

Transforming Baitul Maal wat Tamwil (BMT) in North Sumatra: A Governance-Based Model for Sustainable Islamic Financial Inclusion

Yusman¹, Zainur², Nila Asmita³, Chairuddin Siregar⁴, Mukhlis⁵, Agussalim⁶
^{1,4,5} Sekolah Tinggi Agama Islam (STAI) Tebing Tinggi Deli, Medan, Indonesia
^{2,3,6} IAI Lukman Edy Pekanbaru, Indonesia

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Corresponding Author:
Yusman

Email:

yusmanyusuf127@gmail.com

ABSTRACT

Introduction: Baitul Maal wat Tamwil (BMT) plays an important role in strengthening Islamic microfinance and expanding financial access for micro, small, and community-based enterprises. However, BMT institutions in Indonesia face increasing challenges arising from digital financial transformation, intensified competition within the microfinance sector, limited institutional capacity, governance weaknesses, and changing expectations among customers and microentrepreneurs. These challenges require BMTs to move beyond conventional operational practices toward institutional transformation that integrates Islamic principles, professional governance, technological innovation, and sustainable financial practices. This study aims to analyze the institutional revitalization of Baitul Maal wat Tamwil (BMT) in North Sumatra and develop an institutional transformation model for strengthening sustainable Islamic microfinance.

Methods: The study employs a qualitative approach with a case study design. Data were collected through in-depth interviews with BMT managers, employees, members, and relevant stakeholders, complemented by direct observation and institutional documentation. The data were analyzed using the Miles and Huberman interactive model, consisting of data reduction, data display, and conclusion drawing. Qualitative data analysis was supported by NVivo to identify recurring themes, relationships, and institutional patterns. The credibility of the findings was strengthened through source and methodological triangulation.

Results: The findings reveal that BMT revitalization in North Sumatra is shaped by four interrelated institutional transformation mechanisms. First, institutional governance strengthening is achieved through improvements in organizational accountability, transparency, risk management, professional human resource development, and compliance with Islamic principles. Second, digital transformation enhances the accessibility, efficiency, and responsiveness of BMT services through digital payment systems,

technology-based financing administration, customer databases, and digital communication. Third, sustainable Islamic microfinance innovation is reflected in the development of financing products that respond to the needs of microentrepreneurs while maintaining the principles of fairness, risk sharing, and avoidance of *riba*, *gharar*, and *maysir*. Fourth, community-based economic empowerment strengthens the social function of BMT by integrating financing with entrepreneurial assistance, financial literacy, business mentoring, and the mobilization of Islamic social funds. The findings further indicate that the effectiveness of these mechanisms depends on the integration of institutional professionalism with the social and religious values underlying the BMT model.

Conclusion and suggestion: This study proposes an Institutional Transformation Model for Sustainable Islamic Microfinance, in which BMT revitalization is understood not merely as organizational restructuring but as a multidimensional transformation involving governance, digitalization, Islamic financial innovation, and community empowerment. The model demonstrates that sustainable BMT development requires a balance between financial sustainability, institutional professionalism, technological adaptability, and the social mission of Islamic microfinance. BMTs in North Sumatra can therefore strengthen their institutional resilience by combining modern management practices with Islamic ethical principles and community-oriented financial services. Future research could quantitatively test the proposed institutional transformation model across BMTs in different regions of Indonesia and examine the influence of digital transformation, governance quality, Islamic financial literacy, and social capital on BMT sustainability.

Keywords: Baitul Maal wat Tamwil; Institutional Transformation Islamic Microfinance; Financial Inclusion

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INTRODUCTION

Baitul Maal wat Tamwil (BMT) represents one of the distinctive institutional forms within the development of Islamic microfinance in Indonesia. As a community-based Islamic financial institution, BMT combines two fundamental functions, namely *baitul maal*, which is oriented toward the management and distribution of Islamic social funds, and *baitul tamwil*, which focuses on productive financial intermediation and business development. This dual institutional character distinguishes BMT from conventional microfinance institutions because its operational orientation is not limited to financial profitability but also encompasses social empowerment, equitable access to finance, and the realization of Islamic economic values. In the context of financial inclusion, BMT has historically served communities and microentrepreneurs who encounter difficulties in accessing formal banking institutions because of limited collateral, informal business structures, unstable income, or insufficient financial documentation. Recent studies continue to identify BMT as an important mechanism for extending Sharia-compliant financing to microenterprises and marginalized

groups, particularly those whose financing needs remain inadequately addressed by conventional financial institutions (Nugraheni et al., 2026; Hidayah et al., 2026).

The strategic relevance of BMT has become increasingly important as micro, small, and medium enterprises (MSMEs) continue to occupy a central position in local economic development. Microenterprises frequently operate in informal or semi-formal environments and require financing mechanisms that are flexible, accessible, and compatible with their business characteristics. However, access to formal bank financing remains constrained for many small businesses. Recent evidence indicates that a relatively small proportion of bank credit reaches MSMEs, creating an opportunity for Islamic microfinance institutions such as BMT to function as alternative financial intermediaries (Nugraheni et al., 2026). In this setting, BMT is not simply an alternative lender but potentially an institutional bridge connecting financial resources with entrepreneurial capacity at the grassroots level. Through financing instruments based on *murabahah*, *mudharabah*, *musyarakah*, *qardhul hasan*, and other Sharia-based contracts, BMT can facilitate productive economic activities while incorporating principles of justice, mutual benefit, and responsible financing. The social orientation of BMT further creates opportunities for integrating financial services with entrepreneurship assistance, financial literacy, and community empowerment.

Nevertheless, the contemporary development of BMT cannot be separated from substantial institutional challenges. The traditional community-based model of BMT is increasingly confronted by rapid technological development, changes in consumer behavior, competition from digital financial institutions, growing expectations regarding service quality, increasing requirements for risk management, and the need for greater institutional accountability. The emergence of fintech and digital banking has fundamentally changed the competitive environment of financial services. Customers increasingly expect financial institutions to provide fast, accessible, transparent, and technology-enabled services. Consequently, BMTs that rely exclusively on conventional face-to-face transactions and manual administrative procedures may experience difficulties in retaining existing members and attracting younger generations of customers. Research on micro-fintech in Indonesian Islamic microfinance institutions has emphasized the potential of digital banking, payment systems, peer-to-peer financing, social financing, and e-commerce integration to strengthen the capacity of BMTs and connect their traditional community-based model with the digital economy (Muryanto et al., 2021).

Digital transformation, therefore, should not be understood merely as the replacement of paper-based administration with digital applications. For BMT, digital transformation involves a more fundamental institutional change encompassing business processes, organizational capabilities, customer relationships, risk management, data governance, and service delivery. Digitalization can potentially increase operational efficiency, improve accessibility, strengthen transparency, and expand the geographical reach of Islamic microfinance. Recent empirical evidence confirms that digitalization in BMTs can contribute positively to operational efficiency, Islamic financial inclusion, and member trust (Indana & Al Hadi, 2026). At the same time, digitalization introduces new institutional risks, including cybersecurity, personal-data protection, technological dependence, digital exclusion among less digitally literate customers, and the possibility that commercial objectives may gradually dominate the social mission of BMT. Thus, the digital transformation of BMT requires a balanced institutional framework in which technological modernization strengthens rather than displaces the social and ethical foundations of Islamic microfinance.

