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Case Report

The Intersection of Islamic Microfinance and Women's Empowerment: A Case Study of *Baitul Maal Wat Tamwil* in Indonesia

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Abstract: It is largely assumed that Islamic microfinance institutions (IMFIs) deal with family empowerment instead of women's empowerment. However, women are the main beneficiaries of *Baitul Maal Wat Tamwil* (BMT), Indonesia's first IMFIs. This paper aims to explore the origins, the initiators, and the visions of BMTs and the extent to which they intersect with women's empowerment. Employing a qualitative approach, this study selected four BMTs in Yogyakarta as a case study. It found that four critical groups that have a significant role in the development of Indonesian BMTs: ICMI (Association of Indonesian Muslim Intellectual), Islamic mass organizations, NGOs, and local governments. The issues of loan sharks and poverty alleviation were the primary factors driving the inception of BMTs. Despite women being crucial clients, none of the studied BMTs explicitly invoked women's empowerment in their organizational vision. To conclude, the BMTs' preference for women is not based on an understanding of gender inequality, but rather motivated by pragmatic business considerations, particularly the self-sustainability paradigm that underpins their practices.

Keywords: *Baitul Maal Wat Tamwil*; Islamic microfinance; women's empowerment

JEL Classification: G21; G23; G29

1. Introduction

Microfinance has been acknowledged as a powerful instrument for women's empowerment and poverty alleviation in the developing world. Women are key actors in major microfinance programs, as they are recognized as the poorest sector of society (Kulkarni 2011). Cheston and Kuhn (2002), for instance, stated that 70% of the 1.3 billion people living on less than \$1 a day are women. Moreover, women are more likely to spend their income on their families' welfare, and to act as central actors in the family structure (Woller et al. 1999; Mayoux 2006). For those reasons, microfinance has become a key strategy for simultaneously promoting poverty alleviation and women's empowerment since the 1990s (Tanima 2015).

Through access to credit and savings, women are able to increase their contributions to household income and family well-being (Mayoux 2003). In addition, engaging women in microcredit creates social protection and addresses formal financial providers' failure to empower poor women (Kabeer 2014). Consistent with the work of Mayoux and Kabeer, previous empirical findings in Asia show that providing women with access to credit enhances their economic independence. Economic independence grants women higher bargaining power in their households and their communities, and subsequently imbues them with the prestige, self-esteem, mobility, networks, self-confidence, and knowledge they need to escape the poverty cycle (Cheston and Kuhn 2002; Ahmed et al. 2011; Roxin et al. 2011; Sarumathi and Mohan 2011; Kato and Kratzer 2013). Thus, promoting women's empowerment through microfinance is crucial for both poverty alleviation and gender equality.

Universally understood as an approach towards poverty alleviation in the developing world, microfinance is found in various models across the globe (Jacobs et al. 2012). This study takes on *Baitul Maal Wat Tamwil* (BMT), a form of Islamic microfinance in Indonesia, as its case study. BMTs are Islamic microfinance institutions (IMFIs) that combine Islamic commercial finance functions as *baitul tamwil* (treasuries) with social finance functions as *baitul maal* (houses of wealth) (Ascarya and Tanjung 2018).

This study argues that there is a gap between the theoretical concept of Islamic microfinance and the empirical situation of BMTs in Indonesia. Historically, IMFIs have been created to address perceived issues with existing MFIs, including MFIs' products and services not being aligned with Islamic values and principles, and MFIs' ideas of gender equality and women's empowerment being deemed inappropriate for Muslim society. IMFIs promote a concept of "family empowerment", hoping to create balance between men and women while promoting the economic and social well-being of all family members (Obaidullah and Khan 2008). However, Indonesian BMTs have a unique tendency, as these institutions—while still being family-oriented projects—deal primarily with women clients. By investigating these BMTs, this study contributes to enrich the discourse on women in Islamic financial studies. It also argues that the empowerment of women through microfinance is not driven solely by gender ideology, but also influenced by complex organizational interests.

This study attempts to explore the interconnection between Islamic microfinance and women's empowerment by tracing BMTs' historical innovations and policies in an Indonesian context. More specifically, this study examines BMTs' origins, initiators, and visions. It also analyzes BMTs' practice of targeting women and links it with three contrasting paradigms of microfinance: (1) the financial self-sustainability paradigm, (2) the poverty alleviation paradigm, and (3) the feminist empowerment paradigm (Rhyne 1998; Woller et al. 1999; Lakwo 2006; Mayoux 2006; Rhyne and Otero 2007).

