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## CHALLENGES IN DEVELOPING BAITUL MAAL WAT TAMWIIL (BMT) IN INDONESIA USING ANALYTIC NETWORK PROCESS (ANP)

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### ABSTRACT

*This study attempts to identify the dominant factors that has become obstacles in the development of BMT in Indonesia using Analytic Network Process (ANP). The results show that main problems can be divided into four aspects, namely Human Resources, Technical, Legal and Structural, and Market/Communal. The overall problem decomposition shows priorities results, they are: 1) the lack of legal support; 2) the weak of supervision and coaching; 3) the absence of LPS; 4) lack of human resources understanding; and 5) competition. The level of agreement based on Kendall's coefficient indicates that the value of Kendall's (W) is between 0.592-0.742. The results show that between practitioners and experts relatively dissent in their opinion related to problems and solutions identifying of BMT development in Indonesia.*

*Keywords: Baitul Maal wat-Tamwiil, Islamic Microfinance, ANP*

### Introduction

BMT (Baitul Maal Wat Tamwiil) is one of the simplest Islamic financial institutions models which are currently many of them rise and fall in Indonesia. The existences of BMT with significant number in some areas in Indonesia are not backed with supporting factors that allow BMT to continue to grow and run well. Facts from the field indicate that many BMT fall and sink. By looking at phenomena above, the development of BMT is deemed not fully able to address real economic problems that exist in the community. This is caused by several factors, some of them are inadequate number of educated and professional human resources, concern on human resources management and the development of culture and entrepreneurial spirit (entrepreneurship) which still weak in our nation, capital (funds) are relatively small and limited, the ambivalence between the Shariah concept of BMT management with field operations, low level of trust from Muslim community and academically has not been formulated perfectly a concept to develop Islamic financial institutions in a systematic and proportionate way. The complexity of these issues has an impact on public confidence on BMT existence among conventional financial institutions. BMT is a response to demands and needs of Muslims community when viewed from the background of its establishment. BMT established when Muslims community expects an Islamic financial institution which is free from the elements of usury that already declared unlawful. Data showed that the growth of BMT in Indonesia continues to increase rapidly.

According to Suharto, BMT in 2010 grew on average 35% - 40% on assets, financing to deposit ratio (funds that pass) is still about 100%. This proved that BMT is accepted by people as an institution that can empower small communities. The existence of Islamic financial institutions such as BMT, clearly significant for economic development in the light of Islam, especially by providing solutions to empower small and medium enterprises as well as become the core of a community-based economic power and backbone of the national economic system. This showed the role of BMT is very meaningful to the community because BMT is an Islamic micro institution that capable of solving the fundamental problems faced by small and medium enterprises, especially capital issue. BMT's role is not only in capital financing but also in serving social activities. In the light of conception, BMT is an institution whose existence is very important, especially among micro business. But on the other hand, its operational still have many weaknesses. These problems must be addressed properly to create positive image for BMT as an Islamic microfinance institutions which is clean and trusted by the community. Therefore, based on the background described above, the formulation of the problem in this study is: What are the problems faced by BMT institutions in Indonesia? What are the right solutions? What strategy should be applied in the long-term strategic framework? Some of those questions are tried to be answered and addressed to find the solutions using Analytic Network Process (ANP).

## **THEORETICAL FRAMEWORK**

### **Islamic Financial Institution Concept**

Islamic financial institutions are financial institutions that operate according to the principles of Islamic concept of loss and profit sharing as the primary method. The structure of Islamic financial institutions is grouped into Islamic banks, Islamic rural banks, Islamic insurance and Baitul maal wat tamwiil (BMT). As mentioned above, they have different products and markets. But in terms of principles and instruments that used in Islamic financial institutions mentioned above, there is no substantive difference, which differences are only presence in operational area scope. Islamic finance principles have broad application in a system of economy that is not only focused on profit sharing, but also completely embed a code of ethics (moral, social and religious) in promoting a just and welfare for wider communities. There are no difference in principle between Islamic financial institutions (Insurance, Bank and BMT), because generally these institutions prioritize partnerships (investors mutual relationship) primary based on profit sharing scheme. In brief, the principles of Islamic financial institutions operations are as follows:

1. Prohibition of interest
2. Risk sharing. Because interest is prohibited, thus fund providers become investors. There is a factor of uncertainty in the business which require investor and entrepreneur should share the risk of business and agreed on rate of return.
3. Money itself is not capital but it would be when it is transformed/ exchange into resources to carry out productive activities, thus money follow flowing concept.
4. Prohibition against speculative behavior
5. Ta'awun principles (mutual help), is the principle of helping others to improve lives through the mechanism of economic cooperation and business.
6. Tijaroh principles (business), is the principle seeking profit in a way that is justified by the Shari'ah. Islamic financial institutions must be managed in a professional manner, so they can operate effectively and efficiently.
7. In addition, as business institutions, Islamic financial institutions also have function as a social agent.

