



Baznas Microfinance Desa for Microenterprises Empowerment within The SGDs Framework

Nur Kasanah^{1*}, Agus Setyawan²

¹ Institut Agama Islam Negeri Ponorogo, Indonesia, nur.febi@iainponorogo.ac.id

² Institut Agama Islam Sunan Giri Ponorogo, Indonesia

Article Info

Article history:

Received October 10, 2024

Revised October 30, 2024

Accepted November 27, 2024

Available online December 30, 2024

*Corresponding author email:
nur.febi@iainponorogo.ac.id

Keywords:

BAZNAS Microfinance Village, Economy Empowerment, Joint Responsibility System, Microenterprise, SDGs

Abstract

Empowering mustahik through assistance or productive philanthropic programs is a strategic step to increase their economic independence and active societal role. This research aims to explore the role of Baznas Microfinance Desa in empowering micro businesses to achieve the Sustainable Development Goals (SDGs). Data was obtained from observations, in-depth interviews with Baznas, and performance reports from Baznas Ponorogo Regency. The analytical method used is thematic analysis to identify patterns and themes from the data obtained. The results show that: 1) The Baznas Microfinance Program in Ponorogo Regency aims to empower micro enterprises by providing business capital financing of a maximum of 3 million rupiahs, which can be repaid in installments over a maximum period of one year that is easily accessible is easy to access with a joint responsibility system and follows sharia principles, 2) The Baznas Microfinance program was able to liberate mustahik from loan sharks while empowering 349 mustahik in 17 villages in 4 sub-districts in the fields of trade, agriculture, and farm, 3) The Baznas Microfinance Desa program plays a role in increasing the economic capacity of microenterprises in line with the Sustainable Development Goals (SDGs), especially in alleviating poverty (SDG 1), creating decent jobs (SDG 8), and reducing inequality (SDG 10). The Baznas Microfinance Desa program is proven to be a more effective microfinancing model in supporting MSME growth and sustainable development.

DOI: 10.21154/joipad.v4i2.10022

Page: 21-35

JOIPAD Niqosiya with CC BY license. Copyright © 2024, the author(s)

INTRODUCTION

Mustahik, also a micro-entrepreneur, often has difficulty developing due to limited access to capital. MSMEs face challenges in accessing capital because many actors have difficulty compiling financial statements digitally and meeting financing requirements. Therefore, consistent and sustainable government support is needed to strengthen their access to funds (berkas.dpr.go.id, 2023). 121.7 million MSMEs have received access to funding from the government, but there are still 29.2 million MSMEs that have not received funding due to affordability (economy.okezone.com, 2024). Although efforts have been made to improve banking access for MSMEs, only 30% have managed to obtain them due to strict requirements such as collateral and business track record, causing many MSMEs with high potential to remain considered unbankable and dependent on self-funding (kominfo.jatimprov.go.id, 2014). Limited access to capital and strict requirements hinder micro-entrepreneurs development, so the support of many parties is urgently needed.

Religious social funds such as zakat, infaq, alms, and waqf can empower MSMEs. Some of the previous studies that discussed this can be mapped. *First*, Zakat funds can be empowered as mustahik business capital through the Qardhul Hasan contract (Eficandra, 2024; Fatchurrohman et al., 2024; Nisa, 2023). *Second*, Waqf can help micro, small, and medium enterprises (Maulina et al., 2023; Mohd Thas Thaker et al., 2016; Rizki et al., 2022). *Third*, infak funds can be optimized to help social, economic, and religious activities (Huda & Kasanah, 2019; Kasanah, 2021; Widiastuti et al., 2021). From these three patterns, using social funds through microfinance financing with a dependent/group system still needs further exploration.

This research explores social funds managed by Baznas Ponorogo for micro-business empowerment through the Baznas Microfinance Village (BMD) program in realizing the Sustainable Development Goals (SDGs). In line with that, this study will explain important things in detail. *First*, how can Baznas Microfinance Desa (BMD) be implemented to empower micro-business actors economically? *Second*, the extent to which the Baznas Microfinance Desa (BMD) program can empower micro-business actors. *Third*, what is the impact of the Baznas Microfinance Desa (BMD) program in realizing the Sustainable Development Goals (SDGs)? The results of this study are expected to provide a deeper understanding of the effectiveness of social funds in supporting the sustainability of micro-enterprises and provide comprehensive recommendations for the development of community economic empowerment policies. Thus, these findings will be a reference for Baznas institutions and other social finance institutions in designing more effective and sustainable programs.

