

CHAPTER II

LITERATURE REVIEW

A. *Baitul Maal Wa Tamwil*

Baitul Maal Wa Tamwil (BMT) is a Microfinance Institution (MFI) that operates based on sharia principles. There are two main functions of BMT based on their name, namely first, *Baitul Tamwil*, which means house for property development. As a property development house, BMT conducts productive business development activities and investments in improving the economic quality of micro and small entrepreneurs. As a financial institution, BMT is tasked with collecting funds from the community and channeling funds to the public. The second is *Baitul Maal*, which means treasure house. As a treasure house BMT accepts *infaq* and charity and optimizes its distribution according to the regulations and mandates given (Soemitra, 2009).

Baitul Maal was developed based on the history of its development from the Prophet's time to the middle ages of the development of Islam. Where *Baitul Maal* serves to collect and socialize funds at once. On the other hand, *Baitul Tamwil* is a profit-driven business institution. The social role of BMT will be seen in the definition of *Baitul Maal*, while the role of the BMT business can be seen from the definition of *Baitul Tamwil* (Ridwan, 2004).

BMT as an Islamic microfinance institution besides collecting funds from the community also functions as a financial institution, both for consumptive

and productive purposes. Consumptive financing is needed by people who need the funds to fulfill consumption needs. Consumption needs can be distinguished from basic needs and additional needs; basic needs in the form of goods such as food, beverages, clothing and shelter, as well as services such as education and medicine. While secondary needs are additional needs such as jewelry, vehicles, tourism and entertainment.

In addition, productive purpose means providing capital to micro and small entrepreneurs. With these efforts becoming an inseparable part of BMT as a supporting institution for small-scale economic activities based on sharia principles. BMT also has several roles, including: (Huda and Haykal, 2010)

- a. Keep the community away from non-Islamic economic practices. Active in socializing in the community about the importance of the Islamic economic system.
- b. Conduct training and funding for small businesses. BMTs must be active in carrying out their functions as microfinance institutions
- c. Releasing dependence on moneylenders, BMTs must be able to serve the community better, for example simple bureaucracy, always available funds at any time and so on.
- d. Maintaining the economic justice of the community with equitable distribution.

BMTs are oriented towards efforts to improve the welfare of members and society. Members must be empowered to be independent. By becoming a

member of the BMT, the community can improve the standard of living through their small business. The provision of loans for business capital can make the members economically independent. It is very necessary to do training and mentoring in running a business for the members who took the financing. To facilitate mentoring, the group pattern approach becomes very important. Members are grouped based on similar businesses or proximity of residence, so BMT can easily carry out the mentoring (Ridwan, 2004).

B. The Concept of *Qard al-hasan*

1. The Definition of *Qard al-hasan*

Qard al-hasan is an interest free financing. The word *qirad* means to cut. This word *hasan* comes from the Arabic word *ihsan* which means kindness to others. This word of *qardh* was later adopted into *credo* (Roman), *credit* (English) and *kredit* (Indonesian). *Qardh* or debts according to Zuhaily (1984):

القطع: المال المدفوع للمقترض قرضاً، لأنه قطعة من مال المقرض

Deductions namely the assets handed over to people who are in debt in a piece, because the beneficial person deducts part of the assets owed.

Qard al-hasan is a type of loan that is given to someone in need for a certain period without having to pay the interest. The borrower is only obliged to pay off the principal amount of the loan without being

required to provide any additional. The borrower may pay more than the amount of money that he / she borrows as an appreciation, but it should not be pre-agreed in advance.

Ayub (2007) explains that “*Qard al-hasan* is a virtuous loan. A loan with the stipulation to return the principal sum in the future without any increase; in Islamic law, all loans have to be virtuous, as seeking any benefit from loaning amounts to *Riba*”. *Qard al-hasan* can be understood as “a benevolent loan that obliges a borrower to repay the lender the principles sum borrowed on maturity of the loan” (Harun and Shanmugam, 1997).

Santoso (2005) has examined the implementation of *qard al- hasan* contract at PT. Bank BRI Syariah branch of Semarang. The results of his research concluded that *qard al- hasan* financing is given to the weak economic entrepreneurs who do not get credit from conventional banks with a maximum of 1 million rupiah. While the term of financing through is short-term, less than a year, or medium term, between one and three years; or long term, more than three years (Sumitro, 2002).

The financing priority based on *qard al-hasan* principle is for those small entrepreneurs who have skills but do not have capital to start the business, or someone in urgency condition and the bank only charge the administration fee. *Qard al-hasan* also can be applied to finance those who run a very small business, so if he / she get unfortunate event and

cannot pay back the loan, the bank can release it. The bank treats its customers as business partners not only for business considerations but also for humanity (Sumitro, 2002).

