

Perceptions of Factors Affecting Performance of Financing Returns on BaitulMaalwaTamwil

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Abstract—The rate of return of a BaitulMaalwaTamwil (BMT) is one of the survival of BMT, which will be a contributing factor to the level of SHU. Sample of this research is 178 consisting of BMT which exists in North of Central Java. The method used is quantitative with Structural Equation Model (SEM) using Partial Least Squar (PLS) tool. The results of this research are variable pressure; the ability of actors has a significant positive effect on the variable rate of return on financing. Variable of legal uncertainty has a significant negative effect on the variable rate of return on financing. While variable of the return rate of financing has a significant positive effect to the rest of the business results (SHU). Thus, the implications of BMT need to strengthen the operational standards and the implementation of the system of financing and billing in order to reduce or even eliminate loan defaults, which will support the welfare of BMT members.

Key Words: *Loan Repayment, rest of the business results (SHU), worker's competence.*

I. INTRODUCTION

Baitul Mal Tanwil (BMT) is able to contribute in encouraging economic growth by helping the small business sector, where the small and informal business sector. The strategic position of the small and informal business sector is also because this sector has several advantages over large / medium businesses. The advantages of this sector include the ability to absorb labor and use local resources, and its business is relatively flexible.

Fund distribution to the community cannot be separated from the risk of bad financing. Observations in some BMT areas in northern Central Java, some BMT managers think that BMT NPF tends to be high. Distribution of financing at BMT is mostly for financing working capital in Micro, Small and Medium Enterprises (MSMEs). The main cause of NPF is the absence of payments or returns from members for the financing used and is the most risky problem faced by microfinance institutions such as financing that accommodates the financing risk control that will occur, one of the causes of bad financing.

Challenges from microfinance institutions according to [1], can come from external and internal factors. Challenges from internal factors greatly affect the performance of financial institutions so that countermeasures are needed as soon as possible. The most fundamental internal factor is from human resources (SDI). SDI deviations occur are internal risks that can affect the performance of financial institutions. In addition to supervision, the SOP of Financing has a role in the occurrence of violations due to the lack of strict sanctions imposed on financing violators. This is related to legal certainty applied in BMT. If the strengthening of SOPs is not implemented in a financial institution, it will open opportunities in each situation to be utilized by certain parties.

The pressure experienced by financing employees makes them tend to commit violations by playing their roles and functions in terms of financing, especially when there are opportunities and opportunities to do so. This should be the concern of financial institutions especially microin carrying out its financing operations. In addition to pressure and opportunity, employees who have the ability to tend to commit violations, consider violations committed are still within rational limits. The existence of fraud causes the distribution of financing to be unproductive. Therefore, the researchers aim to see how the perception of factors that affect the return on financing performance in BMT will affect the rate of return and automatically affect the Remaining Business Results (SHU).

II. LITERATURE REVIEW

BMT is one of the financial institutions established to help Muslim micro entrepreneurs as a poverty eradication strategy in the regional scope, where as an Islamic Microfinance Institution (MFI), it will divide its role into two functions, namely social and economic mission. The social mission is operated by Baitul Maal by collecting charitable funds (zakat, infaq and sadaqah and waqf) and distributing to those in need. Meanwhile, Baitut Tamwil

operations are based on commercial activities, where funds are managed productively and can generate profits. Basic BMT operations follow the cooperative model, where all people involved in BMT are members (e.g. staff and customers), they are responsible for paying membership fees. These costs will support BMT's mission to highlight the welfare of members by optimizing the costs of their contributions to BMT's commercial activities [2].

Distribution of loans through loans to members is one of the commercial activities that BMT does to maintain the survival of BMT. BMT performance can be seen from the ability of its human resources in all parts of the work structure. Especially in the financing section, which is responsible for the distribution of BMT funds. In terms of ability factors, it shows that loan monitoring frequency significantly affects the relationship between problematic borrowers and orderly borrowers. The results show that the more often employees visit customers, the higher the probability of the borrower to pay on time [3].