The remainder of the paper is organized as follows: Section 2 reviews the theoretical basis of the study; Section 3 describes the methodology; and Section 4 presents the results and discussion. Finally, the last section reviews the conclusions, implications, and limitations of the study.

2. Theoretical Basis

2.1. Microfinance and Islamic Microfinance

Microfinance refers to the provision of financial services, mainly savings and credit, to low-income people (Ledgerwood 1998). The primary argument is that formal banking institutions have failed to meet the financial demands and needs of persons with low income, especially in developing countries. Therefore, the development of small-scale finance providers makes it possible for poor people to engage in a range of different activities such as 'farming, fishing, or herding' or operating 'small enterprises where goods are produced, recycled, repaired, or sold' (Robinson 2001). Universally recognized as an approach towards alleviating poverty in the developing world, various models of microfinance are found across the globe. However, the contemporary microfinance movement is commonly credited to Dr. Muhammad Yunus (Jacobs et al. 2012). Through his Grameen Bank, Yunus' idea of providing poor women with non-traditional credit programs gained massive attention and support from international agencies. The Microfinance Summit, an influential international body, promoted the Grameen Bank's model of microfinance as a principal way of empowering women and achieving human development goals (Roy 2010).

Islamic microfinance institutions are essentially MFIs that operate on the basis of Islamic principles. In brief, these IMFIs operate share several values: a prohibition against usury (*riba*) and excessive uncertainty (*ghahar*), a requirement that all activities are used for permitted purposes (*halal*), and an implementation of profit and loss sharing (Walters 2011; Garner 2013). Conventional and Islamic microfinance have much in common. Both emphasize the good of society as a whole, advocate for entrepreneurship and risk sharing, and believe that the poor should take part in such activities. Both also focus on developmental and social goals, promote financial inclusion, and involve the poor (Obaidullah 2008).

Nevertheless, there are also some fundamental differences between MFIs and IMFIs, especially based on the following dimensions; category of the poor, modes of financing, liability, target of empowerment, dealing with default, and social development program. First, MFIs are not usually appropriate for the chronically poor and destitute. By contrast, the IMFIs prioritize the chronically poor over the poor, moderately poor, or not-so-poor (Obaidullah and Khan 2008). Second, in terms of financing modes, MFIs adapt interest based financing as a method of increasing income, while IMFIs use profit loss sharing schemes that comply with Islamic laws (Rahman 2010). Third, in terms of liability, MFIs mainly use funds from foreign donors (both multilateral and national agencies), governments, and the central bank, while IMFIs can also receive funds from the religious institutions of *wakaf* and charity (Ahmed 2002). Fourth, MFIs are predominantly targeted at women (Kulkarni 2011), while IMFIs target families as a way to promote equal responsibility in guaranteeing the economic and social well-being of all family members (Obaidullah and Khan 2008). Fifth, conventional MFIs use group and central pressure. IMFIs, meanwhile employ an Islamic approach when dealing with arrears and default. The spirit of brotherhood and mutual help preached by Islam induce group members and central authorities to assist in paying arrears; a spouse can also be approached. Furthermore, the Islamic doctrine that not repaying debt is sinful also motivates members to repay their dues. Sixth, in the context of social development conventional MFIs are secular in nature, while their MFI counterparts have Islamic content (Ahmed 2002).

2.2. BMT as the Indonesian IMFIs Model

The name *Baitul Maal Wat Tamwil* represents these institutions' socio-economic mission. As *baitul maal* (houses of wealth), BMTs play a role in collecting and distributing *zakah*, *infaq*, and *sadhaqah* funds, and uses such funds to provide interest-free financing (*qard hasan*) to the deserving poor. In other words, as a *baitul maal* it conducts socio-religious activities by collecting charitable donations from the community to support poverty alleviation programs as well as to enhance the piety of Muslims. While acting as a *bait tamwil* (treasury), meanwhile, these institutions essentially offer financial intermediation by managing savings and loans (Wulandari and Kassim 2016).

Such BMTs have a legal basis as Islamic cooperative microfinance systems. Although BMTs are not legally part of the formal financial sector, they may be classified as either semiformal or informal financial institutions (Masyithoh 2014). However, from an economic development perspective, BMTs have played an outstanding role in fostering the dynamic growth of informal enterprises and microenterprises, as well as promoting household-based economies in regions where formal banks do not exist. As such, BMTs fill a niche segment, one perceived by commercial bankers to be high-risk and unprofitable (Nazirwan 2015).