Research on the Baznas Microfinance Desa (BMD) program is very important because it is based on the argument that applying social funds in micro-business empowerment can be a sustainable economic driving force among mustahik. The expected impact of the implementation of this BMD includes increased access to capital for micro business actors, which will contribute to improving their economic welfare, strengthening local communities, and achieving the Sustainable Development Goals (SDGs). By focusing on the effectiveness of social funds in empowering micro enterprises, this research also has the potential to generate

insights into financial literacy, community support, and the suitability of BMD products with existing local values. Furthermore, this research is expected to be a reference for developing better public policies to support the sustainability of micro-enterprises, especially for people classified as unbanked and underserved by the formal financial system.

Micro entrepreneurs who are generally also mustahik should get better benefits and access to religious and social funds to support the development of their businesses. With waqf funds effectively, we can encourage economic growth, create business opportunities, and improve people's welfare, especially for those who are disadvantaged (Shaikh et al., 2017). Religious social funds such as zakat can help small businesses' sustainability (Eficandra, 2024). Micro entrepreneurs who are also mustahik must get better access to socio-religious funds, such as zakat and waqf, to support the development of their businesses and encourage economic growth and community welfare, especially for the less fortunate.

In the introduction, we will map them in detail based on the three previous research patterns. *First*, zakat as business capital through the qardhul hasan contract faces challenges in determining the proper mustahik, which can be at risk of misuse of funds. In addition, the contract limits refunds, which can put pressure on recipients, and many lack financial literacy. *Second*, the use of waqf for MSMEs tends to have strict provisions that are less flexible, and there are shortcomings in the management and support of infrastructure for micro-business development. *Third*, infak is usually temporary and unreliable for sustainable funding, with priority use often more aimed at other social or religious activities, without a clear monitoring system. In this context, the study's novelty lies in exploring the integrated use of religious social funds through the Baznas Microfinance Desa (BMD) program. This program integrates various sources of social funds, encourages local community participation, provides financial literacy training for mustahik, and provides flexibility in using funds according to micro-businesses needs. This comprehensive approach is expected to increase community economic empowerment and address microenterprises' challenges.

LITERATURE REVIEW

Baznas Microfinance Desa

BAZNAS first launched Baznas Microfinance Desa (BMD) in Bojongrangkas Village, Ciampea, Bogor, West Java, to present microfinance solutions that play an important role in supporting micro-business development. As a non-profit microfinance institution, BMD provides financial services such as loans and financing to micro-business actors with difficulty accessing capital. Its presence functions not only as a capital provider but also as a companion in business development through training and workshops to increase the business capacity of micro-business actors (baznas.go.id, 2018). This program is designed as productive financing based on non-profit principles, which is focused on strengthening the economy of rural communities. Through BMD, BAZNAS provides easier access to financing for small and medium enterprises and the agriculture, livestock, and fisheries sectors. The program's main objective is to empower the local economy by providing financial support that can help increase the income and well-being of the village community while reducing dependence on loan sharks or unfavorable sources of financing (baznas.go.id, 2023).

Microenterprise

Government Regulation No. 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (PP MSMEs) establishes new criteria for grouping micro, small, and medium enterprises (MSMEs) based on business capital and annual sales results. Micro business is defined as a business with a maximum business capital of IDR 1,000,000,000.00 (one billion rupiah), excluding land and buildings where the business is located. In addition, for MSMEs operating before the MSME PP takes effect, micro-businesses are also defined based on annual sales results, where micro-businesses have annual sales results of no more than Rp2,000,000,000.00 (two billion rupiahs). Thus, micro-businesses are the lowest category in the MSME classification, which aims to provide convenience and support for small entrepreneurs in developing their businesses (UU Nomor 6 Tahun 2023 Tentang Penetapan Peraturan Pemerintah Pengganti UU Nomor 2 Tahun 2022 Tentang Cipta Kerja Menjadi Undang-Undang, 2023).

Economic Empowerment

Economic empowerment is an important concept in community development, which focuses on improving community welfare through strengthening the potential and strength of the local economy (Fitriyah & Herawati, 2020). The people's economy must be organized by utilizing the community's potential to run the economy's wheels (Granovetter, 2017). This includes structural changes from the traditional economy to the modern economy, with measures such as resource allocation, institutional strengthening, technology, and human resources (HR). Policies in economic empowerment also include access to productive assets, strengthening business relationships, and improving education and health services. In addition, it is important to encourage the development of small industries and create new entrepreneurs, as well as increase access to capital assistance, human resource development, and infrastructure facilities that support the socio-economic of local communities (Krisnawati, 2016).