### ***Baitul Maal Wat Tamwiil (BMT) Basic Concept***

Baitul Maal Wat Tamwiil (BMT) derived from two words Baitul Maal which means the socially-religious oriented financial institution whose main activities are accommodating and distributing community wealth in the form of Zakat, infaq, and shadaqah (ZIS) based on the terms defined in the Qur'an and Sunnah of His Prophet. While Baitul Tamwiil means financial institution whose main activities is to raise public funds in the form of savings and deposits and then channel them back to the community in the form of Shari'ah financing through a common mechanism in the banking world<sup>1</sup>. Thus the conception of BMT is an institution includes two types of activities: 1) activities to raise funds from various sources such as zakat, as well as other shadaqah infaq and shared/ distributed to the beneficiary in order to overcome poverty, and 2) Productive activities in order to create new value-added to economic growth and develop human resources. Meanwhile, according to Widodo et.al<sup>2</sup> BMT is an institution consisting of two activities at once, the Baitul Maal and Baitul Tamwiil. Baitul Maal in BMT is a financial institution whose activities are managing non-profit funds (social). Sources of funds obtained are from the charity, and charity infaq, or other lawful sources. Then, the funds are distributed to mustahik, who are entitled, or for the greater good. While Baitul Tamwiil is a financial institution whose activities are collecting and distributing public funds for profit motive. Collection of funds is obtained through a third party deposits and distribution is conducted in the form of financing or investment, which comply with principle of Shari'ah. Baitul Maal wat Tamwiil (BMT) is a non-governmental group, an economic institution based on community which seeks to develop productive ventures and investments based on Islamic principles to improve the economic quality of small businesses in an effort to alleviate poverty.

Based on the above definition it can be deduced that Baitul Maal wat Tamwiil (BMT) is an Islamic microfinance institution that combines elements of the profit and non-profit motive (social). The business activities are carried out in accordance with shari'ah. BMT is a business venture, independently developed and professionally managed. Baitul Maal aspects are developed especially for the welfare of members through ZISWA fundraising (zakat, infaq, charity, waqf etc.) along with institutional

<sup>1</sup> Ilmi, Makhalul SM. 2002. Theory and Practice: Islamic Micro Financial Institution. Yogyakarta: UII Press. Page 65.

<sup>2</sup> Look Ilmi (2002), page 23.

strengthening. BMT business-oriented nature of business is meant for BMT management can be conducted in a professional manner, thus will achieve the highest level of efficiency possible. This is the key aspect to successfully developing BMT. This will allow BMT to provide competitive profit sharing to its depositors and to improve the welfare of its staff equal to other institutions. While the social aspect of BMT focus on improving the welfare of its members and the surrounding community who is in need<sup>3</sup>.

### ***Baitul Maal Wat Tamwiil Main Principles***

Business conduct in BMT following main principles:

1. Faith and devotion to Allah by implementing the principles of Shari'ah and Islamic muamalah into real life.
2. Integration between spiritual values and moral to drive business ethics which are dynamics, proactive, progressive, fair and noble character.
3. Kinship, common interest that put above personal interests. All organizers at every level, with all administrators and member line, built a sense of kinship, so it will grow and mutually protected.
4. Togetherness, the unity of thought patterns, attitudes and aspirations among all elements of the BMT. There must be a vision between management and administrators, together with member seek to improve economic and social conditions.
5. Independence, which is independent from any political groups. Independent also means not dependent on any borrowed funds and helps but always proactively raise fund from community as much as possible.
6. Professionalism, the high morale, which is based on the foundation of faith. Work is not only oriented to the worldly life, but also enjoyment and spiritual satisfaction and the hereafter. Work hard and smart which is based on the provision of sufficient knowledge, skills and intentions and continuously strength motivation. All of that are known as emotional intelligence, spiritual and intellectual. Professionalism is built with continuous learning passion in order to achieve the highest level of work standards.
7. Istiqomah, consistent, responsible, continuity/ sustainability relentlessly and never give up. After reaching a stage, then keep going forward again and again to the next stage and only to God's we shall hope<sup>4</sup>.

### ***Baitul Maal Wat Tamwiil Management***

As a financial institution that is managed professionally, BMT cannot be managed with just high motivation alone. Economic and financial management aspects should be employed optimally. BMT Management should be able to follow the development of the technology in the environment, and not outdated that may reduce customer's interest to join. Product innovation should continuously be improved in order to seize the market. Management function is broadly divided into four functions: planning (planning), actuating (implementation), organizing (organizing) and controlling (control). Management function is aimed to achieve the goals of the organization, maintain a balance between conflicting goals, and to achieve the level of effectiveness and efficiency. Management is generally a part of the worship if intended to achieve the pleasure of Allah. Islam in detail regulates human life, including management activity, although not as management science today. But Islam has basic rules that can be used as the basis in formulating management system called shari'a or Islamic management. Some of the principles or rules of management techniques that have relevance to the principles of Islam is the principle of doing good and forbidding the evil (*amar ma'ruf* and *nahi munkar*), the obligation to submit the mandate, obligation to uphold the truth, and the obligations of justice. If this principle is applied by BMT management, its goal will be achieved.