2.3. Women's Empowerment

Empowerment is a term widely used by various actors, including activists, feminists, and policymakers (Hennink et al. 2012). Although the term is not designed exclusively for the issues associated with women, it is nevertheless frequently used in this context. The literature shows that there are many definitions of empowerment. For instance, it may be defined as "increasing both the capacity of individuals or groups to make purposeful choices and their capacity to transform those choices into desired actions and outcomes" (Petesch et al. 2005); as the "expansion of the assets and capabilities of poor people to participate, to negotiate with, influence, control, and hold accountable institutions that affects their lives" (Speer and Hughey 1995); as the "expansion of people's ability to make strategic life choices in a context where this ability was previously denied to them" (Kabeer 1999). Of these various definitions, Kabeer's empowerment framework has been widely accepted and become the primary source for understanding the issue of women's empowerment (Malhotra et al. 2002).

Empowerment can be explored through three closely interrelated dimensions: agency, resources, and achievements (Kabeer 2005). Agency is the ability of an individual to set goals and act upon them (Kabeer 1999). It encompasses the exercise of choice, either tangible (as in decision making, bargaining,

and negotiation) or intangible (as in motivation) (Kabeer 2005). In relation to empowerment, agency implies not only the active exercise of choice, but also the challenging of power relations. Exercising agency and challenging power inequalities often change how people see themselves, their sense of self-worth, and their capacity for action, as the beliefs and values that legitimize oppression are often deeply embedded in the mindsets of subordinate groups (Kabeer 2003). In the context of women's empowerment, the idea of self-efficacy creates awareness that women are able to take control of their life choices (Rayan 2002).

The second dimension is resources, i.e., the medium through which agency is exercised. Resources are distributed through the various institutions and relationships in society (Kabeer 2005). They include not only materials in the more conventional economic sense, but also various human and social resources that serve to enhance the ability to exercise choice. Access to such resources reflects specific rules and norms, which govern distribution and exchange in different institutional arenas (Kabeer 1999).

The third component of empowerment is achievement. Resources and agency constitute what Sen and Fukuda-Parr (2003) refer to as capability: the potential that people have to live the lives they want and to achieve valued ways of being and doing. The way in which this potential is realized (or not realized) describes their achievements, i.e., the outcomes of their efforts. In an empowerment context, achievements should be seen in terms of the exercised agency and the consequences of choices (Kabeer 2005).

2.4. Three Paradigms in Microfinance: The Reason of Targeting Women

In examining the development of microfinance, academics and social activists have developed various analytical approaches. In the literature on microfinance, there are three opposing paradigms. The first is the financial self-sustainability paradigm, a model that has been promoted by many prominent donor agencies, including the United States Agency for International Development (USAID), the World Bank, the United Nations Development Program (UNDP) Micro-Start Program, the Consultative Group to Assist the Poorest (CGAP), and the Micro Credit Summit Campaign (Drolet 2010). Programs under this paradigm focus exclusively on providing diverse financial services and underline the importance of sustainability. For this reason, microfinance schemes under this paradigm are designed to reach out to creditworthy clients who are able to repay loans at a commercial interest rate (Robinson 2001). The paradigm believes that women are creditworthy clients, and assumes that providing access to credit (through poverty targeting) and increasing the number of female clients are sufficient to promote poverty alleviation and women's empowerment (Drolet 2010).

The second paradigm is the poverty alleviation paradigm, which focuses mainly on the depth, outreach, and impact of microfinance intervention on the poorest of the poor (Woller et al. 1999). Microfinance institutions provide the poor with access to loans that enable them to earn a better income, as well as to reduce their vulnerability by increasing their capacity to save and own valuable assets (Khandker 1998). This model usually depends on subsidies to cover administrative costs, and (in contrast to the financially self-sustainable model) often provides training and social services to borrowers (Roy 2010). Women are the primary targets, as they are seen as poorer than men. This paradigm assumes that addressing women's practical needs will empower them to challenge gender inequity in ways they see fit, and that household poverty alleviation is inherently synergistic with women's empowerment and wellbeing (Mayoux 2006).

