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Islamic Ethics-Based Governance Model in Trust Fund Management at BMT

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Abstract

The development of the Islamic economy in Indonesia shows significant growth with total Islamic banking assets reaching more than 600 trillion rupiah in 2023, but the operational complexity of BMT in managing trust funds requires a governance system that integrates Islamic ethical principles with modern governance practices. This research aims to develop and analyze a comprehensive governance model based on Islamic ethics in the management of trust funds at BMT to improve accountability, transparency, and operational sustainability. The research method uses a qualitative approach with literature studies, analyzing the Qur'an, Hadith, *fiqh muamalah* literature, and scientific journals for the 2015-2024 period through content analysis and thematic analysis. The results of the study identified an integrated governance model that includes four essential components: shura-based organizational structure, business processes according to sharia contracts, a *hikah* supervision system, and risk management that integrates *tawakal-ikhtiar*, with sharia-based KPIs including sharia compliance, social impact, and community empowerment. The research concludes that the implementation of an Islamic ethics-based governance model requires a gradual change management strategy, continuous capacity building, and comprehensive regulatory support to achieve competitive advantage through the differentiation of Islamic values in BMT operations.

Keywords: Islamic governance, BMT, Islamic ethics, trust fund, *maqashid* sharia

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1. Introduction

The development of the Islamic economy in Indonesia has experienced significant growth in the last decade, with total Islamic banking assets reaching more than 600 trillion rupiah in 2023. In this context, *Baitul Maal wat Tamwil* (BMT) plays a strategic role as an Islamic microfinance institution that connects the real sector with Islamic economic principles. According to (Anwar et al., 2023), BMT not only functions as a financial intermediation institution, but also as an agent of community economic development based on the values of justice and blessing. The existence of BMT is increasingly important considering its contribution to the economic empowerment of the people, especially in the Micro, Small, and Medium Enterprises (MSMEs) segment which reaches 64% of the total financing of the sharia micro sector in Indonesia. However, the operational complexity of BMT in managing trust funds requires a governance system that not only meets the technical aspects of banking, but is also in line with Islamic ethical principles. The concept of trust in the context of Islamic finance has a deep dimension, including high moral responsibility, transparency, and accountability to Allah SWT, customers, and society. According to (Kiranawati et al., 2023), the management of trust funds in Islamic financial institutions faces challenges in integrating the principles of Sharia *maqashid* with effective and efficient modern governance practices. This indicates the need to develop a governance model that is explicitly based on Islamic ethics to ensure the sustainability and operational legitimacy of BMT.

Governance problems at BMT become increasingly complex when associated with public trust and confidence in Islamic financial institutions. Research conducted by (Kassim & Satar, 2020) revealed that 43% of BMT failures in Indonesia were caused by weak governance systems, especially in terms of transparency and accountability in fund management. This phenomenon shows that there is a gap between the ideality of sharia principles and the reality of governance practices in the field. Moreover (Faizi & Shuib, 2024) in his study on Islamic corporate governance emphasizes that the implementation of governance based on Islamic ethics requires a comprehensive framework that not only adopts conventional principles, but also integrates the values of tawhid, caliphate, and *tazkiyah* in the organizational structure. Furthermore, the Islamic ethical dimension in BMT governance includes fundamental principles such as *shiddiq* (honesty), *amanah* (trustworthiness), *tabligh* (transparency), and *fathonah* (professionalism) that must be implemented holistically in every aspect of fund management. According to (Arviana et al., 2025), the integration of Islamic ethics in the governance of Islamic financial institutions requires a systematic approach through the development of standard operating procedures (SOPs) based on sharia principles and modern governance best practices. However, empirical studies exploring how Islamic ethics-based governance models can be operationalized in the specific context of trust fund management in BMT are still limited.