### **Previous Studies**

A research conducted by Bilqis<sup>5</sup> about alternative financing problems settling on Islamic Microfinance Institutions in this regard in Baitul Maal wat Tamwiil Masalahah Mursalah lil Ummah (BMT MMU) Dinoyo Pasuruan branch, East Java found some of the root causes of financing problem in BMT that need solution-based action to be taken. Results of the study explained that the financing problem is a condition when customers who got financing from BMT do not fulfill their obligations in accordance with

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<sup>3</sup> Ridwan, Muhammad. 2004. *Baitul Mal Wa Tamwil (BMT) Management*. Yogyakarta: UII Press. Page: 129

<sup>4</sup> Idem

<sup>5</sup> Bilqis, Puspitasari. 2005. The Alternative ways to solve Financing Problems in Baitul Maal Wa Tamwil Masalahah Mursalah lil Ummah (BMT MUU), Branch Warung Dinoyo, Pasuruan, East Java. Thesis at Brawijaya University.

the agreements that have been determined. Another problem appeared related to the financing problem is the lack of rights for BMT to seizure or confiscation of goods used as collateral on non-performing financing without the consent of the owner as may be carried out by conventional banks. This is because forcible seizure procedures are contrary to syirkah based muamalah. Furthermore, the study offers a solution that muamalah syirkah collateral seizure ordinances are not allowed but securing collateral and sale is allowed by mutual consent, so the contract is expected to be more firm and clear since the beginning. A research conducted by Bank Indonesia in 2003 under the title Public Acceptance of the existence of BMT MUI seen from the behavior of its members in Sleman Yogyakarta, with the number of 80 respondents found that people familiar with BMT (37 people) came from BMT activity directly, 2 people from newspapers or flyers and promotion, 22 people from friends and 4 from family or people. More than 47% of respondents agreed with the vision and mission of BMT, 38% of the other states agree. On the principle of avoiding usury, 43.75% strongly agree and 45% agree; on buy and sell mechanism and profit sharing, 45% said strongly agree, 37.5% agree. On BMT products, 27.5% said strongly agree, 48, 75% agreed. It means that on average the respondents agreed on BMT.

Siswanto in his research entitled "Development Strategy Baitul Maal wa Tamwiil (BMT) in Empowering Small and Medium Enterprises" for the purpose to identify and analyze BMT models that can empower small business and to find strategies and efforts so that BMT is able to empower Small and Medium Enterprises<sup>6</sup>. This research was conducted using a descriptive method to analyze content theme of literature data and previous research. This study tries to analyze the weaknesses and development of advantages in BMT using SWOT technique, followed solution suggestion and strategies in BMT development. Among the weaknesses of BMT are; a) External factors (level of competition with a competitor, collaboration or cooperation with financial institutions, government policies and other external factors such as NGOs), b). Internal factors (product financing and savings programs, competency management and financial management). Suggested solutions related to these problems is a) the need to focus on the vision and creation of a positive image for the community, business prospects, management capacity, systems technology, and operational risk. In contrast, Susilo in his research tried to formulate a strategy that can be executed by BPRS in business development loans to SMEs. The research aims to determine the internal factors (strengths and weaknesses) and external (opportunities and threats), formulate a development strategy based on external and internal factors, and determine priorities for the development strategy of PT. BPRS Amanah Ummah.

The results showed that the main strength of BPRS PT Amanah Ummah is positioning and strategy that is close to the customer, while the weakness is the limited quality of human resources, while potential market opportunities are Muslims located in boarding schools (pesantren), and BPRS threat is too many competitors in the small and medium businesses. This study explained that the strategic location, market potential, quality of human resources and the number of competitors are determinant factors of BPRS development. This can also be linked with BMT which is part of microfinance institutions. Therefore, the development of BMT is influenced by four things that must be considered and dealt with. Other study by Muhar tried to analyze the role of microfinance for small communities as well as the strategies undertaken in the development of Microfinance Institutions<sup>7</sup>. The results showed that micro-finance institutions could provide financing to micro business, thus can improve their capital. However, this potential cannot be exploited to the optimum level because there are still many constraints faced by microfinance institutions include institutional aspects that overlapped, the lack of management resource, and lack of capital of Microfinance Institutions. Researcher in this paper provided solutions to the institutional efforts to strengthen the law on Microfinance Institutions and the government's commitment to linkage the small and medium business with development of microfinance institutions.

## **METHODOLOGY**

### **Data Source**

This research is using primary data which is obtained by doing in-depth interview with experts and practitioners to understand the problem comprehensively. In order to synthesize the problems and make it in priority, second meeting (interview) with experts and practitioners is needed to complete pair-wise questionnaires.

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<sup>6</sup> Siswanto. 2009, Baitull Maal Wattamwil (BMT) Development Strategy to encourage small and micro business. Thesis at Magister Program of Diponegoro University.

<sup>7</sup> Muhar, 2009. "The Empowerment of Micro Financial Institution's Policy and Strategy". Innovation Journal Vol. 6 No. 4<sup>th</sup> of December 2009.

### Population and Sample

In order to choose respondents in this research is by considering their understanding about BMT development problems in Indonesia. The amount of respondent consists of three experts and three practitioners related to the topic discussed. There is no maximum or minimum quotes to choose respondent, the most important things to be considered is they must have good ability and good understanding about Islamic Micro Financial Institution especially Baitul maal wat Tamwiil (BMT). This study applies ANP methodology in three steps. First, questionnaires and in-depth interviews with scholars, experts, practitioners, and regulators of Islamic Micro Financial Institution are conducted to fully comprehend the real problems and identify factors affecting low PLS financing. Second, the results of the preliminary stage are used to develop an appropriate ANP network and relevant questionnaires to glean the necessary data from experts and practitioners of Islamic Micro Finance. Third, ANP analysis is applied to set priority alternative solutions and policy strategies in order to formulate optimal policy recommendations.