The third paradigm is the feminist empowerment paradigm, which is rooted in the development of some of the earliest microfinance programs, such as the Self-Employed Women's Association (SEWA) and Working Women's Forum (WWF) in India (Drolet 2010). Gender equality and women's rights are the biggest concerns of this model, which views gender subordination as a complex and multidimensional process that affects all aspects of women's lives and is embedded in many different mutually reinforcing levels (Mayoux 2002b). Empowerment in this context is defined as the transformation of power relations throughout society, and women's empowerment is seen as an integral and inseparable part of a more comprehensive social transformation (Mayoux 2006). Under

this paradigm, economic empowerment is seen as involving more than individualist issues; it also includes such issues as property rights, changes in intra-household relations, and macroeconomic transformations (Mayoux 2002a).

3. Methodology

This study is qualitative in nature. Several techniques were employed in data collection, including field observation, focus group discussion (FGD), semi-structured interviews, and document review. The researcher interviewed twelve key persons, including the managers and staff of BMTs as well as experts and practitioners from universities and associations. The FGD involved ten BMT managers in Yogyakarta. Field work was undertaken from October to December 2017 in Yogyakarta Special Province (DIY), Indonesia. Four BMTs were chosen for this study, namely BMT Bina Insanul Fikri (BIF), BMT Al-Ikhwan, BMT KUBE Sejahtera (BKS) 19, and Koperasi Syariah GEMI (GEMI Islamic Cooperative). These four BMTs were selected because they represented the unique characteristics of BMTs in the province.

4. Results and Discussions

This section provides a critical analysis of the four selected BMTs, based on their origins, initiators, visions, and links to women's empowerment issues.

4.1. Origin, Initiators and Visions

As can be seen from Table 1, the BMTs in Yogyakarta were founded by figures from different backgrounds. A middle-class Muslim affiliated with Muhammadiyah and ICMI played a critical role in the establishment of Bina Insanul Fikri (BIF), one of the oldest BMTs in Yogyakarta. Ridwan, a founder of BIF and its current manager, acknowledged that the establishment of the BMT had two main motives. First, it was concerned about loan sharks and their exploitation of the poor, and as such, Muslim activists sought an alternative means of providing financial support to poor and micro-sector. The majority of Muslims, particularly those affiliated with Muhammadiyah, supported this desire to eradicate loans sharks through a BMT system. Second, BIF sought to introduce Islamic economics to society, believing that developing a BMT provided a means of *da'wah* and a path for *jihad*—struggling, especially with a praiseworthy aims (interview, 20 December 2017).

Table 1. Profile of the Four Selected *Baitul Maal Wat Tamwils* (BMTs).

BMTs	Origin, Initiators and Vision
BMT Bina Insanul Fikri (BIF)	Established in 1996 by middle class Muslims affiliated with ICMI and Muhammadiyah (the second largest Islamic mass organization in Indonesia). Motive: implement an Islamic economy and mitigate the influence of loan sharks. Vision: implementing sharia' law for mutual prosperity. Number of clients: 38,000 (75% are women)
BMT Al-Ikhwan	Established in 2006 by an activist with <i>Aisyiyah</i> (the women's wing of Muhammadiyah). Motive: counter the exploitation of loan sharks and the practice of usury in society. Vision: empowering people and performing <i>da'wah</i> (an act of calling people to the religion of Allah). Number of clients: 3000 (85% are women)
BMT KUBE Sejahtera 19	Established in 2007 by the local government. Motive: to eradicate poverty in rural and suburban areas. Vision: realizing safety, peace and prosperity for the local populace. Number of clients: 500 (85% are women)
GEMI (Economic Movement for Women)	Established in 2004 by female NGO activists. Motive: to reduce the activity of loan sharks in rural areas. Vision: improving the productivity and prosperity of micro-entrepreneurs. Number of clients: 5038 (99% are women).

(Source: Field work, 2017).

The development of BIF began in early 1996, when Dr. Meydi Saflan—the deputy chairman of the local ICMI branch—was asked by Ridwan to give a lecture at a religious meeting. As ICMI was the pivotal supporter of the BMT movement in Indonesia (Choiruzzad 2012), Saflan had been mandated by the organization's central leadership to develop BMTs in his area. As such, during this lecture, Saflan presented the idea of empowering people by developing IMFI. This idea was welcomed by Ridwan, who had previously established a cooperative in an effort to protect street vendors from the predations of loan sharks. These two Muslim activists decided to begin preparing and strategizing.