Based on the background that has been described, this study formulates the following problems: How can a governance model based on Islamic ethics be developed and implemented in the management of trust funds in BMT to improve accountability, transparency, and operational sustainability? The main objective of this study is to develop and analyze a comprehensive model of governance based on Islamic ethics in the management of trust funds in BMT. Specifically, this study aims to identify the components of Islamic ethics relevant to BMT governance, analyze existing governance practices in BMT, and formulate a theoretical and practical framework for the implementation of Islamic ethics-based governance in the management of trust funds. The benefits of this research can be classified in three dimensions. First, the theoretical benefits are in the form of contributions to the development of Islamic corporate governance literature, especially in the context of Islamic microfinance institutions. Second, the practical benefit is in the form of providing implementation guidelines for BMT practitioners in developing a governance system based on Islamic ethics. Third, the benefits of the policy are in the form of recommendations for regulators in formulating a regulatory framework that is supportive of the implementation of Islamic ethics-based governance in the Islamic microfinance sector.

This research offers significant novelty in several aspects. First, in contrast to previous studies that tend to explore sharia governance in general, this study specifically focuses on the management of trust funds in BMT with a comprehensive Islamic ethical approach. Second, this study integrates the perspective of sharia *maqashid* with modern governance practices in a specific context, namely BMT as an Islamic microfinance institution. According to (Soediro & Meutia, 2020), the integration of sharia *maqashid* in the governance of Islamic financial institutions requires contextualization that is tailored to the characteristics and operational scale of each institution. The research gaps identified in this study include the limitations of the literature that empirically explores the operationalization of Islamic ethics in BMT governance. Meanwhile, studies such as those conducted by (Williams & Muchnick, 2022) has explored Islamic governance in the context of large-scale Islamic banking, but its application in the context of BMT with unique operational characteristics still requires in-depth exploration. In addition, gaps are also identified in the aspect of developing instruments for measuring the effectiveness of the implementation of governance based on Islamic ethics that can be applied practically in BMT. This research is expected to fill this gap through the development of a framework that is not only theoretical but also practical and implementable in the context of BMT operations in Indonesia.

2. Research Design and Method

This study adopts a qualitative approach with a systematic literature review method to explore and analyze the governance model based on Islamic ethics in the management of trust funds at BMT. The qualitative method was chosen because it allows researchers to conduct an in-depth exploration of complex phenomena related to the integration of Islamic ethical values in the governance practices of Islamic financial institutions. Literature studies are used as the main research strategy given that the research focuses on the development of a comprehensive theoretical framework based on the synthesis of existing literature and in-depth conceptual analysis. The primary data sources in this study consist of the Qur'an, Hadith, and classical literature of *fiqh muamalah* related to the concept of trust, governance, and Islamic business ethics. Secondary data sources include national and international scientific journals, academic books, research reports, working papers, and official publications from relevant institutions such as Bank Indonesia, the Financial Services Authority, and the MUI National Sharia Council. The literature selection criteria include the topic's relevance to sharia governance, BMT, and Islamic ethics, publication in the 2015-2024 period to ensure the actuality of information, and the credibility of sources from reputable journals and trusted publishers. The data analysis technique uses content analysis and thematic analysis to identify key patterns, themes, and concepts related to Islamic ethics-based governance. The analysis process is carried out through several stages, namely the collection and classification of literature, the extraction of relevant information, the synthesis of findings from various sources, and the construction of a theoretical framework. The validity of the research is ensured through triangulation of sources using multiple references from various theoretical and empirical perspectives, as well as a peer review process to ensure the accuracy and consistency of the analysis carried out.

