



THE ROLE OF BAITUL MAAL WA TAMWIL BMT UGT NUSANTARA BRANCH OF RAAS DISTRICT IN IMPROVING THE PERFORMANCE OF UMKM

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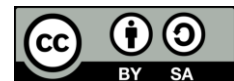
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ABSTRACT

This study focuses on the role of Baitul Maal wa Tamwil (BMT) UGT Nusantara, Raas Sub-district Branch Office in improving the performance of Micro, Small, and Medium Enterprises (MSMEs) in the archipelago that have limited access to conventional financing. The research method used is qualitative with a case study approach, which allows for an in-depth understanding of the socio-economic context and local characteristics through in-depth interviews, participatory observation, and documentation. Data analysis was carried out using the Miles and Huberman technique which includes data reduction, presentation, and verification. The results of the study indicate that BMT UGT Nusantara not only provides sharia-based financing through the Modal Usaha Barokah (MUB) program with the Rahn contract, but also provides mentoring and entrepreneurship education that significantly increases the managerial capacity and productivity of MSMEs. The success of BMT in encouraging increased income and expansion of MSME businesses cannot be separated from the support of social capital and the active role of the sub-district government. The implications of this study emphasize the importance of Islamic microfinance institutions as agents of holistic local economic empowerment, as well as the need to develop integrated financing programs with assistance to ensure the sustainability and inclusiveness of MSME growth in remote areas.

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1. INTRODUCTION

In the configuration of the Indonesian national economy, Micro, Small, and Medium Enterprises (MSMEs) occupy a strategic position as a fundamental instrument in people-based economic development (Anggraeni et al., 2021). MSMEs are not merely marginal economic actors, but productive actors that support the structure of national economic resilience, while contributing to structural transformation at the local and national levels. Based on data from the Coordinating Ministry for Economic Affairs of the Republic of Indonesia (2024), MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and absorb around 97% of the active workforce (Meisah, 2025). Specifically, the contribution of MSMEs in East Java Province reached 59.18% of the Gross Regional Domestic Product (GRDP), while in Sumenep Regency it was recorded that it contributed 2% to the local GRDP (BPS Sumenep, 2024). This reality confirms that MSMEs have systemic significance in

supporting local economic resilience, especially in the context of underdeveloped and island regions (Novitasari & Imaningsih, 2024).

However, disparity in access to financing is a structural obstacle experienced by MSMEs, especially in peripheral areas such as Raas District, Sumenep Regency. Minimal connectivity with formal financial institutions, low financial literacy, and weak institutional support are determinant factors that hinder the competitiveness and expansion capacity of MSMEs. This phenomenon is in line with the institutional theory perspective put forward by North (1990), which emphasizes the importance of the existence of institutions as structural tools that can reduce uncertainty and increase the efficiency of economic interactions (Fatoni & Prasetyanto, 2022). In this context, the existence of microfinance institutions based on local values and sharia principles has great potential as an intervention mechanism to address the stagnation of MSME productivity in remote areas.

One of the prominent institutional entities in this context is Baitul Maal wat Tamwil (BMT) UGT Nusantara. This institution not only articulates the function of sharia-based financial intermediation, but also carries out the role of driving socio-economic transformation at the grassroots level. The excellence of BMT UGT Nusantara is reflected in national achievements such as the best information technology innovation, the largest asset management, and institutional performance that is adaptive to market dynamics (Zaharani, 2024). Ideologically, BMT UGT Nusantara integrates the principles of Pancasila, the constitutional values of the 1945 Constitution, and Islamic economic ethics, creating an institutional paradigm based on the principles of justice, independence, and professionalism.

In the local context, BMT UGT Nusantara Raas Branch Office is present as an economic transformation agent that addresses market failures and inequality in access to capital that have been structural problems for coastal communities. Since it began operating in 2018, this institution has proactively provided inclusive financial services based on sharia contracts, strengthened the capacity of micro-enterprises, and fostered a more adaptive local entrepreneurial ecosystem. Daulay & Perkasa, (2023) noted that BMT in Raas has contributed significantly to increasing MSME productivity and expanding financial inclusion through a participatory approach and strengthening local values.

