1 year and see if any difference with those whom received BMT financing for more than 1 year.

Figure 4. Household Income Bandung, For Less Than 1 Year Financing

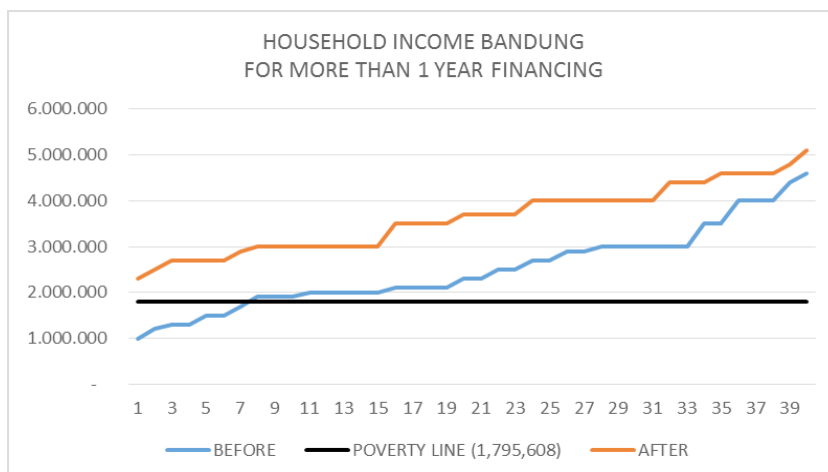


Source: Primary Data, 2019

The above figure 4, describe the household income level for less than one year financing, before and after micro-entrepreneurs received BMT financing in Bandung.

Using the same household poverty line in Bandung at IDR 1,795,608 level, based on Indonesia’s National Statistical Board data on September 2018, it can be concluded that before BMT financing, there are 34 household out of 40 respondents, i.e. micro-entrepreneurs, that has income below poverty line of Bandung. While after BMT financing, there are only 12 household of micro-entrepreneurs that has income below poverty line of Bandung.

Figure 5. Household Income Bandung, For More Than 1 Year Financing



Source: Primary Data, 2019

Figure 5 above, describe the household income level for more than one year financing, before and after micro-entrepreneurs received BMT financing in Bandung.

Using the same household poverty line in Bandung at IDR 1,795,608 level, based on Indonesia’s National Statistical Board data on September 2018, it can be concluded that before BMT financing, there are 8 household out of 40 respondents, i.e. micro-entrepreneurs, that has income below poverty line of Bandung. While after BMT financing, there are none of household of micro-entrepreneurs that has income below poverty line of Bandung.

By comparing between two periods of BMT financing for respondents, i.e. less than one year financing and more than one year financing, it can be concluded that those with more than one year BMT financing period are more successful in alleviating poverty among micro-entrepreneurs household. Even though in general, both period of BMT financing are successful in alleviating poverty of micro-entrepreneurs in Bandung.

Spiritual Level Before And After BMT Financing

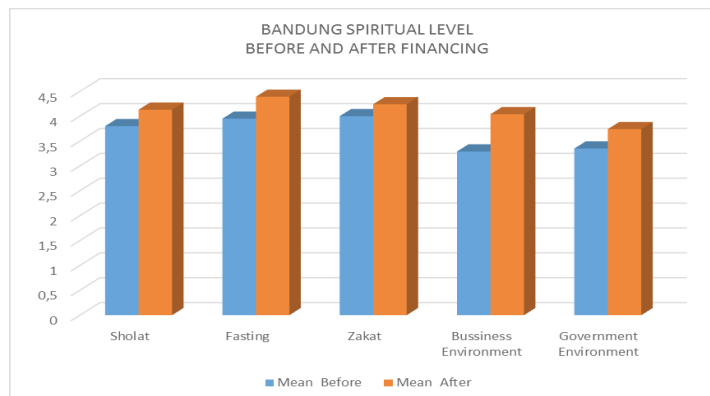
This section will discuss the findings in spiritual level of micro-entrepreneurs after they received BMT financing. To measure the impact of the BMT before and after financing on spiritual levels, this research using the pair-t test.