The issue of institutional transformation becomes even more significant when considering the dual mission of BMT. Unlike purely commercial financial institutions, BMT is expected to maintain a balance between financial sustainability and social responsibility. The *baitul tamwil* function requires effective financial management, profitability, liquidity, risk management, and operational efficiency, whereas the *baitul maal* function emphasizes redistribution, social assistance, and community empowerment. The coexistence of these two functions creates both a distinctive advantage and an institutional challenge. If the commercial function becomes excessively dominant, BMT risks losing its social identity and becoming increasingly similar to conventional financial institutions. Conversely, if the social function is emphasized without adequate financial sustainability, BMT may experience difficulties in maintaining institutional continuity. Recent conceptual research on the evolution of BMT highlights precisely this tension, arguing that formalization, financial sustainability pressures, and digital transformation can alter the balance between the *maal* and *tamwil* dimensions of the institution (Nursyahid & Rachmad, 2026).

The sustainability of BMT is consequently multidimensional. Financial sustainability is necessary to ensure the continuity of financing activities, while institutional sustainability depends on governance quality, human-resource capacity, risk management, technological readiness, and member trust. Social sustainability requires BMT to retain its orientation toward inclusion and community empowerment, while Sharia sustainability requires continuous compliance with Islamic principles. This multidimensional character means that revitalization cannot be reduced to improving financial performance alone. Instead, BMT revitalization needs to be conceptualized as an institutional transformation process that simultaneously strengthens organizational governance, financial sustainability, digital capability, Sharia governance, and social impact. Governance represents one of the central dimensions requiring attention in this transformation process. Strong governance is essential for ensuring that financial decisions, resource management, financing processes, and social-fund distribution are conducted transparently and accountably. Previous research has identified governance and ethical problems as important challenges within Indonesian BMTs. The occurrence of fraud cases demonstrates that the coexistence of Islamic values and cooperative structures does not automatically guarantee ethical behavior or effective organizational control. Weaknesses in governance can emerge when organizational values, incentives, internal controls, and accountability mechanisms are not adequately aligned (Rahajeng, 2022). Consequently, BMT revitalization must include mechanisms that strengthen internal control, accountability, transparency, risk management, and ethical organizational culture.

Risk management is another critical component of institutional transformation. Islamic microfinance institutions face multiple risks, including financing risk, liquidity risk, operational risk, market risk, reputational risk, and Sharia-compliance risk. A study of Baitut Tamwil Muhammadiyah demonstrates that Islamic microfinance institutions have adopted different approaches to risk management, but implementation remains partial and varies across institutions. Financing and operational risks are particularly important because they directly affect financial performance and organizational sustainability, while Sharia-compliance risk remains central to institutional legitimacy (2022). The same study also identifies weaknesses in human-resource development, employee selection, and control systems as obstacles to effective risk management. These findings indicate that BMT revitalization requires not only new financial products or digital technologies but also organizational capabilities capable of managing the risks associated with institutional growth and transformation.

Sharia governance constitutes a further dimension of institutional revitalization. The credibility of BMT is fundamentally dependent on its ability to ensure that its financing products, contracts, operational procedures, and financial practices comply with Islamic principles. Sharia compliance should therefore not be treated as a symbolic institutional requirement but as a substantive component of organizational governance. Research on BMTs in Indonesia has found that the implementation of Sharia supervision still requires improvement, particularly regarding the qualifications and effectiveness of Sharia Supervisory Boards, internal audit mechanisms, external supervision, and coordination with regulatory institutions (Setiawan & Mardian, 2021). Weaknesses in these mechanisms can create reputational risks and reduce customer confidence. Therefore, institutional transformation must strengthen the relationship between professional management and Sharia governance so that technological and organizational modernization remains firmly embedded within Islamic principles.

Human-resource capability is equally important because institutional transformation ultimately depends on the ability of organizational actors to implement change. BMT employees are expected to possess multiple competencies, including Islamic financial knowledge, microfinance management, risk assessment, digital literacy, customer relationship management, and entrepreneurial assistance. Traditional competencies may no longer be sufficient when customers increasingly interact with financial institutions through digital platforms. Employees must therefore be capable of translating Islamic financial principles into modern, efficient, and customer-oriented services. In this context, professionalization should not mean abandoning the community-based character of BMT. Rather, professionalization should strengthen the capacity of BMT personnel to serve communities more effectively while maintaining the relational trust that has historically distinguished Islamic microfinance from formal banking institutions. Member trust represents another critical institutional asset. BMT operates within a relationship-based financial environment in which trust between managers, employees, members, and the wider community significantly affects savings mobilization, financing participation, repayment behavior, and institutional reputation. Digital transformation may enhance efficiency and accessibility, but it can also weaken interpersonal interaction if technological systems completely replace direct relationships. For this reason, institutional transformation needs to preserve relational capital while introducing digital services. Recent research indicates that digitalization can enhance member trust when it improves efficiency, accessibility, and transparency; however, the effectiveness of digitalization depends on the institution's capacity to manage technological and organizational changes appropriately (Indana & Al Hadi, 2026). Thus, a successful BMT transformation should combine technological efficiency with social proximity and relational accountability.

The community empowerment function of BMT also requires revitalization. The role of Islamic microfinance should extend beyond providing financing to helping customers improve their productive capacity and economic resilience. Financing without adequate business assistance may increase access to capital without necessarily generating sustainable improvements in business performance. A more comprehensive BMT model should therefore integrate financing with entrepreneurial training, financial literacy, digital literacy, business mentoring, market access, and social-finance interventions. Recent evidence from Islamic microfinance institutions in Indonesia demonstrates that BMTs can serve microenterprises, informal workers, and women-led businesses through flexible Sharia-compliant financing while simultaneously contributing to broader financial inclusion and community empowerment (Hidayah et al., 2026). This suggests that BMT has the

potential to become an integrated community-development institution rather than merely a financing provider. The North Sumatra context provides an important setting for examining this institutional transformation. North Sumatra possesses a diverse socioeconomic environment characterized by urban centers, rural communities, agricultural activities, trade, services, and a substantial MSME sector. Such diversity creates heterogeneous financial needs that cannot necessarily be addressed through standardized banking products. BMTs can potentially occupy an important institutional niche by offering financing and community-based financial services adapted to the characteristics of local microentrepreneurs. However, the diversity of economic conditions also requires BMT institutions to develop adaptive strategies rather than rely on uniform operational models. Institutional revitalization in North Sumatra therefore needs to consider the interaction between local economic characteristics, community needs, organizational capacity, technological development, and Islamic financial principles.