The results of Oktapian & Fauzi's research, (2023) revealed that BMT institutions have been empirically proven to have a strategic role in reducing the level of financial exclusion, increasing the welfare of the poor, and reducing dependence on exploitative non-formal financing institutions. Meanwhile, Sihotang, (2021) emphasized that the BMT institutional model is very relevant in the context of marginal areas, because it is able to reach economic groups that have been excluded from the formal financial system. These three studies provide a strong theoretical and empirical foundation, but have not specifically discussed the dynamics of the institutional role of BMT in the context of islands such as Raas which have unique geographical, cultural, and infrastructure challenges. This is where the research gap lies that needs to be explored further.

The literature gap can be seen from the absence of studies that comprehensively analyze the contribution of BMT in improving the performance of MSMEs in island areas that are geographically marginalized from the national economic system. Therefore, this study is here to fill this gap by examining in depth how the working mechanisms, institutional strategies, and direct impacts of BMT UGT Nusantara Capem Raas on local MSMEs. By referring to the institutional approach, this study is expected to enrich the treasury of Islamic economics and the development of inclusive institutions in underdeveloped areas.

The novelty of this study lies in the contextual analysis approach that integrates the institutional economic perspective with Islamic microfinance practices in the archipelago. This study not only offers a unique empirical dimension, but also presents a conceptual model of how non-bank financial institutions can transform into catalysts for local development based on participation and social justice. This novelty is expected to encourage the replication of the BMT institutional model in other areas facing geographical isolation and limited access to financing.

Thus, the main objective of this study is to analyze the institutional role of BMT UGT Nusantara, Raas Sub-district Branch in improving the performance of MSMEs in the region. This objective is relevant and urgent considering the strategic role of BMT as a non-state actor that is able to bridge the structural gap in financial access and community economic empowerment. This study is expected to provide theoretical and practical contributions in efforts to strengthen a resilient, inclusive, and equitable local economy within the framework of Islamic economics.

2. RESEARCH METHODS

This study uses a qualitative research type with a case study approach. This approach was chosen because the study aims to understand in depth the role of Baitul Maal wa Tamwil (BMT) UGT Nusantara Branch Office of Raas District in improving the performance of MSMEs. Case studies allow exploration of complex socio-economic contexts and unique local characteristics, so that the data obtained is holistic and rich in meaning. Qualitative methods were chosen over quantitative or mixed methods because they focus on understanding social processes and relations that cannot be reached with numerical data or surveys alone (Dakir et al., 2021).

Data collection was carried out through in-depth interviews, participatory observation, and documentation. The location of the study was Raas District, Sumenep Regency, an island region that has limited access to conventional financing so that it is relevant to the focus of the study. The informants were selected purposively, totaling 6 people, consisting of 3 BMT managers and 3 MSME actors who are members of BMT, in order to provide a representative picture of the role and impact of BMT. Direct observation strengthens understanding of the interaction between institutions and business actors and local socio-economic conditions. Documentation includes financial reports, empowerment programs, and BMT activity records.

Data analysis using techniques from Miles and Huberman, consisting of three main stages of data reduction, data presentation, and drawing conclusions/verification. In the reduction stage, irrelevant data is filtered to focus on the research theme. Furthermore, the data is presented systematically in the form of narratives, tables, and diagrams to facilitate understanding of patterns and relationships. The final stage is drawing conclusions by triangulating interview data, observations, and documentation to increase the validity of the research results (Mastikawati et al., 2022). This technique allows research to explore the deep meaning of the strategic role of BMT in improving MSME performance systematically and credibly.

Table 1. The Informant Source

Respondent Code	Type of Respondent	Brief Description	Number of Respondents
BMT-01	BMT Management	Branch Manager of BMT UGT Nusantara Raas	1
BMT-02	BMT Management	Administrative Staff and Business Assistant	1
BMT-03	BMT Management	Head of Community Empowerment Division	1
UMKM-01	MSME Actor	Handicraft Business Owner, BMT Member	1
UMKM-02	MSME Actor	Culinary Entrepreneur, BMT Member	1
UMKM-03	MSME Actor	Seafood Trader, BMT Member	1

3. RESULT AND ANALYSIS

The Role of BMT UGT Nusantara, Raas Sub-district Branch Office in Supporting MSME Development.

