



Factors Determining the Successful Performance of Baitul Maal Wat Tamwil in Wonosobo

Qosdan Dawami

International Islamic University Malaysia, Malaysia

Corresponding email: qosdan.dawami@live.iium.edu.my

Dzuljastri Abdul Razak

International Islamic University Malaysia, Malaysia, dzuljastri@iium.edu.my

Hamdino Hamdan

International Islamic University Malaysia, Malaysia, hamdino@iium.edu.my

Article History

Received: November 30th, 2020 Revised: January 6th, 2021 Accepted: January 21st, 2021

Abstract

Notwithstanding Baitul Maal wat Tamwil (BMT) has spread tremendously over the past three decades in Indonesia, some of them faced various obstacles that hamper their effectiveness and sustainability. While some of others sustained and developed well, even in the economic crisis conditions. Hence, this study aims to investigate the factors that determine the successful performance of BMT. This study is a field research with triangulation as a mixed method approach through semi-structured interviews and questionnaires. Whereby the empirical data were collected by means of conducting semi-structured interviews with 3 managers of the BMTs and administering questionnaires to 285 employees of the BMTs. This study examined five factors that influence the BMT performance, namely the capital structure of funding, the governance of the BMT, the human resource adequacy, the product innovation and the repayment of financing products. The results pointed that among the five selected factors, only three factors had positive and significant influence on the successful performance of the BMT, they are the capital structure of funding, the human resource adequacy and the product innovation. The result of this study will also assist policy makers and the BMT managers in further improving the effectiveness and sustainability of the BMT in Indonesia.

Keywords: Baitul Maal wat Tamwil, effectiveness, sustainability, triangulation and Indonesia

JEL Classification: A19, B23, C39, C51

Type of paper: Research Paper

@ IJIEF 2021 published by Universitas Muhammadiyah Yogyakarta, Indonesia
All rights reserved

DOI:

<https://doi.org/10.18196/ijief.v4i1.10484>

Web:

<https://journal.umy.ac.id/index.php/ijief/article/view/10484>

Citation:

Dawami, Q., Razak, D. A., & Hamdan, H. (2021) Factors determining the successful performance of Baitul Maal Wat Tamwil in Wonosobo. *International Journal of Islamic Economics and Finance (IJIEF)*, 4(1), 79-100. DOI: <https://doi.org/10.18196/ijief.v4i1.10484>

I. Introduction

1.1 Background

Currently, Microfinance institutions (MFIs) are experiencing an incredible growth worldwide. The key success story of microfinance is an innovative lending scheme which suits the condition of the poor and low income people such as flexible procedures, group-based model, collateral free along with a package of beneficial business skill development (Obaidullah, 2008). Those innovative loan schemes fill the gaps of traditional banking system which is unsuitable for illiterate poor and microentrepreneurs. Moreover, Financial innovation and flexibility are an essential element of loan schemes to achieve a triple bottom-line (Visconti, 2016).

Despite this success story has been documented, some poor people and microentrepreneurs living in Muslim-majority countries do not utilize financial products and services of conventional microfinance because of prohibited elements in them such as *riba*, *gharar* and *maysir* (Rahman, Al Smady, & Kazemian, 2015). Hence, the emergence of Islamic microfinance institutions is a great bounty for Muslim microentrepreneurs to be able to obtain affordable financial products and services that comply Shariah principles.

Accordingly, the success of Islamic microfinance in responding to unmet affordable Islamic financial products has to lead to the emergence of new market niches. Bank of Khartoum (2016) further emphasized that Islamic microfinance has great potential to step higher level into a leading industry worldwide, whereby its annual growth further enhanced about 20% during the 2015 – 2018 or it records double-digit growth rate of development.

In Indonesia, the revival of Islamic microfinance movement coincides with the development of Islamic finance. The basic concept of cooperative-based Islamic microfinance model was first implemented through the establishment of BMT Teknosa in 1984. This concept developed and spread well with the establishment of the leading BMTs such as BMT Tamzis and BMT Beringharjo in the early 1990s. It experienced tremendous development since 1995, whereby the total number of BMTs accounts about 5500 units by the end of 2015 (Yuniar, 2015). Therefore, the BMTs have has developed tremendously in the last three decades throughout Indonesia.

Moreover, the number of microenterprises still dominates the entrepreneurship sector in Indonesia. Ascarya & Rahmawati (2018) explained that despite microenterprises dominate the country's entrepreneurship with a total amount of more than 90 percent of all businesses, they always face a lack of financial product and services access. Then, the efforts that support

the sustainability and outreach of BMTs are a crucial endeavour because the BMT is considered as the leading Islamic microfinance model to further enhance and empower microenterprises in Indonesia.

However, some of BMTs are facing several obstacles that hamper their effectiveness and sustainability. Consequently, they were ended up or bankrupt due to their inability to overcome the issues that they are currently facing in the operation (Hamzah, Rusby, & Hamzah, 2013). There were some major challenges that hampered the sustainability of the BMTs, but the limited capital structure of funding and inadequate human resources were the most challenging problems faced (Nasution & Ahmed, 2015). Besides, most of the BMTs also deal with limited regulation and supervision as they are regulated and supervised under the Ministry of Cooperatives, Small and Medium enterprise.