The importance of studying North Sumatra also emerges from the broader question of how Islamic microfinance institutions can achieve institutional resilience in regions characterized by rapidly changing economic and technological environments. Much of the existing BMT literature has examined specific dimensions, such as financing decisions, risk management, digitalization, Sharia compliance, governance, or financial inclusion. Recent studies, for example, have investigated financing determinants among MSMEs in BMTs, identifying factors such as capital needs, income, fairness of profit-sharing arrangements, and service quality as relevant to financing decisions (Nugraheni et al., 2026). Other studies have concentrated on risk management, digital transformation, or the historical and legal evolution of BMT. Although these studies provide important insights, they tend to examine institutional challenges separately rather than conceptualizing BMT revitalization as an integrated process of institutional transformation. This fragmented perspective creates an important research gap. Existing studies have established that BMTs need stronger governance, better risk management, digital transformation, improved Sharia supervision, and greater financial sustainability. However, there remains limited empirical research that integrates these dimensions into a coherent institutional transformation model, particularly in the context of BMTs in North Sumatra. The literature has also paid relatively limited attention to how technological modernization, institutional governance, financial sustainability, and community empowerment can be simultaneously incorporated into a revitalization strategy. The recent literature itself indicates that BMT transformation should integrate financial, social, Sharia, and digital sustainability rather than allowing one dimension to dominate the others (Nursyahid & Rachmad, 2026). Therefore, a more comprehensive institutional framework is required to explain how BMT can modernize while preserving its distinctive Islamic and community-based identity.

The research gap is also related to the conceptualization of revitalization itself. Revitalization is frequently interpreted as an effort to improve institutional performance, increase financing, expand membership, or adopt digital technology. Such an interpretation remains relatively narrow because it treats transformation as an operational intervention rather than an institutional process. A more comprehensive understanding views revitalization as a process of restructuring organizational capabilities, governance mechanisms, technological infrastructure, financial products, human resources, and community relationships. Within this perspective, institutional transformation becomes a dynamic process through which BMT adapts to environmental change while maintaining its fundamental Islamic mission. The transformation is successful not simply when BMT becomes more technologically advanced, but when modernization produces stronger

financial sustainability, better governance, greater financial inclusion, and more meaningful community empowerment.

This perspective is particularly relevant because the future of Islamic microfinance will increasingly be determined by the ability of institutions to reconcile social mission and economic efficiency. Digital financial services create opportunities for expanding access and reducing transaction costs, but they also increase competitive pressures. Formal regulation can strengthen institutional legitimacy and accountability, but excessive administrative complexity may create burdens for small community-based institutions. These tensions indicate that BMT revitalization requires an adaptive institutional approach capable of balancing competing objectives. The concept of sustainable Islamic microfinance provides an appropriate theoretical foundation for addressing these challenges. Sustainable Islamic microfinance should encompass at least four dimensions: economic sustainability, institutional sustainability, social sustainability, and Sharia sustainability. Economic sustainability concerns the ability of BMT to maintain adequate financial performance and liquidity. Institutional sustainability relates to governance, human resources, risk management, internal controls, and organizational adaptability. Social sustainability concerns financial inclusion, community empowerment, and the equitable distribution of economic opportunities. Sharia sustainability concerns the consistent application of Islamic principles, ethical finance, contractual justice, and effective Sharia supervision. Integrating these dimensions can provide a more comprehensive understanding of what it means for BMT to become resilient in a rapidly changing financial environment.

Recent developments in Islamic fintech further strengthen the need for this integrated approach. Evidence from Indonesia indicates that Islamic fintech can contribute to financial inclusion and MSME sustainability, particularly when accompanied by financial literacy, digital readiness, and supportive institutional and regulatory environments (Widagdo et al., 2026). For BMT, this development creates opportunities to expand beyond geographically constrained branch-based operations. Digital platforms can potentially facilitate savings, financing applications, payment services, financial education, and customer monitoring. Nevertheless, the adoption of technology should be aligned with BMT's institutional capacity and customer characteristics. Communities with limited digital literacy may require hybrid service models combining digital platforms with interpersonal assistance. Consequently, the appropriate transformation model is unlikely to be a purely digital model; instead, it should integrate digital efficiency with community-based financial intermediation. Another important consideration is the integration of social finance into BMT revitalization. The *baitul maal* dimension provides BMT with an institutional opportunity to mobilize zakat, infaq, sadaqah, and other Islamic social funds for productive empowerment. The integration of social and commercial functions can create a more comprehensive financial ecosystem in which vulnerable communities receive social assistance while economically active microentrepreneurs obtain productive financing. However, this integration requires clear governance, fund separation, transparent reporting, and appropriate accountability mechanisms. Recent research on the evolution of BMT emphasizes that digital transformation and formal institutionalization should not result in the marginalization of the social function of *baitul maal* (Nursyahid & Rachmad, 2026). Therefore, the revitalization of BMT should seek not only to strengthen the *tamwil* function but also to revitalize the social-finance capacity of the institution.

The proposed institutional transformation model can consequently be understood as an interconnected system rather than a collection of independent strategies. Governance provides the institutional foundation; digital transformation provides technological

infrastructure; Islamic financial innovation provides appropriate products and services; human-resource development provides organizational capability; risk and Sharia management provide institutional safeguards; and community empowerment provides the social purpose of the transformation. These elements should reinforce one another. Strong governance facilitates responsible digitalization, digitalization improves service efficiency, improved services enhance member trust and financial inclusion, sustainable financing strengthens institutional performance, and community empowerment reinforces the social legitimacy of BMT. Through these interconnected mechanisms, revitalization can generate both institutional resilience and social-economic impact. From a theoretical perspective, this study seeks to contribute to the Islamic microfinance literature by shifting the analytical focus from individual institutional problems toward an integrated model of institutional transformation. Rather than examining digitalization, governance, risk management, or financial inclusion as isolated variables, the study conceptualizes them as interconnected dimensions within the broader process of BMT revitalization. This approach responds to the growing need for Islamic microfinance institutions to develop organizational models that are simultaneously financially viable, socially responsible, technologically adaptive, and Sharia-compliant. Such a perspective also contributes to the broader literature on sustainable finance by demonstrating how community-based Islamic institutions can adapt to technological and institutional change without abandoning their normative foundations.

Empirically, the study contributes by focusing on BMT institutions in North Sumatra, a context that remains comparatively underrepresented in the international Islamic microfinance literature. The regional focus provides an opportunity to examine how institutional transformation occurs within a diverse local economic environment and how BMTs respond to the demands of modernization, competition, digitalization, and community economic development. The findings are expected to provide evidence that can inform BMT managers, cooperative policymakers, Islamic financial regulators, Sharia supervisory institutions, and community-development stakeholders in designing more adaptive institutional strategies. Accordingly, this study aims to analyze the revitalization of Baitul Maal wat Tamwil (BMT) in North Sumatra and develop an institutional transformation model for sustainable Islamic microfinance. The study specifically examines how governance strengthening, digital transformation, Islamic financial innovation, risk management, human-resource development, and community empowerment can be integrated into a coherent institutional framework. The central argument is that BMT revitalization should not be understood merely as organizational restructuring or technological modernization. Rather, it represents a multidimensional institutional transformation through which BMT can simultaneously strengthen financial sustainability, institutional accountability, digital adaptability, Sharia compliance, financial inclusion, and community economic empowerment.

