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DIGITALIZATION OF MICROFINANCE INSTITUTIONS AS A SOLUTION FOR COMMUNITY ECONOMIC EMPOWERMENT: CASE STUDY OF BMD SYARIAH

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ABSTRACT

Purpose: This research is aim to provides a solution in the form of a mobile point-of-sale (MPOS) machine that can be integrated with the BMD Syariah Madiun

Methodology/approach: This paper employs a design thinking process by having Focus froup discussion with all the management in BMD Syariah Madiun.

Findings: The design and development of information technology solutions for innovation constraints considering the targeted value proposition, which is fast-cheap-easy. Fast, which means the speed in implementing solutions.

Practical implications: One important step that BMD Syariah has taken is to develop an integrated business ecosystem, where every part of the organization is interconnected and supports each other. In this context, BMD Syariah strives to create an efficient and user-friendly payment system, where members can conduct transactions easily and quickly.

Originality/value: Value proposition is a promise made by an BMD Syariah to customers regarding the benefits they will receive from the products or services offered with strong digitalization platform to its customer

Keywords: Digitalization, Microfinance Institution, Payment System, Mobile Payment



ABSTRAK

Tujuan: Penelitian ini bertujuan untuk memberikan solusi berupa mesin *mobile point-of-sale* (MPOS) yang dapat diintegrasikan dengan BMD Syariah Madiun

Metodologi/pendekatan: Tulisan ini menggunakan proses design think dengan melakukan diskusi terfokus dengan seluruh manajemen di BMD Syariah Madiun.

Temuan: Perancangan dan pengembangan solusi teknologi informasi untuk kendala inovasi mempertimbangkan proposisi nilai yang ditargetkan, yaitu cepat-murah-mudah. Cepat yang berarti kecepatan dalam mengimplementasikan solusi.

Implikasi Praktis: Salah satu langkah penting yang dilakukan BMD Syariah adalah mengembangkan ekosistem bisnis yang terintegrasi, dimana setiap bagian organisasi saling terhubung dan saling mendukung. Dalam konteks ini, BMD Syariah berupaya menciptakan sistem pembayaran yang efisien dan *user-friendly*, dimana anggota dapat melakukan transaksi dengan mudah dan cepat.

Originality/value: *Value proposition* merupakan janji yang diberikan oleh BMD Syariah kepada nasabah mengenai manfaat yang akan diterima dari produk atau layanan yang ditawarkan dengan platform digitalisasi yang kuat kepada nasabahnya

Kata kunci: Digitalisasi, Lembaga Keuangan Mikro, Sistem Pembayaran, Pembayaran Seluler

INTRODUCTION

Microfinance Institutions (MFIs) are very important in developing countries and countries with highly informal economies like Indonesia to assist poor and low-income households, as well as micro-enterprises that are usually excluded from mainstream financial services. To empower the poor, especially women around the world, microfinance is an effective tool. Additionally, low-income individuals can have the opportunity to escape poverty through microfinance activities. ([Shkodra et al., 2021](#)). Lembaga Keuangan Mikro (LKM) is a financial institution aimed at helping the lower class and reducing poverty by providing financing. They help the growth of their clients' businesses in addition to providing financial services to the community ([Fianto et al., 2019](#)). The number of LKM borrowing customers increased by 1,207.19% from 8,758 customers in 2017 to 114,484 customers in 2021, with financing or fund disbursed (PYD) by microfinance institutions are increasing by 153.25% from Rp330.18 billion to Rp836.18 billion ([Dewantara et al., 2022](#)). The issues of digitalization for microfinance institution, such as technology, infrastructure, and accessibility, become obstacles to the success of microfinance institution. Technology becomes an obstacle because many MFIs lack the necessary digital tools and systems to effectively manage financial transactions, client data, and reporting, resulting in inefficiency and errors. The infrastructure challenge arises from the limited availability of reliable

internet connections and digital devices in rural or underserved areas, which can prevent both the institution and its clients from fully accessing digital services. Accessibility is another key issue because many members of microfinance institutions may have low levels of digital literacy, preventing them from using digital platforms effectively. As a result, these barriers hinder the adoption of digital solutions that could otherwise enhance the efficiency and reach of MFIs, limiting their ability to compete and grow in the evolving financial landscape.

