7th AICIF
CERTIFICATE
OF ACHIEVEMENT

PRESENTED TO:

Fajar Surya Ari Anggara

FOR PARTICIPATION AS:
Paper Presenter

7th ASEAN UNIVERSITIES
INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE 2019
3-4 DECEMBER 2019 AT UNIVERSITY OF DARUSSALAM GONTOR

Rector
University of Darussalam Gontor

Prof. Dr. H. Amal Fathullah Zarkasyi, M.A

UNIDA GONTOR

AICIF

PROCEEDINGS 7TH ASEAN UNIVERSITIES

International Conference on Islamic Finance

Revival of Islamic Social Finance To Strengthen Economics Development Towards a Global Industrial Revolution

Editors:

Hartomi Maulana

Atika Rukminastiti Masrifah

Co Host:

IIUM
International Islamic University Malaysia

UIN SUKA
Universitas Islam Negeri Sunan Kalijaga Yogyakarta Indonesia

UNISSULA
Universitas Islam Sultan Agung Semarang Indonesia

UNISSA
University Islam Sultan Sharif Ali, Brunei Darussalam

Fatoni University Thailand

Mindanao State University of Philippines

STEI
Tazkia University Indonesia

SECRETARIAT
International Council of Islamic Finance Educators

Business Model in Islamic Microfinance: Case Study of Baitul Maal Wat Tamwil (BMT) La Tansa Gontor

Fajar Surya Ari Anggara and Roghiebah Jadwa Faradisi
Department of Management, University of Darussalam Gontor, Indonesia

Keywords: Business Model, Islamic Microfinance, BMT La Tansa Gontor.

Abstract: The use of the canvas business model method in Islamic financial institutions namely BMT is considered important to correct a possibility of an error or the need for improvement in one of the boxes of the process of running a business model. BMT La Tansa Gontor is a business entity that has profit and social benefits. This research is a qualitative descriptive study with a research location in BMT La Tansa Gontor Ponorogo. A purpose of this study is to determine the concept of BMT La Tansa Gontor's business model using the Business Model Canvas Approach based on 9 aspects. Technique data collection through interviews and observations. Data analysis uses interpretation qualitative and business model canvas tool method in consist of analysis in this study is value propositions, channels, customer relationships, customer segments, revenue streams, key resources, key activities, key partners, cost structure. The results showed that product development innovation at BMT La Tansa focus on customer relationship for segmented customer as member of BMT La tansa Gontor and local people. Key Assets of BMT La Tansa, by conducting training for employees and motivate employees to continue their studies at Higher Education. BMT La Tansa customer relationship using word of mouth strategy to support improving public understanding of Islamic social finance service. Channels strategy of BMT La Tansa Gontor is to increasing the retention of prospective customer and utilizing information technology for communication and marketing media. Key Activities of BMT La Tansa Gontor is to make a list of visits of existing customers and prospects.

SCIENCE AND TECHNOLOGY PUBLICATIONS

1 INTRODUCTION

BMT La Tansa Gontor's role in improving people's welfare is very important with its financing products which are very beneficial for people and especially member of BMT La Tansa Gontor. An Islamic financial institution must also pay attention to regional micro small businesses which also have an effect on improving the economy. One of the financial institutions which is needed by micro small businesses. The institutions that are required to obtain business licenses through Inauguration as MFIs to OJK no later than January 8, 2016. are Village Bank, Village Lumbung, Market Bank, Employee Bank, Village Credit Board (BKD), Kecamatan Credit Board (BKK), Credit Small Business Enterprises (KURK), Sub-district Credit Agencies (LPK), Village Production Work Banks (BPR), and Baitul Maal Wa Tamwil (BMT) (Mulyati & Harieti, 2018). Micro, Small, Medium Enterprise dominates 99.75 percent, and only 0.19 percent is a large-scale business in Indonesia. According to database of Ministry of Cooperatives and SMEs Republik Indonesia, there is 824 cooperatives in Ponorogo Regency. 23 cooperatives on Mlarak Sub-District pay attention to improving local economy which is registered in database of Ministry of Cooperatives and SMEs Republik Indonesia.