### ANP Methodology

Analytic Network Process (ANP) is a mathematic theory that allows one to deal systematically with dependence and feedback and that can capture and combine tangible and intangible factors by using ration scale. ANP as a general theory of relative measurement is also used to derive composite priority ratio from individual ratio scale reflecting relative measurement of interconnected elements within control criteria. ANP is a new approach in decision making process that provides general framework in treating decision without making any assumption about independency of elements in higher level from elements in lower level and about independency of elements within the same level. Moreover, ANP uses network without having to determine level as in hierarchy used in Analytic Hierarchy Process (AHP), which is a starting point of ANP. The main concept of ANP is influence while the main concept of AHP is preference. AHP with its dependency assumptions on clusters and elements are a special cases of ANP<sup>8</sup>.

### Axioms of ANP

ANP has relatively simple axioms which carefully restrict the scope of a problem<sup>9</sup>:

- a) Reciprocal. This axiom requires that if  $P_C(E_A, E_B)$  is a paired comparison of elements A and B with respect to their parent, element C, representing how many times more the element A possesses a property than does element B, then  $P_C(E_B, E_A) = 1/P_C(E_A, E_B)$ . For instance, if A is 4 times larger than B, then B is one fourth as large as A.
- b) Homogeneity. This axiom states that the elements being compared should not differ by too much, else there will tend to be larger errors in judgment. The verbal scale of ANP ranges from one to nine, or about an order of magnitude (see table 1).
- c) This axiom states that individuals who have reasons for their beliefs should make sure that their ideas are adequately represented for the outcome to match these expectations.

### 1. Model Construction

To construct ANP model in phase 1, based on theoretical and empirical literature reviews of the problem, open questionnaires are asked to practitioners (Islamic Financial Micro/BMT) from various Islamic Financial Micro experts from various institutions, universities, and consulting firms. Follow-up is conducted through in-depth interviews to garner more detailed information to be able to comprehend the real problems.

### 2. Model Quantification

To quantify and measure the ANP model or network in phase 2, pair-wise questionnaires are drawn based on final ANP network designed in phase 1, which has been automatically formed in SUPERDECISIONS software. To make sure that the questionnaires are worked effectively within allowable inconsistency, questionnaire testing is conducted to respondents. In this step, modification to questionnaires might be needed to improve effectiveness to gather appropriate data<sup>10</sup>.

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<sup>8</sup> Saaty, Thomas L and Vargas, Louis G. 2006, Decision Making with the Analitic Network Process. Economic, Political, Social and Technological Applications with Benefits, Opportunities, Costs and Risks. Springer. RWS Publication, Pittsburgh.

<sup>9</sup> Idem

<sup>10</sup> Ascarya, 2011, "The Persistence of Low Profit and Loss Sharing Financing in Islamic Banking: The Case of Indonesia" review of Indonesian economic and business studies vol.1 LIPI economic research center.

Table 1: Comparison of Verbal and Numeric Scales

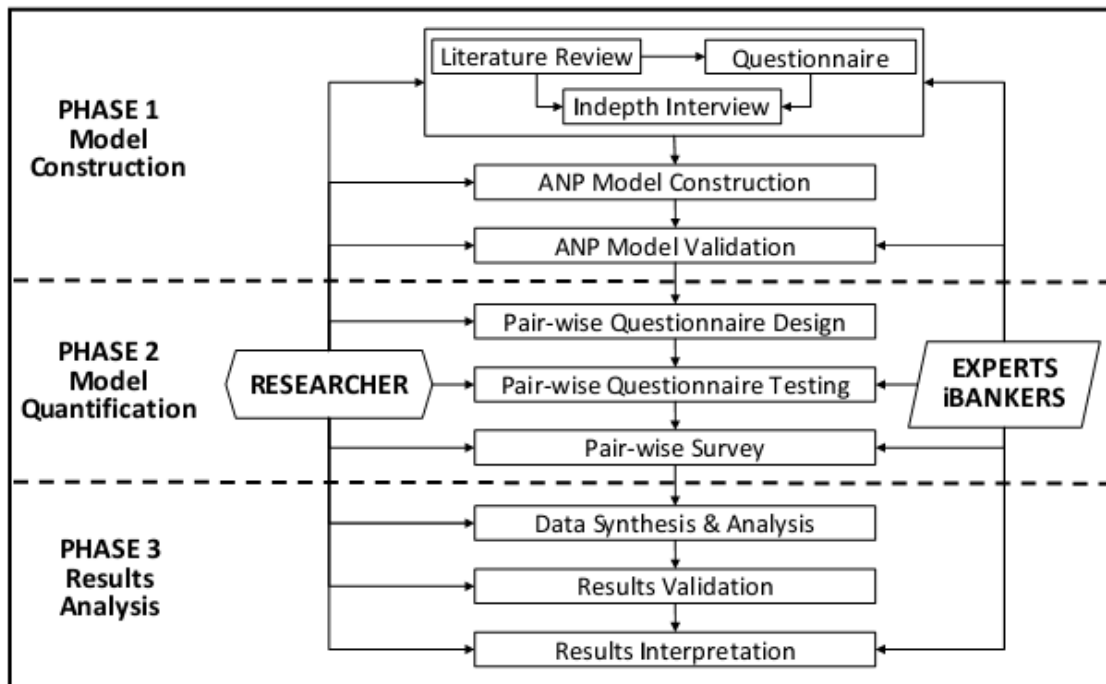
Definition	Intensity of Importance
Equal Importance	1
Weak	2
Moderate importance	3
Moderate plus	4
Strong importance	5
Strong Plus	6
Very strong or demonstrated importance	7
Very,very strong	8
Extreme importance	9

