ISLAMIC ECONOMIC ANALYSIS OF THE VILLAGE BAZNAS *MICROFINANCE* (BMD) PROGRAM IN MERANGIN REGENCY IN IMPROVING THE COMMUNITY'S ECONOMY

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ABSTRACT

The BAZNAS Village *Microfinance (BMD)* program plays a role in providing access to interest-free capital for micro-entrepreneurs. This program uses Sharia contracts, such as *Qārdhul Hāsān* , which align with Islamic principles of justice. By providing fair and usury-free financial access, Sharia *Microfinance* helps reduce economic disparities and achieve social justice. The focus of the problem in this research is to what extent the program is in line with Islamic economic principles and how much it contributes to improving the economic conditions of the beneficiary community.

This research uses a qualitative approach with a field study method. Data collection techniques included interviews, observations, surveys, and documentation of managers and beneficiaries. Data analysis was conducted inductively, referring to key concepts in Islamic economics, including distributive justice, empowerment of Mustahik, and *Maqasid ās-Syāri'āh* as evaluative elements.

The results of this study indicate that the Merangin BAZNAS Village *Microfinance* (BMD) program has made a real contribution to increasing income, business sustainability, and community economic independence. In general, this program has fulfilled the basic principles of Islamic economics, especially in terms of wealth distribution and value-based economic empowerment. However, indications of practices that contradict Sharia principles were found, namely the addition of payments after the loan agreement (*Qārdh*), such as the requirement to take infak and sadaqah in each installment payment, which has the potential to lead to elements of usury. This indicates the need for a serious evaluation of the financing structure to remain within the corridor of Islamic law, which prohibits all forms of profit-making from loans without a legitimate business transaction basis, but is permitted if it is not required at the beginning of the agreement and is given voluntarily (*tābārru'*), not as an obligation or part of the agreement.

The implications of these findings suggest that strengthening institutional capacity and increasing Islamic economic literacy are important aspects for the program's long-term effectiveness. Therefore, researchers recommend that BAZNAS *Microfinance* Village (BMD) managers improve the quality of Sharia-based entrepreneurship training , strengthen cross-institutional collaboration systems to create a holistic and sustainable empowerment ecosystem.

Keywords: Islamic Economics, BAZNAS, Village *Microfinance* , Community Empowerment, Māqāsid ās-Syāri'āh.

1. INTRODUCTION

A. Background

In Merangin Regency, the implementation of the BAZNAS Village *Microfinance* (BMD) program still requires in-depth information to assess its effectiveness in improving the community's economy. The purpose of this study is to analyze how productive zakat and Sharia *Microfinance* implemented by BAZNAS through the BAZNAS *Village Microfinance* (BMD) program can improve the community's economy in Merangin Regency.

The BAZNAS Village *Microfinance (BMD)* program plays a role in providing access to interest-free capital for micro-entrepreneurs. This program uses Sharia contracts, such as *Qārdhul Hāsān* , which align with Islamic principles of justice. By providing fair and usury-free financial access, Sharia *Microfinance* helps reduce economic disparities and achieve social justice. For example, the BAZNAS Village *Microfinance program* BMD in Sigi Regency provides access to loans to small business owners, helps them avoid loan sharks, and improves the economic welfare of the community .[1]

Merangin Regency was chosen as the study location because it has significant potential in the micro-enterprise, agriculture, and livestock sectors. However, this potential has not been fully utilized due to limited capital and limited public access to formal financial institutions. "The BAZNAS Village *Microfinance Program* aims to address this issue by establishing Islamic economic principles, such as fairness, transparency, and sustainability."[2]

This study uses a qualitative approach to explore more deeply how the Village *Microfinance program* in Merangin Regency is implemented and how it impacts the economic life of the community. This qualitative approach was chosen because of its exploratory nature, which allows researchers to understand phenomena in depth from the participants' perspective. Through in-depth interviews, observations, and document studies, this research aims to obtain a holistic picture of program implementation and community response to it. " This research also focuses on analyzing the principles of Islamic economics applied in the Village *Microfinance*

[1] Henri, *Community Economic Empowerment by Using Zakat Funds through BAZNAS Village Microfinance Financing*, AL-URBAN: Jurnal Ekonomi Syari'ah, 2018, p . 155.

[2] Ministry of Religion of the Republic of Indonesia, *Zakat Implementation Guidelines*, Jakarta: KARI, 2019.

program . This is crucial to ensure that the program not only meets the technical aspects of financing but also complies with Sharia values ."[3]

Based on the explanation above, the BAZNAS Village *Microfinance* (BMD) program in Merangin Regency is an interesting case study worthy of further in-depth study, particularly to determine the extent to which the implementation of Islamic economic principles has created significant economic transformation for the mustahik community. Therefore, the researcher is interested in choosing the title " An Islamic Economic Analysis of the BAZNAS Village ***Microfinance (BMD)*** **Program in Merangin Regency in Improving the Community's Economy** ."

