

ANALYSIS OF THE EFFECT OF EXTERNAL AND INTERNAL FACTORS ON BMT SUSTAINABILITY IN MALANG RAYA

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ABSTRACT

This study aims to examine and explain the influence of internal and external factors on sustainability. The research population is Baitul Maal wat Tamwil (BMT) which is located in Malang Raya as many as 32 BMT. The sampling method in this study used a purposive sampling technique so that the sample obtained in this study was 32 respondents using a saturated sampling technique (census) because the sample studied was the entirety of the existing population. Data analysis was performed using the Partial Least Square (PLS) method. The results showed that the variables that compose the external factors, namely regulation, supervision and infrastructure of the three variables, only one variable had a positive and significant influence on the sustainability of BMT in Malang Raya. Then the variables that make up the internal factors, namely human resources, management, capital and market reach, of the four variables only one variable has a positive and significant influence on the sustainability of BMT in Malang Raya, namely the human resource variable. The variables of external and internal factors that are determined to have an influence on the sustainability of BMT in Malang Raya are regulatory variables and human resource variables. These two variables can be used as a guide to improve BMT performance for BMT sustainability, especially in Malang Raya. Things that need to be done to improve the performance of BMTs are increasing the capacity of human resources for managing BMTs and accelerating self-regulation of BMTs.

Keywords: Regulation, Control, Infrastructure, Human Resources, Management, Capital, Market Reach, Sustainability.

INTRODUCTION

Economic activity in Indonesia has a close relationship with the financial sector. The financial sector is strongly supported by financial institutions. According to (Kasmir, 2005) financial institutions are for every company in the financial sector where its activities only collect funds or distribute funds. Micro-enterprises are one of the financial sectors that have an important role in the economy, but the micro-enterprise sector is difficult to develop because micro-entrepreneurs generally come from the lower classes of society who are considered to have no potential for funds by formal financial institutions and cause the pace of development to be delayed. The limited access to financing faced by Micro, Small and Medium Enterprises (MSMEs) to banking has made Micro Finance Institutions (MFIs) a source of funding for their micro businesses.

Microfinance Institutions (MFIs) are institutions that provide financial services in the form of savings, credit, and other financial services that are intended for the lower classes of society and do not have access to commercial banks. According to (Arsyad, 2008) Microfinance Institutions are institutions that provide financial services for micro-entrepreneurs and low-income communities, both formal, semi-formal, and informal which are not served by formal financial institutions and are market-oriented for business purposes. In Law No. 1 of 2013 concerning Microfinance Institutions, microfinance institutions are special financial institutions established to provide business development services and community empowerment, either through loans or financing in micro-scale businesses to community members, where the management of deposits and the provision of business development consulting services are not solely for profit.

Based on the UN declaration regarding the year of microfinance institutions in 2005 (International year of microfinance) it is recommended to realize the research agenda on the sustainability of Microfinance Institutions (MFIs) (Jiwani Jay & Husain, 2011). Several studies on Microfinance Institutions have focused on assessing the performance and sustainability of MFIs by evaluating financial indicators that directly affect the level of independence, reach and mechanisms of lending (Zubair, 2016). The design of an organization that will intermediary for financial services is very important, as this will determine the performance of the MFI and its success or failure (Chaves & Gonzalez-Vega, 1996).

In achieving development goals in several studies for the success of microfinance institutions, it has been shown by several developing countries, microfinance institutions are not only financial institutions but also as development tools in alleviating poverty. The ability of Islamic microfinance institutions in alleviating poverty does not only have billions of assets. but seen from its ability to maintain its financial balance, which is related to, among other things, maintaining the ability to collect funds from members and non-members, and the ability to channel business capital to the poor. There are two aspects that are often used as a guide in measuring the financial performance of an MFI, namely; outreach and sustainability. Outreach provides an indicator of the affordability provided by the MFI by looking at the number of customers and branch offices, while sustainability proves that the MFI is able to survive independently in collecting public funds without relying on foreign donor agencies or temporary government aid projects (grants). Sustainability according to the Association for Social Advancement (ASA) can be seen from the sustainability of institutions (Institutional Sustainability) and financial sustainability (financial sustainability). Institutional sustainability is the MFI's ability to operate sustainably which is supported by success factors in implementing cost-effectiveness as the main key to its business activities, while financial sustainability is the MFI's financial condition in its activities that can meet operating costs and funding costs for the long term (ADB, 2010). 2000).

The sustainability of microfinance institutions begins with operational continuity where the institution is able to cover operational costs without a source of income, then followed by financial independence, namely the institution covers business income using subsidized operating income and authorized capital. The final stage of sustainability on the financial side of the

institution includes not only operating costs, but also funding costs, inflation costs, and all non-cash costs completely without funding subsidies. One of the Microfinance Institutions that is experiencing relatively rapid development in Indonesia is the Islamic Microfinance Institution (LKMS). Sharia Microfinance Institutions in terms of principle are almost the same as Conventional Microfinance Institutions, but there are some differences in the contracts and transactions, namely the sharia system and no interest is allowed. This sharia system developed forms of financing for small businesses using profit sharing. As for the transaction activities, namely buying and selling, wadiah deposits, mudharabah, musyarakah, and zakat, infaq and shadaqah as well as other sharia financial services. Sharia Microfinance Institutions are described as an Islamic-based financial system or known as sharia. The LKMS referred to here is Baitul Mal wat Tamwil (BMT).