Source : Saaty, 2006

### Steps of Research

Research steps for ANP are:

Figure 1; Steps of Research



Source: (Ascarya, 2010)

### 3. Model Quantification

#### a. Geometric Mean

In phase 3, results or synthesis of ANP network in SUPERDECISIONS software for each respondent can be generated. The data are then exported to excel worksheet to be manipulated to produce the desired outputs. To produce scientific 'consensus' results, geometric means of all respondents' responses are

calculated, re-inputted to ANP network in SUPERDECISION software and re-synthesized. This is the formula of Geometric Mean<sup>11</sup>:

$$(\prod_i^n = 1 a_i)^{1/n} = \sqrt[n]{a_1 a_2 \dots a_n} \quad (3.1)$$

#### b. Rater Agreement

Kendall's coefficient of concordance can be calculated to assess the agreement among respondents. Finally, interpretation of detailed (individual) and overall (geometric mean) results is completed to be able to draw conclusions and to propose policy recommendations. *Kendall's Coefficient of Concordance* is identifying (W; 0 < W ≤ 1). W=1 show perfect agreement among respondent<sup>12</sup>.

To calculate Kendall's (W), the first step is to give a rank for every answer and sum it. Here are the formulas:

$$R_i = \sum_j^m = 1 r_{i,j} \quad (3.2)$$

Mean result from total ranking is:

$$R = \frac{1}{2} m(n + 1) \quad (3.3)$$

The sum of deviation quadratic (S) is calculated by the formula:

$$S = \sum_i^n = 1 (R_i - \bar{R})^2 \quad (3.4)$$

And then, Kendall's W deducted:

$$W = \frac{12S}{m^2(n^2 - n)} \quad (3.5)$$

If W results is (W=1), we can conclude that all of respondents have perfect agreement, otherwise when the results is (W=0), it shows that there is no agreement among the respondent neither it has various answers<sup>13</sup>.

## ANALYSIS AND DISCUSSION

### Decomposition

#### Problem Identification

The problems in development of Baitul Maal watTamwiil in Indonesia can be divided into four aspects: they are human resources (HR), Technical, Legal / Structural and market aspects / Communal. All clusters are grouped into clusters of problems, solutions and strategies.

#### a. Human Resources Problem (HR)

1.) Lack of understanding of BMT practitioners, both from BMT business development and shari'a. Many BMT administrators do not understand the principles of Shariah and the principles of good business management. In other words unfulfilled qualified human resources in the field of shari'ah economics, so in practice BMT often deviated from Islamic principles, 2.) Supply oriented. Practitioners can only explain what they know but cannot answer problem that is addressed by public, 3.) Insufficient amount of educated and professional human resources, especially on technical managerial skills, 4.) Generally, human resources working in BMT are relatively less professional, unlike other financial institutions such as banks or BPRS.

#### b. Technical Problem

1.) The validity of BMT's data is outdated and unstructured, though data is very important to attract potential sponsorship proposals from interested parties, 2.) Capital (funds) for establishment, management and BMT existence are relatively small and limited, 3.) BMT has very limited innovation in the field of products and services, marketing and business development, 4.) Inadequate facilities/ infrastructures of Information Technology (IT), yet it is an essential need of a financial institution, 5.) Lack of inter BMT networks coordination owned, despite the fact that there are some apex institutions for BMT such as PINBUK, and other similar institutions.

<sup>11</sup> Ascarya, 2011, *idem*

<sup>12</sup> *Idem*

<sup>13</sup> Ascarya, 2011, *Idem*

**c. Legal/ Structural Problem**

1.) The issue on formal legality: BMT in Indonesia is not supported by legal provisions, adequate supervision system and guidance system. This legal support issues become important, given the fact that BMT is the agency that administer and manage society's funds, 2.) BMT is faced with the problem of weak supervision and coaching, unlike general banking institutions (commercial banks and rural banks are supervised by the Bank of Indonesia), 3.) Unlike banks that have deposit insurance agencies in the event of liquidation, BMT does not get this kind of support. The absence of a clear legal framework may also lead to the unavailability of deposit insurance agency. Public savings collected by BMT is not properly protected, 4.) Academically, there has not been a perfectly formulated plan to develop Islamic microfinance institutions in a systematic manner and proportion, including for example, inclusion in the national education curriculum.