The above phenomenon highlights several reasons why LKM is chosen: its social and business activities, and the role it plays in community empowerment. Digital transformation has become very important for the advancement of the microfinance sector, especially cooperatives and BMT (Baitul Maal wat Tamwil). To ensure sustainable growth in the people's economy ecosystem, the main challenges that need to be addressed include improving digital literacy, operational efficiency, and accountability ([Abbas et al., 2020](#)). Therefore, efforts to support BMT and cooperatives in facing the dynamics of the digital era involve the development of a Mobile Point of Sales system (M-POS). M-POS is an ideal choice for LKM such as cooperatives and BMT because it is more accessible, affordable and portable compare to other technology such as the conventional POS which require a more complex system. The question is how to address the digital inequality among microfinance institutions using the current available digital infrastructure and payment instruments.

The Bina Mitra Darussalam Syariah Savings and Loan Cooperative, which is one of the cooperatives fostered by the BMD Syariah Cooperative in the Ponorogo, Magetan, and Ngawi regions, decided to merge and join the Berkah Mulia Dinar Syariah Cooperative (BMD Syariah) in Madiun in 2021. This is done to make coordination easier and to enhance the network and capital of the cooperative. Currently, to achieve solutions for the empowerment of people's economy, the development of operational models that support the digitalization of Microfinance Institutions is necessary. Currently, BMD Syariah Madiun operates almost entirely digitally ([Kembauw et al., 2020](#)). This is done by revitalizing the core system of the sharia cooperative/BMT and implementing cash withdrawal ATMs at its outlets.

However, along the way, BMD Syariah Madiun needed a quick, cheap, and simple solution to provide electronic transaction processing machine facilities to its members and partners. This machine must be able to process magnetic cards, chip cards, and contactless cards, as well as have a smart agent feature that shows balance, cash deposits, cash withdrawals, and fund transfers between members. This research is aim to provides a solution in the form of a mobile point-of-sale (MPOS) machine that can be integrated with the BMD Syariah Madiun core system and features an affordable and quickly accessible lakupandai. Lakupandai is an abbreviation of Layanan Keuangan Tanpa Kantor dalam Rangka Keuangan Inklusif, or "Branchless Financial service for Financial Inclusion". All these processes are carried out through the needs assessment and solution development process. Because it was developed with an interface for mobile applications, this solution is easy to use ([Mujianto et al., 2022](#)). The mobile payment system uses a genuine card reader connected to a mobile application.

In this activity, payment technology is considered a potential solution to optimize financial transaction processes, improve operational efficiency, and ultimately empower communities through digital literacy ([Sati & Ramaditya, 2020](#)). The value proposition offered is the speed of infrastructure implementation, low cost (efficiency), and minimal

familiarization effort (ease of use), which enhances the accessibility of BMD Syariah customers/members to digital financial services (Syamsari et al., 2022). This innovation is aimed at providing an in-depth view of how the implementation of M-POS can enhance digital literacy, ensure transaction accountability, and improve operational efficiency in Koperasi.

METHODS

The implementation method of this program uses literature study and focus group discussions with the stakeholders of BMD Syariah Madiun in August in Madiun. The direct observation conducted aims to explore the cooperative's needs in providing digital services for its members and partners. The solution boundary is an information technology system, including appropriate hardware and software choices. Next, through the stages of the process that align with the stages in the design thinking process, namely empathize, define, ideate, prototype, and test as shown in Table 1. The pre-program step will be carried out by exploring the perceptions/views of users of similar products. (user-centric research). To explore the design thinking process at BMD Syariah Madiun.

	Goals	Method
<i>Pre-Program</i>	Measuring the success of implementing similar and educational programs	Focus group discussion (FGD) with BMD Syariah Madiun management. Expected results: Measure of program success and voice of customer.
<i>Empathize</i>	Understand the situation faced and explore room for improvement that can be made	Focus group discussion (FGD) with BMD Syariah Madiun management. Expected results: As-is and to-be conditions of BMD Syariah Madiun
<i>Define</i>	Define the problem faced and the situation/condition to be addressed	Brain-storming management of BMD Syariah Madiun, Proposing Team and Partners (PT Gama precisely Indonesia). Expected results: Problem statement – namely the definition of features, functions and other elements to solve the problem at hand in order to achieve the situation/condition to be aimed at.
<i>Ideate</i>	Build ideas by reviewing problems from different perspectives and construct ideas for innovative solutions to problem statements.	Ideation Proposing Team and Partners (PT Gama precisely Indonesia): brain-storming and SCAMPER. Expected results: Solution design, business model, financial model and feasibility study.
<i>Prototype</i>	Develop the best solution that is most likely to be implemented	Development of a prototype by Partners based on the design of the resulting solution. Expected results: Solution prototype - hardware, software, information technology systems. Business model scheme and financial model – feasibility study.

