



## The Effect of Islamic Micro Financing on The Level of BMT Customer's Welfare

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### Abstrak

*Tujuan penelitian ini adalah untuk mengukur dan menganalisis pengaruh pembiayaan mikro syariah terhadap tingkat kesejahteraan masyarakat pada nasabah BMT melalui perkembangan usaha sebagai variabel intervening. Metode penelitian ini menggunakan data primer yang diambil secara acak terhadap 53 nasabah Bina Ummat Sejahtera Kantor Pusat Lasem, Kabupaten Rembang. Alat analisis yang digunakan untuk mengolah data dalam penelitian ini menggunakan software IBM spss 21. Hasil penelitian ini menunjukkan bahwa pengaruh perkembangan usaha nasabah terhadap tingkat kesejahteraan nasabah berpengaruh positif dan signifikan, pengaruh pembiayaan mikro syariah terhadap perkembangan usaha berpengaruh positif dan signifikan, pengaruh pembiayaan mikro syariah terhadap tingkat kesejahteraan nasabah melalui perkembangan usaha sebagai variabel intervening berpengaruh positif dan signifikan. Namun, pengaruh pembiayaan mikro syariah terhadap tingkat kesejahteraan nasabah berpengaruh negatif dan tidak signifikan. Kesimpulan dari hasil penelitian tersebut mengungkapkan bahwa masih ada pembiayaan yang tidak digunakan untuk kegiatan produktif melainkan digunakan untuk kegiatan konsumtif. Selain itu masih ada nasabah yang butuh pendampingan usaha supaya dapat menciptakan kesejahteraannya masing-masing.*

### Abstract

The purpose of this paper was to analyze the influence of Islamic micro financing to the level of society welfare at BMT customers through the development of business as an intervening variable. The method of this study used primary data drawn at random to 53 customers of Bina Ummah Sejahtera Office Center in Lasem, Rembang. The analytical tool used to process the data in this study was IBM SPSS software 21. The influence of the customer's business to the level of customer's welfare was positive and significant, the influence of Islamic micro financing to business development was positive and significant, the influence of Islamic micro financing to the level of customer welfare through the development of business as an intervening variable was positive and significant. However, the influence of Islamic micro financing to the welfare of customers was insignificant and negative. The paper of these studies revealed that there are still financing is not used for productive activities but for consumptive activities. In addition, there are customers who need business assistance in order to create economic welfare of each.

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## INTRODUCTION

Welfare is one of the goals of the Indonesian nation as stated in the preamble of the 1945 Constitution. The state must provide facilities that can be utilized by the community in an effort to improve the welfare. One such facility is the micro financing that can be utilized by the community to increase their productivity. Khan (2008) argues that access to credit creates a good cycle of investment and income increase that can break the cycle of poverty. Credit creates opportunities for entrepreneurs, poor borrowers and, in turn, increases their income and increases consumption and investment. The opinion of Khan (2008) clearly illustrates that the existence of Micro Finance Institution (MFI) is very necessary.

Income earned from productive activities make the community are able to meet basic needs, health needs, educational needs and other needs. The main mission of micro financing is to help the community be economically independent. However, providing loans with very high interest rates does not help them in developing and increasing revenue. Giving a high interest rate will be burdensome for the customer because the customer must return the loan plus high interest. It is unfair, selfish, and what is more, it involves exploitation. Therefore, islamic micro financing is present through shariah microfinance institutions in this case is BMT. BMT is expected to provide solutions to conventional micro financing problems that have high interest rates.

Mu'alim and Abidin (2005) states that BMT is an economic organization focused on the development of cooperation, investment, micro bussiness and poverty alleviation through profit sharing system. In addition, the result of research put forward by Supriyanto (2006) indicates that business development affects the efforts to improve the welfare of the community. Ananda (2011), the provision of credit affects the development of micro and small enterprises. The results of previous studies differ from the facts that occur in BMT Bina Ummat Sejahtera Lasem. In accordance with the initial interview, according to Mr. Agus as the Head of Operational Section of BMT BUS Lasem states that, although the public interest in financing in BMT BUS is high and the assets owned by BMT continue to increase but the role of BMT in improving customer welfare is very small that is only 30%. This phenomenon will be a problem in further research because there are indications that customers take islamic micro financing used for consumptive purposes rather than productive purposes.