2. Legitimacy of *Qard al-hasan*

a. Al-Qur'an

i. Al-Baqarah: 245

مَنْ ذَا الَّذِي يُقْرِضُ اللَّهَ قَرْضًا حَسَنًا فَيُضَاعِفَهُ لَهُ أَضْعَافًا كَثِيرَةً وَاللَّهُ يَقْبِضُ وَيَبْسُطُ وَإِلَيْهِ تُرْجَعُونَ ﴿٢٤٥﴾

Who is it that will lend Allah a good loan that He may multiply it for him several fold? And Allah tightens and expands [the means of life], and to Him you shall be brought back.

ii. Al-Ma'idah: 12

﴿١٢﴾ وَلَقَدْ أَخَذَ اللَّهُ مِيثَاقَ بَنِي إِسْرَائِيلَ وَبَعَثْنَا مِنْهُمُ اثْنَيْ عَشَرَ نَقِيبًا وَقَالَ اللَّهُ إِنِّي مَعَكُمْ طَلِّينَ أَقِمُّوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَآمِنُوا بِرُسُلِي وَعَزَّرْتُمْهُمْ وَأَقْرَضْتُمُ اللَّهَ قَرْضًا حَسَنًا لَأُكَفِّرَنَّ عَنْكُمْ سَيِّئَاتِكُمْ وَلَأُدْخِلَنَّكُمْ جَنَّاتٍ تَجْرِي مِنْ تَحْتِهَا الْأَنْهَارُ فَمَنْ كَفَرَ بَعْدَ ذَلِكَ مِنْكُمْ فَقَدْ ضَلَّ سَوَاءَ السَّبِيلِ ﴿١٢﴾

Certainly Allah took a pledge from the Children of Israel, and We raised among them twelve chiefs. And Allah said, 'I

am with you! Surely, if you maintain the prayer and give the zakāt and have faith in My apostles and support them and lend Allah a good loan, I will surely absolve you of your misdeeds, and I will surely admit you into gardens with streams running in them. But whoever of you disbelieves after that has certainly strayed from the right way.

iii. Al-Hadid: 11

مَنْ ذَا الَّذِي يُقْرِضُ اللَّهَ قَرْضًا حَسَنًا فَيُضَاعِفَهُ لَهُ وَلَهُ أَجْرٌ

كَرِيمٌ ﴿١١﴾

Who is it that will lend Allah a good loan, that He may multiply it for him and [that] there may be a noble reward for him?

iv. Al-Hadid: 18

إِنَّ الْمُصَدِّقِينَ وَالْمُصَدِّقَاتِ وَأَقْرَضُوا اللَّهَ قَرْضًا حَسَنًا يُضَاعَفُ لَهُمْ

وَلَهُمْ أَجْرٌ كَرِيمٌ ﴿١٨﴾

Indeed the charitable men and charitable women, and those who lend Allah a good loan—it shall be multiplied for them, and there is a noble reward for them.

v. At-Taghaabun: 17

إِنْ تُقْرِضُوا اللَّهَ قَرْضًا حَسَنًا يُضَاعِفْهُ لَكُمْ وَيَغْفِرْ لَكُمْ ۗ وَاللَّهُ شَكُورٌ

حَلِيمٌ ﴿١٧﴾

If you lend Allah a good loan, He shall multiply it for you and forgive you, and Allah is all-appreciative, all-forgiving,

vi. Al-Muzzammil: 20

﴿٢٠﴾ إِنَّ رَبَّكَ يَعْلَمُ أَنَّكَ تَقُومُ أَدْنَىٰ مِنْ ثُلُثِي اللَّيْلِ وَنِصْفَهُ وَثُلُثَهُ وَطَائِفَةٌ

مِنَ الَّذِينَ مَعَكَ ۗ وَاللَّهُ يُقَدِّرُ اللَّيْلَ وَالنَّهَارَ ۗ عَلِمَ أَنْ لَنْ تُحْصُوهُ فَتَابَ

عَلَيْكُمْ ۗ فَاقْرَءُوا مَا تَيَسَّرَ مِنَ الْقُرْآنِ ۗ عَلِمَ أَنْ سَيَكُونُ مِنْكُمْ مَرْضَىٰ

وَأَخْرُونَ يُضْرَبُونَ فِي الْأَرْضِ يَبْتَغُونَ مِنْ فَضْلِ اللَّهِ ۗ وَأَخْرُونَ

يُقَاتِلُونَ فِي سَبِيلِ اللَّهِ ۗ فَاقْرَءُوا مَا تَيَسَّرَ مِنْهُ ۗ وَأَقِيمُوا الصَّلَاةَ وَآتُوا

الزَّكَاةَ وَأَقْرِضُوا اللَّهَ قَرْضًا حَسَنًا ۗ وَمَا تُقَدِّمُوا لِأَنْفُسِكُمْ مِنْ خَيْرٍ