Ultimately, the revitalization of BMT requires an adaptive balance between modernization and identity. BMTs must modernize their governance, technologies, products, and managerial systems to remain competitive, but such modernization must not eliminate the social and ethical foundations that distinguish Islamic microfinance from conventional financial institutions. The institutional transformation model proposed in this study therefore places sustainability at the intersection of financial viability, technological adaptability, organizational governance, Sharia integrity, and community empowerment. By positioning these dimensions within a single analytical framework, the study seeks to demonstrate that the future sustainability of BMT depends not on choosing between social mission and institutional efficiency, but on developing an institutional architecture capable of integrating both dimensions. This integrated approach is particularly important for BMTs in North

Sumatra and potentially offers a transferable framework for the revitalization of Islamic microfinance institutions in other regions of Indonesia and comparable emerging economies.

LITERATURE REVIEW

Baitul Maal wat Tamwil and Institutional Transformation

Baitul Maal wat Tamwil (BMT) represents a distinctive form of Islamic microfinance that integrates financial intermediation with social and community-oriented functions. The *baitul tamwil* function is primarily concerned with productive financing and the development of microenterprises, while the *baitul maal* function emphasizes the management and distribution of Islamic social funds. This dual institutional orientation distinguishes BMT from conventional microfinance institutions because its sustainability is expected to encompass not only financial performance but also social impact, ethical accountability, and adherence to Islamic principles. Recent studies indicate that BMT continues to provide important financial access for microentrepreneurs and underserved communities that may face limitations in accessing conventional banking services (Hidayah et al., 2026; Nugraheni et al., 2026). The strategic role of BMT has become increasingly important alongside the expansion of micro, small, and medium enterprises (MSMEs). Microentrepreneurs require financial services that are accessible, flexible, and appropriate to their business characteristics. Islamic microfinance can respond to these needs through Sharia-based financing mechanisms while simultaneously incorporating principles of fairness, transparency, risk sharing, and social responsibility. Hidayah et al. (2026) demonstrate that Islamic microfinance institutions can contribute to financial inclusion by providing financing for microenterprises, informal workers, and other underserved groups. This indicates that BMT can function not merely as a financing provider but also as an institutional mechanism for strengthening grassroots economic activity.

Nevertheless, BMT institutions face increasing pressures arising from changes in the financial environment. The emergence of fintech, digital banking, mobile payments, and technology-based financial services has transformed customer expectations regarding accessibility, speed, efficiency, and service quality. Muryanto et al. (2021) emphasize that technological innovation provides opportunities for BMTs to overcome geographical and operational limitations, but it simultaneously requires organizational adaptation. BMTs that continue to depend entirely on conventional face-to-face and manual systems may encounter difficulties in competing with increasingly digitalized financial institutions. Institutional transformation is therefore necessary to ensure the continued relevance of BMT. Transformation should not be understood simply as technological modernization or organizational restructuring. Rather, it involves changes in governance, organizational capabilities, human resources, financial products, risk-management systems, customer relationships, and service delivery. Nursyahid and Rachmad (2026) argue that the development of BMT has increasingly involved tensions between social orientation, institutional formalization, commercialization, and digitalization. These tensions demonstrate that revitalization requires an institutional approach capable of balancing financial sustainability with the preservation of BMT's social and Islamic identity. From an institutional perspective, BMT revitalization can be understood as an adaptive transformation process. BMT needs to respond to changes in technology, market competition, regulation, and customer behavior while preserving its fundamental values. Consequently, institutional transformation should strengthen rather than eliminate the distinctive characteristics of BMT. The central challenge is therefore how BMT can become more professional, efficient, and

technologically adaptive while continuing to function as a community-based Islamic financial institution.

Governance, Digitalization, and Sustainable Islamic Microfinance

Governance is a fundamental component of sustainable BMT development because the institution manages both commercial financial resources and social funds. Effective governance ensures transparency, accountability, responsible decision-making, appropriate internal control, and compliance with Islamic principles. Weak governance can undermine institutional credibility and reduce the trust of members and other stakeholders. Research by Rahajeng (2022) demonstrates that governance and ethical weaknesses can create opportunities for fraud within BMT institutions, indicating that the presence of Islamic values alone is insufficient to guarantee responsible organizational behavior. Sharia governance is particularly important because BMT's institutional legitimacy is closely connected to its compliance with Islamic principles. Setiawan and Mardian (2021) identify the need to strengthen Sharia supervision, including the competence of Sharia Supervisory Boards, internal control, audit mechanisms, and institutional monitoring. Sharia governance should therefore be integrated into the overall governance system rather than treated as a separate compliance mechanism. Effective Sharia governance can ensure that financing contracts, operational procedures, social-finance management, and institutional decisions remain consistent with Islamic principles.

Alongside governance, digital transformation has become a critical factor in the sustainability of Islamic microfinance. Digitalization can improve transaction efficiency, reduce administrative costs, expand customer access, improve data management, and facilitate the delivery of financial services. Muryanto et al. (2021) highlight the potential of digital financial technologies to strengthen Islamic microfinance institutions by connecting traditional community-based services with the broader digital economy. More recent research also indicates that digitalization can improve operational efficiency, Islamic financial inclusion, and member trust when supported by adequate organizational capabilities (Indana & Al Hadi, 2026). However, digitalization also introduces new institutional challenges. BMTs may face limitations in technological infrastructure, financial resources, digital expertise, cybersecurity, and data governance. Furthermore, customers with low levels of digital literacy may experience difficulties accessing technology-based services. Consequently, digital transformation should not simply replicate the digital banking model. Instead, BMT requires an approach that combines digital efficiency with its traditional relationship-based service model. Digital platforms can facilitate transactions and administrative processes, while interpersonal engagement remains important for financing assessment, financial education, business mentoring, and community empowerment.

Governance and digitalization are consequently interconnected. Strong governance provides the institutional framework necessary to ensure that technological innovation is implemented responsibly. At the same time, digital systems can strengthen governance through improved documentation, transparency, data availability, and monitoring. This relationship suggests that digital transformation should be incorporated into the broader institutional transformation strategy rather than implemented as an isolated technological project. Sustainability in Islamic microfinance should consequently be understood as multidimensional. Financial sustainability is required to maintain institutional operations, while institutional sustainability depends on governance, human resources, risk management, and organizational adaptability. Social sustainability relates to financial inclusion and community empowerment, whereas Sharia sustainability requires continuous

adherence to Islamic principles. Nursyahid and Rachmad (2026) emphasize that BMT's future development needs to maintain a balance between financial sustainability and its social mission. Thus, the sustainability of BMT depends on the institution's capacity to integrate governance, digital transformation, financial performance, social responsibility, and Islamic ethical principles.