Business Model Innovation in order to supporting Scaling Up Islamic Microfinance. Business model can help people to identify opportunities to improve Islamic microfinance business models to achieve greater effectiveness, efficiency and scale of BMT La Tansa Gontor. These objectives to examine the role of business model innovation in BMT La Tansa Gontor's survival and growth and to identify opportunities for continued technical assistance. From a managerial point of view, the business model construct offers an alternative perspective for running key process of value creation instead of managing activities and functions (Sainio et al., 2011).

The use of the canvas business model method in Islamic financial institutions such as BMT is considered important to correct a possibility of an

Anggara, F. and Faradisi, R.
Business Model in Islamic Microfinance: Case Study of Baitul Maal Wat Tamwil (BMT) La Tansa Gontor.
DOI: 10.5220/0010115100760082
In *Proceedings of the 7th ASEAN Universities International Conference on Islamic Finance (7th AICIF 2019) - Revival of Islamic Social Finance to Strengthen Economic Development Towards a Global Industrial Revolution*, pages 76-82
ISBN: 978-989-758-473-2
Copyright © 2020 by SCITEPRESS – Science and Technology Publications, Lda. All rights reserved

error or the need for improvement in one of the boxes of the process of running a business model, because BMT La Tansa Gontor have business entity that has profit and social benefits.

2 LITERATURE REVIEW

Business model canvas (BMC) has an advantage in analysing business models that is able to describe simply and comprehensively the current condition of a company based on customer segments, value offered, value offer pathways, relationship with customers, revenue streams, vital assets, partner partners , and the cost structure they have (Osterwalder, Pigneur, & Smith, 2010). Business model innovation is requires significant all management level attention (Evans & Johnson, 2013).

Business model for social and inclusive business models are similar in partner networks, use of knowledge and value chain, in the development of innovative distribution models (except for the cases in which the market considered is not in an emerging country) and in terms of social benefit. The social and inclusive business models are different in terms of value proposition, profits management model, social risks and economic profit equation (Michelini & Fiorentino, 2012).

Business model for Islamic Finance Institutions such as Islamic Bank with value proposition aspect depending on participation instead of interest-based deposit products in collecting funds. In terms of customer segmentation aspect, around 90% of depositors are private sector. While using the funds, the main preference of Islamic banks is loans, especially *Wadi'ah*. *Wadi'ah* has been adopted as a mode of interest-free financing by a large number of Islamic banks to finance the purchase of the consumer goods. Value proposition of Islamic Finance Institutions depending on loan products, mostly mark-up financing in using funds. Thus, revenue streams basically depend on mark-up income instead of interest income. Almost all of these loans are owned by private sector, especially non-financial companies (Muhammad Kashif, Khurrum Faisal Jamal, 2019).

Business model for Islamic Microfinance Institutions based on BMT Sidogiri Case Study is formulated and implemented by applying all the Islamic business construct contain Aqd/transaction based sharia, fundamental prohibitions construct is applied by studying sharia perspective deeply and specifically, ethical construct is implemented by providing excellent service based on example from the Muhammad SAW and Organizational/ Islamic relationship construct (ukhuwah) is manifested in social activities and has good relationship with the community (Hendratmi & Widayanti, 2017)

We strongly encourage authors to use this document for the preparation of the camera-ready. Please follow the instructions closely in order to make the volume look as uniform as possible (Moore and Lopes, 1999).

2.1 Previous Study

Research conducted by (Solihah, Hubeis, & Maulana, 2016), business model canvas (BMC) has nine elements that are important in helping to identify business models in KNM Fish Farm and helping to identify elements that need improvement to help the business continuity in the future.