The role of BMT UGT Nusantara, Raas Sub-district Branch Office is very strategic in supporting the development of Micro, Small, and Medium Enterprises (MSMEs) in the region. BMT not only functions as a sharia microfinance institution that provides business capital, but also as a local economic empowerment partner that actively fosters and assists MSME actors. Edok as BMT staff said that the Barokah Business Capital (MUB) program provides easy access to financing in accordance with sharia principles for MSME actors in Raas. The program uses the Rahn contract as collateral, so that it provides a sense of security and does not burden customers. This statement shows a financing mechanism based on the principles of justice and sustainability. This was also emphasized by Ayunda et al., (2025) who stated that BMT has an important role as a sharia microfinance institution that supports MSMEs through the provision of sharia-based financing and management of social funds.

In addition, Nur Mahmudi as an MSME actor who is a BMT customer explained that since receiving financing from BMT, the business he runs has experienced significant development. Not only getting capital, customers also receive coaching on financial management and business ethics in accordance with sharia principles. This statement shows that the role of BMT goes beyond just providing capital, but also includes

managerial coaching and business ethics that contribute to increasing productivity and sustainability of MSME businesses.

Another informant, Abduk Basid as a BMT assistant staff, added that the mentoring process is carried out intensively, starting from business surveys, financial management training, to periodic monitoring to minimize the risk of bad debt and help smooth the business. This participatory approach adds a social dimension to sharia microfinance, strengthening the bond of trust between BMT and business actors based on family values and social responsibility.

Table 2. The Informant Source Financing and Mentoring Program of BMT UGT Nusantara, Raas District Assistant Branch

Program	Description	Objective	Implementation Method
Barokah Business Capital (MUB)	Business capital financing based on Rahn contract with gold collateral	To facilitate access to business capital based on sharia principles	Simple application process, business survey
Business Assistance	Training in financial management, business ethics, and business monitoring	To improve managerial skills and business productivity	Individual mentoring and routine visits
Entrepreneurship Education	Periodic entrepreneurship workshops and mentoring	To develop innovation and competitiveness of MSMEs	Group training sessions and direct mentoring

The findings were further strengthened through the results of field observations conducted directly by the researcher. In this activity, the researcher witnessed intensive mentoring practices carried out by BMT officers, both at member business locations and at assistant branch offices. The training and mentoring process took place in a conducive and participatory atmosphere, reflecting the formation of synergistic and productive partnership relations in encouraging the acceleration of MSME development in the Raas District area.

As a concrete illustration, BMT UGT Nusantara Raas Assistant Branch implemented a number of superior programs including Barokah Business Capital (MUB), business mentoring, and entrepreneurship education. The MUB program offers financing facilities based on the Rahn contract with gold collateral, which significantly facilitates access to capital for MSME actors while encouraging increased production capacity. Business mentoring activities are carried out through financial management training, business ethics coaching, and monitoring mechanisms that are carried out periodically to strengthen the managerial and productivity aspects of the business. On the other hand, entrepreneurship education is packaged in the form of routine workshops and mentoring that aim to stimulate innovation and increase the adaptability of MSMEs to market fluctuations and dynamics that continue to develop.

The findings of this study by Putri & Ansori, (2024) strengthen the view that Islamic microfinance institutions such as BMT not only act as providers of financing in accordance with sharia principles, but also carry out social empowerment functions through business coaching and education. The use of the Rahn contract as a financing mechanism by BMT provides a safe alternative that is in accordance with Islamic values, so that it can minimize the social and economic risks that are usually faced by MSMEs if they use conventional financing systems.

The intensive and personal assistance reflects the success of BMT in actualizing social capital that is based on trust and solidarity of the local community. This strategy is a key element in the effectiveness of BMT interventions, especially in remote areas that still experience limited infrastructure and access to formal financial services. Thus, the function of BMT is not limited to the financing aspect alone, but also extends as an agent of socio-economic transformation that helps to realize inclusive and sustainable development at the grassroots level.