Meanwhile efforts in improving the welfare, customers must have income from the results of the business undertaken. Based on the description, it is necessary to conduct research that aims to know and measure the significance level of islamic micro financing to the level of customer welfare through business development as intervening variable. According to Durham in Suud (2006: 7), welfare can be defined as organized activities for the improvement of social welfare through helping people to meet needs in some field of life such as the ability to increase household income, the ability to meet basic needs, the ability to meet educational needs, the ability to meet health needs, the ability to meet social needs, and the ability to invest and pay zakat.

Business development is a form of effort to the business in order to grow better and reach at one point or the peak towards success (Nurrohmah, 2015). Increased earnings of a business is seen from the increase in profits of a business, increased the number of customers owned by a business, and increased customer demand for the needs of production goods. Islamic micro financing is a financial system that aims to provide loans to the poor people by using Islamic principles and ethics. Islamic micro financing indicators are financing requirements, financing procedures, financing ceilings, financing terms, and financing agreements. The financing terms and procedures are included in the transaction cost or transaction fee by the customer. If the transaction costs incurred large it will reduce the revenue earned by customers. The financing ceiling also has an effect on the customer's income. According to Widoatmojo (2000), the higher the capital the customers get, the higher the income, but the higher the risk or called high return high risk.

Choosing the right time period also affects the outcome of the customer's income. Installment payment incurred each month includes from fixed costs. Fixed costs are costs which total amount remains constant, not affected by changes in the volume of activity up to a certain level. The lower the fixed costs incurred the higher the customer's income. The higher the activity level, the lower the fixed cost per unit. The lower the activity level, the higher the fixed cost per unit (Mulyadi, 2015: 13). The statement is in accordance with the theory of internal funds (internal funds theory of investment) states that the desired stock of capital depends on the level of profit. The realized profit accurately reflects the expected profit. Because capital demand depends on the expected returns, capital demand is positively related to realized profit (Nanga, 2001: 129). The selection of the agreement in accordance with the specified margin also has an effect on customer's income. From the description above, it can be made H1 the conformity of islamic micro financing has a positive effect on business development.

Customers can prosper if the customer is able to meet basic needs and other needs. Customers are able to meet basic needs if able to earn income both from service and non-services bussiness. Therefore, the better the customer manage financing well then the customer will be able to meet the needs of daily life. The statement is in accordance with welfare theory which is in general can be classified into three kinds, namely classical utilitarian, neolassical welfare theory, and new contractarian approach (Albert and Hahnel, 2005: 77). The classical utilitarian approach emphasizes that one's pleasure can be measured and increased. The neolassical welfare theory approach explains that the function of welfare is a function of all individual satisfaction. The next development in welfare theory is the emergence of new contractarian approach that raises the maximum freedom in the life of individual or person. From the description, it can be made H2: islamic micro financing has a positive effect on the level of customer welfare.

Customers income may increase if business develops. BMT financing to members as additional capital can lead to business development and improve welfare. The growth of a business is seen from the factors of income, profit, production level, and number of customers. Increased the income of a business if the income of the business increases, followed by the increase of profit and the number of customers, it can be said that the business is progressing. The effort of the customer in raising income may be in accordance with the theory of legitimacy which states the general perception and assumption that the action of an entity desired must be precise or in accordance with the norms, values, beliefs and definitions. Legitimacy is very important for the company or business entity because the legitimacy of the community to the bussiness entity can be a factor affecting the development of business entities in the future. Revenue earned by the customer can then be used to meet the basic needs included in the customer welfare indicators. Thus, it can be made H3: business development has a positive relationship to the level of customer welfare.

Customers can prosper if the customer is able to meet basic needs and other needs. In accordance with the theory of welfare which states that the improvement of welfare is measured by certain dimensions, namely the ability to meet basic, additional, and others needs. Customer's effort in fulfilling the needs is by earning revenue from both service and non-service business. One of the efforts made is to utilize islamic micro-financing facility with the aim to provide additional capital for middle-low customer without any interest element in it. Financing must be well managed and in accordance with the principles of sharia and in accordance with the theory of legitimacy which states the general perception and assumption that the action of a entity desired must be precise or in accordance with the norms, values, beliefs and definitions..