**d. Market/ communal Problem**

1.) One of the issues discussed in this section is competition; inter BMT competition and BMT with other microfinance institutions. But in practice, the most stringent competition is between BMT with Islamic banking services that also provide micro services, 2.) The problem in confidence level is community lack of trust to save funds in BMT. One of reasons why people do not have confidence in BMT is it has no backlog, 3.) Lack of development of culture and entrepreneurial spirit (entrepreneurship) in the community, and 4.) Lack of public knowledge on the existence of BMT, both in terms of services provided, as well as BMT superiority compared to other microfinance institutions. In fact, most people still do not know BMT. They are more familiar with mobile banking, cooperative, or other financial institutions. There are alternative solutions to improve the development of BMT including:

**a. HR Solution**

1.) Conduct intensive trainings for practitioners and BMT activists, 2.) Do comprehensive selections in selecting BMT human resources, 3.) Optimize coaching and supervision; 4.) *Reward and punishment*;

**b. Technical Solution**

1.) Conduct supervision on BMT operational, 2.) Create innovative product and services; 3.) Improve inter BMT cooperation; 4.) Make provision of net income.

**c. Legal/ Structural Solution**

1.) Establishment of specific law on BMT (Islamic microfinance institutions). 2.) Revised regulation on supporting/ incentives related to BMT. 3.) The establishment of deposit insurance agency (LPS) for BMT. 4.) Cooperation with the academia to conduct research on BMT.

**d. Market/ Communal Solution**

1) Perform better alternative promotional and marketing strategy, 2) Continuous dissemination of the existence and benefits of BMT for community, 3) Development of a scalable and sustain customers, and 4) Providing incentives.

**ANP's Network**

Based on the identification of problems and solutions above, a network structure of ANP can be formed on the development of BMT in Indonesia issue as follows.

**Geometric Mean Overall Results**

The results show that statistically, a consensus of experts and practitioners related to problems and solutions of BMT development in Indonesia. The priority issues for the results show that the problem of legal / structural and human resources are the two most important aspects, with considerable rater agreement ( $W = 0.592$ ). Overall, as a result of the experts think that the legal issues and structurally to be the most important points in the development of BMT in Indonesia. Followed by human resources and the market/ communal and finally, technical aspects. Here is a complete tally following cluster problems and its prioritization. In priority of problem aspects, as shown in Figure 2, both scholars and practitioners have agreed that there is indeed a crucial issue in terms of the lack of legal support to the existence of BMT, with a high rater agreement value ( $W = 0.715$ ). The most crucial problem of concern for experts and practitioners is the lack of supervision and guidance to BMT, the absence of deposit insurance agency (LPS), lack of understanding of the human resource aspects of the BMT and competition going. Rater agreement is relatively high 0.715 showed that both experts/ academics and practitioners agree in determining the relative priority aspects of the problem in the development of BMT in Indonesia. Especially three first problem from series of problems that emerged.