Sustainable Development Goals (SDGs)

PB/SDGs is a global and national commitment to improve the welfare of society. It includes 17 global goals and targets for 2030, declared by both developed and developing countries at the UN General Assembly in September 2015. The 17 objectives are: (1) Without poverty; (2) No hunger; (3) Healthy and Prosperous Life; (4) Quality Education; (5) Gender Equality; (6) Clean Water and Proper Sanitation; (7) Clean and Affordable Energy; (8) Decent Work and Economic Growth; (9) Industry, Innovation, and Infrastructure; (10) Reducing the gap; (11) Sustainable Cities and Settlements; (12) Responsible Consumption and Production; (13) Climate Change Management; (14) Ocean Ecosystems; (15) Terrestrial Ecosystems; (16) Peace, Justice and Resilient Institutions; (17) Partnership to Achieve Goals (bappenas.go.id, 2023).

RESEARCH METHODS

This research aims to explore the role of Baznas Microfinance Desa in the economic empowerment of micro and small enterprises and its contribution to achieving the Sustainable

Development Goals (SDGs). This research focuses on individuals and groups, especially mustahik and Baznas managers in Ponorogo Regency. By analyzing the perspectives and experiences of mustahik, who are beneficiaries and managers responsible for the program, this study aims to understand the program's impact more deeply (Rianto, 2020).

This study uses a qualitative research design with an empirical approach. This approach was chosen to delve into individual perspectives and experiences in depth, allowing researchers to gain a more holistic understanding of the role and impact of Baznas Microfinance. This research not only focuses on numerical results but also prioritizes understanding the social and economic context that affects the program's success so that it becomes a strong foundation for assessing its effectiveness and impact (Rahman, 2023).

This study's primary and secondary data sources are primary and secondary data. Primary data was obtained through direct observation and in-depth interviews with mustahik, partners, and Baznas managers involved in the Baznas Microfinance program. These interviews provide first-hand insight into their experiences and perspectives. Meanwhile, secondary data was obtained from the Ponorogo Regency Baznas performance report and other related documents, which served as additional context to support the research results.

The data collection techniques in this study include direct observation, in-depth interviews, and document analysis. Observations were made to understand the social and economic context of the Baznas Microfinance program. In-depth interviews are conducted using interview guidelines that have been prepared previously to explore the experiences and views of mustahik and Baznas managers. In addition, document analysis is conducted to evaluate program performance and understand broader data that may not be accessible to in-person interviews.

The collected data was analyzed using thematic analysis methods. The analysis begins by identifying patterns, themes, and relationships arising from the information obtained. Researchers will code data to group information according to relevant themes. Through this thematic analysis, it is hoped that it can provide a comprehensive overview of the impact of the Baznas Microfinance program on economic empowerment and the achievement of the SDGs, as well as highlight the challenges and opportunities faced by mustahik and program managers.

RESULTS AND DISCUSSIONS

Findings

Implementation of Baznas Microfinance Desa (BMD) in Economic Empowerment of Micro Business Actors.

The Baznas Microfinance Desa program by BAZNAS Ponorogo is designed to provide Mustahik with access to productive financing to support the development of their micro businesses. This program aims to help people who need business capital without relying on interest-bearing loans from loan sharks. The financing pattern uses a joint liability system where a group consists of ten members who will get a maximum of three million rupiah in business capital financing. A person is appointed as the chairman to coordinate the financing

payment. If anyone defaults, it will be borne by all. This joint responsibility model provides security guarantees and minimizes risks for Baznas as a working capital lender. More information can be seen in the image below:



Figure 1. BMD Baznas Ponorogo

To be able to participate in this program, prospective participants must meet several administrative requirements, including:

1. Copy of ID Card (Identity Card),
2. Copy of KK (Family Card),
3. Certificate of inability from the local sub-district or village,
4. Have a business that is already running, and
5. Join a business group.

The process of applying for financing in this program is fast, with simple conditions to make it easier for mustahik. Financing is given without riba or interest or any deductions, so participants can take advantage of all the funds received to develop their businesses. Installments in the Baznas Microfinance Desa program are made very light, with a payment scheme every two weeks for 10 to 12 months.

Based on an interview with AAH and the BMD Baznas Ponorogo manager, this payment is designed not to burden participants so they can pay in installments according to their business capabilities. With the principle of non-profit and interest-free, this program is expected to be an effective solution to increase the income of the mustahik and alleviate them from the trap of poverty. BAZNAS Ponorogo is committed to supporting the community's economic growth through fair and productive financing that follows Sharia values.