The results of field observations also emphasize that the success of BMT institutions lies in their ability to internalize the social and cultural values of the local community. A participatory, adaptive, and sustainable approach allows for harmonization between Islamic economic principles and the real needs of MSMEs. Therefore, the financing and empowerment intervention model implemented by BMT UGT Nusantara Raas Branch Office can be used as a best practice that is worthy of being replicated in other regions facing similar structural challenges.

In theory, the results of this study confirm the importance of integrating financial and non-financial aspects in empowering MSMEs. The practical implication of this finding is the need for continuous encouragement from the government and Islamic financial sector actors to develop innovative micro-financing programs that not only provide capital, but also provide comprehensive guidance. Thus, MSMEs can grow quantitatively and qualitatively, especially in terms of business management and business sustainability.

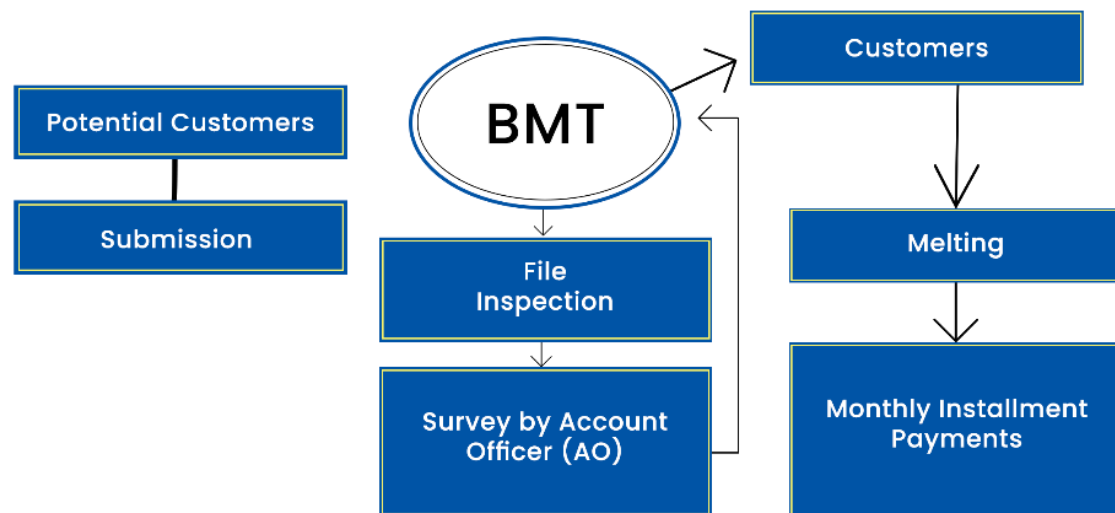


Figure 1. Financing Submission Procedure at BMT UGT Nusantara Raas Branch Office

MSME Performance Conditions Before and After Receiving Services from BMT UGT Nusantara, Raas District Branch Office

Limited access to financial services is still a significant structural obstacle to the growth of Micro, Small, and Medium Enterprises (MSMEs), especially in island areas that face geographical constraints and limited supporting infrastructure. In the Raas District area, before the presence of BMT UGT Nusantara Branch Office, the majority of MSME actors experienced difficulties in obtaining adequate capital, which directly hampered their ability to maintain stock availability, modernize production equipment, and expand their business scale. This condition is in line with the findings of Pirandang et al., (2025) who identified that low access to formal financial institutions is one of the main determinants of stagnation of the MSME sector in disadvantaged areas. Ascarya also emphasized the urgency of the presence of sharia-based microfinance institutions, such as BMT, which are able to offer inclusive financing based on the principles of justice and sustainability within the framework of Islamic economics.

Based on the results of an in-depth interview with Ahmad Fauzan, one of the MSME actors and an active customer of BMT UGT Nusantara Raas Branch Office, it is known that before obtaining access to financing from BMT, he faced a number of serious obstacles in developing his business. The main problems faced were related to limited capital, which resulted in the inability to stock goods optimally, procure production equipment, and purchase raw materials efficiently. Instability of turnover is a logical consequence of these limitations, so that business activities tend to stagnate and do not experience significant development.