B. Formulation of the problem

1. What is the form /practice of implementing the BAZNAS Village *Microfinance* Program? Merangin Regency in improving the community's economy?
2. How does Islamic economics review the BAZNAS Village *Microfinance Program* in Merangin Regency in improving the community's economy?
3. What are the obstacles and successes of the BAZNAS Village *Microfinance program* in Merangin Regency in improving the community's economy?

C. **Research purposes**

a. Analyzing the implementation of the BAZNAS Village *Microfinance Program* (BMD) in Merangin Regency, especially in the financing process, business assistance, and economic empowerment of mustahik in rural areas.[4]

b. Assessing the suitability of the implementation of the BMD program with Islamic economic principles, such as justice (*'ādl*), mutual assistance (*tā'āwun*), wealth empowerment (*tānmiyah āl-māl*), and the objectives *of māqāṣid āl-syarī'āh* .[5]

c. Identifying successes and obstacles in program implementation, both from the operational technical side and from the side of community participation and institutional support.[6]

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[3] Abdullah, S. *Islamic Economics: Concepts and Applications,* Jakarta: PT Raja Grafindo Persada, 2020. p . 145.

[4] National Zakat Collection Agency (BAZNAS), *Annual Report of the BAZNAS Village Microfinance Program 2023* . Jakarta: BAZNAS RI, 2023, p al . 10 - 25.

[5] **M. Umer Chapra.** *The Future of Economics: An Islamic Perspective* . Leicester: Islamic Foundation, 2000, pp. 203–210.

[6] M. Nur Rianto Al Arif, *Sharia Microfinance Institutions: Concept and Operationalization* . Jakarta: Rajawali Pers, 2012, pp. 87-93.

2. THEORETICAL BASIS

A. Islamic Economic Concept

1. Understanding Islamic Economics

The word economy comes from Greek, namely *aikos* and *nomos* . The word *aikos* means household, while the word nomos means to regulate. So, broadly speaking, economics is defined as household rules or household management. In reality, economics doesn't just refer to a family's household; it can also refer to the economy of a village, city , or even a country .[7]

Islamic economics is an economic system based on Sharia principles, with a focus on the welfare of the people, justice, and avoiding elements of *ribā* (interest), *ghārār* (uncertainty), and *maisir* (gambling).

In the Al-Qur'an, surah Al-Baqarah verse 275 explains the elements of usury, as follows:

ٱلَّذِينَ يَأۡكُلُونَ ٱلرِّبَوٰاْ لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ ٱلَّذِي يَتَخَبَّطُهُ ٱلشَّيۡطَٰنُ مِنَ ٱلۡمَسِّۚ ذَٰلِكَ God willing وَأَحَلَّ ٱللَّهُ ٱلۡبَيۡعَ وَحَرَّمَ ٱلرِّبَوٰاْۚ فَمَن جَآءَهُۥ مَوۡعِظَةٞ مِّن رَّبِّهِۦ فَ ٱنتَهَىٰ فَلَهُۥ مَا سَلَفَ وَأَمۡرُهُۥٓ إِلَى ٱللَّهِۖ وَمَنۡ عَادَ فَأُوْلَٰٓئِكَ أَصۡحَٰبُ ٱلنَّارِۖ هُمۡ فِيهَا خَٰلِدُونَ.

People who consume usury cannot stand but stand like someone who is possessed by a demon because they are crazy. This is because they say that buying and selling is the same as usury. Even though Allah has permitted buying and selling and prohibited usury. Whoever receives a warning from his Lord, then stops, then what he has previously obtained becomes his and his business (is up to) Allah. Whoever repeats it, then they are the inhabitants of hell, they will remain there forever. (Al-Baqarah: 275)[8]

"Islamic economics is an economic system based on Sharia principles, which are derived from the Quran, Hadith, and the consensus of Islamic scholars. Its goal is to achieve maslahah (general welfare) through distributive justice, the prohibition of usury, and the strengthening of zakat."[9]

"According to the Introduction to Islamic Economics by the National Committee for Islamic Economics and Finance (KNEKS), Islamic economics

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[7] Eka Yunia Fauzia, *basic principles of Islamic economics from the perspective of maqashid al-Syari'ah*, Jakarta: PT fajar interpratama mandiri, 2014, page 2.

[8] Indonesian Ministry of People's Religion , *Translation of Surah Al-Baqarah Ayah 275* , p. 47.