تَجِدُوهُ عِنْدَ اللَّهِ هُوَ خَيْرٌ وَأَعْظَمُ أَجْرًا ۗ وَاسْتَغْفِرُوا لِلَّهِ ۗ إِنَّ اللَّهَ غَفُورٌ

رَحِيمٌ ﴿٢٠﴾

Indeed your Lord knows that you stand vigil nearly two thirds of the night—or [at times] a half or a third of it—along with a group of those who are with you. Allah measures the night and the day. He knows that you cannot

calculate it [exactly], and so He was lenient toward you. So recite the Qur'ān as much as is feasible. He knows that some of you will be sick, while others will travel in the land seeking Allah's grace, and yet others will fight in the way of Allah. So recite as much of it as is feasible, and maintain the prayer and pay the zakāt and lend Allah a good loan. Whatever good you send ahead for your souls you will find it with Allah [in a form] that is better and greater with respect to reward. And plead to Allah for forgiveness; indeed Allah is all-forgiving, all-merciful.

b. Al-Hadith

عَنِ ابْنِ مَسْعُودٍ أَنَّ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ " مَا مِنْ مُسْلِمٍ يُقْرِضُ مُسْلِمًا قَرْضًا مَرَّتَيْنِ إِلَّا كَانَ كَصَدَقَتِهَا مَرَّةً "

Narrated from Ibn Mas'ud that the Prophet (ﷺ) said: "There is no Muslim who lends something to another Muslim twice, but it will be like giving charity once" (Reported by Ibn Majah no. 2524, book Sunan Ibn Majah) (Anshori, 2009)

عَنْ أَنَسِ بْنِ مَالِكٍ، قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ " رَأَيْتُ لَيْلَةً أُسْرِيَ بِي عَلَى بَابِ الْجَنَّةِ مَكْتُوبًا الصَّدَقَةُ بِعَشْرِ أَمْثَالِهَا وَالْقَرْضُ بِثَمَانِيَةِ

عَشْرَ . فَقُلْتُ يَا جِبْرِيْلُ مَا بَالُ الْقَرْضِ أَفْضَلُ مِنَ الصَّدَقَةِ . قَالَ لِأَنَّ السَّائِلَ
يَسْأَلُ وَعِنْدَهُ وَالْمُسْتَقْرِضُ لَا يَسْتَقْرِضُ إِلَّا مِنْ حَاجَةٍ "

It was narrated from Anas bin Malik that the Messenger of Allah (ﷺ) said: "On the night on which I was taken on the Night Journey (Isra), I saw written at the gate of Paradise: 'Charity brings a tenfold reward and a loan brings an eighteen fold reward.' I said: 'O Jibril! Why is a loan better than charity?' He said: 'Because the beggar asks when he has something, but the one who asks for loan does so only because he is in need.' " (Reported by Ibn Majah no. 2525, book Sunan Ibn Majah) (Anshori, 2009)

From the *hadiths* above explain that lending everything that only expects a return from a loan is nothing but a sense of gratitude for payment of change. A good loan is in accordance with its benefits and gives sincerely to achieve the *ridha* (pleasure) of Allah. God promises to give multiple rewards. Allah gave alms reward ten times and *qardh* eighteen times. In fact, Allah reciprocates it without limits according to the sincerity of the person who gives a living. Allah enlarges sustenance for other humans who are good at adjusting to *sunatullah* by working on various fields of business so that they feel the benefits. If God

makes a poor person become rich or vice versa, then that is entirely in the power of God.

c. *Ijma'*

The scholars have agreed about the allowance for debt. The law of *qardh* is a *sunnah* for people who give debt and *mubah* for people who ask to be given a debt. Someone may owe if in a forced condition in order to avoid himself from danger, such as to buy food so he can avoid hunger.

In addition, the law of *qardh* can change according to the conditions, methods and process of the contract; it can be obligatory (*wajib*), *makruh*, and *haram* (Rozalinda, 2016). If the person who owes is someone who has an urgent need, while the person who is owed is a rich person, then the rich person must give him a debt. If the lender knows that the debtor will use his money to commit immorality or mischief, then giving legal debt is *haram* or *makruh* according to his condition. If someone who is in debt is not due to an urgent need, but to increase the merchandise capital, the law is *mubah*. Someone may owe if he is sure he can pay it, as if he has assets that can be expected and has the intention of using it to pay his debt and if this is not in the debtor's self, he cannot be in debt.

3. The Principle of Qardh Contract

There are several principles of *qardh* contract which must be fulfilled in transactions: (Ascarya, 2008)

- a. People who make the contract, namely *muqtaridh* (borrower), the party who needs funds, and *muqridh* (lender), the party that has the funds;
- b. Object of the contract, which is *qardh* (fund);
- c. Purpose of the contract, *'iwad* or counter value is loan without any reward (borrow as much Rp.X, return as much Rp.X,-); and
- d. *Shighah*, namely *Ijab* and *Qabul*.