Table 2. Bandung Spiritual Level Before and After Financing

		Paired Samples Statistics						
		Mean		N	Std. Deviation		Std. Error Mean	
		Before	After		Before	After	Before	After
Pair 1	Sholat	3.8	4.13	80	0.403	0.603	0.045	0.067
Pair 2	Fasting	3.95	4.39	80	0.219	0.584	0.025	0.065
Pair 3	Zakat	4	4.24	80	0	0.428	0	0.048
Pair 4	Business Environment	3.29	4.04	80	0.455	0.702	0.051	0.068
Pair 5	Government Environment	3.35	3.74	80	0.48	0.611	0.054	0.068

Source: Primary Data, 2019

Figure 6. Bandung Spiritual Level Before and After Financing



Source: Primary Data, 2019

From the table 2 and Figure 6, it can be concluded that the spiritual level of micro-entrepreneurs after BMT financing are above the level of poor, for all variables: shalat (prayer), fasting, *zakat* and *infaq*, business environment are at the level above 4, while government policy environment only slightly below 4.

Based on spiritual business performance indicator, shalat (prayer) variables are categorized as 5 scales:

- 1 = Blocking other to pray
- 2 = Against the concept of prayer
- 3 = Performing obligatory prayer but not on regular basic
- 4 = Always performing obligatory prayer but not in congregational prayer
- 5 = Performing congregational prayer for obligatory one and perform recommended prayer

In terms of shalat (prayer), after BMT financing it is at the level of 4.13, it means they are always performing obligatory prayer but not in congregational prayer. This is an improvement than before BMT financing when it was at the level of 3.80.

In terms of fasting variables, it is categorized into 5 scales:

- 1 = Blocking other to undertake fasting
- 2 = Against the concept of fasting
- 3 = Not fully performing obligatory fasting
- 4 = Performing only obligatory fasting
- 5 = Performing obligatory fasting and recommendable fasting

In the fasting variables, after BMT financing it is in level 4.39, which means that they are performing obligatory fasting. This also an improvement from before BMT financing when it was in level 3.95, which is actually slightly below level 4 as a standard level of spiritually rich.

Based on spiritual business performance indicator, *zakat* and *infaq* variables are categorized as 5 scales:

- 1 = Blocking other to pay zakat and infaq
- 2 = Against the concept of zakat and infaq
- 3 = Not paying infaq at least once a year
- 4 = Paying zakat al fitrah and zakat al maal
- 5 = Paying zakat al fitrah, zakat al maal and infaq

After BMT financing they already paying zakat al fitrah and zakat al maal, which is in level 4.23. This is not much different changes compare with before they received BMT financing, which is at that time already at level 4.

Based on spiritual business performance indicator, business environment variables are categorized as 5 scales:

- 1 = Forbid ibaadah
- 2 = Against implementation of ibaadah
- 3 = Consider ibaadah as private matter for employee member
- 4 = Support execution of ibaadah
- 5 = Creating environment which obligates execution of ibaadah

In terms of business environment, the mean level is at 4.24 after the micro-entrepreneurs received financing from BMT, because they started to realize that *ibadaah* is matter and give positive impact on their business environment, so they support execution of *ibadaah*. The mean level is at 4.04 before the micro-entrepreneurs received financing from BMT.

Lastly, based on spiritual business performance indicator, government policy environment variables are categorized as 5 scales:

- 1 = Forbid ibaadah
- 2 = Against implementation of ibaadah
- 3 = Consider ibaadah as private matter
- 4 = Support execution of ibaadah
- 5 = Creating environment which obligates execution of ibaadah

After the micro-entrepreneurs received BMT financing, they are at level 3.74 for government policy environment, in other words they consider *ibadaah* as private matter. This is not much different changes compare with before they received BMT financing, which is at level 3.35.