[9] Adiwarman A. Karim, *Islamic Microeconomics* . Jakarta: Rajawali Pers, 2013, pp . 33–36 .

aims to guarantee basic human needs, encourage fair distribution of wealth, and avoid the accumulation of wealth in the hands of a few people."[10]

Some basic principles in Islamic economics that are important to apply are:

1) Justice (*āl-'ād l*): Ensuring fair distribution of wealth and preventing exploitation.
2) Prohibition of Usury: Prohibiting interest in financial transactions to avoid injustice.
3) Mutual assistance (*tā'āwun*): Encouraging social solidarity through zakat, infa k , and alms.
4) Balance (*tāwāzun*): Balancing between individual and societal interests.
5) Responsible Economic Freedom: Providing freedom to do business while still complying with Sharia law.

These principles aim to create an economic system that is fair, sustainable, and in accordance with Islamic values.

a. The Goals of Islamic Economics (*Muq ā shid Sy ā ri'ah*)

The goal of Islamic economics is the welfare of humanity. This involves pursuing all activities to achieve things that will benefit humanity, or by pursuing activities that can directly realize that welfare. Another activity to achieve this welfare is to avoid anything that will harm humanity .[11]

Maqashid Sharia are the main objectives to be achieved by Islamic Sharia, which also form the basis of Islamic economics. "According to Al-Ghazali, there are five main objectives (*ā l-dh ā ruriy ā t*):"[12]

1) *Hifz āl-Din* (Guarding Religion): Guarantees freedom of religion and the implementation of worship.
2) *Hifz āl-Nāfs* (Guarding the Soul): Guaranteeing the safety of human souls and lives.

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[10] Azharsyah, et al. *Introduction to Islamic Economics* , Jakarta: Department of Islamic Financial Economics, 2021. pp . 45-46.

[11] Eka Yunia Fauzia, *Basic Principles of Islamic Economics from the Perspective of Maqashid Al-Syari'ah,* Jakarta: PT Fajar Interpratama Mandiri, 2014, p . 12.

[12] Julian Adi Irawan, *Analysis of the Influence of the Implementation of Maqashid Syari'ah Performance on Risk Management in Islamic Commercial Banks, Research Period* 2017, 2019: pp. 1–135.

3) *Hifz āl-'āql* (Guarding the Intellect): Encouraging education and prohibiting things that harm the intellect.
1) *Hifz āl-Nās* (Protecting Offspring): Ensuring the continuation of offspring through legal marriage.
2) *Hifz āl-Māl* (Guarding Property): Guaranteeing property rights and encouraging equitable distribution of wealth.

2. Village *Microfinance* Concept

a. Understanding *Microfinance* in Islam

microfinance is a financial service aimed at low-income communities or micro-enterprises based on Sharia principles. The goal is to provide fair access to capital in accordance with Islamic values, such as justice, mutual assistance, and the prohibition of usury. Sharia *Microfinance* does not only focus on financial aspects, but also on the economic and social empowerment of the community.

Microfinance (BMD) program is an initiative of a Sharia microfinance institution that is not profit-oriented. This program is aimed at helping small business owners from underprivileged backgrounds and is organized by BAZNAS Pusat through its operational units, namely BAZNAS *Microfinance Institution* (BMFi), which are spread across various villages .[13]

The goal of this program is to alleviate poverty and eradicate loan sharks, which often oppress small businesses. This program achieves this goal by providing capital assistance to small and medium-sized businesses. The Baznas Village *Microfinance* Program will provide access to financing for small businesses, provide business expansion services, and support capacity building through training, workshops, and other similar activities. This institution is needed to eradicate loan sharks, which have oppressed micro-entrepreneurs. BAZNAS Village *Microfinance* is a program for empowering and developing small and medium-sized communities.

b. Contracts Used

[13]National Alms Agency (BAZNAS). *BAZNAS Microfinance Village Profile: A village-based model for community economic empowerment.* Jakarta: BAZNAS Strategic Studies Center. 2019. pp . 5–7.

In practice, Sharia *Microfinance* uses several types of contracts that comply with Sharia principles, including:

1) " *Qārdhul Hāsān* is an interest-free loan given to a mustahik for urgent needs or business capital. Repayment is limited to the principal amount of the loan, with no additional payments ."[14]
2) " *Murabahah* is a sale and purchase contract with an agreed-upon profit margin. The financial institution purchases the goods the customer needs and then sells them to the customer at a price that includes a profit margin ."[15]
3) *Mudh ā r ā b ā h* is cooperation between the capital owner (*sh ā hibul m āā l*) and the business manager (*mudh ā rib*), where profits are shared according to agreement, and losses are borne by the capital owner unless caused by the manager's negligence.