Islamic Financial Innovation, Financial Inclusion, and Community Empowerment

Islamic financial innovation represents an important mechanism for revitalizing BMT because changing customer needs require financing products and services that are increasingly flexible, accessible, and responsive. Traditional financing models may not adequately address the diversity of contemporary microenterprises, particularly businesses operating within rapidly changing digital markets. BMT therefore needs to develop financial products that are consistent with Sharia principles while responding to the actual characteristics of microentrepreneurs. The application of different Sharia contracts provides BMT with opportunities to develop differentiated financing strategies. *Murabahah* can support asset and inventory acquisition, while *mudharabah* and *musyarakah* provide opportunities for risk-sharing arrangements. Meanwhile, *qardhul hasan* can serve vulnerable groups that require benevolent financing. Product diversification can increase the capacity of BMT to serve different categories of customers while maintaining its Islamic identity. Recent research suggests that financing decisions among BMT customers are associated with factors such as capital requirements, income, perceptions of fairness, and service quality (Nugraheni et al., 2026).

Financial innovation should also be connected to BMT's social-finance function. The *baitul maal* dimension provides opportunities to integrate zakat, infaq, sadaqah, and other Islamic social funds into community empowerment programs. Such integration can create a continuum between social protection and productive economic development. Vulnerable households may initially receive social assistance and subsequently obtain entrepreneurship support or productive financing when their economic conditions improve. In this context, BMT can function as an institutional bridge between Islamic social finance and Islamic commercial finance. Financial inclusion is therefore an important outcome of BMT revitalization. However, inclusion should not be measured merely by the number of customers receiving financing. Meaningful financial inclusion requires access to appropriate financial services that improve economic capacity and resilience. Hidayah et al. (2026) demonstrate that Islamic microfinance institutions can contribute to the inclusion of microentrepreneurs and informal economic actors through Sharia-compliant financing. This suggests that BMT can strengthen its contribution to inclusive development by integrating financial services with non-financial empowerment programs.

Community empowerment is consequently an essential component of sustainable BMT. Financing alone does not guarantee sustainable business development. Microentrepreneurs may also require business mentoring, financial literacy, digital literacy, marketing assistance, managerial training, and access to markets. By integrating these services into its financing model, BMT can move from a conventional credit-oriented approach toward an empowerment-oriented Islamic microfinance model. The integration of financial innovation, inclusion, and empowerment also reinforces BMT's institutional sustainability. Customers who receive appropriate financing and business support are more likely to improve their productive capacity, generate income, and maintain sustainable financial relationships with the institution. At the institutional level, this can improve the quality of the financing portfolio and strengthen member loyalty. At the community level, it

can contribute to economic resilience and reduce financial exclusion. Based on the literature, this study therefore positions Islamic financial innovation, financial inclusion, and community empowerment as interconnected dimensions of BMT revitalization. These dimensions complement governance and digital transformation by translating institutional capabilities into tangible economic and social outcomes. The integration of these dimensions provides the basis for developing an institutional transformation model that enables BMTs in North Sumatra to achieve sustainable Islamic microfinance while preserving their community-based and Sharia-oriented identity.

METHOD

This study employs a qualitative approach with a case study design to examine the revitalization of Baitul Maal wat Tamwil (BMT) in North Sumatra and to formulate an institutional transformation model for sustainable Islamic microfinance. A qualitative approach was selected because the study seeks to understand institutional processes, organizational practices, governance mechanisms, digital transformation, and the experiences of BMT stakeholders within their natural context. The case study design enables an in-depth examination of how BMT institutions respond to changes in the Islamic microfinance environment while maintaining their social and Sharia-oriented functions. Qualitative case studies are particularly appropriate for investigating contemporary institutional phenomena in which organizational context and stakeholder perspectives are closely interconnected (Creswell & Creswell, 2021; Yin, 2023). The research was conducted in selected BMT institutions operating in North Sumatra Province, Indonesia. The selection of research sites employed purposive sampling, considering institutional activity, length of operation, involvement in Islamic microfinance services, availability of financing programs for microentrepreneurs, and willingness of institutional representatives to participate in the research. Research participants consisted of BMT managers, employees, members/customers, Sharia supervisors, and other relevant stakeholders who possess direct knowledge of BMT operations and institutional development. The selection of participants was based on their capacity to provide information concerning governance, financing practices, digitalization, risk management, human-resource development, financial inclusion, and community empowerment.

Data were collected through in-depth interviews, direct observation, and institutional documentation. Semi-structured interviews were conducted to explore participants' perceptions and experiences concerning the current condition of BMT, institutional challenges, governance practices, technological adoption, financing innovation, risk management, and strategies for sustainable development. Observation was used to examine the implementation of institutional procedures, customer services, financing activities, and digital financial services. Documentary data included institutional profiles, organizational structures, financial and operational reports, financing-product information, standard operating procedures, and other relevant institutional documents. The combination of these techniques was intended to produce comprehensive evidence and reduce dependence on a single source of information. Data analysis followed the Miles, Huberman, and Saldaña interactive model, involving data condensation, data display, and conclusion drawing/verification. Interview transcripts and observational records were initially organized according to the major themes of institutional transformation. The analytical process then

identified relationships among institutional governance, digital transformation, Islamic financial innovation, risk management, human-resource capability, financial inclusion, and community economic empowerment. NVivo software was used to assist the organization, coding, categorization, and interpretation of qualitative data. Thematic analysis was employed to identify recurring patterns and relationships that could contribute to the construction of the proposed institutional transformation model (Miles et al., 2020; Braun & Clarke, 2022).

The credibility of the findings was strengthened through source and methodological triangulation. Source triangulation was conducted by comparing information obtained from managers, employees, customers, and other relevant stakeholders, while methodological triangulation involved comparing interview findings with observations and institutional documents. Member checking was also employed by discussing selected interpretations with relevant participants to ensure that the findings accurately represented institutional conditions. This process is important in qualitative research because credibility depends on the consistency, transparency, and contextual adequacy of the evidence used to construct interpretations (Creswell & Creswell, 2021; Yin, 2023). Finally, the findings were synthesized to develop an Institutional Transformation Model for Sustainable Islamic Microfinance. The model was constructed by identifying the relationships among institutional governance, digital transformation, Islamic financial innovation, risk management, human-resource capability, and community empowerment, with Sharia compliance and institutional resilience serving as fundamental elements of the transformation process. The resulting model is intended to explain how BMTs in North Sumatra can strengthen financial sustainability and institutional resilience while simultaneously maintaining their social mission, Islamic identity, and contribution to inclusive community economic development.

RESULT AND ANALYSIS

Institutional Governance and Organizational Revitalization of BMT in North Sumatra

The findings indicate that institutional governance constitutes the first and most fundamental dimension of BMT revitalization in North Sumatra. The BMT institutions examined in this study demonstrate that organizational sustainability is strongly influenced by the quality of internal governance, managerial professionalism, accountability mechanisms, and the consistency of Sharia principles in daily operations. BMT managers recognize that the traditional community-based approach remains an important institutional asset, particularly because close relationships with members generate trust and facilitate financing relationships. However, the findings also reveal that community-based management alone is insufficient to respond to increasingly complex financial, regulatory, technological, and competitive environments. BMT institutions therefore require stronger organizational structures and more professional management systems. The institutional transformation process is reflected in efforts to clarify organizational responsibilities, improve standard operating procedures, strengthen financial reporting, and develop internal monitoring mechanisms. These improvements are particularly important because BMT manages two interconnected functions: *baitul maal* and *baitul tamwil*. The *baitul tamwil* function requires prudent financial management, financing assessment, portfolio monitoring, and risk control, while the *baitul maal* function requires transparent management of social funds and accountability in their distribution. The findings suggest that separating the operational responsibilities of these two functions while maintaining strategic integration can

improve institutional accountability and prevent conflicts between commercial and social objectives.