Meanwhile, Adnan, Widarjono, & Anto (2009) ascertained several BMTs have more resilience and endurance toward the fluctuation of economic and political situations. Those BMTs are able to further enhance their sustainability and outreach throughout Indonesia by establishing branches in different cities. In fact, they also run smoothly even if the country is hit by an economic crisis. Moreover, they are able to resolve the social market failure, with a double-bottom mission, without relying on subsidized funds (KNKS, 2019). In this respect, they have greater outreach and self-sustainability by absorbing more employments and assisting more microentrepreneurs.

Notwithstanding, there is a huge gap between the performance of the failed BMTs and the successful BMTs, as well as the gap of the large demand of microenterprises and the limited capability of Islamic microfinance in Indonesia. Pinz & Helmig (2015) also further emphasized that the existing literature on the successful performance factors of microfinance remains relatively scarce.

1.2 Objective

The objective of this study is to examine the determinant of the successful performance of the BMTs using triangulation research methods and analysis. The primary quantitative data were collected via distributing questionnaires and analyzed using SPSS version 24.0, whereas the primary qualitative data were collected via semi-structured interviews. Moreover, the result of study also provided some recommendations to policy makers and the BMT managers in order to further improve the effectiveness and sustainability of the BMTs in Indonesia.

The paper is further organized as follows: Section 2 elaborates and theoretical literature on the success factors of microfinance and the conceptual framework of the study. Section 3 describes the research methodology of the study. Section 4 exhibits the data analysis results from the both questionnaire and semi-structured interview data. Section 5 presents the conclusion and recommendation of this study.

II. Literature Review

2.1 Background of Theory

Zeller & Meyer (1995) explained that the main conceptual framework of microfinance's successful performance was known as the triangle of microfinance, namely financial sustainability, outreach range and the welfare impact. Ledgerwood (2000) also ascertained that financial sustainability and substantial outreach are the basic objectives of the microfinance since its establishment. Whereby microfinance movement was initiated by a civil society movement in helping and empowering the poor and needy people.

However, achieving the triangle of microfinance simultaneously is so far unmet and remaining troublesome since microfinance still faces the adverse effect issues (Morduch, 1999). In addition, Ascarya, Rahmawati, & Tanjung (2016) also emphasized that each pillar of the microfinance triangle raises the mission drift issue as it is mostly tough for microfinance institutions to achieve all objectives at the same time.

Meanwhile, Chaves & Gonzalez-Vega (1996) pointed that the concept of successful performance of MFIs is characterized by good quality services, precise loan portfolios and deposit mobilization, reaching the bottom line of society and profitable institutions. Adnan *et al.* (2009) further explained that the successful performance of microfinance is a complex conceptual framework and measured using diverse indicators growth, profitability, financial statement analysis, growth in total asset, number of depositors or total outstanding projects being financed.

On the other hand, Ascarya *et al.* (2016) emphasized that the concept of microfinance is not a new notion in Islam, whereby Islamic teachings pay great attention to poverty alleviation and social welfare improvement since fifteen centuries ago by obligating *Zakah* and prohibiting the circulation of wealth only among the rich people. Islamic microfinance offers a better alternative microfinance model which integrates social and financial inclusion, known as Holistic financial inclusion (HFI).

Furthermore, Ascarya (2014) also ascertained that Islamic microfinance applied HFI by establishing two main divisions, namely the Baitul Maal division that covers social-demographic programs and the Baitul Tamwil division that manages financing programs. Hence, an Islamic microfinance model provides not only Islamic financial products and services, but also covers social-development products such as healthcare, social services and education.

2.2 Previous Studies

Generally, there are a number of studies on the problems and challenges that faced by both conventional and Islamic microfinance. However, the number of existing literatures on the determinants of the successful performance of microfinance is relatively limited, especially in the context of Islamic microfinance. Some of those studies are, among others, Adnan *et al.* (2009), Ascarya ,(2014), Ascarya *et al.* (2016), Ismanto (2015), Zubair (2016).

The important determinants of the best BMTs' performance in Indonesia, according to Adnan *et al.* (2009) include the management salary rate, the staff qualifications, product attributes and the staff management skills. They also pointed that the number of products and working hours have a negative relationship with the successful performance of the BMT.

Meanwhile, Ascarya (2014) emphasized that the main sustainability indicators of conventional and Islamic microfinance are aid independence, coverage, savings program, profitability, risk mitigation, social services, pick-up services and average financing. This study further exhibited that those main sustainable indicators are embedded more in an Islamic microfinance model than in a conventional microfinance model.

Moreover, Ascarya *et al.* (2016) conducted the study regarding the objectives, aspects and elements of holistic financial inclusion on *Maqasid* Shariah through Baitul Maal wat Tamwil. They mentioned that the most influencing HFI performance factors sequentially, namely funding independent, consumption smoothing, microfinancing, income increase, easy access, a mindset change, empowered, micro saving and basic needs fulfilment.