3. Community Economic Empowerment

a. The Concept of Empowerment in Islamic Economics

From an Islamic economic perspective, community economic empowerment is an effort to increase the capacity of individuals and communities to meet their needs independently and sustainably, in accordance with Sharia principles. This includes developing potential, enhancing skills, and accessing lawful and equitable economic resources .[16]

Economic empowerment in Islam does not only focus on material aspects, but also spiritual and social ones. The goal is to achieve holistic well-being, which includes a balance between worldly and afterlife needs.

Principles such as justice, mutual assistance (*tā'āwun*), and the prohibition of usury form the basis for implementing community economic empowerment .

[14] Antonio, MS. *Sharia Banking: From Theory to Practice* . Jakarta: Gema Insani. 2008. p . 131.

[15] Istiowati, SI, & Muslichah, M. *Mudharabah, Musyarakah, Murabahah Financing, and the Level of Profitability of Islamic Banks in Indonesia. AFRE (Accounting and Financial Review)* , 4(1), 2021. p. 29–37.

[16] Warzuqni Syahfitri Ismy. *Analysis of Community Economic Empowerment Through Acehnese Home Industry Food According to Islamic Economic Perspective* . Thesis. 2019, pp. 1–23.

b. Indicators of Success in Economic Empowerment

" The success of the economic empowerment program can be measured through several indicators, including :"[17]

1) Increased Income: There was an increase in household income after participating in the empowerment program.
2) Economic Independence: The ability of an individual or group to run a business independently without relying on external assistance.
3) Access to Financial Services: Increasing public access to Sharia financial services, such as Sharia microfinance.
4) Skills Improvement: There is an increase in technical and managerial skills in running a business.
5) Participation in Economic Activities: Increasing community participation in productive economic activities.
6) Improved Social Welfare: There are improvements in social aspects, such as education, health, and social relations.

B. Relevant Research

Previous research serves as a basis for researchers to differentiate it from existing research and to establish their position. The following previous research is used for comparison:

1. **Aldi Permana,** in his research entitled " *Effectiveness of BAZNAS Business Capital Assistance in the Economic Development of Mustahik,"* analyzed the extent to which business capital assistance from BAZNAS Village *Microfinance* (BMD) was able to increase the income of mustahik in Merangin Regency. Using a qualitative method with a case study approach, this study assessed aspects of program output, recipient satisfaction levels, and goal achievement. The results showed that the BMD program was effective in encouraging the growth of micro-enterprises, especially for business actors such as street vendors .[18]
2. **Hakim** conducted a case study on the implementation of the BMD Program in Sawojajar Village. The research results showed that this program played a significant role in facilitating access to capital and providing business assistance to

[17] Muhammaad Rifki et al. *Optimizing Sharia Microfinance Institutions for Economic Empowerment of Small and Medium Enterprises* . PT. Media Akademik: Publisher *Jma* 2. 2024. no. 6. pp. 18–20.

[18] Permana, A. *Effectiveness of BAZNAS Business Capital Assistance in the Economic Development of Mustahik (Case Study of the Merangin Sejahtera BAZNAS Program, Merangin Regency)* (Thesis, UIN Syarif Hidayatullah Jakarta), Retrieved from https://repository.uinjkt.ac.id/dspace/handle/123456789/60245 . 2022. pp . 65–67.

beneficiaries, which directly and positively impacted the development of their micro-enterprises.[19]

3. In their study, titled " *Analysis of Sharia Financial Management at BAZNAS Merangin* , " **Meza Reliana and Arsa** examined the application of Sharia principles in managing ZIS funds , including collection, distribution, and reporting. The study found that despite a well-organized management structure, the main challenges stem from remote geographic conditions and low technological literacy among beneficiary communities.[20]
4. **Nur Kasanah et al.** in a study entitled Effectiveness of Business Capital Assistance for Mustahik Economic Development: Merangin Sejahtera BAZNAS Merangin Regency Program, using Qualitative methods for the BMD Program provides business capital of up to IDR 3 million, easy installments, complies with sharia principles, helps 349 mustahik in 17 villages, supports SDGs 1, 8 and 10.[21]
5. In another study, entitled *"BAZNAS' Strategy in Improving Sharia Financial Literacy for MSMEs ,"* **Suhitasari** analyzed the educational strategies implemented by BAZNAS through training and mentoring. The study results showed that this participatory approach was effective in improving mustahik's understanding of Sharia-based financial management.[22]

The similarities between the five researchers that the researcher intends to do with the previous researcher is that both are researching the role of BAZNAS in improving the economy. While the differences are, the first researcher studied BAZNAS facilitating Business Capital Assistance, the second BAZNAS as access to capital and business mentoring, the third analyzed the Financial Management of zakat institutions, the fourth Productive Business Capital Program towards Community Economic Creativity and the fifth BAZNAS Strategy in Improving Sharia Financial Literacy for MSMEs.