4. The Terms and Conditions of Qardh Contract

There are terms and conditions of *Qardh* contract which must be fulfilled in transactions: (Ascarya, 2008)

- a. Willingness from both parties; and
- b. Funds are used for something useful and *halal* (permissible in Islamic legal term)

Meanwhile the terms and conditions of *qardh* contract according to Hanafiyah scholars are as follows: (Rozalinda, 2016)

- a. People who deal with the contract, namely *muqtaridh* (borrower), the party who needs funds, and *muqridh* (lender), required;

- i. *Baligh*, intelligent and independent, capable in law
 - ii. *Muqaridh* is the person who has the authority and power to do the *tabarru'* contract and the assets owed are his own. According to Syafi'iyah *ahliyah* (skill or appropriateness) in the *qardh* contract must be with willingness, not by force. Related to this, the Hanabillah detailed requirement for *ahliyah at-tabarru'* for the lender that a guardian of an orphan may not expose the assets of the orphan and *nazhir* (the manager) of the *waqf* may not expose the *waqf* property. Syafi'iyah detailed the problem and they argued that a guardian may not own the assets of a person under his guardianship except in an emergency.
- b. The assets that are owed (*qardh*).
- i. According to Hanafiyah scholars, the assets that were owed called *mâl misliyat*, namely assets that could be graded (*makilat*), assets that could be weighed (*mauzunat*), assets that could be measured (*zari'iyat*), assets that could be calculated (*addiyat*).
 - ii. According to Malikiyah, Syafi'iyah and Hanabilah scholars, every asset could be traded in contract

with the provision of the asset can be graded (*makilat*), weighed (*mauzunat*) or calculated (*addiyat*). In addition, most of the *Fuqaha* (experts in *Fiqh*) thought that to owe service is invalid.

- iii. *Al-qabad* or handover. Debt contract is not perfect except with the handover, because there is a *tabarru'* contract in the *qardh* contract. *Tabarru'* contract will not be perfect except by handover.

لا يتم التبرع إلا بقبض

Imperfect tabarru' contract except after being handed over (Haidar, n.d.).

- iv. Debt contract does not give profit to *muqaridh* (who give the loan)
- v. The debt is the *muqtaridh's* responsibility. It means *muqtaridh*, the person who's in debt has to return in the same amount or value (Zuhaily, 1984).
- vi. The item is worth assets and can be used in Islam (*mâl mutaqqawwim*)
- vii. The asset that is owed known its rate and characteristics.

viii. Loans may be absolute or determined by a time limit.

c. *Shighah*.

Qardh contract is declared as valid with *ijab* and *qabul* in the form of *qardh* pronunciation or the same understanding such as "I give you a debt" and "I owe you". The *qardh* contract is intended to help each other, not seek for profit and exploitation. If there is an addition in transaction, then the law is forbidden and includes usury (*riba*).

عَنْ فَضَالَةَ بْنِ عُبَيْدِ صَاحِبِ النَّبِيِّ — صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ — أَنَّهُ قَالَ :
كُلُّ قَرْضٍ جَرَّ مَنَفَعَةً فَهُوَ وَجْهٌ مِنْ وَجُوهِ الرِّبَا

Narrated from Fadhalah ibn Ubaid, His Companion, verily the Prophet (ﷺ) said "all loans which bring benefits are one form of usury (riba)" (Reported by Al-Baihaqi no. 11252, book Sunan Al-Kubra Juz 2)

If there is no addition required, it does not include as usury (*riba*). Unless there is an initiative or intention of the person in debt to overstate the payment of the debt, it is suggested by Prophet Muhammad (PBUH).

وعن أبي هريرة رضي الله عنه أن رجلا أتى النبي صلى الله عليه وسلم يتقاضاه فأغظ له فهم به أصحابه، فقال رسول الله صلى الله عليه وسلم: "دعوه فإن لصاحب الحق مقالا" ثم قال: "أعطوه سنا مثل سنه" قالوا: يا رسول الله لا نجد إلا أمثل من سنه، قال: "أعطوه فإن خيركم أحسنكم قضاء" ((متفق عليه))

Abu Hurairah (May Allah be pleased with him reported: A man demanded of the Prophet (ﷺ) for repayment of a loan and was harsh to him. His Companions were about to attack him, but he (ﷺ) said, "Leave him, as the creditor is entitled to make a demand. Give him a camel of the same age as the camel that is due to him." They said: "We find a better camel senior to it in age." He (ﷺ) said, "Then buy it and give it to him; verily the best of you is the one who is the best in discharging his obligations (repayment of loans)." (Reported by Al-Bukhari no. 2183, book al-Jami'; al-Shahih al-Mukhtashar Juz 2)

5. The Source of Funds

According to DSN MUI Fatwa Number: 19/DSN-MUI/IV/2001, *qardh* funds can be sourced from:

- a. Part of the Islamic bank/ Islamic financial institution (IFI) capital (paid up capital);
- b. Set aside profit; and
- c. Other institutions or individuals who entrust their distribution of *infaq* to Islamic financial institution.