This finding is consistent with Rahajeng (2022), who identifies governance and ethical weaknesses as potential sources of institutional vulnerability in BMT. The presence of Islamic values does not automatically guarantee organizational integrity when internal controls and accountability mechanisms are weak. The present findings reinforce this argument by demonstrating that BMT revitalization requires the institutionalization of ethical values through formal organizational procedures. Transparency, responsibility, fairness, and accountability need to be translated into concrete management practices rather than remaining normative principles. Sharia governance is also found to be an essential component of institutional revitalization. The findings demonstrate that customers perceive Sharia compliance as an important source of institutional legitimacy and trust. BMT managers therefore need to ensure that financing contracts, product structures, collection procedures, and social-finance activities remain consistent with Islamic principles. This finding corresponds with Setiawan and Mardian (2021), who emphasize the importance of strengthening Sharia supervision, internal controls, and the competence of Sharia Supervisory Boards in BMT institutions. However, the findings indicate that Sharia governance should not operate independently from organizational governance. Instead, it needs to become an integrated component of institutional decision-making. For example, the development of digital financing products should involve not only technological and financial considerations but also Sharia assessment. Similarly, efforts to improve financial performance should consider whether financing strategies continue to serve the social and ethical objectives of BMT. This integrated approach strengthens the argument that BMT revitalization requires a governance model combining professional management, financial accountability, and Sharia integrity.

Another important finding concerns human-resource capability. BMT employees increasingly require competencies beyond conventional financing administration. They need to understand Islamic financial contracts, risk management, digital financial services, customer relationship management, and microenterprise development. The findings suggest that limitations in employee competence can become a significant barrier to institutional transformation. Consequently, continuous training and professional development are required to ensure that technological and organizational innovations can be effectively implemented. The institutional revitalization process can therefore be understood as a transition from relationship-based traditional management toward professionally governed community-based Islamic microfinance. The transformation does not require BMT to abandon its local and relational character. Instead, professionalism should strengthen the institution's capacity to preserve trust while improving efficiency, transparency, and accountability. This finding is particularly important for BMTs in North Sumatra because the diversity of communities and economic activities requires institutions to combine standardized governance with contextual flexibility.

Digital Transformation and Islamic Financial Innovation for Sustainable BMT

The second major finding concerns the increasing importance of digital transformation and Islamic financial innovation. The findings demonstrate that BMT institutions in North Sumatra recognize digitalization as necessary for improving service efficiency, expanding accessibility, and responding to changes in customer behavior. Conventional manual processes are perceived as increasingly inefficient, particularly for younger customers and microentrepreneurs who are accustomed to digital transactions.

Consequently, BMT institutions are beginning to incorporate digital communication, electronic payments, digital record management, and technology-supported financing processes. Digital transformation, however, is not interpreted merely as the adoption of digital applications. The findings indicate that successful digitalization requires organizational changes involving employee competencies, administrative procedures, customer interaction, data management, and risk control. This finding supports the argument of Muryanto et al. (2021), who identify digital financial technology as an important opportunity for Islamic microfinance institutions but emphasize the need for institutional adaptation.

The findings further show that digitalization can strengthen several dimensions of BMT performance simultaneously. First, digital systems can improve transaction speed and reduce administrative workloads. Second, digital records can strengthen documentation and monitoring. Third, digital communication can improve customer engagement. Fourth, digital platforms can facilitate access to financial services for customers who are geographically distant from BMT offices. These improvements potentially strengthen financial inclusion while reducing the operational limitations associated with conventional branch-based services. Recent evidence from Indana and Al Hadi (2026) similarly demonstrates that digitalization can contribute to operational efficiency, Islamic financial inclusion, and member trust. The present findings extend this argument by emphasizing that digitalization becomes more effective when integrated with the social character of BMT. Technology should therefore function as an enabler of community-based Islamic microfinance, rather than transforming BMT into a purely technology-driven financial institution.

One important challenge identified in the findings is the digital divide. Not all BMT members possess the same level of digital literacy, access to smartphones, or familiarity with digital financial applications. Older customers and economically vulnerable groups may continue to prefer direct interaction with BMT employees. Therefore, a fully digital service model could unintentionally exclude some of the institution's traditional beneficiaries. The findings suggest that BMTs should adopt a hybrid service model, combining digital services with face-to-face assistance. Islamic financial innovation is also closely associated with this digital transformation. The findings reveal that BMTs need to develop financing products that are more responsive to the characteristics of microenterprises. Microentrepreneurs have different capital requirements, business cycles, repayment capacities, and levels of financial literacy. Standardized financing products may therefore be insufficient. BMTs need to develop differentiated products based on Sharia contracts while maintaining affordability and risk sustainability. The findings indicate that *murabahah*, *mudharabah*, *musyarakah*, and *qardhul hasan* can serve different segments and purposes within the BMT ecosystem. *Murabahah* can support the acquisition of productive assets or business inventory, while *mudharabah* and *musyarakah* can facilitate productive business activities through risk-sharing mechanisms. *Qardhul hasan* can be directed toward vulnerable members who require social-oriented financing. The diversification of these products allows BMT to strengthen both its commercial and social functions.

This finding corresponds with Nugraheni et al. (2026), who identify capital requirements, income, fairness perceptions, and service quality as important factors influencing BMT financing decisions. The implication is that financial innovation should be based on customer needs rather than simply increasing the number of financial products. Product innovation must be accompanied by improved customer assessment, financial education, and business mentoring. The findings also highlight the importance of integrating digitalization with Islamic social finance. Digital systems can facilitate the collection, recording, and distribution of zakat, infaq, and sadaqah, potentially strengthening the *baitul*

maal function. Such integration can create a more connected Islamic financial ecosystem in which social funds support vulnerable groups while productive financing supports economically active members. This approach reinforces the distinctive institutional identity of BMT. Nevertheless, digital transformation introduces new risks, including cybersecurity, data privacy, technology failure, and operational dependence on external digital infrastructure. Therefore, digital innovation must be accompanied by stronger risk-management and data-governance mechanisms. BMTs should establish clear procedures regarding data access, customer privacy, system security, transaction verification, and digital fraud prevention. The findings consequently demonstrate that digital transformation and financial innovation should be treated as mutually reinforcing components of BMT revitalization. Technology provides the infrastructure for more efficient and accessible services, while Islamic financial innovation provides the products through which technological capabilities can generate meaningful economic outcomes. The combination of these two dimensions can enable BMT to move from a traditional microfinance institution toward an adaptive and digitally enabled Islamic microfinance institution.