3. RESEARCH METHODOLOGY

A. Research Approach

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[19] Puspita, I., Hakim, R., & Salama, SCU *The Role of BAZNAS in Program Implementation for MSMEs: A Case Study on BAZNAS Microfinance in Sawojajar Village* , Malang. *East Java Economic Journal, 8* (2), Retrieved from https://ejavec.id/index.php/ejavec/article/view/138 . 2024. pp . 115–126.

[20] Meza Reliana, *Analysis of Zakat Financial Management at the National Zakat Collection Agency (BAZNAS) of Merangin Regency* , 9. 2025. p. 31.

[21] Kasanah, N., Susilowati, I., & Rofi'ah, *Effectiveness of Business Capital Assistance for Mustahik Economic Development: Merangin Sejahtera Program of BAZNAS Merangin Regency* . *JOIPAD: Journal of Islamic Philanthropy and Development, 1* (1), Accessed from https://jurnal.iainponorogo.ac.id/index.php/joipad/article/view/10022 . 2024. pp . 45–60.

[22] Suhitasari, *BAZNAS' Strategy in Increasing Sharia Financial Literacy for MSMEs* . Thesis, University of Yogyakarta , 2023, pp . 48–50.

This study uses a **qualitative approach** with the aim of understanding and analyzing the phenomenon of the BAZNAS Village *Microfinance* (BMD) Program in Merangin Regency in improving the community's economy from an Islamic economic perspective. The type of research used is **a case study** , with the research location focused on the implementation of the BMD Program run by BAZNAS Village *Microfinance (BMD) Merangin.*

B. Data Types and Sources

Quality research results require data collected through primary and secondary data sources, namely as follows:

1) **The primary data** in this study was obtained through direct information from informants regarding the implementation of the BAZNAS Village *Microfinance* (BMD) Program. Data collection was conducted through in-depth interviews with parties directly involved in the program, namely BAZNAS Village *Microfinance managers* and several *beneficiaries* who received business financing. This technique aimed to explore their experiences, perceptions, and the program's impact on their economic conditions.[23]
2) **Secondary data** is supplementary data obtained from various documentation sources, such as photos, videos, meeting minutes, notes, tables, and other relevant graphic documents. In the context of this research, secondary data includes official documents from BAZNAS regarding the implementation of the BMD program, mustahik data, cash flow reports, activity documentation, and other references such as books, scientific journals, and articles related to Sharia-based economic empowerment.[24]

C. Research Setting and Subjects

This research will be conducted at the BAZNAS Village *Microfinance Center* in Merangin Regency. The research subjects are:

1. *Microfinance* Program Manager (BMD) Merangin.
2. Communities that receive benefits from the BAZNAS Village *Microfinance Program* (BMD) Merangin .

D. Method of collecting data

[23] Sugiyono, *Qualitative, Quantitative, and R&D Research Methods* . Bandung: Alfabeta, 2018, p . 224.
[24] Lexy J. Moleong, *Qualitative Research Methodology* , Revised ed . Bandung: Remaja Rosdakarya, 2018, pp . 112–113 .

In this study, researchers used several data collection methods to obtain relevant and in-depth information regarding the BAZNAS Village *Microfinance* (BMD) Program in Merangin Regency, which aims to improve the community's economy from an Islamic economic perspective. The methods used include:

1. Interview

   "An interview is a conversation process or data search by asking questions directly by the researcher to the informant with guidelines and can be done face to face or using certain communication tools."[25]

2. Survey

   "A survey is a research method used to obtain data from a particular place naturally, by collecting data through interviews with a number of informants in a relatively short time."[26]

3. Documentation Study

   Documentation study is a method of collecting data through reviewing written documents and archives that are relevant to the research focus.

4. O bservas i

   "Observation is a data collection technique by directly observing objects in the field, both in natural and artificial situations, to obtain data that is relevant to research objectives."[27]

E. Data Analysis Techniques

The data obtained in this study were analyzed using **qualitative analysis methods** , which are suitable for interpreting *non-numerical data* , such as interview results. This analysis was conducted on data obtained from in-depth interviews with the managers of the BAZNAS Village *Microfinance Program* (BMD) in Merangin Regency and the community (mustahik) who receive the program's benefits.

[25] Edi, Fandi Rosi Sarwo, *Psychodignostic interview theory*. Jogjakarta: Leutikapro. 2016. p. 71.