6. The Benefit of *Qard al-hasan* Contract

Qardh is required in Islam to aim for human benefit. Someone who has assets can help those in need; a debt agreement contract can create a sense of care for others. Foster compassion for fellow humans by outlining the difficulties faced by others.

مَنْ فَرَّجَ عَن مُسْلِمٍ كُرْبَةً مِّنْ كُرْبِ الدُّنْيَا، فَرَّجَ اللَّهُ عَنْهُ كُرْبَةً مِّنْ كُرْبِ يَوْمِ الْقِيَامَةِ، وَاللَّهُ فِي عَوْنِ الْعَبْدِ مَا دَامَ الْعَبْدُ فِي عَوْنِ أَخِيهِ"

The person who releases a Muslim from his troubles in the world, Allah will release his troubles on the Day of Judgment; and God always helps His servants as long as he (likes) helps his brothers. (Reported by Muslim no. 2699, book Shahih Muslim)

The advantages of utilizing funds channeled through *qard al-hasan* include: (Antonio, 2001)

- a. Enables customers who are in trouble and urges to get short-term bailouts.

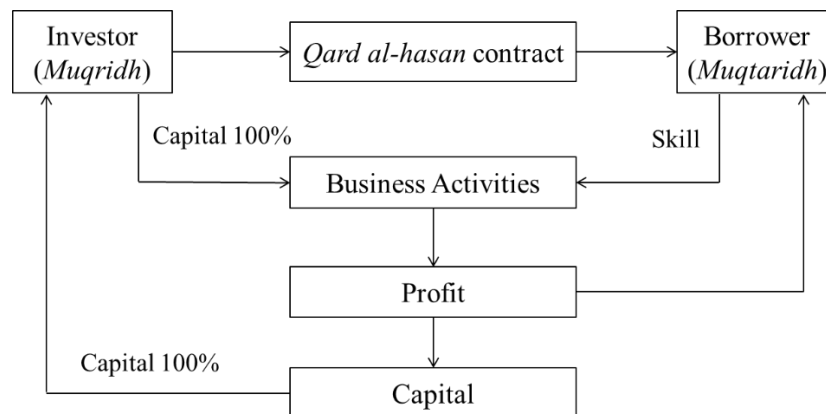
- b. *Zakah, infaq, and sadaqah* as a social fund, will always be used again for the next borrower.
- c. *Qard al-hasan* is also one of the distinguishing features between Islamic banks and conventional banks which contain social missions, in addition to commercial missions.
- d. The existence of this community-social mission will enhance good image and increase community loyalty towards Islamic banks

Through the *qard al-hasan* facility, the recipients of the funds are trained to be responsible for the funds they receive and can be used as an improved standard of living. Borrowers must be made aware of the importance of structuring financial structures, credit loans must be interpreted as temporary capital injections because lending must be able to encourage production which will eventually increase small business capacity means increased community income and increased welfare (Ridwan, 2004).

7. The Application of *Qardh* Contract

In the way of application *qard al-hasan* can be seen from the flow chart of the mechanism of *qardh* in the application of Islamic banks: (Ismail, 2011)

- a. The *qardh* agreement is carried out between the Bank and the customer.
- b. Customers provide labor and manage businesses and Islamic banks submit capital as an investment. The capital delivered in *qardh* comes from bank funds and policy funds collected by banks from *zakah*, *infaq*, alms, fines, assistance from other parties, and other funds.
- c. If there is a profit, then the profit is 100% for the customer, not shared with Islamic banks.
- d. At the time of payment or maturity, the customer returns 100% of the capital originating from the Islamic bank, without any additions.



Source: (Ascarya, 2008)

FIGURE 2.1
Qardh and Qard al-hasan Financing Flow Chart

8. Advice on Avoiding Debt and Hastening to Pay It

Even though debt activity is not a disgraceful thing in Islam, but Islamic *Shari'a* recommends that his followers refrain from debt unless they are absolutely in forced.