The performance of loan payments is very important to pay attention to [4], therefore checking the performance of repayment is necessary where if the borrower does not pay, the micro-finance company will experience liquidity disruption. When there is a loss in company liquidity due to a borrower who does not pay, it will result in a disruption in the distribution of loan funds between the microfinance company and the borrower. The ability of loan officers to analyze prospective customers about their ability in the financial sector to run a company is the cause of default. As a result, they do not know how to account for their business even when the lender makes a mistake, the borrower is responsible for the loan. In addition, the ability to analyze the financial prospects also affects the level of default [5].

The causes of loan defaults are high interest rates, inadequate loan sizes, poor appraisal, lack of monitoring, and inappropriate client selection. Steps to control loan deficits include training before and after disbursement, reasonable interest rates, client monitoring, and appropriate loan appraisal. In addition, MFIs must have clear and effective credit policies and procedures and must be reviewed periodically [6]. In addition, the occurrence of failure of payment by clients is a weak credit distribution process because it fails to distinguish between feasible and unworthy borrowers thus resulting in poor loan repayment performance. The credit distribution system needs to consider the factors that affect loan repayment performance. The recommendation for MFIs is the existence of member training in the proper utilization of loans and business management skills so that they can invest in profitable business ventures and improve their loan repayment performance [7].

The possibility that an MFI does not receive money back from borrowers is a common and often the most serious vulnerability. The MFI must be vigilant about the increase in nonperforming loans in the industry and place appropriate management strategies to reduce portfolio risk. In addition, MFI management must regularly review the credit risk techniques used and expand the loan monitoring framework. The MFI requires a monitoring system that highlights the problem of repayments clearly and quickly, so that

employees and their superiors can focus on delinquency (return) before getting worse. The cause of failure of loan repayment is the inability to manage loans from the internal. It is very important for MFIs to understand and focus more on internal causes of delinquency that they control more and find practical and achievable solutions to correct this problem. [8]

Credit staff is an intermediary between MFIs and customers, who are the leading staff in lending because they directly interact with clients. They face fairly heavy choices when considering the client's well-being and achieving employee performance targets. They also need to compromise when facing certain situations. Job stress can arise when the organizational system has not been properly prepared and management is not good. Especially when there are problems with returning financing, they will play a bad side [9]. Credit staff try to achieve good performance to support the company's success. In every job there is pressure, but whether the pressure is within the tolerance limit that can be accepted by employees or not. When the pressure is intolerable it can cause inconvenience to the employee in carrying out their work. Employees also need attention to the achievement of their performance and assistance in facing the problems faced so that the pressure will be felt lightly and employees will be able to work optimally. Pressures beyond the limit of exposure can also cause moral values to be invalid so that MFI managers need to pay attention to and deal with this problem, so that the sustainability of the company can be maintained [10].

But the management leadership is busy in the operations of the MFI, therefore it does not understand the best credit requirements in an ever changing microfinance environment. The ability of employees to analyze the character, capacity and size of a prospective customer's business and how to rank credit will affect the rate of return on loans. In addition, the MFI's corporate system in controlling the collection of collection credit for repayment must also not be ignored in maintaining the smoothness of loan payments (Moti, Masinde and Mugenda, 2012). In the loan has a high enough risk especially in financing products. The rate of return on financing is an indicator of success of the manager in the implementation of its financing operations, if the institution has a good operational standard (SOP), the performance of employees in managing problem financing can be said to be good, so that it can increase SHU BMT.

III. RESEARCH METHODOLOGY

The population in this study were BMT employees who were registered in the Indonesian BMT Association (PBMTI) in Central Java in the northern region of Java. Based on the distribution of data obtained 178 BMT employee respondents. The tool used in data collection is a questionnaire. Each variable is thought to have an effect on the return on financing and the return on financing is thought to have an effect on SHU. The analysis technique used in this study is quantitative analysis that uses models, such as mathematical models or statistical and econometric models. The results of the analysis are interpreted in a description, data processing with verification analysis methods to test hypotheses using Partial Least Squares

(PLS). Formally the latent variable in the model is a linear aggregate of the indicators. Estimate parameters obtained with PLS include three categories: Weight estimate, Path estimate, Means and parameter location.