Research results can be concluded that BMT Kanindo Syariah Jatim business model has well supported the business operation process and in accordance with their established vision and mission. The findings in this study is that there is a difference between literature and fact regarding key activities and BMT development constraints. The unit of analysis in this study is 9 block of business model canvas such as value propositions, channels, customer relationships, customer segments, revenue streams, key resources, key activities, key partners, cost structure. (R Khairizza Mohammad, 2015)

Microfinance institutions business model activities can be done in a conventional or sharia-based manner, including loans / financing in a micro-scale enterprise for capital needs in business development, and savings management as an effort to provide awareness to the public to enjoy saving, while the microfinance institutions also provides business development consultancy services The goal is community empowerment (Mulyati & Harieti, 2018)

The conceptual and historical work results in a process model of business model change, demonstrating how central business units feed strategic alternatives and capabilities to the corporate-level transformation process. Practical implications on Nokia Case study showed results highlight the importance of corporate level "market mechanisms" that allow promising strategic alternatives to emerge and select out inferior options (Aspara, Lamberg, Laukia, & Tikkanen, 2011)

The flexibility business models is explored through the way organisations select and integrate three inter-related elements to devise flexible business models, i.e. network influence, transactional

relationships, and corporate ownership. This research to investigate a matched pair sample of 20 high-performing and 20 low-performing firms in the United Kingdom (Mason & Mouzas, 2012).

The results obtained consist of nine elements in the business model consisting of customer segments, value propositions, customer relationships, customer segments, channels, revenue streams, cost structures, main activities, key resources, key partners. need to improve strategies to increase revenue by not limiting Customers who are entitled to join *Kencleng* savings not only specifically for female customers. In the main activity strategy Islamic microfinance such as Koperasi Syariah Manfaat Surabaya Benefits for HR providing training should be HR that already has the ability, can work together with educational institutions (Tantriana, 2018).

3 ANALYSIS MODEL

Choosing a business model is one important factor for the success of an organization. Choosing a business model must be innovative so that organizations are able to survive amid rapid changes in the business environment. One of the tools that can be used is the Business Model Canvas (BMC) developed by (Osterwalder et al., 2010) which supports to describe and manipulate business models easily and simply to open the choice of strategies to develop new business models that are more competitive.

La Tansa Gontor BMT which under the control of the Pondok Modern Darussalam Gontor and is managed by the supervisor and has the Principles, Vision and Mission to fulfill their goals. Principles of Baitul Maal wa Tamwil La Tansa Gontor are Islamic Sharia and Gontor Modern Pondok Rules. The vision of Baitul Maal wa Tamwil La Tansa Gontor is to become a healthy, thriving and trusted financial institution, which is able to serve members and the community, live a life full of safety, peace and prosperity (A1). The mission of Baitul Maal wa Tamwil La Tansa Gontor is to develop Baitul Maal wa Tamwil as a means of empowerment and justice movements so that the quality of the community around Baitul Maal wa Tamwil La Tansa Gontor is achieved which is full of safety, peace and prosperity (A2). The purpose of Baitul Maal wa Tamwil La Tansa Gontor is to realize the lives of family members and the community in their surroundings which are full of safety, peace and prosperity (A3).

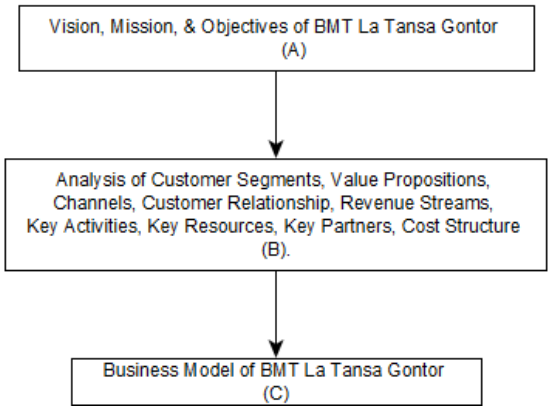

Figure 1: Analysis framework of Business Model on BMT.

An objective of this study is to determine the concept of BMT La Tansa Gontor's business model using the Business Model Canvas Approach based on 9 aspects.