This finding indicates that before the intervention of Islamic microfinance institutions, most MSME actors in the region experienced a liquidity crisis that hampered the dynamics of their businesses. This condition is reinforced by observational data showing the dominance of daily capital turnover patterns without any reserve funds for expansion. This fact reflects the importance of inclusive and adaptive financing access to local business conditions as a fundamental prerequisite in encouraging the sustainability of MSMEs.

Structural changes in the dynamics of micro businesses have begun to appear significantly since the presence of BMT UGT Nusantara Raas Branch Office as a microfinance institution that integrates financing functions with assistance based on sharia economic principles. One of the leading programs offered is Modal Usaha Barokah (MUB), a financing scheme with a Rahn (pawn) agreement based on gold collateral, which is designed efficiently and easily accessible to MSMEs. This scheme provides greater financial flexibility for business actors in managing and developing their production capacity.

Furthermore, Hosna Mufida, a business actor in the traditional culinary sector, indicated that her participation in the financing program organized by BMT had a significant impact on improving her business performance. She revealed that after obtaining capital support, the ability to access raw materials in larger

quantities increased, which directly contributed to the increase in sales volume. In addition, regular assistance from BMT officers also played a role in improving her business's financial recording system to be more orderly and structured. Thus, the intervention of Islamic microfinance institutions not only has implications for the productivity aspect of the business, but also contributes to the financial literacy process, which substantially strengthens the managerial competence and sustainability of MSMEs.

The positive impact of the intervention of Islamic microfinance institutions was also conveyed by Junaidi, a business actor in the grocery sector. He stated that before receiving financing from BMT, his business activities were limited to providing goods in limited quantities. However, after receiving access to capital, he was able to increase the variety and quantity of stock, which had an impact on increasing the frequency of customer visits. In fact, the development of his business allowed the opening of new branch units around the port. This testimony confirms that financing support that is distributed appropriately contributes to the expansion of business scale and market penetration into other strategic areas.

The effectiveness of this program cannot be separated from the integrative approach implemented by BMT, which not only includes aspects of financing, but also entrepreneurship education and personal and sustainable business assistance. The results of field observations support this narrative, where it was found that the majority of MSME actors experienced a significant increase in income after the intervention. Based on primary data collected, the average MSME income increased by 69.84%. Sectorally, the highest increase occurred in the food and beverage sector by 75%, followed by the grocery sector at 68%, and the service sector at 66.7%.

This achievement shows a causal relationship between access to sharia financing and the economic performance of MSMEs, as theorized in the endogenous growth framework (Romer, 1990), which emphasizes that capital accumulation and the availability of financing are the main drivers of increased productivity. Thus, the findings of this study affirm that the existence of BMT UGT Nusantara Capem Raas has a significant contribution to accelerating local economic dynamics. Through an inclusive, equitable, and sharia-compliant financing scheme, BMT has played a role as an empowering institution that not only provides capital, but also transforms MSMEs to be more productive and adaptive systemically.

Table 3. Average Income Before and After Receiving Services from BMT

No	Name	Average Income		Percentage
		Before	After	
1	Akhmad Molki	Rp 2.000.000	Rp 2.700.000	35%
2	Nur Mahmudi	Rp 3.000.000	Rp 3.200.000	7%
3	Ibu Alima	Rp 1.000.000	Rp 1.500.000	50%
4	Bpk Fauzan	Rp 2.700.000	Rp 3.000.000	11%
5	Bpk Moh.Jatim	Rp 2.500.000	Rp 2.800.000	12%
6	Ibu Honna	Rp 1.500.000	Rp 2.000.000	33%

Source: Processed Primary Data 2025

The table indicates that the services provided by BMT UGT Nusantara Raas Sub-district Branch Office have made a significant contribution to improving the performance of MSMEs in the Raas Sub-district, Sumenep Regency. Therefore, the existence of this BMT needs to be maintained and strengthened to ensure the continuity of its operations in the long term.