3. Results and Discussion

Conceptualization of Islamic Ethics in BMT Governance

The theoretical foundations of Islamic ethics in the context of BMT governance require an in-depth understanding of the three fundamental pillars that make up the sharia epistemological framework. The concept of tawhid as the principle of the unity and oneness of Allah is the main foundation that integrates all economic activities with a higher spiritual purpose. In the context of BMT trust fund management, tawhid mandates that every decision and action must reflect an awareness of vertical accountability to Allah SWT. The principle of the caliphate then strengthens the horizontal dimension by emphasizing the responsibility of human beings as caliphs on earth to manage economic resources in a fair and sustainable manner. Tazkiyah serves as a purification mechanism that ensures that the governance process not only prioritizes operational efficiency, but also spiritual transformation for all stakeholders involved. Operational values in Islamic ethics are manifested through the leadership characteristics of the Prophet PBUH which consists of shiddiq, amanah, tabligh, and fathonah. Research (Nugraha & Endraswati, 2022) identify that the implementation of Islamic Corporate Governance in Islamic microfinance institutions based on Islamic boarding schools shows the importance of integrating these four values in the organizational governance structure. *Shiddiq* as a manifestation of honesty and integrity requires full transparency in financial reporting and decision-making processes. The mandate reflects the trust given by customers and the public to BMT to manage funds responsibly. *Tabligh* mandates effective and accurate communication to all stakeholders, while *fathonah* demands strategic intelligence in the face of operational and market challenges.

The concept of trust in *fiqh muamalah* has a very comprehensive legal dimension and is the heart of all BMT operations. (Windasari, 2024) emphasizing that accountability in an Islamic perspective includes the vertical dimension to Allah and horizontal to humans, which in the context of BMT means to customers, regulators, and society at large. Amanah does not just mean passive trust, but an active mandate that demands optimal management by considering aspects of halal, justice, and blessings. In practice, the concept of trust requires BMT to develop a strong internal control mechanism, a transparent reporting system, and an independent audit process to ensure that every rupiah managed can be accounted for in accordance with sharia. The integration of sharia *maqashid* with modern governance requires a systematic approach in synergizing sharia goals with contemporary good governance principles. (Wardiyanti, 2023) shows that BMT can play an optimal role in realizing the welfare of MSMEs through an approach that integrates the five main goals of *maqashid* sharia: religious protection (*hifz al-din*), soul (*hifz al-nafs*), intellect (*hifz al-aql*), heredity (*hifz al-nasl*), and property (*hifz al-mal*). In the context of governance, this integration requires the BMT to develop policies and procedures that not only meet conventional regulatory standards, but also achieve broader spiritual and social goals. This holistic approach allows BMT to create a unique value proposition in providing financial services that are not only profitable but also meaningful to the community.

Development of an Islamic Ethics-Based Governance Model for BMT

The construction of an integrated governance model for BMT requires an organizational architecture capable of accommodating the operational complexities of modern financial institutions while maintaining the authenticity of Islamic values. The model developed should include three main dimensions: an organizational structure that reflects the hierarchy of Islamic values, a business process that is aligned with sharia principles, and a supervisory system that ensures compliance with Islamic ethical standards. (Syahrul & Wahyuni, 2021) emphasizing that the application of Islamic business ethics in the management of sharia cooperatives must include the concepts of monotheism, justice, benefit, and accountability as the basis of all business activities. In the context of BMT, an integrated governance model must be able to transform these abstract concepts into concrete and measurable operational procedures.

Table 1. Essential Components of the BMT Governance Model Based on Islamic Ethics

Component	Sharia Elements	Operational Implementation	Success Indicators
Organizational Structure	Shura (Deliberation)	Sharia Council, Audit Committee, Risk Management	Participation rate in decision-making
Business Process	Shariah Contract	Murabahah, Mudharabah, Musharakah	Compliance with DSN-MUI fatwa
Surveillance System	Hisbah	Internal Audit, External Audit, Sharia Supervision	Compliance level and risk mitigation
Risk Management	Tawakal and Ikhtiar	Risk assessment, mitigation strategy	NPF and sustainability level

Source: Adapted from (Nugraha & Endraswati, 2022) *and* (Syahrul & Wahyuni, 2021)