The Impact of the Baznas Microfinance Desa Program on Micro Business Empowerment

The Baznas Microfinance Desa program significantly impacts micro-businesses empowerment in the community. Through a productive financing approach based on Sharia principles, this program provides affordable access to capital for mustahik and continuous support to develop their businesses. With easy terms, fast processes, and light installments,

this program encourages micro-business capacity building to become more independent and competitive while helping them escape poverty and dependence on high-interest loans. The results of this program can be seen from the following data:

Table 1. Distribution of BMD Baznas Ponorogo 2024 Beneficiaries

| No | Village | District |
|----|----------------|----------|
| 1 | Czech | Babadan |
| 2 | Duchy | Babadan |
| 3 | Patihan Wetan | Babadan |
| 4 | Ngrupit | Jen |
| 5 | Surodikraman | Ponorogo |
| 6 | Brotonegaran | Ponorogo |
| 7 | Cokromenggalan | Ponorogo |
| 8 | Kauman | Ponorogo |
| 9 | Kepatihan | Ponorogo |
| 10 | Mangkujayan | Ponorogo |
| 11 | Nologaten | Ponorogo |
| 12 | Paju | Ponorogo |
| 13 | Pakunden | Ponorogo |
| 14 | Purbosuman | Ponorogo |
| 15 | Tambakbayan | Ponorogo |
| 16 | Gandu Kepuh | Sukorejo |
| 17 | Kalimalang | Sukorejo |

Source: BMD Baznas Ponorogo Financial Report

Table 1 shows that the Village BAZNAS Microfinance (BMD) Program by BAZNAS Ponorogo has reached various regions in Ponorogo Regency in 2024, with beneficiaries spread across several villages and sub-districts. In Babadan District, the villages that received the benefits include Cekok, Kadipaten, and Patihan Wetan. Meanwhile, in Jenangan District, this program reaches Ngrupit Village. Ponorogo District is the area with the most beneficiaries, including villages such as Surodikraman, Brotonegaran, Cokromenggalan, Kauman, Kepatihan, Mangkujayan, Nologaten, Paju, Pakunden, Purbosuman, and Tambakbayan. In addition, Sukorejo District is also part of this program, with beneficiaries in Gandu Kepuh and Kalimalang Villages. This wide dissemination shows BAZNAS Ponorogo's commitment to supporting micro-business empowerment in various regions, thereby providing greater opportunities for people to develop their businesses and sustainably improve their living standards.

Table 2. BMD Baznas 2024 Financing Distribution

| No | Group | M | F | Total | Funds |
|----|-------|---|----|-------|-------------|
| 1 | 10 | 6 | 57 | 63 | 170.500.000 |

| | | | | | |
|-------|----|----|-----|-----|-------------|
| 2 | 8 | 16 | 36 | 52 | 142.500.000 |
| 3 | 7 | 2 | 46 | 48 | 133.000.000 |
| 4 | 9 | 0 | 56 | 56 | 112.000.000 |
| 5 | 5 | 3 | 30 | 33 | 98.000.000 |
| 6 | 5 | 4 | 24 | 28 | 78.000.000 |
| 7 | 4 | 6 | 17 | 23 | 46.000.000 |
| 8 | 4 | 4 | 18 | 22 | 44.000.000 |
| 9 | 2 | 0 | 14 | 14 | 35.000.000 |
| 10 | 1 | 0 | 10 | 10 | 20.000.000 |
| Total | 55 | 41 | 308 | 349 | 879.000.000 |

The BMD BAZNAS Ponorogo program has reached ten business groups with 349 beneficiaries, Source: BMD Baznas Ponorogo Financial Report

Consisting of 41 men and 308 women. The largest group in this program consists of 63 members, with a total fund of Rp 170,500,000, while the smallest group only consists of 10 members with a fund of Rp 20,000,000. In addition, there are several other groups with varying numbers of members, such as a group consisting of 52 people with a fund of Rp 142,500,000 and a group with 48 people with a fund of Rp 133,000,000. Overall, the total funds distributed through this program have reached Rp 879,000,000. This funding is expected to support the development of micro businesses in various regions and provide wider opportunities for people to improve their living standards through access to affordable and Sharia-based productive financing.