This research then take further steps in categorizing spiritual level between those respondents whom has BMT financing for less than 1 year and see if any difference with those whom received BMT financing for more than 1 year.

Spiritual Level For Less Than 1 Year Financing

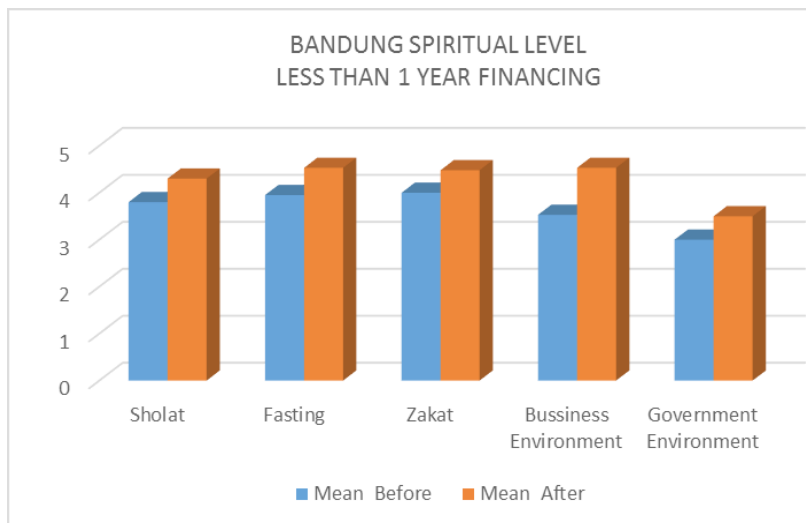
Below are table and figure for spiritual level for respondents whom received BMT financing for less than 1 year.

Table 3. Bandung Spiritual Level For Less Than 1 Year Financing

		Paired Samples Statistics						
		Mean		N	Std. Deviation		Std. Error Mean	
		Before	After		Before	After	Before	After
Pair 1	Sholat	3.8	4.3	40	0.405	0.564	0.064	0.089
Pair 2	Fasting	3.95	4.53	40	0.221	0.554	0.035	0.088
Pair 3	Zakat	4	4.48	40	0	0.506	0	0.08
Pair 4	Business Environment	3.53	4.53	40	0.506	0.506	0.08	0.08
Pair 5	Government Environment	3	3.5	40	0	0.506	0.0	0.08

Source: Primary Data, 2019

Figure 7. Bandung Spiritual Level For Less Than 1 Year Financing



Source: Primary Data, 2019

From the table 3 and Figure 7, it can be concluded that the spiritual level of micro-entrepreneurs after less than one year of BMT financing are above the level of poor, for all variables: shalat (prayer), fasting, *zakat* and *infaq*, business environment are at the level above 4, while government policy environment only 3.5.

Based on spiritual business performance indicator, shalat (prayer) variables are categorized as 5 scales:

- 1 = Blocking other to pray
- 2 = Against the concept of prayer
- 3 = Performing obligatory prayer but not on regular basic
- 4 = Always performing obligatory prayer but not in congregational prayer
- 5 = Performing congregational prayer for obligatory one and perform recommended prayer

In terms of shalat (prayer), after BMT financing it is at the level of 4.3, it means they are always performing obligatory prayer but not in congregational prayer. This is an improvement than before BMT financing when it was at the level of 3.80.

In terms of fasting variables, it is categorized into 5 scales:

- 1 = Blocking other to undertake fasting
- 2 = Against the concept of fasting
- 3 = Not fully performing obligatory fasting
- 4 = Performing only obligatory fasting
- 5 = Performing obligatory fasting and recommendable fasting

In the fasting variables, after BMT financing it is in level 4.53, which means that they are performing obligatory fasting. This also an improvement from before BMT financing when it was in level 3.95, which is actually slightly below level 4 as a standard level of spiritually rich.