On the other hand, Ismanto (2015) investigated the factors influencing the sustainability of BMT in Pekalongan by utilizing four independent factors, namely Regulation, Supervision, Institutional capacity and macroeconomic conditions. However, the regression analysis exhibited that all four selected independent variables determined insignificantly the sustainability of the BMT.

In addition, Zubair (2016) further conducted the study on factors determining sustainability of BMT in Yogyakarta. The study mentioned that there are five factors determined significantly the sustainability of BMT, namely regulation, supervision, structure of institutions, quality of human resources and capital respectively.

Accordingly, the recent literatures focusing on the real determinants of the successful performance of BMT are relatively limited and scarce. Indeed, the successful performance factors are relatively different from one study to another or a lack of consensus. Thus, based on the above previous studies and the addition of product innovation and repayment of financing products, this study utilizes five selected independent factors in determining the successful performance of BMT, namely the capital structure of funding, the governance of the BMT, the human resource adequacy, the product innovation, the repayment of financing products.

2.3 Conceptual Framework

The findings from the background of theory and previous studies stipulate the main elements for constructing the conceptual framework of this study. The Conceptual Framework refers to a model of how a theory relates various identified variables includes dependent and independent variables as a logical function (Sekaran, 2003). With the help of this conceptual framework, the hypothesis of the study can be postulated and examined whether the concept developed is valid or invalid and significant or insignificant. The conceptual framework of this study can be seen in figure 1.

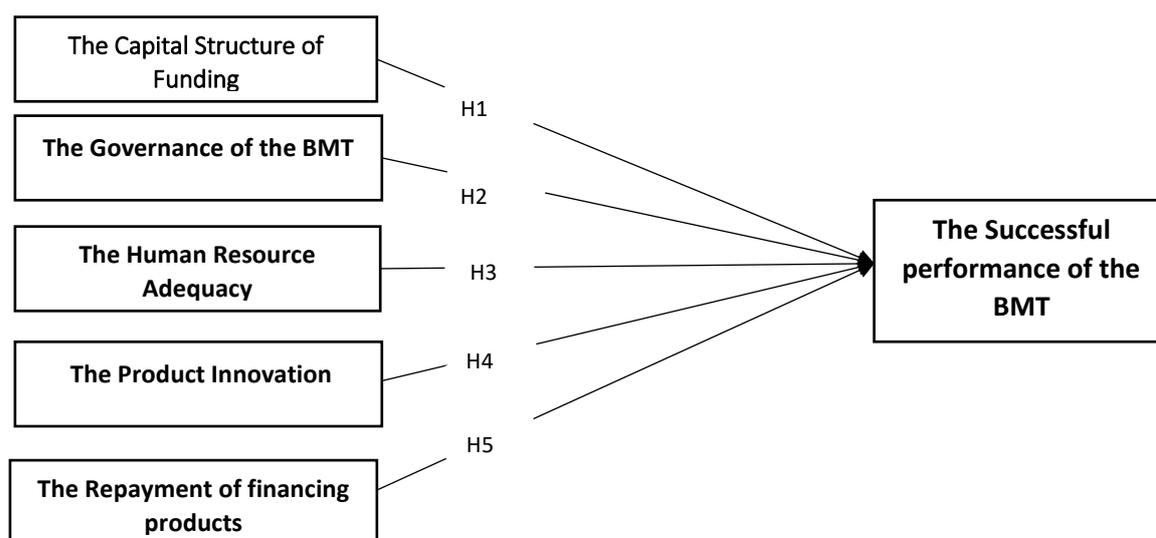


Figure 1. Conceptual Framework
Source: Author's own work (2020)

2.4 Hypothesis Development

2.4.1 Capital Structure of Funding

Capital structure of funding is playing an important role in achieving the sustainability of a business entity's performance including IMFI performance. In fact, the most challenging issues faced Islamic microfinance are inadequate capital structure and limited access to sources of funds (Rahman *et al.*, 2015). Furthermore, Zubair (2016) discovered from his study that the capital aspects has been proven to have a positive and significant effect on the sustainability of BMTs.

In addition, Ahmed (2002) further ascertained that stability and sustainability of microfinance operations are determined significantly by adequate internal or external funds. Besides, the main capital structure of BMT funds is the savings of the members which are relatively small, limited and high liquidity (Nasution & Ahmed, 2015). Therefore, capital structure determines the success or failure performance of BMT.

H1: Capital structure of funding determines significantly the successful performance of the BMT

2.4.2 Governance of the BMT

Governance of the BMT is also playing a significant role in determining the MFI performance (Hartarska, 2005). This aspect protects the BMT members and the institution from bankruptcy that caused by capital structure mismanagement. In this respect, good governance provides and ensures principles, regulations and guidelines of microfinances are well executed (Zubair, 2016). Furthermore, Ledgerwood (2000) also emphasized that good governance generates successful management characteristic such as integrity, good control mechanism, transparency and disclosure. Hence, the good governance determines whether the BMT performance is good or not.