The groundwork for BIF's establishment was laid through discussion of the idea with the *takmir* (mosque administrators) and *jama'ah* (worshippers) of the mosques of Gedong Kuning. Both Meydi and Ridwan tried to convince the *takmir* and *jama'ah* of each mosque about the benefits of the BMT system. Their audiences, most of whom were Muhammadiyah members, supported the notion, and in March 1996—with an initial capital of IDR 2.5 million collected from Muhammadiyah figures from several mosques—BIF began its operations. The institution works with the vision of implementing sharia' law for mutual prosperity. After operating for more than two decades, BIF serves some 38,000 clients, 75% of which are women.

Unlike BIF, which was initiated by male Muhammadiyah figures, BMT Al-Ikhwan was formed by members of the same *majelis taklim* (a religious learning forum) who were all traders at the Condong Catur traditional market in Sleman, in northern Yogyakarta. Like other traditional markets in Indonesia, the Condong Catur market has been recognized as a women's area. Mrs. Syaifullah, a senior merchant, Aisyiyah activist, and leader of the *majelis taklim*, was the first one to propose creating an alternative means of savings and loans. In an interview, she stated that small traders had had difficulty receiving credit from formal financial institutions, and as such many had turned to loan sharks. When they were unable to pay their installments, the interest accumulated quickly, surpassing the principal, and as a result many traders lost their businesses (interview, 12 December 2017).

Mrs. Syaifullah explained that twelve non-Muslim loan sharks had been aggressively offering loans to traders at high interest rates, and claimed that these loan sharks controlled many of Yogyakarta's traditional markets. Almost every day she saw how small traders had to deal with tough situations after defaulting.

"Next to my kiosk, there was a middle-aged woman who made a living selling chili peppers. One day, there was a man carrying money in hand while saying, 'Who needs money?' As the woman desperately needed cash, she borrowed IDR 100,000. However, she only received IDR 80,000, as the rest was used to pay interest. She had to pay installments every day. If she could not afford to do so, the loan shark would get angry and make the woman cry out in fear. I could not bear to see my Muslim sisters being oppressed. Thus, I promised myself that I would help them". (interview, 12 December 2017)

Mrs. Syaifullah's concerns led her to seek the help of a nearby mosque. She met the administrator of BAZIS (an Islamic philanthropic fund) at the mosque, spoke about the situation of women in the market, and expressed hope that the mosque could help them. After an intensive discussion, the mosque—through BAZIS—approved Mrs. Syaifullah's idea of creating an Accumulating Saving and Credit Association (ASCRA group) for women in the market and provided IDR 800,000 in initial funding.

To promote accountability, the mosque suggested developing an Islamic organization as a means of empowering women in the market. This was followed by the establishment of the *majelis taklim* Al-Khodijah, which included some 100 women traders. The *majelis taklim* expanded its activities to focus not only on religious issues, but also socio-cultural and economic programs. It also actively accessed external funding, which promoted the growth of the ASCRA division. Later, in the early 2000s, motored by Mrs. Syaifullah and local Muhammadiyah leaders, the group's economic division was developed into BMT Al-Ikhwan. This BMT seeks to empower the people and perform *da'wah*. At the moment, it has approximately 3000 clients, most of whom are women.

Unlike the BMTs discussed above, which were initiated by Muhammadiyah and Aisyiyah figures, the idea for BMT KUBE Sejahtera (BKS) 19 came from a government agency. Originally a poverty alleviation program under the Ministry of Social Affairs, KUBE—an abbreviation for *Kelompok Usaha Bersama*, or Collective Enterprise Group—had been widely implemented since 1982. According to Sobari, the manager of BKS 19, this BMT was established after the Sleman Department of Social Affairs began providing revolving funds to the urban poor as a form of working capital. One requirement for the disbursement of these funds was the existence of KUBE.

After receiving a positive assessment, the KUBE in Tlogodadi village (the embryo of BKS 19) received revolving IDR 180 million to develop a microfinance institution. In 2005, with this assistance, the KUBE in Tlogodadi officially began operating its cooperative institution. Focusing on women and following the Grameen model, it provided money to clients based on a group lending approach, which emphasized group formation, compulsory training, mutual interest, and cohesion. However, Sobari admitted that this approach did not work well for KUBE, due to the high number of non-performing loans (NPLs). As such, KUBE changed its strategy to one of individual lending.