An analysis of the essential components of the governance model identifies that the organizational structure of the BMT must integrate the shura (deliberation) mechanism at each level of strategic decision-making. This requires the establishment of a Sharia Supervisory Board that not only functions as an advisor, but also as a strategic partner in developing sharia-compliant products and services. Business processes must be designed based on sharia contracts that have been determined by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), with an emphasis on transparency and fairness in every transaction. The supervision mechanism requires a comprehensive hisbah system, including sharia-based internal audits, compliance evaluations, and monitoring of the implementation of related fatwas. The development of sharia-based Key Performance Indicators (KPIs) requires an evaluation paradigm that is different from conventional financial institutions. (Aksan, 2024) shows that the application of sharia accounting principles in reducing moral hazard can be carried out through evaluation based on the theory of the 5Cs (Character, Capacity, Capital, Collateral, and Condition) which is aligned with Islamic values. Sharia-based KPIs should cover both financial and non-financial dimensions, with an emphasis on the social and spiritual impact of BMT's operations. Financial health indicators remain important, but they must be complemented by metrics that measure the level of sharia compliance, customer satisfaction from a spiritual perspective, and contribution to the well-being of society.

Table 2. Sharia-Based KPIs for BMT

Dimension	Indicators	Target	Measurement Methodology
Shariah Compliance	The level of conformity of the product with the DSN fatwa	100%	Periodic sharia audits
Social Impact	Improving the welfare of MSMEs	15% annually	Satisfaction survey and income tracking
Transparency	Disclosure of financial information	95%	Evaluation of financial statements
Operational Efficiency	Operational Efficiency Ratio	<75%	Financial ratio analysis
Quality of Financing	Non-Performing Financing (NPF)	<5%	Monitoring portfolio
Community Empowerment	Number of MSMEs empowered	Growth 20%	Active customer database

Source: Adapted from (Wardiyanti, 2023)*and* (Aksan, 2024)

The design of a monitoring and conflict resolution system requires a mechanism that is able to anticipate various potential problems that may arise in BMT operations. (Lahabu, 2024) Identifying that one of the main challenges in the management of savings and loan cooperatives is the existence of practices that have the potential to violate sharia principles, such as the interest system that can be categorized as riba. An effective monitoring system should include real-time monitoring of all transactions, periodic evaluation of product and service compliance, and an early warning system mechanism to identify potential sharia violations before they become systemic problems.

Implementation and Sustainability Strategy of the Islamic Ethical Governance Model

An analysis of the enabler and barrier factors in the implementation of the governance model based on Islamic ethics reveals the complexity of the challenges faced by BMT in integrating Islamic values with modern business practices. (Saputri et al., 2025)Identify that the main challenges in the application of sharia principles in school cooperatives include a lack of in-depth understanding of Islamic economics among managers and a manual administrative system. Enabler factors that can support implementation include top management's commitment to Islamic values, the availability of competent human resources in the field of sharia, regulatory support from the competent authorities, and the increasing level of public awareness of sharia products and services. Barrier factors that need to be anticipated include resistance to change from internal stakeholders, the complexity of integrating information technology systems with sharia principles, limited financial resources for investment in governance infrastructure, and challenges in measuring and evaluating the spiritual impact of the implementation of Islamic ethics. (Wasik & Saifullah, 2025) emphasizing that strengthening productive zakat literacy based on local wisdom requires a holistic approach that integrates aspects of intellectuality, spirituality, and integrity. A similar approach is needed in the implementation of the BMT governance model, where each stakeholder must have a comprehensive understanding of Islamic ethical philosophy and practice in a business context (Windasari, 2024).

The design of a change management strategy requires a gradual and sustainable approach to ensure the transformation of organizational culture in line with Islamic values. This strategy must start with building awareness among all employees and management about the importance of Islamic ethics in BMT's operations. The next stage includes capacity building through intensive training programs on sharia principles, competency development in Islamic banking, and socialization of new standard operating procedures. The implementation phase requires a pilot project on certain business units before a thorough roll-out, accompanied by strict monitoring of the necessary progress and adjustments. The development of monitoring and evaluation mechanisms requires a system that is able to measure the effectiveness of the implementation of governance models from various perspectives. The monitoring system should include a dashboard that provides real-time information on sharia-based KPIs, compliance levels with Islamic ethical standards, and feedback from customers and other stakeholders. Periodic evaluations should be conducted by involving independent external parties, including sharia auditors and academics, to ensure objectivity in the assessment. Feedback loop mechanisms must be developed to enable continuous improvement of governance models based on lessons learned from implementation in the field.