H2: Governance of the BMT determines significantly the successful performance of the BMT in Indonesia

2.4.3 Human Resource Adequacy

An adequate human resource of an organization is pivotal element that ensures the effectiveness and sustainability of MFIs. The adequacy of human resource is influenced by the qualification, working experience and training frequency of the employees (Zubair, 2016). Furthermore, Adnan *et al.* (2009)

found in their study that education level, working experience and skill of employees determined significantly the best performance of the best BMT.

According to Haneef, Pramanik, Mohammed, Amin, & Muhammad (2015), the development and the sustainability of microfinance was disturbed and constrained by three main issues such as high cost of operation, high interest rate and inadequate human resources. Besides, they also ascertained that there was a positive relationship between Islamic microfinance and human resource development. Therefore, the human resource adequacy greatly affects the performance of the BMT.

H3: Human Resource Adequacy determines significantly on the successful performance of the BMT in Indonesia

2.4.4 Product Innovation

Product Innovation determines the sustainability and outreach of the BMT. Islamic products innovation attracts the attention of Muslim microentrepreneurs to become clients of IMFs (Karim, Tarazi, & Reille, 2008). The reason is IMFs not only provides affordable financial products and services, but also resolves the issue of *riba, gharar and maysir* to the poor and microentrepreneur Muslims (Obaidullah & Khan, 2008).

Moreover, Ledgerwood (2000) emphasized that the product innovation is very important for ensuring the financial stability of the microfinance as it generates higher financial liquidity and minimizes the adverse selection and moral hazard. Besides, Adnan et al. (2009) discovered that product innovation affects significantly the performance of the best BMT. Therefore, the innovation of products contributed a role in ensuring the financial stability and sustainability of microfinance.

H4: Innovation of Products and services determines significantly the successful performance of the BMT in Indonesia

2.4.5 Repayment of financing Products

Repayment of financing Products is the key determinant for transforming the poor and non-bankable microentrepreneurs into bankable ones. Morduch (1999) ascertained that a new innovative repayment program of microfinance becomes the key of their successes, whereby innovation of products was able to cater the need of the poor such as group-lending mechanism.

Furthermore, Visconti (2016) found in his study that the most influencing factor of microfinance performance in competing with the banking industry is innovative installments which adjusts the poor and microentrepreneur merits such as flexible installments, peer pressure repayments, small and short repayment installments. Hence, the repayment instalments mechanism plays an important role in determining the successful performance of the BMT.

H5: Repayment of financing mechanism determines significantly the successful performance of the BMT in Indonesia

III. Methodology

3.1 Data

This study only covers the research in all BMTs in Wonosobo due to several reasons such as COVID-19 pandemic, budget and time constraints. Thus, the population of the study is the entire BMTs staffs in Wonosobo which accounts between 900-1000 staffs. This study also uses Slovin's sampling method in determining the target sample size. The formula of Slovin's sampling methods can be written as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where n , N and e refer to sample size, population size and sampling error or level of precision (5%) respectively. By using the above formula, this study ascertains that the sample size of the study is 285 respondents. Out of 285 distributed questionnaires, there are only 205 questionnaires were returned and completed successfully. Hence, the response rate of the data was about 72 percent.

For data collection purposes, an administered questionnaire was organized into two sections. The first sections collected the demographic information of respondents such as gender, marital status, age, length of work, education level, specialization of education and job titles. The second section focused on the respondents' assessment toward the factors determining the successful performance of the BMT. The factors are assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). This section consists of 32 questions that adapted from the previous studies on the successful performance determinants of BMT (Ismanto, 2015; Zubair, 2016). The data collection was executed in Indonesian language and conducted from March to July 2020.

Meanwhile, the primary qualitative data were collected through conducting semi-structured interview with 3 managers of different BMTs, they are BMT

Tamzis, BMT Bina Surya Mandiri and BMT Al-Hikmah. The face-to-face interviews were conducted in Indonesia language and performed from June to August 2020.

Hereinafter, the first analysis was a demographic analysis of the respondents using SPSS version 24.0, the analysis of the respondents' demographic was elaborated as follows: *Firstly*, Gender information reflected that 107 respondents were male, and 98 respondents were female. *Secondly*, Marital Status information indicated that 30 respondents were single, 168 respondents were Married, 7 respondents were widow/widower. *Thirdly*, Age information showed that 1 respondent were below 20 years, 73 respondents were 20-30 years, 104 respondents were 31-40 years, 27 respondents were above 40 years. *Fourthly*, Education information exhibited that 71 respondents were having a college qualification, 10 respondents were having a diploma qualification, 122 respondents were having a degree qualification, and 2 respondents were having a postgraduate qualification. *Fifthly*, Job Title information exhibited that 21 respondents were cashiers, 2 respondents were Sharia Supervisory Board (DPS), 15 respondents were Managers, 84 respondents were marketing and 83 respondents were others. *Sixthly*, Length of working experience information indicated that 18 respondents were having less than 5 years of working experience, 53 respondents were having 1-5 years of working experience, 74 respondents were having 6-10 years of working experience, 60 respondents were having more than 10 years of working experience. *Seventhly*, Frequency of training information pointed that 59 respondents had training frequency at less than 5 times, 87 respondents had training frequency at 5-10 times, 26 respondents had training frequency at 10-15 times and 33 respondents had training frequency at more than 15 times (see Table 1.)