The popularity of Islamic microfinance in the early 2000s led KUBE to modify its business orientation and become an Islamic cooperative. Preparation for began with the creation of a founding committee, which consisted of twenty people, including administrators, supervisors (i.e., local government of Sleman), managers, and some local figures. Afterward, representatives contacted PINBUK (Center for Small Business Incubation) Yogyakarta to request assistance. As part of these preparations, Sobari and two other staff members attended two weeks of training at PINBUK, which also provided two years of assistance to ensure that BMT KUBE was self-sufficient and fully licensed. On 3 October 2007, KUBE officially transformed into an IMFI under the name BMT KUBE Sejahtera 19 (BKS19). This organization seeks to promote safety, peace, and prosperity for the people around BMT. Currently, it assists around 500 customers, 85% of which are women (interview, 27 November 2017).

The fourth BMT examined in this study is GEMI (an abbreviation of Gerakan Ekonomi Kaum Ibu, Women's economic movement), a syari'a cooperative. Ekantini, GEMI's founder and manager, explains that the name is based on the belief that women are the ones who take the most care of their families. As such, she believed that the economic empowerment of women would have a "trickle-down effect" and thereby contribute to the improvement of their families' socio-economic standards and their children's education (interview, 10 December 2017).

GEMI was derived from an economic empowerment program by YP2SU (Foundation for the Improvement and Development of Ummah Resources), established during the New Order era by graduate students from various universities in Yogyakarta. It was intended to economically empower women in rural areas by releasing them from the debt traps of loan sharks. In its early years, GEMI was funded exclusively by YP2SU. However, following its transformation into an independent micro-finance institution, GEMI developed partnerships with various agencies and was able to obtain financial support from outside its mother organization (interview, 10 December 2017).

Unlike the three BMTs discussed above, GEMI adopted a group-based microcredit model which more or less replicated the Grameen Bank model. Ekantini argues that this model fit their core membership of rural and uneducated people; moreover, this model was recommended by the international donor institutions that GEMI partnered with. In October 2006, GEMI formally changed its traditional microcredit project into a cooperative. Two years later, after an intensive discussion and exploration of Islamic economic concepts, GEMI converted into an IMFI. Ekantini stressed that the value of social justice in Islamic economics and the concept of profit and loss sharing resembles the concept of group-based loans. By implementing this Islamic concept, she expected that GEMI would bring *barokah* (blessings) to its members (interview, 10 December 2017). With an organizational vision to improve the productivity and prosperity of micro-entrepreneurs, GEMI serves more than 5000 members. Almost all of its customers are women working in the micro sector.

In brief, the four BMTs in this study have distinctive characters, as influenced by their creators. Young Muslim activists affiliated with Muhammadiyah and ICMI initiated the establishment of BIF,

while an Aisyiyah activist motored the foundation of Al-Ikhwan. BMTs in Yogyakarta have also been founded by persons with a background in Islamic NGOs, such as Ekantini, the founder of GEMI. Moreover, local governments have also contributed to BMT development, mainly through their creation of KUBEs. Thus, four critical groups have a role in BMT development: ICMI, Islamic mass organizations (Muhammadiyah and Aisyiyah), NGOs, and local governments. As for motive, the issues of loan sharks and poverty alleviation were the main factors driving the inception of BMTs in the province.

In terms of vision, BIF and Al-Ikhwan clearly state their Islamic financial identity. On the other hand, BKS 19 and GEMI do not directly indicate their positions as Islamic cooperative institutions in their visions. Interestingly, both of these institutions started out as conventional MFIs. As such, it appears that their transformation into IMFIs has not been fully reflected in their organization visions. Although these visions may include such keywords as Islamic microfinance, empowerment, prosperity, and micro-entrepreneurship, they do not explicitly invoke women's empowerment—even though women are their primary clients.

4.2. BMT and Women's Empowerment

It is found that the four BMTs in this research have a significant number of women clients. Of the four BMTs studied, GEMI has the highest percentage of female customers; women account for 99% of its 5038 members. In the other three BMTs, women account for 75–85% of members. Focus Group Discussions (FGDs) with BMT managers from Yogyakarta's five administrative districts (Yogyakarta City, Bantul, Sleman, Gunung Kidul, and Kulon Progo) also indicates a parallel pattern. FGD participants acknowledge that BMTs in Yogyakarta have a significant representation of women clients. However, they agreed that this did not necessarily mean that BMTs were created specifically for women (FGD, 13 December 2017). Similarly, the director of PINBUK Yogyakarta, Kuswantoro, asserted that the BMT movement in the province dealt more with critical idealism than gender issues (interview, 30 November 2017). Kuswantoro's argument indicates that the BMTs in Yogyakarta have no formal link to gender and a women's empowerment agenda.