IV. RESULT

A. Sample Profile

The results of the collection of data obtained were 178 respondents from BMT. Respondents in this study were managers of marketing, marketing, and BMT supervisors in northern Java. Respondent data of this study are; gender of the respondent was 62% male, 38% female, with age under 25 years 9%, age 25-30 years 24%, age 31-35 years 21%, age 36-40 years 20%, age above 40 years 26%. Working time is 10% under 2 years, 26% 2-5 years, 31% 6-10 years, 16% 11-15 years, 17% over 15 years. The last education respondents were 0.1% junior high school, 33% senior high school, 10% D3, 56% S1, 0.1% S2, With monthly income of 10% Below 1.5 million, 35% 1.5-2 million, 55% Above 2.5 million. Some respondents have attended several trainings such as law, billing management, billing strategies, and marketing.

B. Measurement Model Result

Of all BMTs identified that will affect the rate of return on financing consists of pressure, the ability of actors and legal certainty. Each variable is first tested for its validity and reliability

1) Convergent validity, an indicator is said to have good reliability if the value is greater than 0.7. While loading factors from 0.5 to 0.6 can still be maintained for models that are still under development. Based on the criteria the indicators of the research variables produce values above 0.5, so that it can be said that all questions from each indicator are valid for the model and able to explain what is measured.

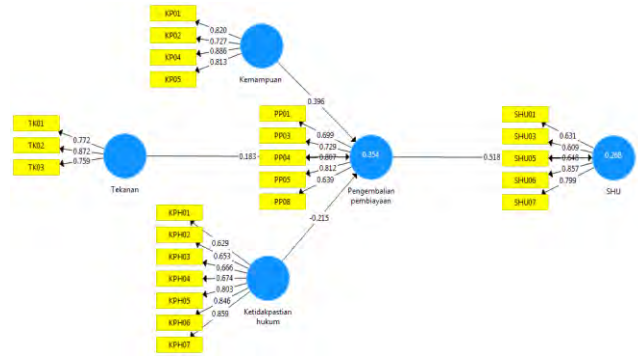
2) Composite reliability tests the reliability of a construct with criteria for composite reliability values greater than 0.7. Here is a picture of the composite calculation.

Information:

- 1) KP: Ability
- 2) KPH: Legal Uncertainty
- 3) PP: Refund Financing
- 4) TK: Pressure
- 5) SHU: Business Profit Difference

Table 1. Result Composite reliability

Variabel	Original Sample (O)
Ability	0,886
Legal Uncertainty	0,892
Refund Financing	0,857
Pressure	0,844
Business Profit Difference	0,837



Picture.1 Result output path factor

Table 2. Result Path Coefficients

	Original sample (O)	T statistics (O/STDEV)	P Values
Ability>Refund Financing	0,396	4,007	0,000
Legal Uncertainty > Refund Financing	-0,215	3,647	0,000
Refund Finanacing>SHU	0,518	8,875	0,000
Pressure > Refund Financing	0,183	3,379	0,001

From the results of processing data path coefficients, it can be concluded that the variables of pressure and the ability of actors have a positive effect on the return of financing. Variables of legal uncertainty negatively affect the return on financing. While the return on financing has a positive effect on SHU.

V. DISCUSSION

A. Effect of Pressure on Refund Financing

From the results of data testing it can be seen that the pressure variable has a positive relationship and affects the return of financing. So that the results in accordance with the temporary assumption that the pressure from the institution will affect the rate of return on financing. The pressure here is positive pressure from the institution, namely the financing target accompanied by giving bonuses to employees who can reach their targets. BMTs in the northern region mostly use bonus systems for employees who reach their monthly targets. High commitment to the institution and having the same vision and mission that is to drive the economy of the community in accordance with sharia. So, any pressure from superiors will not impose, instead spurring it to be better for carrying out activities as an economic rabbinical society. The pressure on BMT is still at the limit of tolerance with employees being given attention to the achievement of their performance and assistance in facing the problems faced so that the pressure

will be felt lightly and employees will be able to work optimally[10].