[26] Sugiyono. *Quantitative, Qualitative, and R&D Research Methods.* Bandung: Alfabeta. 2019. p. 11.

[27] Sugiyono. *Quantitative, Qualitative, and R&D Research Methods.* Bandung: Alfabeta. 2019. p. 145.

In this study, researchers used the interactive qualitative data analysis model by **Miles and Huberman** . This technique is considered most relevant for describing complex processes such as the implementation of the BAZNAS Village *Microfinance* (BMD) program and its impact on the community's economy from an Islamic economic perspective.

This analysis model consists of three main stages, namely:

1. *Data* Reduction

   Data reduction is the process of selecting, focusing, simplifying, and transforming raw data that emerges from field notes.

2. Data Presentation (*Data Display*)

   The reduced data is then presented in the form of descriptive narratives, matrices, tables, interview quotes, or charts, to make it easier for researchers to see patterns or trends.

3. *Conclusion Drawing* and Verification

   The final stage is the process of drawing meaning from the data that has been presented, by linking it to Islamic economic theories such as *maqashid Syari'ah* , the principle of justice, the blessings of wealth, and the role of zakat in empowering mustahik.

4. DISCUSSION AND RESEARCH RESULTS

A. Forms and Practices of Implementation of the BAZNAS Village *Microfinance Program* (BMD) Merangin

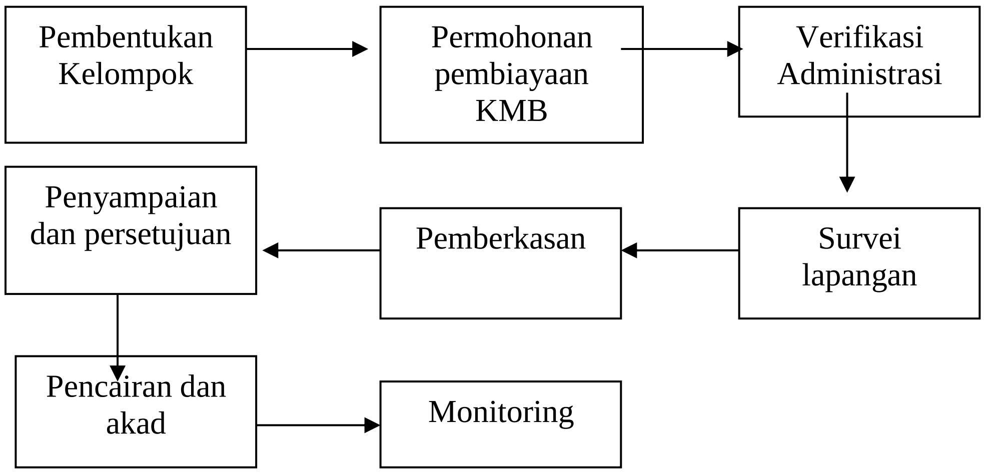
Receipt of capital financing must be done in group form even though later the capital provision will be given individually. Each group must have at least 5-7 people to be able to apply for financing and each village can form more than a few groups. To learn more about the requirements and procedures for applying for financing, Mr. Rinaldi said:

"We can see the requirements for partners to receive financing from an administrative perspective and from the perspective of the partner or the feasibility of their business. For administrative purposes, the required documents are a Family Card (KK), National Identity Card (KTP), a Certificate of Inability (Poverty) , and a partner's account. In terms of business and partner eligibility, applicants must be of

productive age (21-55 years old). The business must be real and not a fictitious business just to obtain capital. Therefore, the requirements we have provided and will submit must be thoroughly verified and we must visit the business premises or home to confirm whether the applicant truly owns the business or not .[28]

The following is the procedure scheme for financing Micro Enterprises

from BMD Merangin , namely :



B. Islamic Economic Review of the BAZNAS Village *Microfinance Program* (BMD) in Merangin Regency

In Islam, the principle of interest, or usury, is prohibited. Therefore, financing from BMD Merangin is implemented in accordance with Sharia and is free from usury. This is because the financing payments do not increase the principal. If a partner borrows Rp2,000,000, it will be repaid in full, with a request for alms with each payment. This aims to raise awareness among partners about giving alms so that the benefits of these funds can be shared and enjoyed by other potential partners.