3.1 Aspect of Value Propositions

Value Propositions for BMT La Tansa is what should be given to the customer, what is required by the customer, so that the Value in BMT La Tansa can change according to the market segments and individual needs of each customer. Products service cover Wadi'ah and Musawamah for Gontor people. The Value of BMT La Tansa is a diversity of products, ease of requirements and free of administrative costs, shuttle service, and the size of the ratio offered (B1).

3.2 Aspect of Customer Segments

Market Segmentation is reviewed from the regional directly related to the main goal of BMT La Tansa which is centered on agro-commerce business. Agro-commerce is included in the market segment BMT La Tansa is all kinds of agro-commerce business (fruits, vegetables, rice, etc.). The second, because BMT La Tansa based cooperatives (BMT) then the next market segmentation is the small Micro Entrepreneurs (SMEs). Third on the segmentation of knowledge is to see how the level of understanding of the community about the products to be offered, so there is inequality in the BMT La Tansa Branch and Village branch of the distribution of products. Lastly, behavioral segmentation is also enforced by looking at the experience of customer behaviour in some regions (B2).

3.3 Aspect of Customer Relationships

Customer relationship at BMT La Tansa is supported by 3 programs i.e., 1) Meet the clients directly; 2) awarding scholarships; 3) Sharia economic counselling for the community around BMT La Tansa Gontor (B3).

3.4 Aspect of Channels

How to distributing products? BMT La Tansa distributes its products directly to the community/customers without intermediaries. By opening a branch office, and conducting a survey around BMT La Tansa Gontor society (B4).

3.5 Aspect of Revenue Streams

Revenue streams in BMT La Tansa comes from 2 main products namely, Wadi'ah and Mudharabah. Revenue also gained from the Mutanaqisah product but in giving the largest proportion of profit, Wadi'ah. (B5).

3.6 Aspect of Key Resources

BMT La Tansa has a human resource capable of supporting it, the human resources are supported by facilities and technology (B6).

3.7 Aspect of Key Activities

BMT La Tansa main activity includes promotion, education, and negotiation (*Akad*). Promotions in various ways include the use of media such as radio, advertising, etc. In educational activity is about how the role of BMT La Tansa in improving the quality of human resources that have been listed on its mission. At the Akad negotiations that also became the advantage of BMT La Tansa, BMT La Tansa offers a more profitable ratio for customers. This akad support by Ta'awun principle. Ta'awun means that to provide mutual financial and other forms of aid to members. (B7).

3.8 Aspect of Key Partners

Partnerships that are collaboration with stakeholder and also Pondok Modern Darussalam Gontor is to establishing a Mudharabah agreement because BMT La Tansa requires additional capital to address financing demand (B8).

3.9 Aspect of Cost Structures

Cost structure consists of administration fee, salary (operation), tax fee, equipment fee, and variable cost. But the cost of forming a value propositions is an administrative fee where the customer is not charged an administrative fee (B9).

Analysis Business Model Canvas based on 9 aspects which analysed. At this step based on Focus Group Discussion (FGD) that has been conducted with business managers and employees, taking into BMT La Tansa Gontor vision, mission, and purposes (C).