Financial Inclusion, Community Empowerment, and the Institutional Transformation Model

The third major finding demonstrates that BMT revitalization ultimately needs to be evaluated through its contribution to financial inclusion and community economic empowerment. The findings reveal that customers do not perceive BMT merely as a source of financing. Rather, they value accessibility, interpersonal relationships, flexibility, religious compatibility, and assistance in addressing business problems. This indicates that the social value of BMT extends beyond financial transactions and includes the development of economic capabilities among community members. Financial inclusion is achieved when customers can obtain appropriate financial services according to their economic circumstances. The findings suggest that BMT contributes to inclusion by providing financing to microentrepreneurs who may experience difficulties accessing conventional bank financing. This role is consistent with Hidayah et al. (2026), who find that Islamic microfinance institutions can support microenterprises and informal economic actors through Sharia-compliant financial services. However, the findings indicate that access to financing alone does not automatically produce sustainable empowerment. Some customers continue to face difficulties in business management, financial planning, marketing, digitalization, and market access. Therefore, BMT needs to strengthen the non-financial component of its services. Business mentoring, financial literacy, digital literacy, entrepreneurship training, and market facilitation can increase the effectiveness of financing and improve customers' capacity to generate sustainable income.

This finding changes the traditional understanding of microfinance from a capital-centered model to an empowerment-centered model. In a capital-centered model, institutional performance is primarily measured by financing distribution and repayment. In an empowerment-centered model, financing is viewed as an instrument for developing productive capacity. The latter approach is more consistent with the social objectives of Islamic economics because it seeks to improve economic independence rather than merely increase financial transactions. The findings further reveal that the *baitul maal* and *baitul tamwil* functions can complement one another within this empowerment process. Social funds can address immediate vulnerabilities, while productive financing can support longer-term economic development. For example, community members with limited economic capacity can initially receive social assistance or *qardhul hasan*, followed by

entrepreneurship training and productive financing when their business capacity improves. Such a model creates a gradual transition from social protection to productive empowerment.

This integrated approach also strengthens institutional sustainability. When customers receive financing accompanied by appropriate assistance, their capacity to manage businesses and meet financial obligations may improve. At the institutional level, this can contribute to healthier financing portfolios, stronger member relationships, and greater institutional trust. At the community level, it can contribute to income generation and economic resilience. The findings also support the argument that BMT sustainability is multidimensional. Financial sustainability remains essential because BMT needs sufficient resources to continue its operations. Nevertheless, financial sustainability without social legitimacy may weaken the distinctive identity of BMT. Similarly, social programs without sound financial management may create institutional vulnerability. Therefore, sustainable Islamic microfinance requires an appropriate balance between financial viability and social impact. Based on the three dimensions identified in the study, the research proposes an Institutional Transformation Model for Sustainable Islamic Microfinance. The model consists of interconnected institutional components. Institutional governance and Sharia governance function as the foundational dimension. Digital transformation and Islamic financial innovation function as transformation mechanisms that improve service efficiency and product responsiveness. Human-resource capability and risk management function as institutional capacities that support transformation. These dimensions collectively contribute to financial inclusion, community empowerment, and institutional resilience, which ultimately support sustainable Islamic microfinance.

The findings also suggest that Sharia integrity should operate across all stages of the transformation process. Digitalization must remain Sharia-compliant, financial innovation must respect Islamic contracts, governance must ensure ethical accountability, and community empowerment must reflect the principles of justice and social welfare. This cross-cutting dimension distinguishes the proposed model from conventional institutional transformation frameworks. The proposed model extends previous BMT literature by integrating dimensions that have frequently been examined separately. Muryanto et al. (2021) emphasize the opportunities associated with digital transformation, Rahajeng (2022) highlights governance and ethical vulnerabilities, Setiawan and Mardian (2021) emphasize Sharia governance, while more recent studies focus on financing, financial inclusion, and digitalization (Nugraheni et al., 2026; Hidayah et al., 2026; Indana & Al Hadi, 2026). The present study connects these perspectives into a single institutional transformation framework. The North Sumatra context further demonstrates the importance of adaptability. BMT institutions operate within diverse communities and economic sectors, requiring transformation strategies that are not entirely standardized.

The findings suggest that BMTs need to combine standardized governance and risk-management systems with flexible customer-oriented services. This balance between standardization and contextual adaptation is essential for maintaining institutional efficiency without losing community trust. Theoretically, the findings demonstrate that BMT revitalization should be understood as an institutional transformation rather than a conventional organizational improvement program. The transformation involves simultaneous changes in governance, technology, financial products, human resources, risk management, and community relationships. Practically, the model provides a strategic framework for BMT managers and policymakers to prioritize institutional improvements according to their respective capacities. Overall, the findings demonstrate that the future

sustainability of BMT in North Sumatra depends on its ability to integrate professional governance, technological adaptability, Islamic financial innovation, risk resilience, and community empowerment. BMTs that successfully integrate these dimensions can strengthen their competitiveness without sacrificing their social and religious identity.

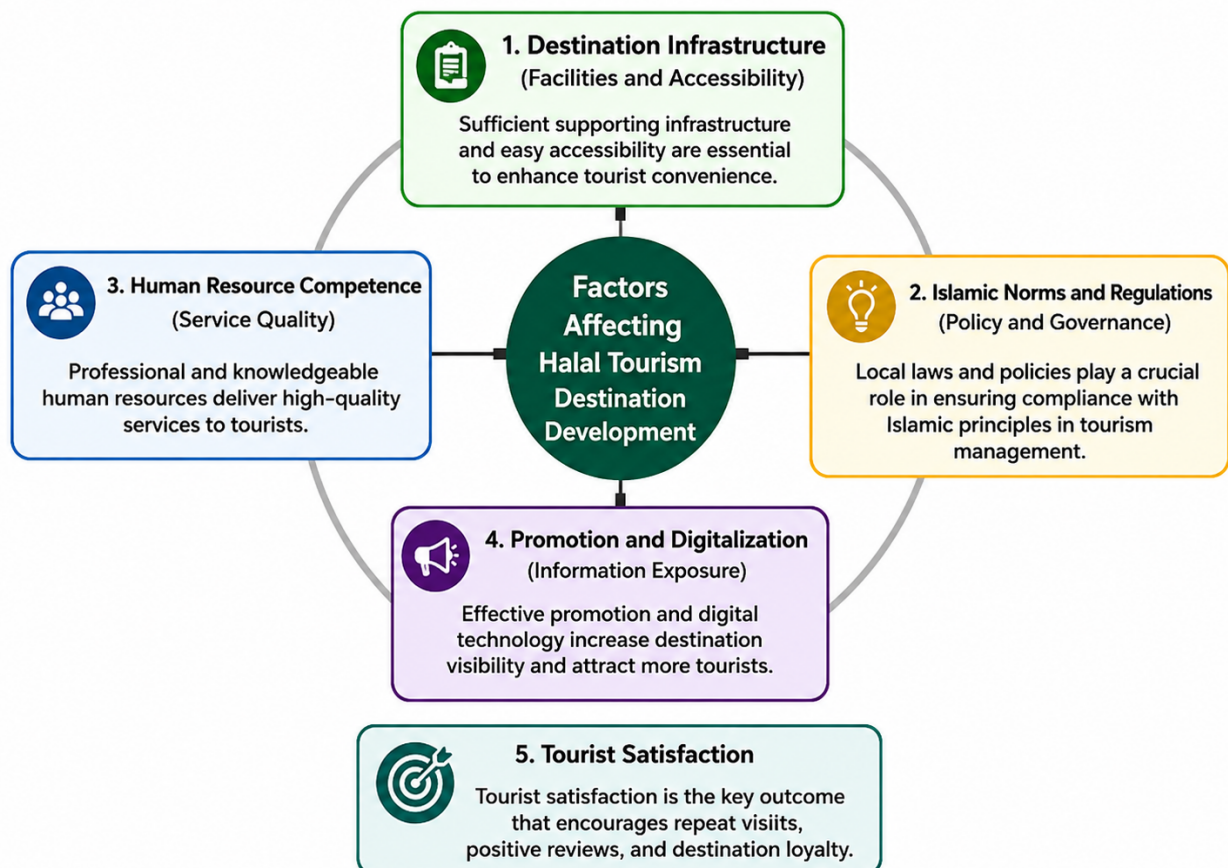
Conditions and Practices Revitalization of BMT in North Sumatra