Table 1.
Descriptive Thinking Process

JRAK RESULTS

15.1 After conducting a literature review at the beginning, the researcher carried out a proof of concept regarding the digital payment ecosystem of BMD Syariah. Figure 1 explains the

operational payment ecosystem supporting BMD Syariah that can assist the activities of user groups. Each platform has subsystems that can be digitized, thus becoming integrated.

Figure 1.
Initial
implementati
on of digital
systems for
Sharia BMD
Operations



The Shariah BMD Improvement Scheme becomes fully digital in Figure 2. Currently, LKM has a core Cooperative system. BMD Syariah Madiun does not yet have an integrated non-cash/digital payment module for customers/members who want integrated digital transaction features. Thus, the proposed change is to have the Cooperative core system connected with the digital payment ecosystem, such as having features: accepting deposits, making payments, and transferring funds digitally/cashless, connected with the national electronic retail payment ecosystem (GPN). Previous studies have emphasized the importance of integrating digital payment systems into existing business models to improve operational efficiency and financial inclusivity (Sati & Ramaditya, 2020). In Figure 1, the success of developing the M-POS system does not only depend on the understanding of BMD Syariah Madiun members but also on the business model and value proposition that can bridge the digital literacy gap. According to Syamsari et al. (2022), integrating M-POS into the operational model can significantly enhance transaction speed, reduce costs, and improve user adoption, particularly in rural areas where digital infrastructure is still evolving. By integrating M-POS into the operational model supporting digitalization, BMD Syariah Madiun can optimize financial transactions, improve operational efficiency, and stimulate digital literacy among their members. M-POS also takes advantage of existing digital payment infrastructure, such as GPN and QRIS, to create a more inclusive payment experience.

Understanding the Development and Operations of the BMD Syariah Payment and Financing System (Empatizhe)

BMD Syariah is a financial institution that has significantly developed over time. Inspired by the strategies and practices of Bank BRI from the benchmarking results, BMD Syariah is now striving to enhance their services by introducing their own Automated Teller Machine (ATM) facilities. This step aligns with modern trends in the financial sector that emphasize enhancing customer convenience through innovative approaches, while still adhering to Sharia values. The establishment of ATM services at BMD Syariah aims to expand access to financial services, provide transaction convenience, and enhance the operational efficiency of the institution. This chapter will delve deeper into the motivations of BMD Syariah in introducing ATM services, the challenges and opportunities faced in its operations, and the financing models used to support the development of this facility. The initial desire of BMD Syariah to establish ATM services was inspired by benchmarking efforts with Bank BRI, aiming to provide modern banking solutions for their members. As it develops, BMD Syariah increasingly understands the importance of providing services that meet the demands of the times, including the use of ATM cards.

Although the use of ATM cards involves monthly fees, it offers significant benefits in terms of convenience and accessibility to vital financial services for members. One important aspect of managing ATM services is maintaining the value of the ATM, which is directly related to managing insurance costs and operational funds. This reflects BMD's efforts to ensure efficiency in resource utilization. Previous research has highlighted that, despite the costs associated with ATM services, the benefits in terms of increased accessibility to financial services and customer convenience outweigh these expenses (El Azis et al., 2014). Currently, BMD ATM services are limited to local transactions in Madiun and do not yet support international cards like Visa, which reduces accessibility for users from outside. Expanding the scope of ATM services to include international payment networks could significantly enhance customer engagement, particularly for members who travel or have connections outside the local area. As BMD expands into other business units, such as BMD Mart and workshops, they plan to increase customer engagement by offering discounts and incentives that encourage more frequent transactions.