عَنْ أَبِي سَعِيدٍ الْخُدْرِيِّ قَالَ دَخَلَ رَسُولُ اللَّهِ – صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ – قَالَ
 " قُلْ إِذَا أَصْبَحْتَ وَإِذَا أَمْسَيْتَ اللَّهُمَّ إِنِّي أَعُوذُ بِكَ مِنَ الْهَمِّ وَالْحَزَنِ وَأَعُوذُ بِكَ مِنَ
 الْعَجْزِ وَالْكَسَلِ وَأَعُوذُ بِكَ مِنَ الْجُبْنِ وَالْبُخْلِ وَأَعُوذُ بِكَ مِنْ غَلَبَةِ الدَّيْنِ وَقَهْرِ
 الرِّجَالِ "

Narrated from Abu Sa'id al-Khudri, one day the Messenger of Allah (ﷺ) entered the mosque, and he said: Say in the morning and evening: "O Allah, I seek refuge in Thee from care and grief, I seek refuge in Thee from incapacity and slackness, I seek refuge in Thee from cowardice and niggardliness, and I seek in Thee from being overcome by debt and being put in subjection by men." (Reported by Abu Daud no. 1555, book Sunan Abu Daud) (Rozalinda, 2016)

Qardh is included in the *tabarru'* contract because there is an element of helping in goodness. Therefore, *muqridh* has the right to request that the borrowed property be returned immediately. In the matter of debt repayment, the Prophet recommended that someone hasten the payment of his debt because of delaying the payment of debt for those who were able to include tyranny.

عن أبي هريرة رضي الله عنه أن رسول الله صلى الله عليه وسلم قال: "مطل الغني ظلم وإذا أتبع أحدكم على مليء فليتبع"

Abu Hurairah (May Allah be pleased with him) said: The Messenger of Allah (ﷺ) said, "It is an act of oppression on the part of a person to procrastinate in fulfilling his obligation; if the repayment of a debt due to any of you is undertaken by a rich person, you should agree to the substitution." (Reported by Al-Bukhari and Muslim no. 1611, book Riyad as-Salihin) (Rozalinda, 2016)

C. The Concept of Economic Empowerment

According to Merriam Webster and Oxford English Dictionary, the word empower has two meanings; first, "to give power/authority to"; the second, "to give to/enable" is an effort to give ability (Mardi, 2000). By means of giving or transferring power to the community in order to have independence in decision making in building themselves and the environment through the implementation of various development policies or programs that can provide capacity to the people.

Economic empowerment is reinforcing the ownership of factors of production, reinforcing the mastery of distribution and marketing, reinforcing the community to get sufficient salary, and reinforcing the community to get knowledge and skills, which must be done by both aspects of community and policy (Mardi, 2000).

Sumodiningrat (1999) suggested the concept of economic empowerment as follows:

1. The people's economy means an economy organized by the people. The economy that is organized by the people is that the national economy is rooted in the potential and strength of society at large to run the wheels of their own economy.
2. Empowerment of the people's economy is an effort to make the economy strong, large, modern and highly competitive in the right market mechanism. The constraints of people's economic development are structural constraints; the empowerment of the people's economy must be carried out through structural change.
3. The structural change in question is the change from a traditional economy to a modern economy, from a weak economy to a strong economy, from a subsistence economy to a market economy, from dependence to independence. The steps in the structure change process include: (1) allocating resources for resource empowerment; (2) institutional strengthening; (3) mastery of technology; and (4) empowering human resources.
4. Empowerment of the people's economy is not enough just to increase productivity, provide equal business opportunities, and only provide capital injections as stimulants, but there must be close cooperation

and partnership between those who have advanced and those who are still weak and undeveloped.

5. Its policies in people's economic operations are: (1) providing opportunities or greater access to production assets (especially capital); (2) strengthening the position of transactions and people's economic business partnerships, so that people's economic actors are not merely price takers; (3) education and health services; (4) strengthening of small industries; (5) encourage the emergence of new entrepreneurs; and (6) spatial equality.
6. Community empowerment activities include: (1) increasing access to business capital assistance; (2) increasing access to HR development; and (3) increasing access to facilities and infrastructure that directly support socio-economic condition local community (Mardi, 2000).

D. Poverty Alleviation

1. Definition of Poverty

Poverty is a condition where a person lives below the poverty line who cannot fulfill the basic needs in life such as; food, shelter, and health. In the country, the poor people are completely ignored, for example in politics; the poor are powerless and have no authority to help themselves. If in the country economic shocks occur, the one who will be the victims is poor people and the world will intimidate the poor people.

In fact, the poor people pay higher than the rich people, but the rich people get higher than the poor people. It also can be called “inequality.”

2. Poverty in Indonesia

In Indonesia, poverty alleviation still becomes a priority of the government's work program. The number of poor (population below the Poverty Line) in Indonesia in March 2018 was 25.95 million people (Statistics Indonesia, 2018). Even the poverty alleviation is still the main goal and the first priority to be solved in the Sustainable Development Goals (SDGs).