Building a capacity building program requires long-term investment in the development of human resources who are not only technically competent but also have high moral integrity. This program must include the formal education dimension through cooperation with higher education institutions that have Islamic finance programs, informal learning through workshops and periodic seminars, and experiential learning through best practice sharing with other BMTs that have successfully implemented governance based on Islamic ethics. This sustainability program requires a commitment from management to allocate an adequate budget and create attractive career paths for the best talents in the field of Islamic finance. The integration of all elements of the implementation strategy requires close coordination between various departments within the BMT as well as alignment with the organization's strategic objectives. The main success factor lies in the ability of leadership to be a role model in implementing Islamic ethical values, creating a strong culture of accountability, and building trust with all stakeholders through transparency and consistency in actions. The sustainability model of governance based on Islamic ethics ultimately relies on BMT's ability to prove that the integration of Islamic values not only improves spiritual performance but also provides a competitive advantage in the long run through trust building and high customer loyalty.

4. Conclusions

This research makes a significant contribution to the development of Islamic Corporate Governance theory by integrating the concept of sharia *maqashid* into modern governance practices. The model developed enriches the literature on the transformation of Islamic values into a measurable operational framework, as well as provides a new perspective in understanding the relationship between the spiritual dimension and organizational performance in the context of Islamic microfinance institutions. The implementation of this model allows BMT to achieve a competitive advantage through differentiation based on Islamic values, increase customer trust through high transparency and accountability, and optimize socio-economic impact for MSMEs and communities. This model also provides a blueprint for other BMTs to develop governance systems that are aligned with sharia principles without sacrificing operational efficiency. The results of this research can be a reference for regulators in developing specific governance standards for Islamic microfinance institutions, as well as supporting the government in creating an ecosystem conducive to the development of the Islamic economy at the grassroots level through strengthening BMT as an agent of development.

BMT is advised to implement a governance model based on Islamic ethics gradually through pilot projects in specific business units before a full rollout to minimize operational risks and ensure smooth adaptation. Top priority should be given to investment in comprehensive capacity building programs, including formal education through cooperation with universities, periodic workshops for the renewal of sharia knowledge, and experiential learning to develop human resource competencies in Islamic finance and Islamic business ethics. The development of an integrated management information system is an urgent need to integrate sharia compliance monitoring with operational efficiency, including real-time dashboards that are able to comprehensively display key sharia-based performance indicators.

Strategic collaborations with higher education institutions, professional organizations, and other BMTs need to be built to share best practices, transfer knowledge, and develop uniform industry standards in the implementation of Islamic ethics-based governance. Regulators need to develop a governance standardization framework specific to BMT, by integrating sharia principles and good governance practices, along with practical and applied implementation guidance on the ground. The creation of a sharia competency certification system for BMT management and employees is urgent, including special accreditation for institutions that have successfully implemented governance based on Islamic ethics in recognition of their achievements. The provision of special policy incentives for BMTs that achieve a high level of sharia compliance and socio-economic impact is urgently needed, both in the form of tax incentives, easier access to funding, and preferential treatment in government project tenders. Regulations that support the integration of technology in monitoring sharia compliance also need to be developed to ensure its effectiveness.

Facilitate BMT in adopting a modern and efficient governance system. Long-term research needs to be conducted to evaluate the long-term effectiveness of the implementation of the Islamic ethics-based governance model on the financial performance, operational sustainability, and socio-economic impact of BMT in the extended period. A comparative study between BMTs that apply Islamic ethics-based governance models and those that use conventional approaches is indispensable to measure competitive advantage and validate hypotheses about superior performance of Islamic governance approaches. The development of more sophisticated measurement instruments to evaluate the spiritual impact and character transformation of stakeholders as a result of the implementation of Islamic ethics into an interesting and challenging area of research. Research on the adaptation of Islamic ethics-based governance models to a wide range of geographical and demographic contexts, including BMT in rural and urban areas with different socioeconomic characteristics, will provide valuable insights into the contextual factors influencing the successful implementation of this model.

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