The establishment of ATM services at BMD Syariah is not only a step to enhance convenience but also a strategic effort to improve financial literacy and accessibility among its members. In the current digital era, services like this have become a standard necessity, and BMD Syariah is committed to continuously evolving to meet those expectations.

The initial desire to establish ATM services at BMD Syariah arose from the need to provide easier access for customers to banking services. With the introduction of ATMs, BMD Syariah realizes the importance of sustainable customer engagement as well as the costs associated with the operation of these services. Each ATM card is subject to a monthly fee, which is an important part of the maintenance and management of the service. This institution is committed to ensuring that the ATMs provided not only function as transaction tools but also maintain their value by controlling insurance costs and implementing effective management, so that the services offered remain reliable and provide maximum benefits to customers. Thus, BMD Syariah strives to create a banking ecosystem that is not only efficient but also responsive to the needs of its members. Currently, the ATM service at BMD Syariah is specifically designed to support transactions related to the institution. Unfortunately, this ATM has not yet been integrated with international networks such as Visa, so its use is still limited to transactions at BMD in Madiun.

However, BMD Syariah does not only rely on ATM services; the institution is also actively diversifying its business operations by developing other ventures, such as BMD Mart and workshops. The development of this business is expected to complement ATM services, provide more options to members, and enhance overall customer engagement. With these steps, BMD Syariah aims to create a more comprehensive and sustainable ecosystem in providing financial services and daily needs for its community. BMD Syariah ATM Service Features. The BMD Syariah ATM is designed to meet specific transaction needs, offering flexibility to customers with the ability to dispense various denominations of money, including Rp 50,000 and Rp 100,000. In the future, they will also add a Rp 20,000 denomination to adapt to the needs of members. This flexibility is very important, especially for customers who require varying amounts for their daily transactions. In addition to ATM services, BMD Syariah also offers a Murabaha financing model that complies with Sharia principles. In this model, members often take out loans for various purposes, ranging from personal needs to business ventures. The concept of Murabaha involves purchasing goods on behalf of the members and then selling them back at a

higher price, which the members pay over a specified period. This system ensures fairness and transparency in financial transactions.

Transformation of Cooperatives to Consumer Cooperatives in the Post-COVID Era (Define)

In the journey of BMD Syariah, the transformation from a cooperative to a consumer cooperative has become a very important strategic step, especially after experiencing stagnation due to the COVID-19 pandemic. In 2020, they realized that to survive and thrive, they needed to adapt to the changes occurring in the economic sector. The establishment of a drinking water factory in 2022 is one concrete example of this change effort, successfully carried out by utilizing the obtained permits. When seeing the potential of the drinking water market, BMD Syariah decided not only to rely on large suppliers but also to provide their own services. By setting an affordable price, such as 30 thousand rupiah, they want to ensure that their product is accessible to the entire community. From the beginning, BMD Syariah has been committed to managing this cooperative with the principles of transparency and sustainability, so that the services offered remain relevant to the needs of the community. With this approach, they hope to make a positive contribution to the welfare of the community while also supporting the growth of cooperative businesses.

In terms of service, BMD Syariah understands that the community often prefers well-established large cooperatives. However, we want to offer a closer and more affordable alternative, namely BMD Syariah. By prioritizing cooperative values, BMD Syariah strives to build trust among its members and provide them with better choices. BMD Syariah wants to emphasize that BMD Syariah is not a competitor, but an alternative that can help its members achieve their desired financial goals.

The BMD Syariah strategy is not just about selling products, but also about building strong relationships with members. BMD Syariah strives to get closer to the community, not only in terms of products but also in understanding their needs. BMD Syariah wants to educate members about the benefits of using BMD Syariah services and how they can utilize the available facilities to improve the welfare of the members.

With a more inclusive and educational approach, we believe that we can increase member participation and make BMD Syariah the primary choice in terms of financial services and consumer products. We are committed to continuously innovating and providing added value for our members, so they feel involved and have a role in the development of this cooperative. This transformation is not just about changing the business model, but also about building a strong and supportive community, where every member has the opportunity to grow and develop together ([Ramaditya et al., 2023](#)).