The poor people are defined as for those who have per capita income around Rp401,220 per month (Statistics Indonesia, 2018). The role of food commodities on the poverty line is far greater than the role of non-food commodities (housing, clothing, education, and health). The contribution of the Food Poverty Line to the Poverty Line in March 2018 was recorded at 73.48 percents. This figure is up compared to the conditions in September 2017, which amounted to 73.35 percents. The types of food commodities that have a large influence on the value of the Poverty Line in urban and rural areas are rice, filtered clove cigarettes, broiler eggs, chicken meat, instant noodles, and granulated sugar. While non-food commodities that have a large influence on the value of the Poverty Line in urban and rural areas are housing, gasoline, electricity, education, and toiletries.

3. Islam in Poverty Alleviation

Islam has its own way to reduce poverty by teaching its followers to do *zakah*, *sadaqah* and *qard al-hasan* as practiced in Islamic banks and Islamic Microfinance Institutions in order to redistribute the wealth. Islam emphasizes more on the redistribution of wealth to improve the condition of the poor (Muhammad et al., 2015). All of the instruments are important to ensure fairness, equity, social peace, and for the completion of human needs so they are believed to reduce poverty.

The main purpose of *qard al-hasan* is to help the borrower in urgency condition for productive things. This *qard al-hasan* will also enable the poor to rely on a socio-economic environment that develops small and micro industries and will have an impact on reducing unemployment, poverty and socioeconomic inequalities.

This *qard al-hasan* system is not permitted to require collateral, complicated procedures, and administration fee (especially for legal administration fee are allowed), therefore the system is very appropriate in accordance with the poor conditions. The existence of Islamic values on the system is an important point that makes *qard al-hasan* financing accepted by society, so that it can become effective.

E. Previous Research

1. Journal article from Widiyanto, Mutamimah, and Hendar in Faculty of Economics, Sultan Agung Islamic University (2011) with title

”Effectiveness of Qard al-hasan Financing As A Poverty Alleviation Model”. The journal was published in Economic Journal of Emerging Markets, April 2011 3(1): 27-42.

The results of the research showed that *qard al-hasan* proved effective in empowering economic activities for those in need. To measure the effectiveness of *qard al-hasan* was measured by conducting the paired t-test based on the initial condition and the second condition of MEs’ business income and profit as the indicators. This research also used the logit model to predict the performance of MEs whether it will be high or low by identifying the factors affecting the business performance. The independent variables used are size of financing, experience of business, education, age, business control as dummy variable, also marital status and religious activities conducted by BMT. The effectiveness of *qard al-hasan* financing also can be indicated by the entrepreneurs’ ability to pay *zakah* and *infaq*, to save money, fulfill the basic needs, to pay tuition fee for children and to pay cost of medical treatment for family members.

2. Journal article from Irawan Febianto and Arimbi Mardilla Ashany in Faculty of Economics and Business, Universitas Padjajaran (2012) with title “The Impact of Qardhul Hasan Financing Using Zakah Funds on Economic Empowerment (Case Study of Dompét Dhuafa, West Java, Indonesia)”. The journal was published in Asian Business Review, Volume 1, Issue 1, September 2012 ISSN 2304-2613. The statistical

result of the research shows that the *qard al-hasan* financing implemented by Dompot Dhuafa West Java is able to improve the economic empowerment. This research is a descriptive and verificative research and using quantitative methods; case study method and explanatory survey. The variables were taken to be investigated are *qard al-hasan* financing as the independent variable (X) and recipients' economic empowerment (Y). In the independent variable is including the motivational assistance, purchasing business items assistance and monitoring. In the dependent variables used in this research are asset, revenue, profit, business knowledge, skills, welfare, with the household indicators such as income, basic needs (consist food, clothing and shelter), medical needs, education needs, ability to save money and pay *infaq/sadaqah*.

3. Journal article from Muhammad Akhyar Adnan in Department of Islamic Economics, Universitas Muhammadiyah Yogyakarta and Shochrul Rohmatul Ajija in Department of Economics, Airlangga University, Surabaya with title "The Effectiveness of Baitul Maal wat Tamwil in Reducing Poverty. The Case of Indonesian Islamic Microfinance Institution". The journal was published by Emerald Insight in Humanomics, May 2015 Volume 31 No. 2 pp. 160-182.

This research used the case study approach in BMT MMU in Sidoarjo East java. The research used descriptive statistics and paired t-test to

measure the data, while for poverty measurement indexes such as headcount index, poverty gap, sen index, and Foster, Greer and Thorbecke Index are used to investigate the effectiveness to reduce the poverty. The result of the research shows that BMT financing is effective in reducing poverty and most of the respondents' income is increasing after receiving the financing.

4. Journal article from Ahmad Mojtahed, a professor of Economics in Allameh Tabatabai University, an advisor to the Governor of the Central Bank of Iran I.R. and the president of Monetary and Banking Research Academy in Tehran-Iran. Another writer of this journal article is Ali Hassanzadeh, a vice president of Monetary and Banking Research Academy. The journal article entitled “The Evaluation of Qard-al-Hasan as a Microfinance Approach in Poverty Alleviation Programs (Case Study of Iran I.R.)” and was published in Journal of Money and Economy Volume 5 No. 2 in 2009 by Money and Banking Research Institute of Central Bank of The Islamic Republic of Iran.