From the results of the interview with Mr. Rinaldi , he said:

"One of the goals of this program is to combat loan sharks, and this is our role to educate them about the dangers of loan sharks and the dangers of usury. We strive to ensure that micro-business actors can reduce usury practices caused by

[28] Ahmad Rinaldi, *Interview with BMD Manager* , BAZNAS Microfinance Village Office (BMD) Merangin . Bank. on July 14, 2025.

existing loan sharks. around them so that they do not accumulate debt again with the usury system ."[29]

Allah and the Messenger forbid the practice of usury anywhere, as Allah SWT says in the Al-Qur'an surah Al-Baqarah Verse 275, namely:

ٱلَّذِينَ يَأۡكُلُونَ ٱلرِّبَوٰاْ لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ ٱلَّذِي يَتَخَبَّطُهُ ٱلشَّيۡطَٰنُ مِنَ ٱلۡمَسِّۚ ذَٰلِكَ بِأَنَّهُمۡ قَالُوٓاْ إِنَّمَا ٱلۡبَي } }
وَأَحَلَّ ٱللَّهُ ٱلۡبَيۡعَ وَحَرَّمَ ٱلرِّبَوٰاْۚ فَمَن جَآءَهُۥ مَوۡعِظَةٞ مِّن رَّبِّهِۦ ف ٱنتَهَىٰ فَلَهُۥ مَا سَلَفَ وَأَمۡرُهُۥٓ إِلَى ٱللَّهِۖ وَمَنۡ عَادَ
فَأُوْلَٰٓئِكَ أَصۡحَٰبُ ٱلنَّارِۖ هُمۡ فِيهَا خَٰلِدُونَ.

"People who indulge in usury cannot stand but stand like those who are possessed by the devil because they are crazy. This is because they say that buying and selling is the same as usury. Even though Allah has permitted buying and selling and forbidden usury. Whoever receives a warning from his Lord, then stops, then what he has previously obtained belongs to him and his business (is up to) Allah. Whoever repeats these things will be the inhabitants of hell, they will be eternal therein." (Surah Al-Baqarah: 275)[30]

This verse strictly prohibits the practice of usury in any form. Merangin BMD Financing This also aims to protect partners from the dangers of usury, as borrowing from loan sharks will make it difficult for them to cover the interest. BMD Merangin's efforts In minimizing the practice of usury, it is necessary to provide an understanding of the dangers of usury and provide an explanation so that financing can be provided to Sharia financial institutions that do not contain elements of usury. The role of financing from BMD Merangin This can reduce the practice of usury.

C. Obstacles and successes of BAZNAS Village *Microfinance* (BMD) Merangin Regency in improving the community's economy

With relatively simple procedures and requirements for financing, and no interest or usury, no administrative fees, or collateral required, the Merangin BMD (BMD) has attracted enthusiastic business owners to apply for financing. This has led to a surge in applicants for capital from micro-entrepreneurs, also known as Mustahik (Mustahik). The existence of BMD Merangin Which aims to provide easy financing and assistance in developing community businesses so that their

[29] Ahmad Rinaldi, *Interview with BMD Manager* , BAZNAS Microfinance Village Office (BMD) Merangin . Bank. on July 14, 2025.

[30] Ministry of Religion of the Republic of Indonesia. *Al-Qur'an and Translation of Surah Al-Baqarah Verse 275* . p . 44.

businesses developing and growing and becoming an independent business is very useful and well responded to by the surrounding community.

"Although the process and requirements in terms of financing are not too difficult and BMD Merangin has other advantages, it does not rule out the possibility that we do encounter obstacles or challenges in the empowerment process that we are carrying out."[31]

1. Merangin BMD Constraints

Every financial institution or other financing institution faces various challenges . It is hoped that solutions will be found to address some of these challenges. Below are some of the obstacles faced by the Merangin BMD .

"In the empowerment activities that we carry out, there are several obstacles, including the lack of human resources that we have for business mentoring, limited policies because we have to wait for direction from the center, and a lack of awareness among the village authorities regarding the businesses of their residents."[32]

2. The Success of BMD Merangin

From an economic perspective, the program's success can be measured through increased business revenue, demonstrated by the growth in partners' monthly income after joining the program. Furthermore, business asset development is also a key indicator, reflected in the acquisition of additional productive assets such as equipment, inventory, and other business support facilities. Business independence is also a key indicator of success, as partners are no longer dependent on external financial assistance and are able to manage their businesses independently. As stated by Mr. Ahmadi Rinaldi, BMD Manager:

"We've observed that since joining the program, some partners have experienced increased income. In fact, many of those who previously only earned a daily income are now able to generate a stable monthly income. Their business assets have also increased, from simple production equipment to more modern ones."[33]

[31] Ahmad Rinaldi, *Interview with BMD Manager* . BAZNAS Microfinance *Village* Office (BMD) Merangin . Bank. on July 14, 2025.
[32] Ahmad Rinaldi, *Interview with BMD Manager* , BAZNAS Microfinance Village Office *(* BMD) Merangin . Bank. on July 14, 2025.
[33] Ahmad Rinaldi, *Interview with BMD Manager* , BAZNAS Microfinance Village Office *(* BMD) Merangin . Bank. on August 5, 2025 .