The initial desire of BMD Syariah to have ATM services began with benchmarking efforts with Bank BRI. In this journey, BMD Syariah started to learn and understand the importance of ATM services for its members. Although the presence of ATM cards incurs a monthly fee, the institution considers it necessary to enhance the accessibility of financial services for its members. Because with the presence of ATM services, BMD Syariah can provide transaction convenience and expand the reach of financial services, which will ultimately increase member satisfaction and engagement.

While maintaining ATM value, it is very important to keep insurance costs and manage funds efficiently. Currently, the operating ATM can only be used for transactions at BMD Syariah Madiun and is not yet connected to international networks like Visa. As a first step,

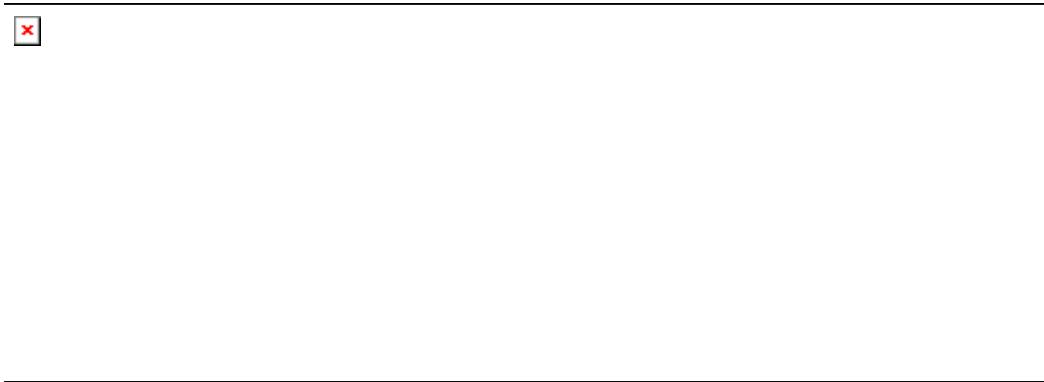
BMD Syariah needs to ensure that the ATM can meet the basic needs of its members, such as providing cash in various denominations at the ATM, for example, Rp 20,000, Rp 50,000, and Rp 100,000. Thus, members can be more flexible in conducting transactions. One of the financing models implemented is murabaha, where members can take out loans according to their needs. In this context, BMD Syariah strives to provide incentives to members, such as discounts or points every time they shop at BMD Mart. By offering lower prices, it is hoped that higher member engagement will be formed, making them more active in transactions.

It is important to note that not all members are familiar with the use of ATMs and digital services. Therefore, training and education for older members or those who are not yet accustomed to technology are very necessary. Discussion about demographics shows that there are challenges in reaching younger members, who may be reluctant to use new services. In this context, a more personal and educational approach will be very helpful in encouraging the use of ATM services. By providing a good understanding of the benefits and conveniences offered, it is hoped that members can be more confident and active in utilizing the available services. This study also acknowledge the gap in ATM service usage among older members. Some of them might feel uncomfortable with technology and prefer traditional methods. Therefore, it is important for BMD Syariah to provide ongoing training and support, so that all members, regardless of age, can utilize the available technology. With this approach, it is hoped that members who are less familiar with digital services can feel more confident and comfortable using the provided ATM facilities. To address this challenge, effective communication strategies need to be implemented. BMD Syariah must ensure that members understand the benefits and uses of ATMs, as well as how to access these services. By increasing the knowledge and trust of the members, it is believed that the use of ATM services at BMD Syariah will significantly increase. This approach will not only make it easier for members to transact, but also encourage them to adapt to the modern technology offered. Overall, the provision of ATM services at BMD Syariah is not just about adding a new service, but also a strategic step to enhance financial literacy and accessibility for all members. With good management, technological support, and proper education, BMD Syariah is optimistic that this service will have a positive impact on the growth and sustainability of their business.

Design and Development of an Operational Model Supporting the Digitalization of Sharia BMD as a Solution for Community Economic Empowerment (Ideate)

The design and development of information technology solutions for innovation constraints are as shown in Figure 2, while still considering the targeted value proposition, which is fast-cheap-easy. Fast, which means the speed in implementing solutions. Cheap, meaning minimizing investment and operational costs while providing income potential for the cooperative. Easy, which means ease in the internalization of its users, both internal to BMD Syariah Madiun. In Figure 4.

