



Business Reporting, Transparency, and Accountability in Islamic Microfinance Institutions: Evidence from Baitul Maal wa Tamwil (BMT)

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KEYWORDS

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Transparency

ABSTRACT Baitul Maal wat Tamwil (BMT) as a sharia microfinance institution faces serious challenges in presenting transparent and accountable business reports, especially at the urban micro scale. This study aims to analyze the role of business reports on transparency and accountability and formulate an adaptive reform model. The method used is descriptive qualitative with an intrinsic case study at an urban micro-BMT in Lampung. Data were collected through semi-structured interviews, passive observation, and documentation, then analyzed using the Miles, Huberman, and Saldaña (2014) model. The results show that business reports play a positive but not yet optimal role: transparency is limited to physical media without digital channels, accountability operates through the annual member meeting but member participation is very low. The main obstacles include limited human resources, manual information technology, and inconsistent reporting timeliness. The novelty of this study is the Three-Tier Reporting Model based on the principle of minimum viable transparency that can be adopted by micro-BMTs throughout Indonesia.

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1. INTRODUCTION

Baitul Maal wat Tamwil (BMT) as a sharia microfinance institution has a strategic role in empowering the community's economy based on Islamic principles (Rahman & Sari, 2021). By 2024, the number of BMTs in Indonesia has exceeded 5,000 units, spread across both urban and rural areas. However, this quantitative growth has not always been matched by improvements in governance quality, particularly in terms of transparency and accountability of business reports.

Member and public trust is highly determined by the BMT's ability to present business reports that are open, honest, and accountable (Lestari & Rahmawati, 2024). Business reports are no longer merely administrative reporting tools but strategic means to build credibility and ensure institutional sustainability amid competition with fintech and conventional cooperatives.

Theoretically, transparency is defined as the disclosure of accurate, easily accessible, and

timely information to stakeholders (Dilago et al., 2018). Dwiyanto (2015) explains that transparency includes providing information about the organization to the public with guaranteed ease of access. Meanwhile, accountability is the obligation to provide accountability for the success or failure of implementing the organization's tasks and mission (Adisasmita, 2011). Krina (2013) adds that accountability is a form of responsibility from those assigned a task to those who gave the order. In the context of BMTs, these two concepts are interrelated and largely determine member trust and institutional sustainability (Nugroho & Wibowo, 2023).

Previous research has extensively discussed transparency and accountability in the public sector and conventional financial institutions (Haikal & Mauliana, 2022; Yassir, Mursalim, & Junaid, 2022). However, studies that simultaneously explore the reciprocal relationship between transparency and accountability within the framework of business reports in urban micro-scale BMTs are still very limited. The majority of literature focuses on rural BMTs or large-scale sharia cooperatives (Edowai, Abubakar, & Said, 2021; Muksin, Runtu, & Datu, 2023). Furthermore, research on the specific operational constraints faced by micro-BMTs in preparing business reports – such as limitations in human resources, information technology, and time consistency – has not been mapped in depth (Pratama & Kusuma, 2022; Sari & Putri, 2023).

The gap between expectations (*das sollen*) and reality (*das sein*) in the field constitutes the main gap analysis of this study. On one hand, the ideal standard demands business reports that are transparent, timely, and externally audited (Setiawan & Prasetyo, 2022). On the other hand, urban micro-BMTs like BMT Fajar have only one staff member with a non-accounting background, limited training budget, and minimal technology infrastructure. As a result, transparency and accountability practices remain far from the standards expected by members (Hidayat & Lestari, 2024). This study aims to bridge this gap by formulating a business report reform model

that is adaptive to resource limitations.

The novelty (*state of the art*) of this research lies in three aspects. First, the simultaneous exploration of the circular transparency-accountability relationship within a single business report framework in urban micro-BMTs. Second, the comprehensive identification of specific operational constraints (HR, IT, time consistency) that have only been mentioned sporadically in the literature. Third, the Three-Tier Reporting Model, formulated for the first time for micro-BMTs, accommodating the principle of minimum viable transparency (Mulyani & Sari, 2022) – a concise report on time is better than a complete report that is late.

Based on this background, this study aims to: (1) analyze the role of business reports in improving transparency of fund management in urban micro-BMTs; (2) analyze the role of business reports in strengthening management accountability; (3) identify obstacles faced in preparing transparent and accountable business reports; and (4) formulate an adaptive business report reform model.

2. METHODS

This study uses a descriptive qualitative approach with an intrinsic case study design, chosen because the researchers aim to holistically and contextually understand the phenomenon of the role of business reports in one specific case without claiming statistical generalization (Yin, 2018). The research location is BMT Fajar, Bandar Lampung Branch (established in 2014, total assets of IDR 2.83 billion as of June 2025), representing the urban micro-BMT category with approximately 1,200 members. Subjects were selected through purposive sampling with the following criteria: directly involved in preparing business reports for at least 2 years, knowledgeable about transparency and accountability mechanisms, and willing to be interviewed in depth (Patton, 2015). The final subject was the Head of Administration who also serves as the report preparer (informant code I-01). The research objects include the report preparation process, report documents (profit-loss, cash flow, financing, social funds), as well as

transparency and accountability practices. Data collection techniques used triangulation of three methods: semi-structured interviews (60 minutes duration, recorded with informed consent), passive observation over three working days (Monday, Wednesday, Friday, 08:00–15:00 WIB), and documentation (photos of bulletin boards, audio recordings, anonymized copies of financial reports for January–February 2025). Data analysis followed the Miles,

3. RESULT AND DISCUSSION

Profile of BMT Fajar's Business Reports

BMT Fajar prepares monthly reports consisting of a profit-loss statement, cash flow statement, and financing report. In addition, an annual report is prepared, supplemented by a statement of changes in equity and a report on sources and uses of zakat, infaq, alms, and *qardhul hasan* funds. All reports are prepared using Microsoft Excel without specialized accounting software. The format used is an adaptation of general financial accounting standards and does not fully refer to PSAK 101 concerning sharia financial statements.