B. Effect of Legal Uncertainty on Financing Returns

From the results of data testing it can be seen that legal uncertainty negatively affects the return of financing. So that the results are in accordance with the temporary assumption, that legal uncertainty in a microfinance institution will affect the rate of return on financing. If the legal uncertainty of an institution is high, it will reduce the rate of return on financing. Because there are no rules and definite sanctions in financing, and tend to cause bad financing. Microfinance institutions have limitations for operational risk control. The contributing factors are the low capacity of operational risk management are untrained managers, low human resources and lack of policy commitment. So it is necessary to strengthen operational risk management and legal certainty so that microfinance institutions can survive [11]. Enforcement of a strong and strict law will minimize acts of irregularities, because with clear and integrated legal rules can provide fear to the perpetrators of fraud with sanctions.

C. Influence of Ability to Refund Financing

From the results of testing the data shows that the ability of the offender has a positive effect on financing returns. So that the results are in accordance with the temporary assumption, that the ability of the perpetrator influences the return of financing, if the actor's ability is better then the higher the return on financing. Because employees understand how management in billing and rules apply in billing and have a high commitment to the institution. Because the cause of the failure of payment by the client is a weak credit distribution process because it fails to differentiate between feasible and unworthy borrowers thus resulting in poor loan repayment performance. [7] The ability of employees to monitor loans significantly affects the relationship between problematic borrowers and orderly borrowers. The results show that the more often employees visit customers, the higher the probability of the borrower to pay on time[3].

D. Effect of Financing Returns on SHU

From the results of testing the data shows that the return on financing has a positive effect on SHU. So that the results are in accordance with temporary expectations. If the return on financing is higher then it will increase the value of the SHU of the microfinance institution. It can be said that bad financing in these institutions is categorized as small because of the smooth rate of return on financing which will have an impact on the distribution of SHU to members of microfinance institutions. The MFI's corporate system in controlling the collection of collection credit for repayment must also not be ignored in maintaining the smoothness of loan payments [12] This will support BMT's mission to highlight the welfare of members by optimizing the costs of their contributions to BMT's commercial activities[2].

VI. CONCLUSION

The results showed that the variables of pressure and the ability of actors have a positive effect on the return of financing. Variables of legal uncertainty negatively affect the return on financing. While the return on financing has a positive effect on SHU. From these results it can be seen that the perception of pressure, the ability of actors, legal uncertainty affect the performance of employees to increase the return on financing. The rate of return on financing affects the value of the SHU obtained by the microfinance institution. So that the performance of BMT employees can be seen from the amount of return on financing obtained. Financing returns which are one of the important instruments of the continuity of the BMT is to supply income which will have an impact on the distribution of SHU annually.

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pembiayaan masyarakat untuk UMKM . UMKM merupakan usaha perorangan yang masih dikerjakan seorang diri tanpa menggunakan karyawan . UMKM juga membutuhkan kepercayaan (trust) dari lembaga keuangan seperti BMT untuk memperoleh pembiayaan . Aktivitas pembiayaan pada BMT harus memperhatikan antara lain : 1) aspek aman (adanya keyakinan bahwa dana yang diberikan dapat diambil kembali sesuai dengan waktu yang telah disepakati); 2) aspek lancar (adanya keyakinan bahwa dan BMT dapat berputar dengan lancar dan cepat); dan 3) aspek keuntungan (adanya perhitungan dan proyeksi yang tepat sehingga dapat dipastikan dana-dana yang diberikan menghasilkan pendapatan) (Ridwan , 2004). Aktivitas pembiayaan dianggap rentan dan menjadi salah satu permasalahan yang seringkali terjadi pada BMT , khususnya BMT Mekar Da ' wah . Ali dan Ascarya (2010) melakukan penelitian mengenai tingkat efisiensi BMT dengan studi kasus pada Kantor Cabang BMT MMU dan BMT UGT Sidogiri . Penelitian menggunakan pendekatan Two Stage Data Development Analysis dan," vol. 1, no. July, pp. 121–138, 2017.

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