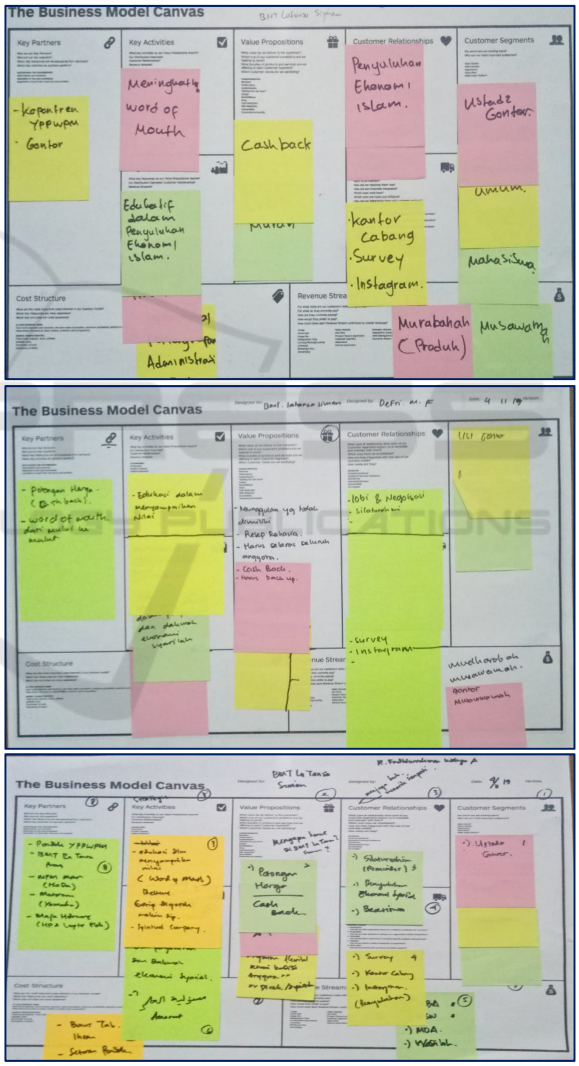

Figure 2: FGD Result of BMT La Tansa Gontor Business Model.

BMT La Tansa Gontor conducted business based on Islamic business construct: transaction follow aqad, practicing ethic business and high appreciation

in ukhuwah Islamiyah (network-based brotherhood in Islam). Values impelemented on BMT La Tansa Gontor Business Operation based on *Panca Jiwa*. This Five Spirits of Pondok Modern Darussalam Gontor as Holding Institutions cover Sincerity, Simplicity, Self – Reliance, Islamic Brotherhood, and Accountable Freedom (Masqon, 2014).

Business activities aspect consist of Islamic microfinance BMT service, marketing, developing human resources and financing showed that BMT La Tansa Gontor conducted those activities strike to the Islamic business construct. However, in the other side BMT pointed out to develop from microfinance business institution traditional approach into modern business entity that applied Islamic value as an innovation step ahead.

Business Model Canvas of BMT La Tansa Gontor cover 9 aspects as improvement business operations. In this study, the advantages offered are based on what the market wants or what the problems are in the market. The actual value propositions can change depending on how the BMT La Tansa Gontor services have good impact on consumer's perspective. Marketing and sales area that is conducted is limited by BMT La Tansa Gontor, namely by paying attention to regional segmentation, profession, knowledge, and behavior. Refer to conducted research by (Hastuti & Anggara, 2017) values implemented on BMT La Tansa Gontor include Sincerity, Simplicity, Independence, Islamic Prayer, and Freedom. In conducting business and activities, business actors have understood and implemented Islamic principles or values based on Al Qur'an and Hadith. Examples in regional segmentation are agricultural areas of Siman and Mlarak Sub District, with the profession of teacher, farmers and ranchers. Segments of knowledge such as educated communities and also from community behavior. From these segmentations BMT La Tansa Gontor can project in what ways these market segments can be achieved.

In this study, relating to how to maintain customer relations or customer retention to remain loyal to the BMT La Tansa Gontor is to stay in touch, provide scholarships. BMT La Tansa Gontor also have partnership strategy with University of Darussalam Gontor to organize seminars on Islamic Financial Literation. This program in order to educate people about how saving utilization by peoples in supporting local economics growth also supporting SMEs development by islamic financial services. In this research, channels are a way to distribute products to the public. Word of mouth strategy also support for this aspects. As is known in the market segment that BMT La Tansa Gontor focuses attention on the Pondok Modern Darussalam Gontor area and local people. So that the chosen distribution channel is a direct distribution channel. Direct distribution channels are products distributed directly to end consumers without going through intermediaries. The main revenue streams from saving utilization by SMEs in supporting the growth of local economics. Refer to (Kurniawan & Irwanto, 2018) BMT La Tansa Gontor financial services such as Funding Products consisting of Barakah, Mahir, Mabrur, and Amanah; and Lending Products in the form of Wadi'ah, Mudharabah, and Musyarakah.