Supporting Factors and Barriers to the Effectiveness of BMT UGT Nusantara, Raas Sub-Branch in Improving MSME Performance

The results of the study indicate that the institutional effectiveness of BMT UGT Nusantara, Raas Sub-Branch is highly dependent on the synergy between structural support from the local government, strong community-based social capital, and human resource capabilities that are adaptive to the needs of the surrounding environment. Strategic support from the Raas Sub-District Government is one of the main factors, especially in facilitating the process of legalizing BMT operations and strengthening partnerships with MSME actors in the area. Nonong as the Head of the BMT Branch emphasized that the sub-district has a very important role in managing permits and socializing programs to the community. In addition, they also act as communication mediators between BMT and MSME actors, so that synergistic and sustainable cooperation is established.

This situation illustrates that the existence of adequate regulations and institutional support strengthens the legitimacy of BMT operations while accelerating the penetration of services into the local economic space. Thus, the role of local government is not only administrative, but also strategic in building collaborative networks that support community-based economic empowerment.

In line with that, social capital formed through collective trust and ethical norms based on sharia principles becomes the foundation that strengthens the bonds of solidarity between BMT and the community. One of the UMKM actors, Alima Khoiriah, stated that BMT has become a strategic partner for them, helping many members in obtaining business capital, and providing a sense of comfort because the application of sharia principles eliminates burdensome interest burdens.

The statement emphasized that BMT does not merely function as a conventional economic institution, but also as a financial inclusion institution that prioritizes the values of justice and sustainability in its operations, beyond mere transaction functions. This is reinforced by the statement of a business actor who said that, Having accessed loans at BMT several times, and the services provided are very responsive and consistent accompanied by training in business financial management. The statement emphasized the strategic role of BMT in empowering the managerial capacity of MSMEs through a holistic and sustainable approach.

One of the institutional innovations of BMT UGT Nusantara, Raas Sub-Branch that received significant appreciation from customers was the ease of access to financing by only requiring an Identity Card (KTP) as the main administrative requirement. The Head of the Financing Unit explained that this mechanism reflects BMT's commitment to providing inclusive services, especially for MSMEs who are included in the lower middle economic segment, who have often experienced obstacles in accessing conventional financial services. This approach allows business actors who do not yet have formal business legality, but have strong social credibility in the community, to obtain access to financing through simpler procedures without ignoring the principle of prudence that is the basis for BMT operations.

In order to maintain service quality, Head of Financing Unit, Hendi Kurniyawan, revealed that all staff routinely attend training and performance evaluations. This practice is a real form of institutional efforts in maintaining the professionalism of human resources and implementing competency-based management that focuses on improving the quality of service to the community.

Participatory and educational services are the institutional strength of BMT. Assistance is carried out comprehensively starting from the application stage, distribution, to monitoring the use of funds, accompanied by financial literacy education for MSME actors. One of the BMT staff, Ahmad Basid, said that BMT strives for MSME actors to understand the entire process and feel supported, not just loan transactions. This empathetic and humanistic service nuance emphasizes that the relationship between BMT and customers is not only based on economic relations, but also builds meaningful social relations. This is reinforced by the confession of a customer, who stated that the service at BMT is very patient and friendly.

The results of field observations show that interpersonal communication carried out by BMT staff pays close attention to educational aspects and is adjusted to the socio-cultural context of coastal communities. Information is conveyed inclusively and adjusts to the level of financial literacy of customers which is still relatively low. This communication model is in line with Robbins' theory (2003) which emphasizes that organizational effectiveness depends on the ability to adapt strategies in specific social contexts (Muhammada & Simamora, 2025).

Despite being supported by various supporting factors, BMT UGT Nusantara Raas Branch still faces a number of internal and external obstacles. The main internal obstacle is related to limited capital that still relies on member savings. The Head of Finance revealed that BMT's capital still comes from member savings, so that when there is a request for a large loan, it is not always able to meet it directly. This condition limits the flexibility of the institution in responding to increasing financing needs.