Legitimacy is very important for the company or business entity because the legitimacy of the community to the bussiness entity can be a factor affecting the development of business entities in the future. With the growth of bussiness entities in the future, it will be followed by an increase in income that can prosper the community. If the customer has a high income then the customer will be able to meet the basic needs and other needs such as educational needs, social needs, etc. which are indicators of

welfare level. Based on the description above, it can be made H4: the conformity of islamic micro financing positively affects the level of customers welfare through business development as intervening variable.

## METHODS

This study used primary data obtained directly by distributing questionnaires on respondents with random sampling techniques to customers of BMT Bina Ummat Sejahtera Lasem. Sample taken from this study came from the population of all customers of BMT Bina Ummat Sejahtera Lasem which then obtained a sample of 100 respondents. Data processing techniques used IBM SPSS 21 software analytical tool. The classification of variables in this study could be seen from table 1 operational definition of research variables.

**Table 1.** Operational Definition Of Research Variables

Variables	Indicator	Measurement
Suitability of Islamic micro Financing (KPMS): financing provided by financial institutions either sharia bank, KJKS or other sharia financial institution to customers or other parties by applying profit sharing system to net profit with profit margin as agreed (Anshori, 2007: 98 ).	Micro Financing Requirements	Ordinal Scale
	Financing Procedures	Likert Scale
	Financing Ceiling	Ratio Scale
	Financing Period	Ratio Scale
	Type of Micro Financing Agreement	Likert Scale
(TK) : The Level of Customer Welfare (TK): organized activities for social welfare improvement through helping people to meet needs in some areas of life such as family and child life, health, social adjustment, leisure time, living standards, social relations (Durham in Suud, 2006: 7).	Ability to increase household income	
	Ability to meet basic needs	
	Ability to meet educational needs	
	Ability to meet health needs	
	Ability to meet social needs	Likert Scale
	Ability to invest and pay zakat	
Business Development (PU): a form of effort to the business in order to grow better and reach at one point or the peak towards success (Nurrohmah, 2015).	Increased revenue of a business	
	Increased earning of a business	
	Increased number of customers owned by a business	Likert Scale
	Increased customer demand for the needs of production goods	

Source: Primary Data processed, 2016

Data analysis techniques in this study used descriptive statistical analysis which used to provide an empirical overview or description of the data collected in the study (Ferdinand, 2014). Descriptive

analysis was used to give easier understanding in measuring indicators of each variable. Data processing techniques used classical assumption test, hypothesis testing, and path analysis.

**RESULTS AND DISCUSSIONS**

This study had a questionnaire level that could be processed that was equal to 88% of the total questionnaire distributed from 60 respondents.

**Table 2.** The Level of Questionnaires Return

Distributed questionnaires	60
Unreturned questionnaires	-
Returned questionnaires	60
Unprocessed questionnaires	7
Processed questionnaires	53

Source: Primary data, 2016

Table 3 obtained result that the customer had a level of welfare in the category of quite good, however for the level of business development was only in the good category. As for the independent variable, BMT service in running the financing procedure was quite good. The type of contract taken by the customer was also in accordance with the initial agreement. The requirements in proposing the financing provided by BMT was also easy for customers. Customers tend to take a financing ceiling of a light financing category. The time period taken by the customer was short period of time due to BMT also avoided long period of time because it had a high risk.

**Table 3** Variables Frequency Distribution

Variables	Category	Highest Frequency
Level of Customer's Welfare	Very Good	38
Business Development	Good	47
Financing Procedures	Very Good	39
Types of Financing Agreement	Very Suitable	38
Financing Requirements	Easy	34
Financing Ceiling	Low	49
Financing Period	Short term	38

Source: Primary Data processed, 2016

The results of the classical assumption test in this study know that there was no multicollinearity in this study in accordance with table 4 below.

**Table 4.** The Result of Multicollinearity Test

Model	Tolerance	VIF
KPMS	0.914	1.094
PU	0.914	1.094

Source: Primary Data processed, 2016

While for heteroscedastisity test of KPMS variable seen affected by heteroscedasticity. In this study to improve the model affected by heteroscedasticity then the data transformed through natural Logarithm.