From the historical context, the development of IMFs (BMT) in Indonesia is substantially different from that of conventional microfinance institutions in other developing countries. While conventional microfinance institutions use women's empowerment as a primary issue, in IMFs the goal is to Islamize the economic system. BMTs emergence as the first faith-based model of microfinance in Indonesia was the outcome of the Islamic economic movement that began in the late 1980s. This movement was driven by elite Muslim scholars, mainly those affiliated with ICMI, an organization that later contributed to the development of thousands of BMTs across the country (Choiruzzad 2012).

Regarding the predominance of women, BMT managers presented various arguments. BIF argued that the institution was originally designed to provide capital to the small traders in traditional markets who had been oppressed by loan sharks. Traditional markets, where loan sharks most commonly offer credit, are well known as the domains of women. As a consequence, women have benefitted most from BIF's services and programs. A similar rationale was expressed by Al-Ikhwan; even though that institution's initiator was both an Aisyiyah leader and a woman trader, the BMT was not purposely formed for women.

In the case of BIF and Al-Ikhwan, embracing women occurred naturally, without a specific plan. This empowerment was not motivated by an understanding of gender inequality issues, and thus had nothing to do with the gender ideology practiced in many conventional MFIs—especially those that adopt a feminist empowerment approach (Mayoux 2002a). In the feminist empowerment approach, microfinance is promoted as an entry point in the context of broader strategies for women's economic and socio-political emancipation. The main target groups are poor women and women capable of providing alternative female role models for change. This feminist paradigm maintains that poor women need to organize themselves to escape their double oppression, both as women in the patriarchal gender order and as members of the working class. The assumption is that, if

given the opportunity, women would wish to challenge gender inequity in the ways envisaged by the international feminist movement (Mayoux 2002a).

Likewise, GEMI—despite almost all of its clients being women and the organization’s name meaning “economic movement for women”—tends to avoid discussing gender issues. This is reflected in the following statement by Ekantini:

“We are not dealing with gender issues, because it would be so tiring. The most important thing is that GEMI members are empowered and economically prosperous”. (interview, 21 August 2018)

Ekantini’s statement confirms that, in many microfinance programs, the terms ‘women’s empowerment’ and ‘gender’ are considered best avoided and as being too controversial and political (Mayoux 2006). The promotion of women’s empowerment implies advocacy for cultural and social change, which some fear is an inappropriate imposition of western values on non-western societies.

Ekantini’s statement also indicates that the preference for women clients is not based on the consideration that men and women have unequal access to productive and financial resources. Instead, she holds that women are targeted primarily because of the Grameen bank pattern adopted by GEMI. The fact that women are poorer than men, more likely to spend income on their families’ welfare, and are central actors in the family structure (as held by the poverty alleviation paradigm) are not the foundations for this institution’s focus on women. The poverty alleviation paradigm assumes that, by addressing women’s practical needs, they will be able to challenge gender inequity in ways they see fit. In this theory, household poverty alleviation and wellbeing (as well as women’s empowerment) are inherently synergistic and achievable through a win-win process (Mayoux 2002a).

KBS 19 has a more pragmatic reason for targeting women. Sobari describes women in the traditional marketplace as “diamonds” because of their ability to make daily cash transactions. As he remarked:

“Who are the main players in the traditional markets? No one can deny that they are women. Nobody doubts women’s ability to manage money. In the very early morning, they are already at the markets making transactions. Thus, women are diamonds for BMTs”. (interview, 27 November 2017)

In this sense, other BMTs share the same perceptions of women’s abilities and positive attitudes. For instance, the manager of BIF and Al-Ikhwan acknowledged women’s assertiveness, as seen in the following quotes:

“Women are usually more persistent in running a business in the micro-sector and carefully manage the money they receive” (interview, 23 December 2017).

“I am not aiming to discredit any particular gender. However, based on our experience, male clients most likely have problems with Non-Performing Loans (NPL)” (interview, 18 December 2017).

These statements indicate the preference for women is due to repayment problems with male customers. This finding, therefore, is in line with previous studies in some developing countries. In Madagascar, Mexico, and South India, D’espallier et al. (2011) found that women honor their microfinance loans more than men. Similarly, Kevane and Wydick (2001) report that female credit groups in Guatemala performed better than male groups. Based on experience in Grameen-villages in Bangladesh, Todd (1996) argues that women are more conservative in their investment strategies, and therefore have better repayment records. Also from Bangladesh, Rahman (2019) argues that women are more easily influenced by peer-pressure and the interventions of the loan-managers. For matters pertaining to reputation and honor, women are believed to be more sensitive to verbal hostility on the part of the loan-manager, while men are able to default with a sense of impunity.