Meanwhile, external constraints arise more from the instability of the income of MSME actors which causes the risk of payment arrears. Junaidi as the Head of the MSME group stated, That our members' income is inconsistent, sometimes experiencing profits, sometimes losses, so that there are often delays in installment payments. This obstacle is exacerbated by the high mobility of customers, where the collection officer Ahmad Khoisol revealed that many customers have moved residence or their telephone numbers are inactive, making communication difficult. This phenomenon illustrates the vulnerability of the informal sector to external shocks such as climate change, price fluctuations, and market uncertainty.

As an effort to mitigate risk, BMT staff proactively conduct field visits and offer flexible installment restructuring. This humanistic approach not only demonstrates managerial responsiveness but also strengthens customer loyalty to the institution. The view of Nugraha et al., (2024) emphasizes that organizational barriers are a disruptive variable that must be overcome through policy innovation and a progressive risk management system.

As a confirmation of the results of the empirical analysis, a Matrix of Supporting and Barrier Factor Analysis is presented which describes the institutional dynamics of BMT UGT Nusantara, Raas Sub-Branch in an effort to increase the effectiveness of services to MSMEs.

Table 4. Matrix of Analysis of Supporting Factors and Barriers to the Effectiveness of BMT UGT Nusantara

Dimension	Supporting Factors	Inhibiting Factors
Structural Support	Sub-district government policies supporting licensing and partnerships	Dependence on limited member savings for capital
Social Capital	Community participation and trust in BMT's sharia principles	Population mobility and difficulty in communication with clients
Human Resource Quality	Regular staff training and performance evaluations	Limited resources to expand service coverage
External Risk	Educational approach and humane installment restructuring	Income fluctuations of MSME actors and delayed installment payments
Financing Access	Easy loans with ID card only, no collateral, based on social trust	Potential moral hazard risk due to minimal formal verification procedures

The presentation of these findings is compiled by combining in-depth interviews, participant observation, and matrix analysis as a form of method triangulation to ensure data validity. This writing approach is designed to comply with the standards of reputable scientific articles, as well as to be a strong foundation for the formulation of institutional strategies in the future. If needed, I am ready to support the preparation of further discussion sections, conclusions, and policy implications that are relevant to these findings.

4. CONCLUSION

This study confirms the very crucial strategic role of BMT UGT Nusantara, Raas Sub-district Branch Office in facilitating the growth of micro, small, and medium enterprises (MSMEs) through synergy between sharia-based financing and comprehensive intensive assistance. The Barokah Business Capital (MUB) program that implements the Rahn contract with gold collateral has proven to be able to open access to capital fairly, inclusively, and sustainably for MSMEs, while minimizing the risk of default or bad debts which have so far been significant obstacles in micro financing.

More than just the financial aspect, managerial assistance and entrepreneurship education that are carried out consistently have proven to strengthen the internal capacity of business actors, not only from the perspective of increasing quantitative income, but also the quality of business management and the integrity of business ethics that are carried out. This finding provides a significant theoretical contribution by enriching the understanding of the importance of integrating financial and non-financial dimensions in the MSME empowerment process, while strengthening the theoretical basis of Antonio (2001) and Tambunan (2012) which emphasize the role of Islamic microfinance institutions as agents of effective and sustainable local socio-economic empowerment.

From an application perspective, the research results confirm that financing innovation based on the principles of distributive justice and social environmental sustainability is the main determinant of the success of interventions in areas with challenging geographical conditions and limited infrastructure. The academic and practical contribution of this research lies in the development of an integrative perspective that accommodates social capital, government structural support, and increased human resource capabilities as key variables in the effectiveness of Islamic microfinance institutions in empowering the local economy.

The participatory and sustainable financing model presented by BMT UGT Nusantara provides significant added value to the literature on Islamic microfinance and offers best practices that have the potential to be replicated in other regional contexts with similar characteristics. However, the limitations of this study need to be considered, namely the limited geographic coverage in Raas District and the narrow focus on certain MSME actor segments, without considering demographic variables such as gender and age or broader and deeper quantitative survey methods. Therefore, further studies are needed to explore and elaborate on these variables in order to obtain a more comprehensive picture of MSME empowerment and strengthen the basis for more inclusive and effective empowerment policies and programs in the future.

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