Figure 2.
Operational
Model
Supporting the
Digitalization
of Madiun
Sharia BMD as
a Solution for
Community
Economic
Empowerment



Ideate - Model Scope:

1. In Figure 2. The cooperative changed its type from a savings and loan cooperative to a consumer cooperative. (retail). To be able to move further (koperasi serba usaha). His desire to be able to integrate with other banks and conduct transactions with other banks. Through Non-Bank Payment Service Providers (PJP) that can integrate with other banks, as well as non-bank entities recognized by Bank Indonesia.
2. The GPN (National Payment Gateway) network has payment features using QRIS or debit cards. According to bank regulations, direct collaboration with cooperatives is not permitted. It can be done through the QRIS feature to be proposed in the integration process.
3. The cooperative has a mobile application, which can be used for transactions. Resulting in fee-based income (pertransaksi). The final solution from the FGD is not through banks (because they did not get a solution) but through non-banks (Payment Service Providers, e.g., Gopay, OVO, Dana, Flip, Finnet, GV, etc.) recognized by BI to conduct payment transactions.
4. Funds from the cooperative's mobile apps want to be withdrawable in bank ATMs.
5. The cooperative's existence, their name, is BMD Syariah.

Ideate – Use case for cash withdrawal of BMD Syariah funds at Bank ATMs.

Problem Statement :

- Funds in BMD Syariah customer accounts can only be withdrawn in cash at BMD outlets.
- BMD Syariah has not yet partnered with an electronic money issuer (EMI).
- BMD Syariah already has a mobile app, BMD Syariah. Voice of Customer (Persona)
- BMD Syariah customers want to be able to withdraw cash at Bank ATMs 24/7.

Solution

- BMD Syariah collaborates with a server-based EMI that is a licensed QRIS issuer (hereinafter referred to as the partner EMI).
- BMD Syariah integrates the back-end core app system to connect with the partner EMI system.
- There is a registration process where each customer account in the BMD Syariah core is matched with an electronic money account in the partner EMI.

- Before making a withdrawal transaction, BMD Syariah customers will transfer a certain amount of balance according to the withdrawal plan to the customer account in the partner EMI through the BMD Syariah mobile app.
- Subsequently, the customer's balance in the partner EMI account will be available for cash withdrawal at Bank ATMs equivalent to the transferred balance.

Storyboard/Scenarios

Provision of funding sources by the partner EMI

- The licensed partner EMI collaborates with the bank owning the ATM machines (hereinafter referred to as the ATM partner and/or switching service provider for the ATM network) to hold/provide funds that can be spent/used by its customers.
- The ATM partner provides cash withdrawal transaction limits based on the cooperation agreement agreed upon with the partner EMI.

The process of cash withdrawal from an ATM by UE Mitra customers

- Customers who already have a UE Mitra account approach the ATM machine
- Customers open the UE Mitra mobile application and select the "cash withdrawal" menu and determine the amount to be withdrawn
- The UE Mitra application issues a "cash withdrawal code"
- Customers select the "cardless transaction" menu on the ATM machine without inserting a card
- Customers then select the "cash withdrawal using cash withdrawal code" menu
- The ATM screen displays a field to enter the "cash withdrawal code" Customers enter the "cash withdrawal code" in the provided field.
- The ATM system performs the process of inquiring user validity – fund availability – instructing account debiting – receiving a success message for fund debiting – receiving authorization to dispense cash
- The ATM dispenses cash
- The customer receives/takes the cash
- The transaction is completed

In an effort to enhance financial services at BMD Syariah, it is important to realize that change does not only depend on technology but also on the public's understanding of these services. When first introducing a new system, the challenge faced is educating the public on how to use a service that is considered new and complex. This is especially true for older groups of society or those who are not yet accustomed to digital technology. Education is the key to ensuring that all segments of society can access our services. BMD Syariah strives to create an inclusive system, where all layers of society can benefit from the financial services offered. For that reason, we are undertaking various educational initiatives, including training and seminars, aimed at enhancing public understanding of the use of financial services, including internet banking.

The system improved by BMD Syariah is how to provide affordable and standardized services. In this journey, we adopt proven effective technologies, such as BCA's internet banking facilities, to facilitate interbank transfers at low costs. Thus, they guarantee that our members can conduct transactions without facing burdensome fees.