The findings of this study also indicate that “a cost-efficiency rationale” is the main motive for targeting women. In this respect, the targeting of women can be explained through the self-sustainability paradigm. Women are endorsed as rational economic beings and targeted due to risk and efficiency considerations (Mayoux 1999; Mayer and Rankin 2002). Especially in developing countries, women are perceived as humble, compliant, and shy, and as such more easily managed or controlled than men. Giving loans to female borrowers thus poses less of an economic risk.

It is also argued that women clients are credit-worthy, responsible, and more committed to using loans for livelihood activities (Aseanty and Hassan 2013). Therefore, targeting women is believed to enhance program efficiency and contribute towards organizational self-sustainability; this, in turn, is believed to further increase women’s economic activities and ultimately their involvement in economic development (Kabeer 1999; Mayoux 1999; 2002b; Lakwo 2006; Kabeer 2009). Although BMT supporters refuse to admit that these institutions are designed for women, they acknowledge that women play an important role in BMTs’ growth, particularly as the forefront marketers in their communities. Ridwan confirmed that women who obtain funding from a BMT will share their experience with others, which in turn attracts new members to the institutions (interview, 18 December 2017).

Furthermore, this study has discovered a unique phenomenon: BMTs that basically run contrary to the common standards of Islamic microfinance. As stated previously, Islamic microfinance differs from conventional microfinance in several fundamental aspects. One main difference is the target of empowerment. In an Islamic view, empowerment refers to “family empowerment”, and as such men and women are encouraged to play their respective roles in guaranteeing the economic and social well-being of all family members. The “women-only approach” taken by conventional microfinance is thus out of place for the Islamic religion and culture (Obaidullah 2008). Nevertheless, BMTs in Yogyakarta are quite inseparable from women. As such, there is a gap between the theory and practice of Islamic microfinance in the Indonesian context.

This study shows that in practice, Indonesian BMTs adopt the concept of self-sustainability that is theoretically criticized by IMFIs themselves. Again, these findings reinforce that women’s empowerment is not solely propelled by the idea of gender ideology and the concern on the unequal access to financial resources; it is also motivated by the complex concerns of the microfinance institutions. These findings might be of interest to policymakers and practitioners concerned with IMFIs-development and women’s empowerment.

5. Conclusions, Implications and Limitations

This research examines the link between BMTs and women’s empowerment at the institutional level. It is intended to better understand how BMT institutions intersect with women’s issues in terms of their history, mission, and actors involved in developing BMT. This study suggests the four BMTs have different characters that are greatly influenced by the founders. Several parties contributed significantly to the BMTs movement in Yogyakarta including; ICMI, Muhammadiyah and Aisyiah, Islamic NGOs, and local government. The initial motive was to promote BMT institutions as a means of poverty alleviation and to reduce the circulation of moneylenders. There is no historical evidence that BMT movement in the province intersected with a women’s empowerment agenda.

Although the beneficiaries of BMTs are primarily women, none of the BMTs surveyed include women’s empowerment in their organizational visions. Instead, BMT supporters maintain that an Islamic ideology underpins their operations. Unlike conventional MFIs, wherein gender values underline the process, the BMT system’s preference for women is motivated more by business and pragmatic considerations. By targeting women as creditworthy clients, these institutions can better cover their operational expenses and generate the profits they need to sustain their microfinance programs over the long term and to reach out to more impoverished clients (Robinson 2001). From these findings, it can be concluded that the financial self-sustainable paradigm underlies the practice of BMT in Indonesia. Thus, empowering women is not merely aimed to uphold gender ideology. However, business interests play an important role in this regard.

The focus of this study is at the BMT institution level so that it does not involve female clients. Future research must investigate this matter by involving women as the main clients of BMT. Exploring women's perspectives and experiences on their engagement in BMT programs and services are essential to understand how BMT institutions contribute in advancing women's lives. The participation of women is also necessary to identify the impact of BMT programs and services on women's lives and their families.

Due to the study being conducted in Yogyakarta province, it cannot be claimed that these findings represent a complete picture of BMT and women's empowerment in Indonesia. A future study could expand to several areas where BMTs are operating to map out a more comprehensive portrait of these institutions and women's empowerment in the country. Comparing the practice of empowering women through Islamic microfinance institutions in Indonesia and other Muslim countries will also be interesting to enrich discussions about women and the Islamic economy.

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