Table 1. Demographic of the Respondents

Variables	Category	Frequency	Percentage
Gender	Male	107	52.2
	Female	98	47.8
Marital Status	Single	30	14.6
	Married	168	82.0
	Widow/Widower	7	3.4
Age	Below 20	1	0.5
	21-30 Year	73	35.6
	31-40	104	50.7
	More than 40	27	13.2
Education	College	71	34.6
	Diploma	10	4.9
	Degree	122	59.5
	Postgraduate	2	1.0
Job Title	Cashier	21	10.2
	DPS	2	1.0
	Manager	15	7.3
	Marketing	84	41.0
Length of Working	Others	83	40.5
	Below 1 Year	18	8.8
	1-5 Year	53	25.9
	6-10 Year	74	36.1
	More than 10	60	29.3
Frequency of Training	Less than 5	59	28.8
	5-10 times	87	42.4
	10-15 times	26	12.7
	More than 15	33	16.1

Source: author's analysis (2020)

3.3 Method

Triangulation is an approach to the decision-making process that offers more efficient and comprehensive in conducting a broader case study analysis (Saunders, Lewis, & Thornhill, 2009). This approach triangulates multiple sources of data within one study to ensure a coherent conclusion and to strengthen the validity of the study (Creswell, 2009). Thus, this study triangulates qualitative and quantitative data collection through semi-structured interviews and questionnaires in ensuring a coherent conclusion and strengthening the validity of the study.

To analyse the above data, this study utilized reliability, validity, factor analysis and multiple linear regression using SPSS version 24.0 to identify the

significance level of the successful performance determinants of the BMT. The Reliability and validity test were applied to measure the consistency and appropriateness of the findings (Saunders et al., 2009). This process was followed by the statistical analysis of the second part of questionnaires to investigate the respondents' assessment toward the factors determining the successful performance of the BMT, namely factor analysis, multiple linear regression analysis, F-simultaneous test and t-partial test.

Meanwhile, to analyse the semi-structured interview data, the interview recording was converted into interview transcripts. Then, those transcripts will be coded and classified into some sub-topics according to the related the successful performance determinants of the BMT. This analysis is mainly adopted to strengthen the statistical analysis and findings on the real determinants of the successful performance of the BMT.

IV. Results and Analysis

4.1 Result

This study employed factor analysis for the purpose of verifying the interrelationship of five selected independent variables as a group of factors in this study that influence simultaneously the successful performance of the BMT. In this order, the study conducted the Kaiser-Mayer-Olkin (KMO) and the Bartlett's sphericity tests to determine whether the data are compatible for factor analysis or not (Bizri, 2014). If the KMO measure of sampling adequacy (KMO-MSA) is greater than 0.05 and the Bartlett' sphericity significance is less than 0.05, It pointed that the data are compatible for further factor analysis. The results of this study exhibited that KMO-MSA was 0.883 and the Bartlett' sphericity significance was 0.00 (see Table 2.). Hence, it is concluded that the data of this study are compatible for further factor analysis because the KMO-MSA value of this research data was greater than 0.05 and its Bartlett' sphericity value was less than 0.05.

Accordingly, the factor analysis was conducted utilizing the principal component analysis. The communalities result exhibited that extraction values of all independent variables, namely the capital structure, the governance of the BMT, the human resource adequacy, the product innovation and the repayment of financing products, they are 0.714, 0.813, 0.746, 0.743 and 0.605 respectively (see Table 3.). It indicated that all variables have communalities value greater than 0.05. Then, it is concluded that those variables can be used to determine the factor.

Table 2. Kaiser-Mayer-Olkin and Bartlett’s sphericity tests

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.883
Bartlett’s Test of Sphericity	Approx. Chi-Square	631.758
	Df	10
	Sig.	0.000

Source: author’s analysis (2020)

Table 3. Communalities Results

Variables	Initial	Extraction
Capital structure of funding	1.00	0.714
Governance	1.00	0.813
Human Resource Adequacy	1.00	0.746
Product Innovation	1.00	0.743
Repayment of financing products	1.00	0.605

Source: author’s analysis (2020)

4.2 Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to find out the relationship and coefficient of each factor that determine the successful performance of the BMT. The result of this study exhibited that the constant value or the intercept of this study was 1.373. It also depicted coefficients of five independent variables, namely the capital structure, the governance of the BMT, the human resource adequacy, the product innovation and the repayment of financing products, they were 0.319, -0.026, 0.373, 0.312, 0.013 respectively (see Table 4.). The coefficients of four variables, namely the capital structure, the human resource adequacy, the product innovation and the repayment of financing products, were positive values. It indicated that those four variables have a positive relationship with the successful performance of the BMT. On the other hand, the coefficient of the governance of the BMT has negative value, this result pointed that the governance of the BMT has a negative relationship with the successful performance of the BMT.