One of the basic principles of BMD Syariah is to provide ease for members to access services easily. When members feel comfortable and have sufficient knowledge, they will be more motivated to use the available services. Therefore, the operational process must be designed to be simple and straightforward, so that members do not have to go through many complicated procedures. Efforts to listen to feedback from members regarding the existing system are ongoing, and improvements are the main focus of BMD Syariah. In this journey, it is realized that not all the introduced programs are running well. Therefore, it is important to ensure that every system implemented functions optimally and provides real benefits to the members. If a program is not effective, BMD Syariah is ready to conduct an evaluation and make improvements immediately. With a structured approach and a focus on the needs of its members, BMD Syariah hopes to increase public participation and trust in the services offered. Through continuous innovation and education, BMD Syariah is committed to becoming a reliable financial solution for all members, as well as contributing to the overall economic development of the community.

In managing the operations of BMD Syariah, it is recognized that member trust is a crucial foundation for the sustainability and growth of the organization. This trust became even more evident during the pandemic, where many members remained loyal despite significant challenges. BMD Syariah understands that although there are many operational aspects that are not visible, BMD Syariah's efforts to introduce more advanced technology and systems have had a positive impact on public trust. One important step that BMD Syariah has taken is to develop an integrated business ecosystem, where every part of the organization is interconnected and supports each other. In this context, BMD Syariah strives to create an efficient and user-friendly payment system, where members can conduct transactions easily and quickly.

Incentives for Members (Ideate)

BMD Syariah is committed to enhancing customer loyalty and engagement through various incentives. For example, when members shop at BMD Mart using their ATM cards, they are entitled to discounts. For example, a product that is usually priced at Rp 5,000 can be purchased for Rp 4,500 by members. This is expected to create a sense of community among members and encourage them to make transactions more frequently at BMD Mart. The BMD Syariah approach includes training members to use digital banking. In the transition to digital transactions, it is important to provide education, especially for older demographic groups who may be less familiar with technology. Ensuring that all members, regardless of age, can access and effectively utilize ATM services is the top priority of this institution. Overcoming Challenges in Technology Adoption Although there are many advantages to using ATMs and digital banking, some challenges still need to be addressed. Many individuals, especially those over 60 years old, may not have bank accounts or lack knowledge about digital transactions. In addition, some of them may not have the necessary identification to open an account. Realizing this issue, BMD Syariah is committed to providing education and support to its members. To facilitate the transition to digital banking, this institution has launched a training program designed to help members understand how to use mobile banking applications and access their accounts. By promoting financial literacy, BMD Syariah aims to empower its members to fully utilize the services offered, so they feel more confident in conducting financial transactions in this digital era.

Looking ahead, BMD Syariah intends to expand its services and reach more members. This institution is exploring various sectors, including water supply management, to diversify its

offerings and enhance its financial stability. By shifting focus during difficult economic times, BMD Syariah aims to maintain its growth trajectory and provide essential services to its community. The integration of advanced technology into daily banking operations is also a priority. By utilizing internet banking, BMD Syariah aims to increase efficiency and reduce transaction costs. For example, offering interbank transfers with minimal fees allows members to access various financial services without substantial costs.