Based on spiritual business performance indicator, *zakat* and *infaq* variables are categorized as 5 scales:

- 1 = Blocking other to pay *zakat* and *infaq*
- 2 = Against the concept of *zakat* and *infaq*
- 3 = Not paying *infaq* at least once a year
- 4 = Paying *zakat al fitrah* and *zakat al maal*
- 5 = Paying *zakat al fitrah*, *zakat al maal* and *infaq*

After BMT financing they already paying *zakat al fitrah* and *zakat al maal*, which is in level 4.48. This is not much different changes compare with before they received BMT financing, which is at that time already at level 4.

Based on spiritual business performance indicator, business environment variables are categorized as 5 scales:

- 1 = Forbid *ibaadah*
- 2 = Against implementation of *ibaadah*
- 3 = Consider *ibaadah* as private matter for employee member
- 4 = Support execution of *ibaadah*
- 5 = Creating environment which obligates execution of *ibaadah*

In terms of business environment, the mean level is at 4.53 after the micro-entrepreneurs received financing from BMT, because they started to realize that *ibadaah* is matter and give positive impact on their business environment, so they support execution of *ibaadah*. The mean level is at 3.53 before the micro-entrepreneurs received financing from BMT.

Lastly, based on spiritual business performance indicator, government policy environment variables are categorized as 5 scales:

- 1 = Forbid *ibaadah*
- 2 = Against implementation of *ibaadah*
- 3 = Consider *ibaadah* as private matter
- 4 = Support execution of *ibaadah*
- 5 = Creating environment which obligates execution of *ibaadah*

After the micro-entrepreneurs received BMT financing, they are at level 3.5 for government policy environment, in other words they consider *ibaadah* as private matter. Nevertheless, this is an improvement compare with before they received BMT financing, which is at level 3.

Spiritual Level For More Than 1 Year Financing

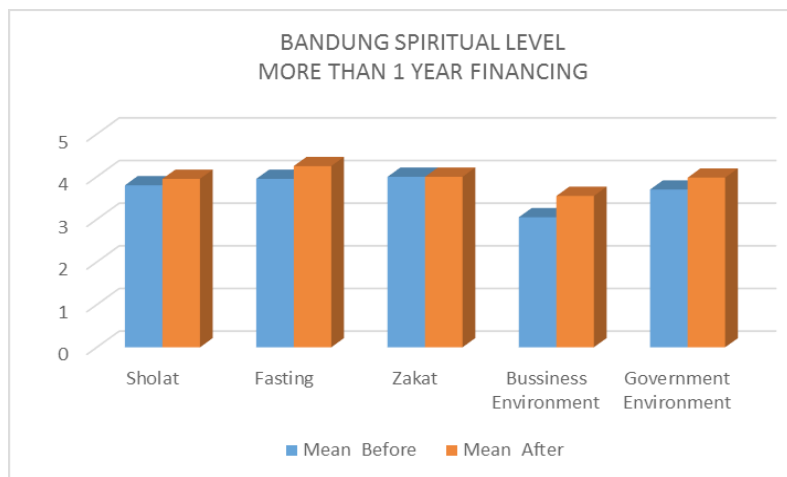
Below are table and figure for spiritual level for respondents whom received BMT financing for more than 1 year.

Table 4. Bandung Spiritual Level For More Than 1 Year Financing

		Paired Samples Statistics							
		Mean		N	Std. Deviation		Std. Error Mean		
		Before	After		Before	After	Before	After	
Pair 1	Sholat	3.8	3.95	40	0.405	0.597	0.064	0.094	
Pair 2	Fasting	3.95	4.25	40	0.221	0.588	0.035	0.093	
Pair 3	Zakat	4	4	40	0	0	0	0	
Pair 4	Business Environment	3.05	3.55	40	0.221	0.504	0.035	0.08	
Pair 5	Government Environment	3.7	3.98	40	0.464	0.62	0.073	0.098	

Source: Primary Data, 2019

Figure 8. Bandung Spiritual Level For More Than 1 Year Financing



Source: Primary Data, 2019

From the table 4 and Figure 8, it can be concluded that the spiritual level of micro-entrepreneurs after more than one year of BMT financing are above the level of poor, for variables: fasting, zakat and infaq. While the other two variables are slightly below level of poor: for shalat (prayer) with level 3.95 and government policy environment at level 3.98. For variable business environment are only at the level of 3.35 after BMT financing.