In this study, key resources are the driving wheel of a company and business model. So that the resources available at BMT La Tansa Gontor consist of vehicle units, office equipment and buildings, employees, major capital and third party funds, computer units, mobile phones, and websites. BMT La Tansa Gontor has key activities in the form of promotion and education to get the market. In terms of innovation, the intended innovation is not in product innovation, but BMT La Tansa Gontor has made innovations in each of negotiating contracts with customers based on *Panca Jiwa* as professionalism spirit implementation. Refer to (Syamsuri & Saputro, 2019) that the results of their study prove that the study area has a very strong potential of five spirits to become a strategy in economic development to overcome poverty and transparency which has been an unresolved problem.

The partnership that was built by BMT La Tansa Gontor with Pondok Modern Darussalam Gontor and the other Islamic financial institutions is aimed at obtaining additional funds in providing loan funding needs to be provided to the public. Other financial institutions that have partnerships with stakeholder. The costs needed to create value for consumers are administrative costs, salary costs called *ihsan*, equipment depreciation costs, and variable costs of BMT La Tansa Gontor.

BMT La Tansa Gontor Business Model development also support strengthening business units of Pondok Modern Darussalam Gontor. According to (Daniar,Sri Iswati, 2019) Gontor has been running this concept for more than three decades to raise funds and build its independence. Even at the beginning of the establishment, this concept became the founders' ideas to address the problems of pesantren education, particularly related to funding sources.

4 CONCLUSIONS

BMT La Tansa Gontor business model has well supported the business operation process and in accordance with their established vision, mission, and purposes. BMT La Tansa Gontor developed business based Islamic values implemented called *Panca Jiwa* that manifested into 9 aspects business model.

BMT La Tansa Gontor formulated Business Model by Focus Group Discussion with all management level in order to reach business purposes based on value propositions, channels, customer relationships, customer segments, revenue streams, key resources, key activities, key partners, cost structure.

Customer Segmentation is reviewed from the regional directly related to the main goal of BMT La Tansa as Pondok Modern Darussalam Gontor business unit to support welfare of members. Customer relationship at BMT La Tansa is supported by 3 programs i.e., 1) Meet the clients directly; 2) awarding scholarships; 3) Islamic microfinance services counselling for the community. How to distributing products? BMT La Tansa distributes its products directly to the community/customers without intermediaries. By opening a branch office, and conducting a survey.

Revenue streams in BMT La Tansa comes from 2 main products namely, Wadi'ah and Mudharabah. Revenue also gained from the Mutanaqisah product but in giving the largest proportion of profit, Wadi'ah products. BMT La Tansa has a humanresources capable of supporting it, the human resources are supported by facilities and technology.

BMT La Tansa's main activity includes promotion, education, and negotiation of Akad. Promotions in various ways include the use of media such as advertising, etc. In educational activity is about how the role of BMT La Tansa in improving the quality of human resources that have been listed on its mission. At the Akad negotiations based on ta'awun principle that also became the advantage of BMT La Tansa, BMT La Tansa offers a more profitable ratio for customers. Partnerships that are woven with financial institutions BMT La Tansa requires additional capital from Pondok Modern Darussalam Gontor to address financing demand. Cost structure consists of administration fee, salary (operation), equipment fee, and variable cost.

REFERENCES

Aspara, J., Lamberg, J. A., Laukia, A., & Tikkanen, H. (2011). Strategic management of business model transformation: Lessons from Nokia. *Management Decision*, *49*(4), 622–647. https://doi.org/10.1108/00251741111126521

Daniar,Sri Iswati, A. F. Z. (2019). Social enterprise in the context of educational institution : Lessons from Gontor, Indonesia Empresa social en el contexto de la institución educativa : Lecciones de Gontor , Indonesia. *Opción, Año 35*, *19*(Social Humanities), 2244–2258.