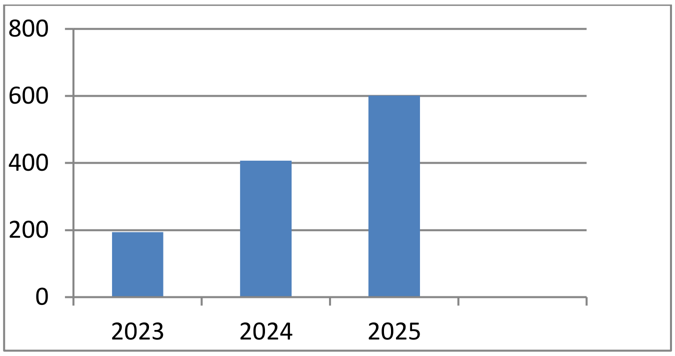


Image of Increasing Number of BMD Partners

Some of the roles that have been carried out by BMD Merangin impact on partner businesses. This is proven by one of them with the number of BMD Merangin partners which has increased every year. In 2023 there were 194 partners, in 2024 there were 407 BMD partners, and in 2025 as of June there were 601 partners. From this increase in partners , It can be seen that every year there are around 100 partners who join BMD Merangin . For a period of time from From 2023 to 2024 , there was an increase of 213 partners and from 2024 to 2025 there was an increase of 194 people.

5. CLOSING

A. Conclusion

Based on the results of the research conducted by the researcher and the discussion discussed in the previous chapter , the researcher can draw the following conclusions :

1. BAZNAS *Microfinance* Village (BMD) Merangin is a program institution of the Micro Zakat Bank established to distribute productive funds to businesses in the Merangin area. BMD Merangin's role in empowering micro-enterprises is very positive and helpful to partner businesses. In carrying out its role, BMD Merangin does so in two ways: by providing *non-profit capital financing* and business mentoring focused on micro-enterprise development. Capital is provided so that micro-enterprises have sufficient capital to build and develop their businesses. Meanwhile, empowerment through mentoring is carried out in several forms such as training to increase insight and *soft skills* , establishing business legality, and promoting partner businesses to fellow partners and the wider community. The implementation model is group-based (solidarity), which aims to encourage discipline, collective responsibility, and social

solidarity among members. The participant selection process is carried out strictly based on mustahik criteria and business feasibility, and combined with periodic monitoring of business development. This program is not only charitable, but also transformational with a long-term orientation towards the economic independence of mustahik.

2. Based on an Islamic economic perspective, the implementation of the BMD Program has been in line with the basic principles of sharia, including the principles of justice (*āl-'ādl*), mutual assistance (*tā'āwun*), and partiality towards the poor (*āl-mustadh'āfin*). However, in its implementation, non-contractual practices were found that could substantively lead to indications of riba *Qardh,* particularly the requirement to pay alms and sadaqah funds in each installment payment. In Islamic law, any form of profit, benefit, or grant that is binding and appears as a condition of a loan contract is categorized as riba, whether the benefit is in the form of money, goods, or services. If it is separated from the obligations of the contract, it is a form of riba in meaning even though it is not explicitly written.
3. In its implementation, the BMD Program has shown significant success, including increased income and business capacity of micro-entrepreneurs, increased business assets, and increased public awareness of the importance of halal and blessed businesses. Some beneficiaries have even demonstrated independence and begun contributing as muzakki. However, this program also faces a number of obstacles that require attention, including: (1) limited sources of productive zakat funds that can be allocated to finance larger-scale businesses; (2) limited number and capacity of field assistant human resources who play an important role in the coaching process; (3) low financial literacy and business management among mustahik, which causes delays in repayment of funds and stagnation in business development; and (4) external challenges such as market fluctuations, community purchasing power, and limited access to technology or distribution.

B. Suggestion

Merangin Village *Microfinance* Agency (BMD) . Therefore, the researcher provide several suggestions to various parties, namely as follows:

1. For the BMD of Merangin Regency, it is hoped that the amount of financing from productive zakat funds will increase in the future and that more mustahik partners can be helped by this financing for their businesses.
2. BMD Merangin partners are urged to use the funding diligently to develop their businesses, boost their economy, and meet their future living needs. Furthermore, partners can forge even better partnerships with BMD. Merangin and be honest and trustworthy, and comply with established regulations. This can be achieved by making payments on time and as agreed upon in advance. so that it does not harm the Merangin BMD .
3. For further researchers, they can continue research on the influence of BMD Merangin Regency in empowering MSMEs on their income quantitatively so that they can increase their insight and knowledge about BMD Merangin Regency.

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