Based on spiritual business performance indicator, shalat (prayer) variables are categorized as 5 scales:

- 1 = Blocking other to pray
- 2 = Against the concept of prayer
- 3 = Performing obligatory prayer but not on regular basic

- 4 = Always performing obligatory prayer but not in congregational prayer
- 5 = Performing congregational prayer for obligatory one and perform recommended prayer

In terms of shalat (prayer), after BMT financing it is at the level of 3.95, it means they are always performing obligatory prayer but not in congregational prayer. This is an improvement than before BMT financing when it was at the level of 3.80.

In terms of fasting variables, it is categorized into 5 scales:

- 1 = Blocking other to undertake fasting
- 2 = Against the concept of fasting
- 3 = Not fully performing obligatory fasting
- 4 = Performing only obligatory fasting
- 5 = Performing obligatory fasting and recommendable fasting

In the fasting variables, after BMT financing it is in level 4.25, which means that they are performing obligatory fasting. This also an improvement from before BMT financing when it was in level 3.95, which is actually slightly below level 4 as a standard level of spiritually rich.

Based on spiritual business performance indicator, *zakat* and *infaq* variables are categorized as 5 scales:

- 1 = Blocking other to pay zakat and infaq
- 2 = Against the concept of zakat and infaq
- 3 = Not paying infaq at least once a year
- 4 = Paying zakat al fitrah and zakat al maal
- 5 = Paying zakat al fitrah, zakat al maal and infaq

After BMT financing they already paying zakat al fitrah and zakat al maal, which is in level 4. This is not any different compare with before they received BMT financing, which is at that time already at level 4.

Based on spiritual business performance indicator, business environment variables are categorized as 5 scales:

- 1 = Forbid *ibadah*
- 2 = Against implementation of *ibadah*
- 3 = Consider *ibadah* as private matter for employee member
- 4 = Support execution of *ibadah*
- 5 = Creating environment which obligates execution of *ibadah*

In terms of business environment, the mean level is at 3.55 after the micro-entrepreneurs received financing from BMT, because they started to realize that *ibadah* is matter and give positive impact on their business environment, so they support execution of *ibadah*. The mean level is at 3.05 before the micro-entrepreneurs received financing from BMT.

Lastly, based on spiritual business performance indicator, government policy environment variables are categorized as 5 scales:

- 1 = Forbid *ibadah*
- 2 = Against implementation of *ibadah*
- 3 = Consider *ibadah* as private matter
- 4 = Support execution of *ibadah*
- 5 = Creating environment which obligates execution of *ibadah*

After the micro-entrepreneurs received BMT financing, they are at level 3.98 for government policy environment, in other words they consider *ibadah* as private matter. Nevertheless, this is an improvement compare with before they received BMT financing, which is at level 3.7.

CONCLUSION

This study is about the impact of Islamic microfinance institution on poverty alleviation of micro-entrepreneur in Bandung, Indonesia. The growth of BMTs as Islamic microfinance institution seems contradictory to the slowing down of growth of poverty reduction. This study proposes to investigate whether there is any impact of Islamic microfinance on the poverty alleviation in Indonesia.

Based on the findings, it can be concluded that BMT has improving the micro-entrepreneur income household as well as their spiritual level. The poor level, whether it materially or spiritually, has been decreasing after micro-entrepreneur joining the financing program from BMT.

Following the above analysis of primary data and literature on this current research, it is evident there is a need to further research on the poverty that cater not just material aspects but also on spirituality aspects. This would help the government in a way to find appropriate strategy to solve the lingering problem of poverty using the model of Islamic one can offer. Further research on other aspects of BMT role on micro-entrepreneur including different location (cities or areas), impact on material aspects, as well as on spiritual aspects, is much needed.

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