Evans, J. D., & Johnson, R. O. (2013). Tools for managing early-stage business model innovation. *Research Technology Management*, *56*(5), 52–56. https://doi.org/10.5437/08956308X5605007

Hastuti, E. W., & Anggara, F. S. A. (2017). Implementation of Islamic Business Ethics Values based on IFSB 09: BMT La Tansa Ponorogo Experience. *Al Tijarah*, *3*(2), 119. https://doi.org/10.21111/tijarah.v3i2.1935

Hendratmi, A., & Widayanti, M. A. (2017). Journal of Management and Marketing Review Business Model in Islamic Perspective: Practising of Baitul Maal Wattamwil (BMT) UGT Sidogiri East Java Indonesia. *J. Mgt. Mkt. Review*, *2*(1), 43–52. https://doi.org/10.13140/RG.2.2.30535.60329

Kurniawan, D. A., & Irwanto, M. F. (2018). Motivation Analysis on Customer of Islamic Microfinance Institution. *Capital: Jurnal Ekonomi Dan Manajemen*, *2*(1), 28. https://doi.org/10.25273/capital.v2i1.3067

Mason, K., & Mouzas, S. (2012). Flexible business models. *European Journal of Marketing*, *46*(10), 1340–1367. https://doi.org/10.1108/03090561211248062

Masqon, D. (2014). Dynamic of Pondok Pesantren As Indegenous Islamic Education Centre in Indonesia. *EDUKASI: Jurnal Penelitian Pendidikan Agama Dan Keagamaan*, *12*(1), 134–142. https://doi.org/10.32729/edukasi.v12i1.78

Michelini, L., & Fiorentino, D. (2012). New business models for creating shared value. *Social Responsibility Journal*, *8*(4), 561–577. https://doi.org/10.1108/17471111211272129

Muhammad Kashif, Khurrum Faisal Jamal, M. A. R. (2019). Journal of Islamic Accounting and Business Research Article information. *The Dynamics of Zakat Donation Experience among Muslim:A Phenomenological Inquiry*, 1–16. https://doi.org/10.1108/17590811211216041

Mulyati, E., & Harieti, N. (2018). Model of business activities of microfinance institutions in Indonesiafile:///C:/Users/FajarSurya/Downloads/Documents/ANALISIS MODEL BISNIS PADA KNM FISH FARM DENGAN PENDEKATAN BUSINESS MODEL CANVAS BMC.pdf. *IOP Conference Series: Earth and Environmental Science*, *175*(1), 326–341. https://doi.org/10.1088/1755-1315/175/1/012194

Osterwalder, A., Pigneur, Y., & Smith, A. (2010). *Osterwalder, Pigneur, Smith_2010_Business Model Generation*.

R Khairizza Mohammad, A. H. (2015). Business Model Canvas Pada BMT Kanindo Syariah R Khairizza

Mohammad Achsania Hendratmi. Retrieved from https://www.academia.edu/15435086/Business_Model_Canvas_Pada_BMT_Kanindo_Syariah_Malang

Sainio, L. M., Saarenketo, S., Nummela, N., & Eriksson, T. (2011). Value creation of an internationalizing entrepreneurial firm: The business model perspective. *Journal of Small Business and Enterprise Development*, *18*(3), 556–570. https://doi.org/10.1108/14626001111155709

Solihah, E., Hubeis, A. V. S., & Maulana, A. (2016). Analisis Model Bisnis Pada Knm Fish Farm Dengan Pendekatan Business Model Canvas (Bmc). *Jurnal Sosial Ekonomi Kelautan Dan Perikanan*, *9*(2), 185–194. https://doi.org/10.15578/jsekp.v9i2.1220

Syamsuri, S., & Saputro, Y. E. (2019). Panca Jiwa As Social Capital Approach: an Alternative Startegy for Islamic Economic Development. *Share: Jurnal Ekonomi Dan Keuangan Islam*, *7*(2), 180–203. https://doi.org/10.22373/share.v7i2.2668

Tantriana, D. (2018). Business Model Canvas Produk Simpanan Kencleng Koperasi Syariah Manfaat Surabaua. *Seminar Nasional Dan Call for Paper : Manajemen, Akuntansi, Dan Perbankan*, 794–807.

SCITEPRESS
SCIENCE AND TECHNOLOGY PUBLICATIONS