Based on results observation and interviews In the field, the condition of BMT in North Sumatra shows sufficient dynamics diverse. In In general, BMT can grouped into two conditions main, namely BMT which is still capable endure through various form adaptation institutional and operational, as well as BMT which is experiencing decline even collapse consequence problem liquidity, weak governance, and low capacity managerial. One of the examples of BMT that are relatively capable maintain its sustainability is BMT UB Amanah Laut Dendang. Ability the supported by efforts among others maintain loyalty member through financing productive in the sector micro, relative relationships close to members, as well as mentoring business in a way periodically. Practice the show that BMT sustainability is not only determined by ability distribute financing, but also by capacity institution in build connection term long and gives mark plus to member. Although hus, the practice operational Some BMTs in North Sumatra still face various systemic weaknesses. Some problems found covering Not yet optimally standard operating procedure (SOP) in distribution financing, survey process eligibility candidate customers who tend to nature administrative and formalities, weakness implementation management risks, as well as Not yet optimally system internal supervision. On the other hand, the quality reporting and recording finances at some BMTs are still need strengthening to align with the Standards Sharia Financial Accounting (SAK Syariah), not just called as SAS. Condition the potential increase risk financing problematic, lowering level trust members, and ultimately bother liquidity as well as sustainability BMT institutions. Therefore, BMT revitalization is necessary directed No only on improvement amount financing, but also on improving governance, management risk, transparency, and accountability institutional (Corbin & Strauss, 2015).

In perspective revitalization, strengthening of BMT in North Sumatra requires change from pattern management of a nature conventional towards better governance professional, adaptive, and based need members. Revitalization can done through SOP standardization, improvement competence source Power human, strengthening function sharia supervision and internal control, digitalization administration and services, as well as development system evaluation eligibility more financing comprehensive. At the same time, the character of BMT as an integrating institution function the temple maal and baitut tamwil need maintained and strengthened. The integration allows BMT not to only sustainability oriented financial, but also running function social through management of zakat, infak, alms and waqf For support empowerment economy community. Thus, revitalization of BMT is necessary put balance between sustainability business (financial sustainability) and usefulness social (social impact) as foundation main (Antonio, 2001; Ascarya & Yumanita , 2008). More further findings field the can become base formation of a BMT revitalization model through approach Grounded Theory. Various issues that arise starting from weak governance, risk financing, limited human resources, low digitalization, up to need strengthening function social can categorized through the open coding process, then connected through axial coding to find pattern connection intercategory, and so on integrated through selective coding to obtain core categories that explain mechanism revitalization of BMT. With an approach mentioned, the resulting revitalization model No solely adopt draft from outside, but constructed based on the reality and experiences of BMT

actors in North Sumatra so that own relevance empirical and contextual (Glaser & Strauss, 1967; Corbin & Strauss, 2015).

In terms of implementation revitalization of BMT in North Sumatra exists several factors such as from inhibiting factors or supporting factors , among others factor inhibitor in revitalization of BMT; 1). The height cost operational (BOPO), things This marked by data obtained at BMT North Sumatra reaching 80.51% in 2024, this reflect efficiency expenditure eroding operations profit net return (ROA) (Shafrani, 2023). 2). Quality financing low and NPF is less tightness analysis financing so that cause credit traffic jam that holds up BMT liquidity (Wasiatuttahma, 2020) and 3). Resistance to digital transformation in matter This strength senior management towards change technology and costs IT technology is considered expensive. While the supporting factors from matter the is as following ; 1). Community base strong power, in matter this support from network from strong Islamic mass organization such as (Al- Washliyah, Nahdlatul Ulama and Muhammadiyah), Islamic boarding schools and mosque congregations. 2). Potential market for MSMEs, the existence of millions trader little ones in need scheme financing daily or weekly without complicated guarantees. 3). Commitment stakeholders interest existence attention from government regions and universities high Islam in BMT assistance Based on the data developed , the conceptual model integrated BMT revitalization (integrated community base-BMT revitalization Models).



Source: Modified from Battour and Ismail (2016) – Halal Tourism: Concepts, Practises, Challenges and Future.

Figure 1. Pillars of the BMT Revitalization Strategy Model Matrix

Implementation of the abovementioned model can implemented in term short, medium and long term. In term short term (1-2) years, things that can done Internal Fundamental Improvements and Governance Standardization. Focus main located on arrangement repeat SOUP operational, compilation analysis eligibility financing Which more strict For minimize NPF, arrangement accountancy in accordance Standard Accountancy Sharia (SAS), as well as certification competence must for all over BMT managers and Account Officer (AO) in North Sumatra through BNSP scheme In the long term time medium required transformation digitization and verification products with adoption application Android/iOS based digital transactions for make things easier member do savings daily and installments. In addition, BMT must vary product financing that is not limited to murabahah-related issues, but rather develop scheme Musyarakah Mutanaqisah (MMQ) for ownership asset productive and Greetings to the agriculture in rural areas of North Sumatra. Meanwhile Long term (5 years and above) is necessary consolidation of the Apex BMT Institution and consolidation which functions as liquidity fund provider between BMT (secondary reserves), central Joint IT development and receptacle advocacy regulations with the government North Sumatra Province, Bank Indonesia, OJK and the Ministry of Cooperatives.

CONCLUSION

Based on the data presented that emphasize that success revitalization BMT No can achieved only by injecting capital addition (expansion financial mere), increase capital must balanced by repair management risk And professionalism HR with things the will reduce surge financing problematic (NPF). Strengthening social capital must in line with improvements self in a way religious, as well as connection strong emotional ties among members, thus will reduce turmoil economy and the existence of concern members of BMT The need for improvement digital capacity that provides impact and improvement Power stand MSMEs and Financial Institutions micro Furthermore as a suggestion that can be given to Stakeholders related to BMT include, among others, namely BM manager immediately carry out improvement of internal SOPs, following standard competence management of Islamic LKM and adopting cast affordable digital banking, for government and regulators, namely drafting regulations integrated BMT supervision, establishing a guarantee institution specifically for BMT and facilitate access financing LPDB Syariah secondary for BMT especially in North Sumatra.

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