This research used the per capita income in different regions (Y_{it} in Iran I.R as the indicator of income inequality and poverty). The independent variables are family dimension (X_{1it}) as the social indicator, employment rate (X_{2it}) as the socio-economic indicator and the ratio *qard al-hasan* to total loan as the indicator of micro credit.

5. An article written by Fahami Mohammad Anis and Salina Kassim from International Islamic University Malaysia entitled “Effectiveness of Zakat-Based Programs on Poverty Alleviation and Economic Empowerment of Poor Women: A Case Study of Bangladesh”. The article was published in Journal of Islamic Monetary Economics and Finance, Volume 1 No.2 February 2016.

This research aimed to assess the effectiveness of Center for Zakat Management (CZM) for poverty alleviation and sustainable economic empowerment. For measuring the effectiveness of *zakah* on aspects such as income, expenses, fixed asset accumulation based on “before and after” approach. The result of the research indicates that there are increasing in significant nominal and real in average monthly income, increase in fixed assets and an increase in monthly average household expenditure before and after receiving *zakah* fund.

6. Journal article written by M. Imam Purwadi from Faculty of Law Universitas Mataram entitled “Qardh al-hasan dalam Perbankan Syariah: Konsep dan Implementasinya Berdasarkan Prinsip Manfaat bagi Pemberdayaan Masyarakat”. It was published in UNISIA Volume 33 No. 74 January 2011 page 141-153.

The results of the research are the implementation of CSR programs consisting of education, health, and poverty, social, religious, infrastructure, and environmental assistance as well as through financing

products. In its implementation there are no specific (special) regulations that regulate the implementation of *qard al-hasan* as CSR in Islamic banking.

7. Journal article written by Heru Sulistiyo and Abdul Hakim, the lecturers of Master in Management of Universitas Suktan Agung Semarang entitled "Model Pembiayaan Pedagang Kaki Lima (PKL) Melalui Qardhul Hasan". It was published in Journal of Riptek Volume 7 No. 1 in 2013 page 39-46.

The results of the study are *qard al-hasan* financing model is very important to provide financing solutions for street vendors who have not had access to capital. The rate of return congestion of *qard al-hasan* financing is very small and the majority of street vendors feel an increase in turnover and the level of welfare.

8. Journal article written by Muhammad Awaluddin Ardiansyah from Department of Economics, Faculty of Economics Andi Djemma University entitled "Pengentasan Kemiskinan dan Pengembangan Masyarakat Melalui Model Keuangan Islam BMT Al-Ishlah Cirebon". The article was published in BISMA – Bisnis dan Manajemen Volume 9 No. 2 April 2017.

The research used descriptive analysis and conducted Field Research by analyzing the phenomenon that happened in society. The analyses used are observation, interview and documentation. The result is BMT Al-

Ishlah in Cirebon has been able to participate in poverty alleviation of 16,471 people, through programs saving education, old age, wages, hajj, *qurban*, *Eid al-Fitr* and insurance. Participating in 1,610 SMEs through venture capital financing, agency VIP mobile 502 agents and compensation to persons with social welfare problems through Baitul Maal funds Rp354,582,680.

9. Journal article written by Sri Istiawati in 2014 entitled “Kedudukan Al-Qardhul Hasan Sebagai Alternatif Pembiayaan Investasi Bagi Usaha Kecil dan Menengah” The article was published in Wahana Inovasi Volume 3 No. 1 January-June 2014.

The results of the study are that the position of *qard al-hasan's* financing is categorized in the principle of *tathawwui*, which is as a contract to help each other aim to provide financing for the poor so that they can help alleviate poverty in Indonesia. This research used descriptive qualitative research methods and documentation data collection techniques and the substance of research studies, namely *qard al-hasan's* position as an alternative investment financing for small and medium enterprises

10. Journal article written by Darmawan Hamzah and Suprihatin in 2016 entitled “Peran BMT dalam Memberdayakan Usaha Mikro Melalui Pembiayaan Al-Qardhul Hasan: Studi Kasus pada BMT Darussalam Madani Kota Wisata Gunung Putri Bogor”. The article was published in Masalahah Volume 7 No. 2 December 2016.

The results of the study state that the distribution of *qard al-hasan* funds in terms of guidance for the development of traders who have been running is not very successful. Internal barriers to empowerment are there is small amount of funds are managed, which causes BMT to provide loans to traders is limited. The substance of *qard al-hasan's* financing study used descriptive qualitative research methods as well as interview data collection techniques, observation and documentation and the role of BMTs to empower micro-enterprises through *qard al-hasan* financing.