Role of Business Reports in Transparency

The results show that business reports function as the main communication tool conveying financial and operational information openly to members and management. I-01 stated: "Every month we post the profit-loss report on the bulletin board. Members can see total assets, total financing, profit-sharing margin, social funds, and NPF."* Observation confirmed the existence of an A3 board on the wall near the cashier. However, the report does not include details of transactions per member. In terms of accessibility, members can request free

Huberman, and Saldaña (2014) model consisting of data condensation (thematic coding), data display, and conclusion drawing/verification. Data validity was tested using Lincoln and Guba's (1985) four criteria: credibility (source and method triangulation, member checking), transferability (thick description of context), dependability (audit trail), and confirmability (researcher reflexivity).

photocopies, but no digital channels (website, WhatsApp, or social media) are available. Timeliness is also a problem: ideally, the monthly report is available by the 10th, but in reality it often comes out after the 20th or even 25th because manual reconciliation takes 10–14 days.

Role of Business Reports in Accountability

Business reports serve as written evidence of BMT management's accountability to members through the Annual Member Meeting (RAT). I-01 explained: "At the end of each year, we prepare a complete report that is internally audited. The report is read at the RAT and becomes the basis for members to assess management performance."* Documentation shows that the 25-page annual report includes a balance sheet, profit-loss statement, cash flow statement, financing report, social fund report, and notes to the financial statements. However, member participation in the RAT is only about 6–7% (70–80 out of 1,200 members). Accountability is also reflected in management performance evaluation: management uses monthly reports to monitor NPF (target <5%) and profit-sharing margins. The following are BMT Fajar's key performance indicators for January–June 2025:

Table 1. Monthly Financial Performance of BMT Microfinance Institution

Month	Total Assets (Million IDR)	Financing (Million IDR)	Profit-Sharing Margin (Million IDR)	NPF (%)	Social Funds (Million IDR)
January	2,450	1,800	185	2.8	45
February	2,520	1,850	190	2.9	48
March	2,600	1,910	200	3.1	50
April	2,680	1,960	208	3.0	52
May	2,750	2,020	215	3.2	55
June	2,830	2,100	225	3.4	58

Reciprocal Relationship between Transparency and Accountability

This study found a circular relationship that mutually reinforces transparency and accountability. The more transparent the report (for example, by detailing the use of social funds per program), the easier it is for members to assess management accountability. Conversely, demands for accountability from members encourage management to be more transparent (Kusumawati et al., 2023). I-01 gave an example: "Last year we detailed the orphan support from zakat funds. Members then knew what their money was used for. Because of questions from members, this year we are even more detailed."* This positive cycle is still in its early stages because about 85% of members have never requested detailed reports.

Obstacles to Preparing Business Reports

Three main obstacles were found. First, HR limitations: I-01 is a high school graduate, self-taught in accounting, with no formal training in the last three years because the training budget is only IDR 2 million per year (Sari & Putri, 2023). Second, information technology limitations: only manual Excel, reconciliation errors 20% (3 out of 15 times in 6 months), no accounting software (Pratama & Kusuma, 2022). Third, consistency and timeliness: only one staff member; if on leave or sick, reports are delayed up to H+25; Excel files were corrupted twice in one year.

Three-Tier BMT Reporting Model (Minimum Viable Transparency)

Based on the empirical findings, this study proposes a Three-Tier Reporting Model designed to improve transparency and accountability in BMT microfinance institutions while considering operational capacity constraints. The first tier, Concise Monthly Reporting, emphasizes the timely disclosure of ten key performance indicators, including total assets, financing, profit-sharing margin, NPF, social funds, number of members, profit-sharing ratio, efficiency level, *qardhul hasan* funds, and realization percentage. These reports should be

published no later than seven days after the end of each month (H+7) through accessible communication channels such as notice boards, WhatsApp groups, and cloud-based platforms like Google Drive. This approach ensures that members receive essential information regularly and can monitor institutional performance without waiting for more comprehensive reporting cycles.

The second tier, Detailed Quarterly Reporting, provides a more comprehensive financial disclosure, including the balance sheet, profit and loss statements by product category, cash flow statements, statements of changes in equity, and detailed reports on social fund management for members with savings exceeding IDR 10 million. The third tier, Audited Annual Reporting, integrates all quarterly reporting components with additional elements such as an independent auditor's opinion, financial ratio analysis, a sharia compliance statement issued by the Sharia Supervisory Board (DPS), and the institution's strategic plan. This annual report is intended for members participating in the Annual Member Meeting (RAT), regulators, and other stakeholders. The model is grounded in the principle of minimum viable transparency proposed by Mulyani and Sari (2022), which argues that timely and concise disclosure is often more valuable for accountability than comprehensive reports that are delivered too late to support effective decision-making.

Implications and Limitations

Theoretical implications: enriches the literature on the circular transparency-accountability relationship (Zubaidah & Nugraeni, 2023) and the concept of minimum viable transparency for micro-BMTs.

Practical implications: recommendations for HR training, adoption of open-source IT (Prabowo, 2025), use of free digital channels, cross-training of staff, and phased implementation of the three-tier model.

Limitations: limited generalizability (single case study), only one key informant, and no quantitative measurement.

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