**Table 3. Business Distribution of BMD Partners
Baznas Ponorogo 2024**

| No | Business Sector | Number of Partners | Percentage |
|----|-----------------|--------------------|------------|
| 1 | Trade | 160 | 45,85 |
| 2 | Culinary | 94 | 26,93 |
| 3 | Service | 38 | 10,89 |
| 4 | Ready Meals | 25 | 7,16 |
| 5 | Farm | 17 | 4,87 |
| 6 | Craft | 10 | 2,87 |
| 7 | Fashion | 3 | 0,86 |
| 8 | Agriculture | 2 | 0,57 |
| | Total | 349 | 100 |

Source: BMD Baznas Ponorogo Financial Report

The BMD BAZNAS Ponorogo program significantly contributes to community economic empowerment by reaching various business sectors. The trade sector is the largest, involving

160 partners or around 45.85% of the total beneficiaries. They were followed by the culinary sector with 94 partners, which accounted for 26.93% of the overall program participants. The service sector also received attention from 38 partners (10.89%), followed by the ready-to-eat food business (25 partners) (7.16%). The livestock sector is represented by 17 partners (4.87%), while the handicraft sector includes ten partners or 2.87%. The fashion and agriculture sectors have the least partners, with three partners (0.86%) and two partners (0.57%), respectively. The total number of beneficiaries reached 349 partners, showing BAZNAS Ponorogo's efforts in supporting various business sectors to improve community welfare through Sharia-based productive financing.

The Impact of Baznas Microfinance Desa (BMD) in Realizing the Sustainable Development Goals (SDGs)

Baznas Microfinance Desa (BMD) has played a significant role in facilitating community welfare improvement, which aligns with efforts to achieve the Sustainable Development Goals (SDGs), which aim to alleviate poverty and promote inclusive economic growth. Through productive financing programs, BMD assists communities in developing their micro-enterprises and contributes to achieving several SDG goals, such as poverty reduction, decent work, and social inequality reduction. This can be seen in the following table 4:

| No | Interviews Report | Code |
|------|---|--------|
| Pt 1 | "I feel very helped by the financing program from BAZNAS. Previously, to develop farmland, I had to borrow money from loan sharks with high interest." | SDG 1 |
| Ps 1 | The business capital I received from BAZNAS became our family's savior. Before joining this program, my income was unstable and sometimes insufficient for daily needs." | |
| KI1 | "I used only to have a small business at home, but thanks to capital assistance from BAZNAS, I was able to expand my business. Now I have several employees who also come from underprivileged families." | |
| KI2 | "I never imagined that I could run my own business. With the support of BAZNAS, I started a small business selling snacks around the house. The results are enough to help my husband meet our children's needs." | |
| Kr1 | I am grateful to BAZNAS because my handicraft business can grow more rapidly with this financing. Before, I had a hard time buying raw materials..." | SDG 8 |
| KI3 | "The capital I got from the BAZNAS program has opened opportunities for me to open new branches. I can also hire more people from the neighborhood..." | |
| PS2 | With the help of capital from BAZNAS, I can increase my merchandise stock. This has a great effect on the daily turnover I get..." | |
| Js1 | "This program allows me to buy more sophisticated and efficient equipment for my car wash business. Now I can serve more customers in a short time..." | |
| Pd1 | I am very happy to receive support from BAZNAS. The program does not look at our background, whether we are women or men, large or small, of our businesses. Everyone gets the same opportunity to develop..." | SDG 10 |
| Js1 | "BAZNAS has helped us, the younger generation, who are often underestimated due to lack of experience and business capital. Through this financing, I can start my own small business..." | |

| | |
|-----|---|
| Js2 | "I come from a disadvantaged family, but with the opportunity from BAZNAS, I can start my own business. This helps make me feel more equal to others..." |
| Fs1 | "For those who live in remote villages, this program is a godsend. Before, we didn't have access to venture capital, but now we can get help without discrimination..." |

DISCUSSION

The Baznas Microfinance Desa program in Ponorogo provides access to productive financing without *riba* to *mustahik* with simple administrative requirements and a light payment scheme every two weeks for 10 to 12 months. Intending to increase income and empower communities to get out of poverty, the program has reached 349 beneficiaries from various villages and business sectors by 2024, with the trade sector being the largest, involving 160 partners. The total funds distributed reached Rp 879,000,000, expected to improve people's living standards and reduce dependence on high-interest loans. BMD contributes significantly to achieving the Sustainable Development Goals (SDGs) by helping micro businesses avoid high-interest loans (SDG 1), create jobs, and encourage business growth (SDG 8). In addition, the program provides equal opportunities for all individuals regardless of background, thereby helping to reduce social inequalities in society (SDG 10).