Furthermore, the study further analysed the accuracy level of this regression model using the coefficient determination values. Model summary R-square It pointed that R-square value of this multiple linear regression was 53.9 percent. It is concluded that this regression model predicts the determinants of the successful performance of the BMT at the 53.9 accuracy level and the other 46,1 percent were predicted by other factors (see Table 5.). Accordingly, this proposed multiple linear regression model has a good prediction accuracy level.

Table 4. Multiple Linear Regression Result

Variables	Coefficients	t-computed	p-values
Constant	1.373	1.021	0.309
Capital structure of funding	0.319	3.837	0.000
Governance	-.026	-.267	0.790
Human Resource Adequacy	0.373	4.263	0.000
Product Innovation	0.312	2.898	0.004
Repayment of financing products	0.013	0.176	0.860

Source: author's analysis (2020)

Table 5. Model Summary

Model	R	R Square	Adjusted R Square
1	0.734 ^a	0.539	0.527

Source: author's analysis (2020)

4.3 Hypothesis Testing

As elaborated in the literature review above, this study developed five proposed hypotheses in which all explanatory variables determine significantly the successful performance of the BMT. Besides, the partial correlation analysis was conducted using T-test, the simultaneous correlation analysis also executed utilizing F-test. The simultaneous F-test results exhibited that significance value of this regression model was 0.000, so it was known that this significance value was less than 0.05 (see Table 6.). Hence, the study confirmed that all explanatory variables selected in this study, namely the capital structure, the governance of the BMT, the human resource adequacy, the product innovation and the repayment of financing products, determined simultaneously the successful performance of the BMT.

Furthermore, the multiple linear regression analysis exhibited also the *p*-values of three explanatory variables, namely the capital structure of funding, human resource adequacy and the product innovations, were 0.00, 0.000 and 0.004 respectively. Whereby all those *p*-values were less than 0.05 at the 5 percent significance level. In short, the study concluded that three explanatory variables above in this regression model are statistically significant in determining the successful performance of the BMT. On the other hand, the multiple linear regression analysis depicted that the *p*-values of two other variables, namely the governance of the BMT and the repayment of financing products, were 0.790 and 0.860 respectively (see Table 4.). Wherein all those *p*-values were greater than 0.05 at the 5 percent significance level. Hence, it is decided that the governance of the BMT and the repayment of financing products are statistically insignificant in determining the successful performance of the BMT.

Table 6. Simultaneous F-test Result

Model	F-computed value	Sig.
Regression	46.462	0.000 ^b

Source: author's analysis (2020)

On the other hand, semi-structured interview data analysis exhibited that they are three important factors that determine the successful performance of the BMT, namely the capital structure of funding, human resource adequacy and the product innovation. This can be concluded from the answers and explanations of the three informants about what factors are important for the sustainability of the BMT. For instance, the first informant ascertained:

"If a BMT wants to be sustainable for a long time, it is necessary to manage the available capital properly and conscientiously by adopting a good capital management system. In addition, fighting spirit is an important factor for managing an institution. However, if it is not supported by a good management system, it can lead to fraud and mismanagement issues that caused the failure of the financial institution, especially an institution such as a BMT whose main sources of funds come from the relatively limited savings of members."

Moreover, second informant emphasized that the quality of human resources can determine significantly the successful performance of the BMT, as he said:

"It is clear that the first significant factor that determines the successful performance of the BMT is human resource adequacy. Hence, how to make our staffs as qualified human resources becomes an important part because the recruitment of BMT staffs is not only devoted to whom has financial or Islamic economics qualifications. On the other hand, BMT recruits diverse staffs with diverse mindsets and diverse educational background on the condition that they are ready to try and learn."

Furthermore, the next important factor that determines the successful performance of BMT is product innovation. This factor has a significant contribution in maximizing the benefits of its liquidity, minimizing the risk of financing and fulfilling the dire need of microenterprises. This was emphasized by a third informant in his statement as below:

"Another important thing that needs to be maintained by BMT for its sustainability is variety and innovation of products, it has to adapt and keep abreast of the needs of society at all times. For example, BMT has to adapt the

digital platform model or financial technology, to provide financial products of tuition fees and hospital fees which are now becoming increasingly expensive.”

4.4 Analysis

Pinz & Helmig (2015) emphasized that determining the successful performance factors of microfinance was a challenging and endless endeavor. However, by combining and developing the previous studies in this field, the effort will solve this unsolved puzzle and reach the consensus findings with regard to the successful performance determinants of microfinance.

The above results are consistent with the those discovered by Ahmed (2002), Nasution & Ahmed (2015), Zubair (2016) regarding the significance of the capital structure of funding in determining the successful performance of microfinance. In fact, the capital structure of funding contributes mainly to All microfinance, including BMT in attempting the triangle objectives of microfinance, namely financial sustainability, outreach range and the welfare impact. Besides, this factor also further offers the higher liquidity and enhances the level of economic activity of an institution.