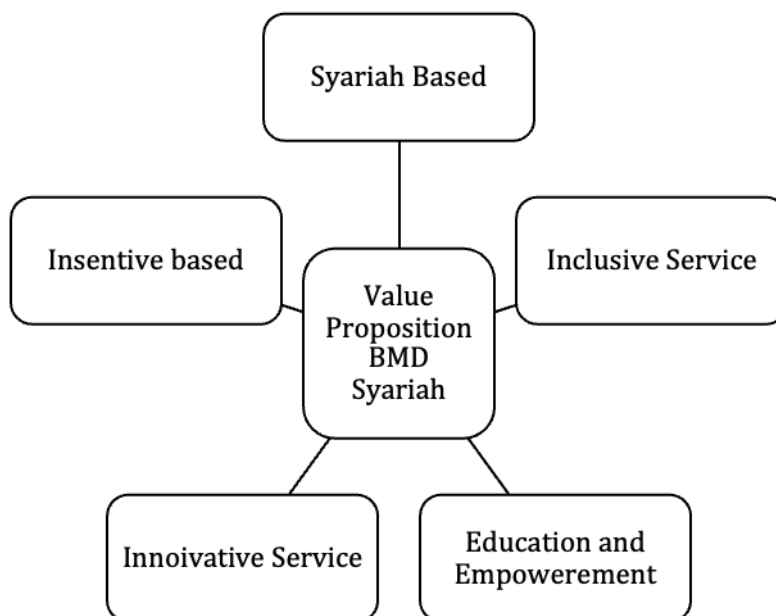


Figure 3.
Value proposition for BMD Syariah

Value proposition is a promise made by an organization to customers regarding the benefits they will receive from the products or services offered. BMD Syariah, as a financial institution based on Sharia principles, has a strong value proposition to attract and retain its members. Here are some key elements of the BMD Syariah value proposition.

1. **Easy Access to Banking Services** BMD Syariah offers easily accessible financial services, especially with the presence of ATMs specifically for member transactions. By providing this facility, members can conduct transactions quickly and efficiently, without having to travel far or get stuck in long bank queues. With the presence of ATMs designed specifically for member transactions, BMD Syariah facilitates access to banking services. Members can conduct transactions anytime without having to come to the office. This increases comfort and efficiency in personal financial management.
2. **Sharia-Based Financing** BMD Syariah prioritizes sharia principles in every product and service offered. Through the murabaha financing model, members can obtain loans in a manner that aligns with Islamic values, namely without interest and based on clear agreements. This provides a sense of security and comfort for members who wish to conduct transactions in a halal manner. BMD Syariah offers products and services that are fully compliant with Sharia principles. This includes financing through the Murabaha model, where members can obtain loans for specific needs without involving interest. With this approach, BMD Syariah provides an ethical alternative for customers who want to avoid the practice of usury.

3. Member Economic Development

With the addition of business units such as BMD Mart and workshops, BMD Syariah not only functions as a financial institution but also as a driver of the local economy. Members can shop at markets managed by BMD, receive incentives, and support local businesses, which in turn will enhance the community's welfare.

4. Education and Training Program

BMD Syariah is committed to enhancing the financial literacy of its members through education and training programs. With a better understanding of financial management, members can make smarter decisions and improve their quality of life. BMD Syariah is committed to empowering its members through educational and training programs on digital banking and the use of financial technology. By providing knowledge to its members, BMD Syariah not only helps them access financial services but also enhances their overall financial literacy.

5. Responsive Customer Service Based on Brotherhood

BMD Syariah pays special attention to each member. With a responsive and ready-to-help service team, members can feel valued and heard. This creates stronger relationships and increases member loyalty.

CONCLUSION

BMD Syariah's journey in establishing ATM services and financing options reflects the institution's commitment to its members and the community. With a focus on education, customer engagement, and technological advancement, BMD Syariah is well-positioned to thrive in the competitive financial landscape. The integration of Sharia-compliant practices in its operations further enhances its appeal to members seeking ethical banking solutions. As BMD Syariah continues to grow, its focus on community and innovation will remain the key to its success. The business model of BMD Syariah aims to ensure that every member can benefit from the services offered by BMD Syariah without being burdened by high costs.

In carrying out this operation, BMD Syariah does not operate alone. Partnerships with various parties, including financial institutions, technology providers, and local communities, are built to gain access to the necessary resources and expertise. Through this collaboration, the process can be optimized, resulting in better services provided to the members. BMD Syariah recognizes the importance of education and training for its members to ensure they can utilize the available services.

Therefore, active educational programs are being implemented to enhance public understanding of the use of financial technology. This approach is expected to reduce the digital divide and provide every member with the opportunity to actively engage in the financial ecosystem built by BMD Syariah. From an operational standpoint, the division of labor has been implemented to enhance efficiency. There is an IT division responsible for the information technology system and a transportation division that handles logistics and distribution. With a clear division of tasks like this, resource management is optimized.

However, several limitations must be addressed. The digital literacy among members and the challenges in infrastructure can vary significantly, particularly in rural areas. These factors may affect the widespread adoption and seamless integration of financial technologies. Future research could be conducted to explore ways to overcome these limitations by evaluating the effectiveness of educational programs and researching

innovative infrastructure solutions, which would further support BMD Syariah's mission to empower communities through financial technology.

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