Based on the data presented, it can be seen that the Baznas Microfinance Desa Program (BMD) in Ponorogo shows a significant impact on community empowerment and the achievement of the Sustainable Development Goals (SDGs). The analysis of the Baznas Microfinance Desa (BMD) program in Ponorogo can be seen through several economic and social theories. The theory of economic empowerment shows that access to productive financing without usury increases an individual's capacity to participate in economic activities, helping them get out of the shackles of high-interest debt (Manzilati & Prestianawati, 2022). Financial inclusion theory emphasizes the importance of access to financial services to reduce poverty and promote inclusive economic growth (Ozili, 2020). Additionally, social inequality theory underscores the role of these programs in providing equal opportunities to all individuals, which helps to reduce inequality in society (Bapuji et al., 2020). Finally, the theory of sustainable economic growth highlights BMD's contribution to creating jobs and supporting sustainable development. Overall, the program's approach reflects the integration of these theories in creating a more inclusive and sustainable economic system (Lacson et al., 2020).

From the mapping of previous research, it can be seen that social funds such as *zakat*, *waqf*, and *infak* have great potential in community economic empowerment, especially through their use of them as business capital for *mustahik*. *Zakat* funds have been widely used as business capital through the *qardhul hasan* contract, *waqf* is used to support micro, small, and medium enterprises (MSMEs), and *infak* is optimized for social, economic, and religious activities. However, what is unique about the Village BAZNAS Microfinance Program in Ponorogo is its implementation of a financing system with a joint/group responsibility model. This model allows groups of up to ten members to guarantee each other smooth financing payments, where the responsibility is spread across all members if any member has difficulties in returning. The advantages of this approach are an increased sense of collective

responsibility and reduced bad credit risk for BAZNAS as a financier. Overall, this program's novelty lies in exploring the joint responsibility system that has not been widely discussed in the context of the use of social funds for microfinance, thus offering new solutions in minimizing risks and strengthening community involvement in community-based economic development.

The beneficiaries of the Baznas Microfinance Desa program significantly impact the achievement of the Sustainable Development Goals (SDGs), especially in SDG 1, which focuses on poverty alleviation. Many respondents revealed that financing from BAZNAS has helped them escape dependence on loan sharks who charge high interest, often leaving them trapped in debt cycles. For example, one respondent stated, "I feel very helped by the existence of this financing program from BAZNAS," which shows how this program has become a sustainable financial solution for those who previously had difficulty accessing capital (Rifa'i & Ayu, 2019). With this support, they can increase their income and meet their basic daily needs, which is at the heart of SDG 1.

In addition, the BAZNAS program also contributes to SDG 8, which aims to encourage inclusive and sustainable economic growth. Other respondents indicated that the business capital provided allows them to expand their business and create new jobs. One of the beneficiaries stated, "The capital I got from the BAZNAS program has opened up opportunities for me to open a new branch." This statement highlights how access to financing increases individual capacity and affects local economic growth (Frey, 2018). By providing better access to micro businesses, the program plays a role in accelerating economic growth and creating jobs, which is in line with the principles of SDG 8.

Finally, the BAZNAS program also contributes to SDG 10, which focuses on reducing inequality. Some respondents emphasized that assistance from BAZNAS does not look at social or economic background, providing equal opportunities for everyone to develop their businesses. One respondent stated, "I am very happy with the support from BAZNAS. The program doesn't look at our background, whether women or men." This shows that the program has the potential to empower marginalized groups, including women and young people, to participate in economic activities (Chancel et al., 2018). Thus, Baznas Microfinance Desa supports individuals in increasing their income and contributes to reducing social inequality, creating a broader and sustainable impact. Sustainable.

The BMD program has significantly impacted empowering communities and achieving sustainable development goals. By providing access to productive financing without usury, this program helps individuals get out of the trap of high-interest debt. It creates opportunities for them to develop their businesses and increase their income (Selim, 2019), aligning with SDGs 1 and 8. Reflection on the results of this study shows that although the program brings many benefits, challenges remain in ensuring sustainability and expanding the program's reach to remote areas or communities that are still unreached. Therefore, more strategic policy actions are needed to strengthen the micro-entrepreneurs support network, including training and mentoring, to ensure that the benefits generated from these programs can be

sustained and developed over time and contribute more to reducing social inequalities as mandated in SDG 10.