The results are also in the line with the previous studies such as Adnan *et al.* (2009), Haneef *et al.* (2015), Zubair (2016) concerning the importance of the human resource adequacy in influencing the successful performance of microfinance. It indicates that the BMT staffs perceive themselves to become a qualified and professional staff that help microfinance in improving the positive business culture and productivity. Hence, financial institutions generally allocate a lot of funds to hold training and seminars with the aim of improving their human resource adequacy, as a part of the positive business and productivity enhancement schemes.

Meanwhile, concerning the product innovation, the results are consistent with those found by Adnan *et al.* (2009), Ledgerwood (2000), Obaidullah & Khan (2008) who found that the product innovation of microfinance has a significant positive effect on the successful performance of the microfinance. In particular, the main motive of Islamic microfinance is providing the precise solution for the Muslim poor and microentrepreneurs needs in obtaining affordable Islamic financial products and services. Besides, this element helps the microfinance in keeping up consistently with the changing needs of society, so that the schemes are on the right and efficient target.

On the other hand, the results are contradicting with the those discovered by Zubair (2016) regarding the governance of the BMT which was found to have an insignificant effect on the successful performance of the BMT. This

disagreement might be explained by the fact that BMT staffs perceive the bundle of governance mechanisms imposed by the Ministry of Cooperatives, Small and Medium enterprise as a big challenge that has positive and negative impacts. The bundle is able to strengthen the financial mechanism security at a side, but it becomes a burden and reduces the productivity of BMT staffs at the other side.

Finally, the results also contradict with the notion suggested by Visconti (2016) concerning the repayment mechanism of financing which was discovered to have an insignificant effect on the successful performance of the BMT. This indicated that the respondents perceive the repayment mechanism as unprioritized consideration of clients engaging with the financial product and services of microfinance.

V. Conclusion and Recommendation

5.1 Conclusion

Summarily, the main objective of this study is to determine the successful performance factors of the BMTs in Wonosobo. The demographic analysis of respondents showed that BMTs offers relatively equal job opportunities for both men and women as they hire the men and women staffs relatively at the same portion. This aspect indicated that BMT contribute to social welfare, equality and justice. Besides, the results pointed that the BMTs in Wonosobo have qualified and professional staffs as they have regular training and undergraduate-majority staffs.

Furthermore, the overall results of analyses also exhibited that that all the five selected factors determined simultaneously the successful performance of BMT based on the above simultaneous F-test results. However, the study concluded, based on t-partial correlation analysis, that only three factors determined partially and significantly the successful performance of the BMT, they are the capital structure of funding, human resource adequacy and the product innovation.

Meanwhile, it is noteworthy that the conceptual framework in this study is a valuable addition to the current literature in the same topic. The above results of the analysis also contribute to empirical support to the conceptual framework of this topic and enrich the evidence of its applicability and compatibility. In addition, The results also offer precise instructions and guidelines to the practitioners and regulators on the real determinants of the successful performance of the BMT to be maintained and improved with the

aim of promoting the triangle objectives of microfinance includes financial sustainability, outreach to the poor and the social welfare impact.

5.2 Recommendation

At last, this study recommends the BMT managers to develop adequate and professional staffs, to further innovate new products and to adopt financial technology development in order to ensure the triangle objectives of microfinance achievement. It also recommends policy makers to provide regular seminar and training programs for the BMT staffs with the aim of improving human capital skills and proficiency.

Similarly, this study further recommends the future studies to extend this study into greater scope of the study includes the sample, population and methodology of the study in order to investigate the validity and reliability of the current conceptual framework of the study.

References

- Adnan, M. A., Widarjono, A., & Anto, M. B. H. (2009). Study on factors influencing performance of the best Baitul Maal Wat Tamwils [BMTS] In Indonesia. *Iqtisad*, 4(1), 13–35. <https://doi.org/10.20885/iqtisad.vol4.iss1.art2>
- Ahmed, H. (2002). *Financing microenterprises: An analytical study of Islamic microfinance institutions*. 9(2). Retrieved from <http://www.irti.org/English/Research/Documents/IES/110.pdf>
- Ascarya. (2014). Sustainable conventional and islamic microfinance models for micro enterprises. *ISRA International Journal of Islamic Finance*, 6(2), 49–85. <https://doi.org/10.12816/0019263>
- Ascarya, & Rahmawati, S. (2018). Analysis of the determinants of micro enterprises graduation. *Journal of Islamic Economics, Banking and Finance*, 14(1), 12–60. <https://doi.org/10.12816/0051166>
- Ascarya, Rahmawati, S., & Tanjung, H. (2016). Holistic financial inclusion based on maqashid shariah through Baitul Maal Wat Tamwil. *Singapore Middle East Insight Islamic Finance Special*, (2), 16–17. <https://doi.org/10.23976/ifs.2016011>
- Bank of Khartoum. (2016). Islamic microfinance: From a Market Niche to a growing industry. In *Global Islamic Finance Report 2016* (pp. 226–258).
- Bizri, R. M. (2014). A study of Islamic banks in the non-GCC MENA region: Evidence from Lebanon. *International Journal of Bank Marketing*, 32(2), 130–149. <https://doi.org/10.1108/IJBM-04-2013-0035>
- Chaves, R. A., & Gonzalez-Vega, C. (1996). The design of successful rural financial intermediaries: Evidence from Indonesia. *World Development*, 24(1), 65–78. [https://doi.org/10.1016/0305-750X\(95\)00114-R](https://doi.org/10.1016/0305-750X(95)00114-R)
- Creswell, J. W. (2009). *Research design: Qualitative, quantitative and mixed methods approaches*. In *SAGE* (3rd ed.). California, USA: SAGE Publications.
- Hamzah, D., Rusby, D. Z., & Hamzah, Z. (2013). Analysis problem of Baitul Maal Wat Tamwil (BMT) operation in Pekanbaru Indonesia using Analytical Network Process (ANP) approach. *International Journal of Academic Research in Business and Social Sciences*, 3(8), 215–228. <https://doi.org/10.6007/ijarbss/v3-i8/138>
- Haneef, M. A., Pramanik, A. H., Mohammed, M. O., Amin, M. F. Bin, & Muhammad, A. D. (2015). Integration of waqf-Islamic microfinance model for poverty reduction: The case of Bangladesh. *International Journal of Islamic and Middle Eastern Finance and Management/Managerial Finance*, 34(10). <https://doi.org/10.1108/mf.2008.00934jaa.001>
- Hartarska, V. (2005). Governance and performance of microfinance institutions in Central and Eastern Europe and the Newly