Figure 2: Problems Prioritization

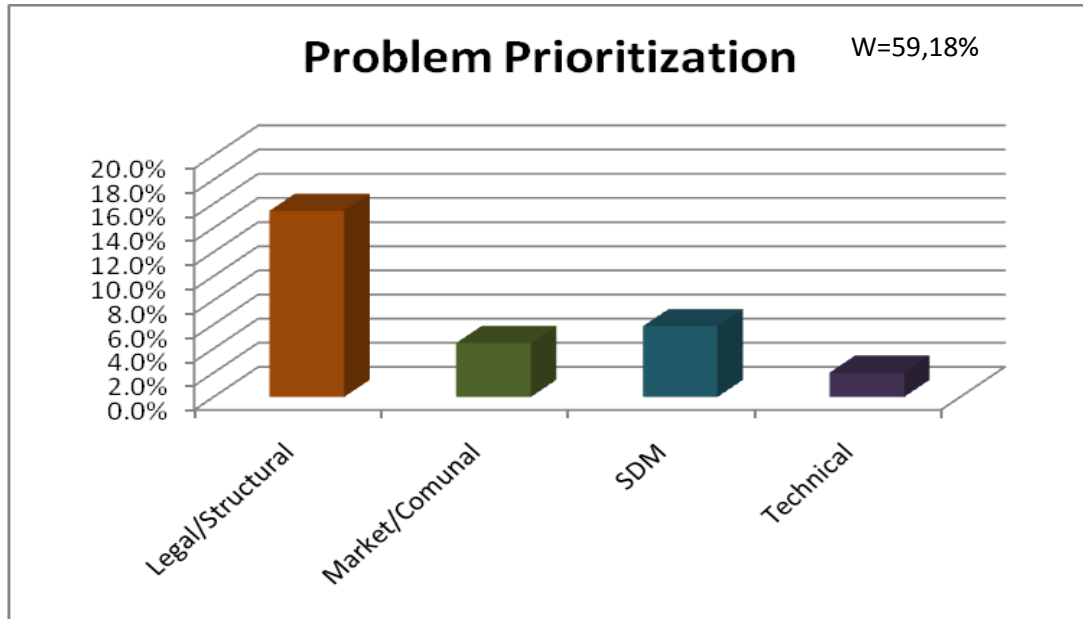
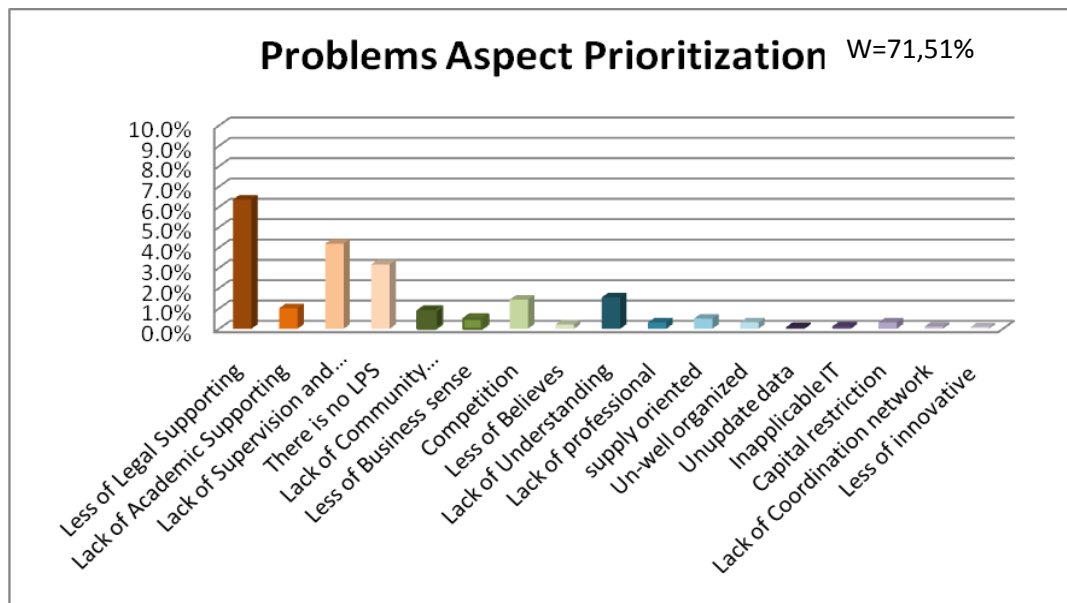
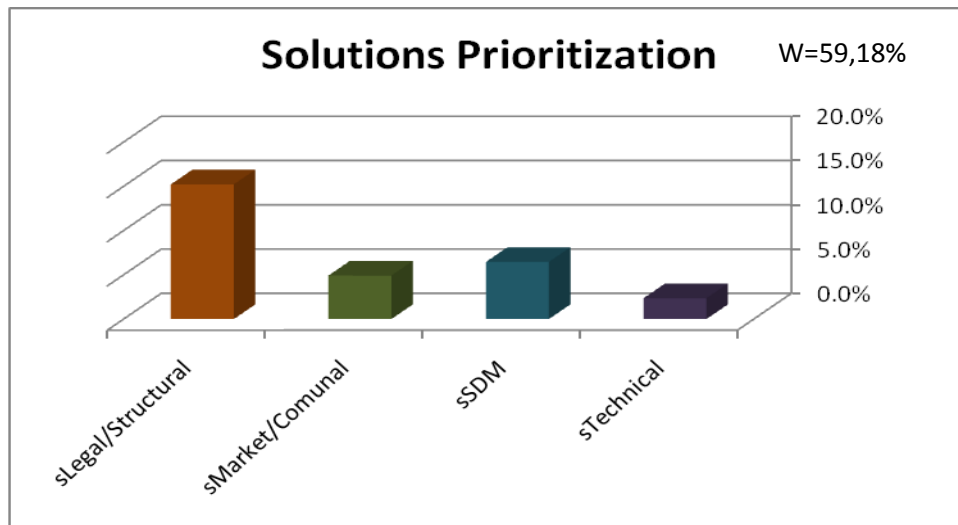


Figure 3: Problem Aspects Prioritization



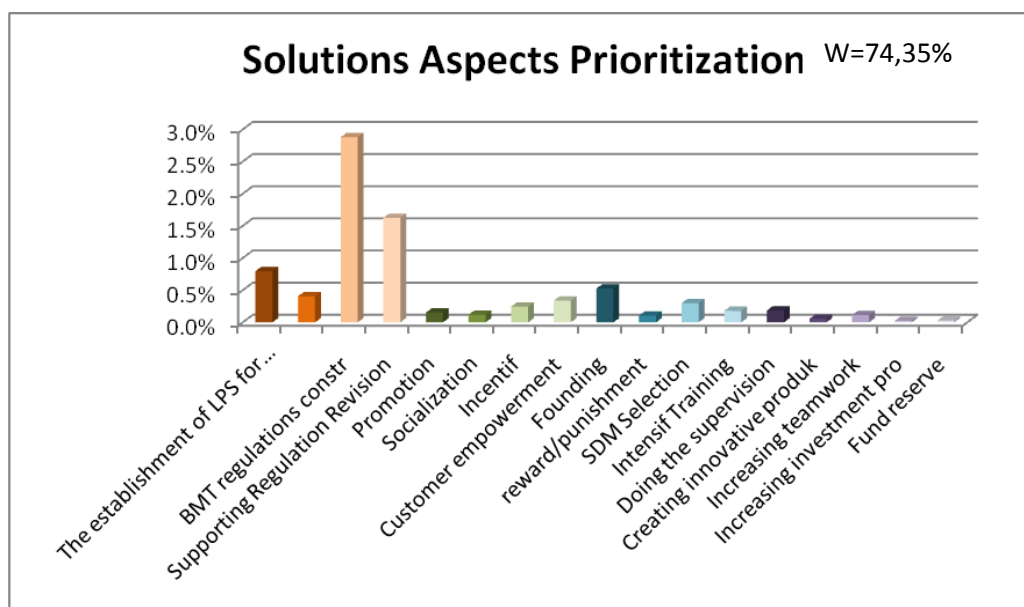
For solution cluster, the result is not much different from problem cluster. For priority on solution, as shown in Figure 3 consists of a geometric mean, overall results show that legal/ structural is most important, followed by human resource solutions. After that, the priority is market/ new communal then technical aspects. Experts have rater agreement level ( $W = 0.592$ ). Although quite big, but compared with rater agreement level on prioritization of the problem, it is still lower. It means that the opinion of the respondents prioritization on solution are more varied.