CONCLUSION

The Baznas Microfinance Desa Program in Ponorogo Regency has succeeded in empowering mustahik through the provision of microfinance that is easily accessible and follows Sharia principles. The program helps mustahik escape the shackles of loan sharks and increase their economic capacity by facilitating micro and small businesses in the trade, agriculture, and livestock sectors. The program also contributes to the achievement of the Sustainable Development Goals (SDGs), particularly in poverty alleviation (SDG 1), decent job creation (SDG 8), and inequality reduction (SDG 10). The study results show that Baznas Microfinance is an effective microfinance model that supports the growth of micro and small businesses and sustainable development in the community.

Although this program has strengths in terms of financing accessibility and the application of sharia principles, several weaknesses need to be considered. One of the drawbacks is the limited amount of financing that can be given to each mustahik, which is a maximum of 3 million rupiah, which may not be enough to develop a business on a larger scale. In addition, the limited duration of installment payments can also be a challenge for mustahik with irregular income. As a recommendation, Baznas Ponorogo should expand the scope of financing and extend the installment period to provide greater flexibility to Mustahik in developing his business. In addition, there is a need for continuous mentoring and entrepreneurship skills training to ensure business sustainability and mustahik capacity building in the long term.

Acknowledgment

We express our deepest gratitude to BAZNAS Ponorogo Regency for their permission and cooperation in this research. The support and openness provided by the entire BAZNAS team, especially in providing data and information related to the role of Baznas Microfinance Villages, is very helpful for us in reviewing the economic empowerment of micro and small enterprises in the context of the Sustainable Development Goals (SDGs). Hopefully, the results of this research will benefit the development of BAZNAS programs in the future and contribute to efforts to empower the community's economy.

REFERENCES

- bappenas.go.id. (2023). *Sekilas SDGs*. <https://sdgs.bappenas.go.id/sekilas-sdgs/>
- Bapuji, H., Ertug, G., & Shaw, J. D. (2020). Organizations and societal economic inequality: A review and way forward. *Academy of Management Annals*, 14(1), 60–91.
- baznas.go.id. (2018). *BAZNAS Microfinance Desa Diresmikan di Bogor*. https://baznas.go.id/news-show/BAZNAS_Microfinance_Desa_Diresmikan_di_Bogor/27
- baznas.go.id. (2023). *Program BAZNAS Microfinance Desa Diluncurkan di Sampang*. https://baznas.go.id/Press_Release/baca/Program_BAZNAS_Microfinance_Desa_Dilunc

urkan_di_Sampang/1397

berkas.dpr.go.id. (2023). *Tantangan UMKM di Tahun 2024*.
[https://berkas.dpr.go.id/pusaka/files/isu_sepekan/Isu Sepekan---V-PUSLIT-November-2023-246.pdf](https://berkas.dpr.go.id/pusaka/files/isu_sepekan/Isu%20Sepekan---V-PUSLIT-November-2023-246.pdf)

Chancel, L., Hough, A., & Voituriez, T. (2018). Reducing inequalities within countries: assessing the potential of the sustainable development goals. *Global Policy*, 9(1), 5–16.

economy.okezone.com. (2024). *5 Fakta UMKM Susah Dapat Modal dari Perbankan*.
<https://economy.okezone.com/read/2024/03/10/455/2981482/5-fakta-umkm-susah-dapat-modal-dari-perbankan>

Eficandra, I. H. N. K. E. (2024). Al-Qard al-Ḥasan Program of Bankziska: Zakat Fund-Based Empowerment Model for Victims of Loan Sharks. *JURIS (Jurnal Ilmiah Syariah)*, Vol 23, No 1 (2024), 1–12.
<http://ejournal.uinmybatusangkar.ac.id/ojs/index.php/Juris/article/view/10799/3985>

Fatchurrohman, M., Hadi, N., Takhim, M., & Bahri, S. (2024). Shari'a Stock Zakat: Alternative Financial Inclusion for Empowering Mustahiq MSMEs with Qard al-Ḥasan Products. *Al-Ahkam*, 34(2), 257–288. <https://doi.org/10.21580/ahkam.2024.34.2.21936>

Fitriyah, F., & Herawati, N. (2020). Community Development Model through Development of Thematic Village as a Local Economic Empowerment Efforts in Semarang City. *Proceedings of the 4th International Conference on Indonesian Social and Political Enquiries, ICISPE 2019, 21-22 October 2019, Semarang, Central Java, Indonesia*.

Frey, D. F. (2018). Economic growth, full employment and decent work: The means and ends in SDG 8. In *The sustainable development goals and human rights* (pp. 122–142). Routledge.