**Table 5.** The Result of Heteroscedasticity Test

Model	T	sig
PU	-1.105	0.275
KPMS	2.273	0.027

Source: Primary Data processed, 2016

The result of data transformation showed the parameter coefficient for independent variable was not significant, it could be seen from probability of significance above 5% confidence level ( $\alpha = 0,05$ ). So, it could be concluded that the model no longer contained heteroscedasticity as shown in table 6.

**Table 6.** The Result of Heteroscedasticity Test

Model	T	sig
KPMS	1.835	0.072
PU	-1.094	0.279

Source: Primary Data processed, 2016

While the result of hypothesis testing could be seen in table 7 as follows:

**Table 7.** Table of t Test

Hypothesis	Sig	A	Result
H1	0.033	0.05	H <sub>1</sub> Accepted
H2	0.588	0.05	H <sub>2</sub> Rejected
H3	0.000	0.05	H <sub>3</sub> Accepted

Source: Primary Data processed, 2016

Islamic micro financing had a positive and significant effect on the business development of customers. This result supported research conducted by Choirin Nikmah, Hari Sukarno, and Ana Mufidah (2014) which stated that micro financing affected the development of a business seen from the increase of turnover, assets, and profits. In addition, this was in accordance with the theory which stated that capital demand depended on the expected profit, then capital demand was positively related to realized profit (Nanga, 2001: 129). Additional capital or financing was one form of effort to develop a business. This was a consideration for the customer because in a BMT institution consisted of various kinds of financing and the amount of financing proposed must be appropriate and in accordance with the ability of customers in managing it.

**Table 8.** Table of Path Analysis

Hypothesis	T count	T table	Result
H <sub>4</sub>	7.3164	2.0086	H <sub>4</sub> was Accepted

Source: Primary Data processed, 2016

Islamic micro financing had a negative and insignificant effect on customer welfare level. The result of this research was consistent with research of Fitriani Prastawati & Emile Satia Darm (2016) which stated that micro financing had a negative effect on customer's welfare level. The welfare theory explained that welfare was individual inner satisfaction and freedom in maximizing his life. If the customer was able to do that meant the customer had a goal in achieving his well-being. But in reality, the perception of the customer in receiving the financing was not specifically for the welfare of his life but

may be for other purposes that were not in accordance with the purpose of creating prosperity himself. In other words, financing was used only for consumptive financing rather than for productive financing.

Business development had a positive and significant effect on customer welfare level. The results of this study was in accordance with the research of Fitriani Prastiawati & Emile Satia Darm (2016) which stated that the development of business positively affected the level of customer welfare. Another thing that underlied this finding is the role of legitimacy in running a company or business entity due to the legitimacy of the community to entities could be a factor affecting the development of business entities in the future. With the growth of business entities in the future would be followed by an increase in income that could prosper the community.

Path analysis method was used to examine the influence of intervening variable. To see the effect of mediation then seen from Sobel Test significant or not (Ghozali, 2011: 255). The result of Sobel Test showed that islamic micro financing had a positive and significant effect on the level of customer welfare through business development as intervening variables. This result was in accordance with the explanation of welfare theory where in fulfilling the welfare of society must be able to meet their needs through income earned. Revenue was income received by a person from a business or activity carried out within a certain period of time which may be goods and services (Fitriyaningsih, 2012). The revenue was obtained through micro financing that was well managed to produce a growing business. Business development is a form of effort to the business in order to grow better and reach at one point or the peak towards success (Nurrohmah, 2015). Increased business growth was followed by an increase in revenues, assets, sales, turnover, and level of production goods. If the income increased then the customer was able to fulfil his life needs such as basic needs, health needs, educational needs, and other needs.

## CONCLUSIONS

The conclusion in this research shows that intervening variable that is business development can directly mediate the influence between the conformity of islamic micro financing to the level of customer's welfare. Meanwhile, the conformity of islamic micro financing does not affect the level of customer welfare but the conformity of micro financing has a effect to business development of the customers. Other than that, BMT should monitor the use of financing so that customer financing is used for productive financing rather than for consumptive financing. Further research is expected to conduct research on all customer business criteria, ie trade, service business, fishery, farmer, home industry, and fisherman.

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