- Independent States. *World Development*, 33(10), 1627–1643. <https://doi.org/10.1016/j.worlddev.2005.06.001>
- Ismanto, K. (2015). Faktor-faktor Yang mempengaruhi eksistensi BMT/BTM di Pekalongan. *Jurnal Litbang Kota Pekalongan*, VOL 9(January 2015).
- Karim, N., Tarazi, M., & Reille, X. (2008). Islamic microfinance : An emerging market Niche. *CGAP Focus Note*, 49(Agustus), 1–30. <https://doi.org/91682-00001 BK:10587484.3>
- KNKS. (2019). Baitul Maal Wat-Tamwil (BMT): A Faith and community Based. In *Komite Nasional Keuangan Syariah*. Retrieved from https://knks.go.id/storage/upload/1577610881-KNKS_Case Study_BMT.pdf
- Ledgerwood, J. (2000). *Microfinance handbook: An institutional and financial perspective (sustainability banking with the poor)* (Third). Washington, D.C: The World Bank.
- Morduch, J. (1999). The microfinance promise. *Journal of Economic Literature*, 37(4), 1569–1614. <https://doi.org/10.1257/jel.37.4.1569>
- Nasution, R. E. F., & Ahmed, H. (2015). Outreach and profitability trade-off: Does Synergy between islamic banking and islamic microfinance institutions matter?. *Indonesian Capital Market Review*, 7(2), 57–73. <https://doi.org/10.21002/icmr.v7i2.4853>
- Obaidullah, M. (2008). *Role of microfinance in poverty alleviation: Lessons from experiences in selected IDB member countries*. <https://doi.org/978-9960-32-175-2>
- Obaidullah, M., & Khan, T. (2008). Islamic microfinance development: Challenges and initiatives. In *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.1506073>
- Pinz, A., & Helmig, B. (2015). Success factors of microfinance institutions: State of the art and research agenda. *Voluntas*, 26(2), 488–509. <https://doi.org/10.1007/s11266-014-9445-2>
- Rahman, R. A., Al Smady, A., & Kazemian, S. (2015). Sustainability of Islamic microfinance institutions through community development. *International Business Research*, 8(6), 196–207. <https://doi.org/10.5539/ibr.v8n6p196>
- Saunders, M., Lewis, P., & Thornhill, A. (2009). Research methods for business students. In *International Journal of the History of Sport* (Fifth, Vol. 30). <https://doi.org/10.1080/09523367.2012.743996>
- Sekaran, U. (2003). Research methods for business - a skill building approach. In J. Marshall (Ed.), *John Wiley & Sons* (Fourth). <https://doi.org/http://dx.doi.org/10.1108/17506200710779521>
- Visconti, R. M. (2016). Microfinance vs. traditional banking in developing countries. *International Journal of Financial Innovation in Banking*, 1(1/2), 43. <https://doi.org/10.1504/ijfib.2016.076613>
- Yuniar, G. N. (2015). Development of MSMEs (Micro , Small and Medium

Enterprises) by Baitul Maal Wat Tamwil (BMT) as an Instrument for Poverty Reduction. *Advances in Economics and BUsiness*, 3(2), 41–44. <https://doi.org/10.13189/aeb.2015.030201>

Zeller, M., & Meyer, R. L. (1995). The triangle of microfinance: Financial sustainability, outreach and impact. In *The Jons Hopkins University Press, Baltimore and London*. <https://doi.org/10.2307/1149305>

Zubair, M. K. (2016). Analisis faktor-faktor sustainabilitas lembaga keuangan mikro syariah. *IQTISHADIA Jurnal Kajian Ekonomi Dan Bisnis Islam*, 9(2), 201. <https://doi.org/10.21043/iqtishadia.v9i2.1728>

This page is intentionally left blank.