Figure 3: Solution Prioritization



In prioritization of solution aspects, as shown in Figure 4.5, both scholars and practitioners agree that the top priority solution is the establishment of legal on BMT, with value of rater agreement ( $W = 0.744$ ). Next solution which get concern from experts and practitioners is revision on regulation, the establishment of LPS and mentoring to BMT. Rater agreement is high, amounting to 0.744 showed that both experts/ academics and practitioners agree in determining the relative priority aspects of the solution in the development of BMT in Indonesia.

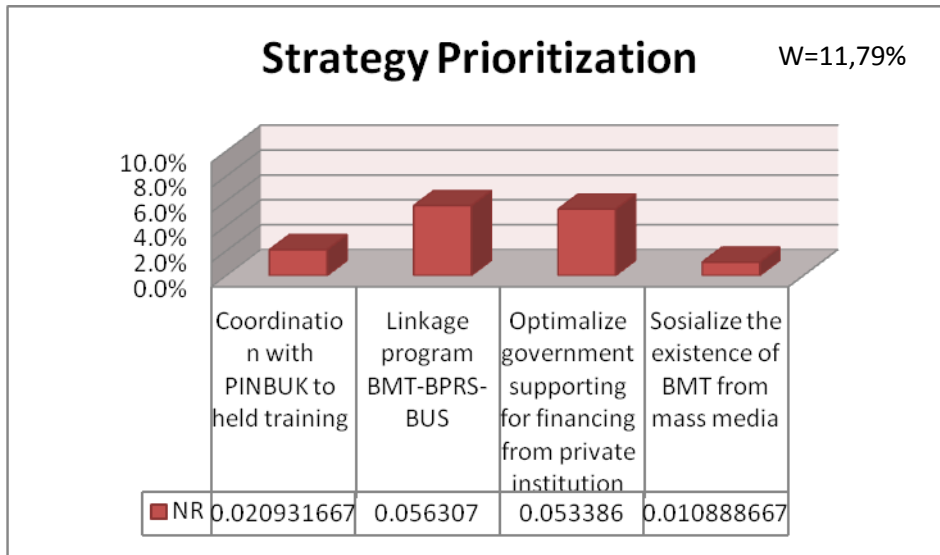
Figure 4: Solution Aspects Prioritization



For strategy aspects, as shown in Figure 4 consist of geometric mean, overall results show for experts and practitioners, the most priority strategy is linkage program between BMT-BPRS and Islamic Banks. This strategy became the answer to several problems related to BMT such as capital, mentoring and extensive network. The second strategic priority is optimizing the role of government, both in terms of funding and more importantly the legal support in the form of rules (eg: Law) which will support the acceleration on the development of BMT. Indeed, support and concern from government is one of the key

success for the development of Islamic microfinance institutions in Indonesia. The third and fourth strategies are further strengthening coordination with PINBUK in organizing training for BMT and socialization of BMT existence through strategic mass media. Although it is not a top priority, but this is a complementary strategy which is equally important. Overall result shows that on strategy priority has low rater agreement value ( $W = 0.017$ ). This implied that respondents' answers related to prioritization of this strategy is more varied.

Figure 5: Strategy Prioritization



## CONCLUSION

This research shows that the problems that arise in the development of BMT in Indonesia consists of 4 important aspects, they are: human capital, technical, legal aspects/ structural, and market aspects/ communal. Overall problem decomposition suggests an order of priority: 1) Lack of legal support; 2) Weak oversight and guidance; 3) Lack of Deposit Insurance Agency (LPS), 4) Lack of capable HR and 5) Competition. While the priority solutions which are considered to be able to solve the problems are: 1) Establishment of Act about BMT; 2) Revise regulations; 3) Establishment of LPS BMT, and 4) Assistance. Meanwhile linkage strategy BMT-BPRS-BUS and optimizing the role of government are preferred strategies among other strategies. As for the level of suitability or approval among respondents based on Kendall's coefficient shows the value of Kendall's coefficient ( $W$ ) is relatively large for practitioners and experts respondents. It shows that between practitioner and expert relatively have similar opinions regarding problems and solutions for the development of BMT in Indonesia. ( $W$  between 0.592 to 0.743). Slightly different is the result of strategic priorities which the value of Kendall's coefficient is 0.118. It means that the respondent answers related to prioritization of this strategy is more varied.

## RECOMMENDATIONS

Suggestions and recommendations which can be given are:

- A mutual commitment is expected from policy makers to support and encourage the efforts to develop Islamic financial industry especially BMT.
- Through this study, it is expected to expand academic researches related to BMT. Prioritization of problems and solutions in the development of BMT could give appropriate feedback to all relevant parties, which issues should be resolved first and which is the most appropriate solution.
- Future studies with a similar approach (ANP) is recommended in order to increase the number of respondents from relevant parties who deeply understand and aware the problems of BMT in Indonesia.

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