Granovetter, M. (2017). *Society and economy: Framework and principles*. Harvard University Press.

Huda, M., & Kasanah, N. (2019). Kotak Infak Di NU-Care Lazisnu Kabupaten Sragen: Implementasi Dan Pengelolaan. *Al-Syakhsyiyah: Journal of Law & Family Studies*, 1(1). <https://doi.org/10.21154/syakhsyiyah.v1i1.1821>

Kasanah, N. (2021). Implementasi Pengelolaan Zakat Infak dan Sedekah di UPZIS NU Care Lazisnu Desa Mrican Kecamatan Jenangan Kabupaten Ponorogo. *JOIPAD: Journal of Islamic Philanthropy and Disaster*, 1(1), 71–89.

UU Nomor 6 Tahun 2023 tentang Penetapan Peraturan Pemerintah Pengganti UU Nomor 2 Tahun 2022 tentang Cipta Kerja menjadi Undang-Undang, (2023).

kominfo.jatimprov.go.id. (2014). *Kadin : Manfaatkan Rendahnya Suku Bunga Bank UMKM*. <https://kominfo.jatimprov.go.id/berita/39027>

Krisnawati, K. (2016). Upaya Penanggulangan Kemiskinan Melalui Pemberdayaan Usaha Mikro Kecil Dan Menengah. *Sosio Informa*, 2(2).

- Lacson, C. F. Z., Lu, M.-C., & Huang, Y.-H. (2020). Fluoride network and circular economy as potential model for sustainable development-A review. *Chemosphere*, 239, 124662.
- Manzilati, A., & Prestianawati, S. A. (2022). Informal financing or debt traps: are the UN sustainable development goals being met in emerging economies? *Review of International Business and Strategy*, 32(1), 132–145.
- Maulina, R., Dhewanto, W., & Faturohman, T. (2023). The integration of Islamic social and commercial finance (IISCF): Systematic literature review, bibliometric analysis, conceptual framework, and future research opportunities. *Heliyon*, 9(11), e21612. <https://doi.org/https://doi.org/10.1016/j.heliyon.2023.e21612>
- Mohd Thas Thaker, M. A. Bin, Mohammed, M. O., Duasa, J., & Abdullah, M. A. (2016). Developing cash waqf model as an alternative source of financing for micro enterprises in Malaysia. *Journal of Islamic Accounting and Business Research*, 7(4), 254–267. <https://doi.org/10.1108/JIABR-09-2014-0029>
- Nisa, A. (2023). *Analisis Penyaluran Zakat Produktif Dalam Bentuk Pembiayaan Mikro Ditinjau Menurut Akad Qardul Hasan (Studi di BAZNAS Microfinance Desa Lampaseh Kota)*. Universitas Islam Negeri Ar-Raniry.
- Ozili, P. K. (2020). Theories of financial inclusion. In *Uncertainty and challenges in contemporary economic behaviour* (pp. 89–115). Emerald Publishing Limited.
- Rahman, M. (2023). *Metodologi Penelitian Kuantitatif dan Kualitatif* (Henki Fernanda (ed.)). PT Penamuda Media.
- Rianto, P. (2020). Modul Metode Penelitian Kualitatif. *Metode Penelitian*, 5.
- Rifa'i, A., & Ayu, P. (2019). Encouraging Islamic financing to achieve SDGs through poverty alleviation. *Journal of Islamic Finance*, 8(2), 10–20.
- Rizki, M., Sari, N., & Widjayanti, A. (2022). Optimization of Micro Waqf Bank's Ability to Support Micro and Small Businesses. *KnE Social Sciences*, 1269–1285. <https://doi.org/10.18502/kss.v7i9.11015>
- Selim, M. (2019). The effectiveness of Qard-al-Hasan (interest free loan) as a tool of monetary policy. *International Journal of Islamic and Middle Eastern Finance and Management*, 12(1), 130–151.
- Shaikh, S. A., Ismail, A. G., & Mohd Shafiai, M. H. (2017). Application of waqf for social and development finance. *ISRA International Journal of Islamic Finance*, 9(1), 5–14. <https://doi.org/10.1108/IJIF-07-2017-002>
- Widiastuti, T., Auwalin, I., Rani, L. N., Mawardi, I., Al Mustofa, M. U., & Rosyidah, N. (2021). Does Zakat and Non-Zakat Empowerment Affect Mustahiq Welfare Based on Maqashid Shariah? *Al-Uqud: Journal of Islamic Economics*, 5(1), 76–96.