Baitul Maal wat Tamwil (BMT) is a financial institution that is profit socially oriented, because it has the function to collect, manage and distribute zakat, infaq, and shadaqah (ZIS) funds as a function of money which focuses on social aspects and functions to collect and distribute funds to the public. in the form of financing (Widodo, 1999). BMT was born to absorb the aspirations of the Muslim community amidst the anxiety of economic activities that contain usury and as supporting funding to develop small and medium enterprises. Sharia Microfinance Institutions such as BMT can provide financial benefits for small communities who are not bankable and refuse usury, because they are oriented to the people's economy. The presence of BMT on the one hand carries out the mission of Islamic economics and on the other hand develops the task of the populist economy by improving microeconomics, which is why the development of BMT is very rapid in the midst of the development of other conventional microfinance institutions (Masyitoh, 2014).

Since the BMT was first introduced in 1990, there have only been a few dozen units, and currently the number of BMTs has reached 4000 in September 2017, BMTs registered as members of the association are around 326 BMTs who currently manage the assets of approximately three million people. (Joelarsa, 2017). The World Giving Index which states that Indonesia is one of the most generous countries in donating cash donations, even the practice of managing Islamic social funds through Islamic philanthropic institutions and mosques has become very widespread and has become an important part of development and welfare creation in Indonesia. On the other hand, the sharia microfinance sector also continues to grow through cooperatives and sharia microfinance institutions that are purely Indonesian and have two functions, namely the amil function (Baitul Maal) and the financing function (Baitul Tamwil). However, although the development and practice of BMTs has been very widespread in Indonesia, marked by the establishment of around 4,500 BMT units throughout Indonesia (PBMT, 2018), there are still many problems and challenges faced by this sector, particularly related to institutional sustainability, so that its usefulness in eradicating poverty and making the community's economy independent (KNEKS, 2019).

In the 2019 Global Islamic Finance Report (GIFR), Indonesia ranks first in Islamic finance in the world. The National Executive Director of Islamic Finance said, "One of the reasons why Indonesia can become number one is the number of Islamic financial institutions in the world. The largest number of Islamic financial institutions comes from Baitul Maal wa Tamwil (BMT) in Indonesia, reaching more than five thousand. (KNEKS, 2019). In the event organized by the KNKS, BMT can be said to support Indonesia having the highest ranking in the world because of its number. BMT is a strong part in the development of Islamic economic finance and the development of MSMEs (Micro, Small and Medium Enterprises) in Indonesia. The development of BMT in Indonesia from year to year has increased.

BMT in Indonesia is one model of a simple Islamic financial institution. The BMT sector in Indonesia has the potential to be developed and is expected to overcome weaknesses in its operations. BMT should have pillars on basic principles that can affect the sustainability of the microfinance industry. A well-formulated principle is able to find the factors that determine the sustainability of BMT. The presence of BMT in East Java aims to improve the community's economy. This BMT is considered suitable for the people of East Java because the concept is in accordance with Islamic principles with the majority of the population being Muslim. So with the forerunner of Islamic values in every financial transaction, it is hoped that it can become a coveted microfinance institution in East Java. Based on BPS data in 2019, the number of BMTs that were established in East Java was 626 BMTs spread across 38 regencies and cities in East Java (BPS, 2019). Based on the number of BMTs spread across districts/cities of East Java, there are 5 cities/districts that have the highest number of BMTs and Malang Raya has more BMTs than 4 other cities/regencies, which is 42 BMTs spread across Malang Raya. Many BMTs in Malang are unstable and out of business due to their failure to manage the existing risks. When viewed from the operational risk aspect, BMT is a very risky financial institution because the control and supervision of the quality of human resources, professionalism, and integrity of the manager is still weak so that it is not uncommon to find fraudulent practices by BMT managers, such as embezzlement and misappropriation of customer funds and so on. The BMT problems that occur can be divided into two parts, namely from the external side and from the internal side.

From the external side, according to the Asian Development Bank (2000), things that need to be considered from the BMT problem, namely in terms of financial infrastructure, where infrastructure determines sustainability which consists of legal systems for financial transactions and law enforcement on an agreement/contract. The legal system for financial institution transactions also includes regulations with the principle of prudence and supervision of financial institutions. In Indonesia alone, the growth and wide distribution of BMTs is not matched by good data collection, where the regulation of BMTs is not clear from a regulatory and supervisory perspective, which still overlaps between relevant regulators. Furthermore, there is no conformity of data on the number of BMTs throughout Indonesia, both active and inactive (KNEKS, 2019). Especially in Malang Raya, this is also the case, where there is overlapping regulation and supervision of BMTs, some are incorporated as sharia cooperatives under the auspices of the Cooperatives Service and some are legal entities as sharia Microfinance Institutions under the auspices of the Financial Services Authority (OJK). Strengthening BMT from external factors requires the role of regulatory stakeholders such as the government, companies, associations and communities to support sustainability and prepare infrastructure for the growth and development of BMT (Ubaidillah, 2021). From the internal side, Siebel emphasizes the survival of MFIs, in this case BMT in general, which is taken from the experience of MFI practice in several countries. Siebel defines financial sustainability as the financial condition of an MFI which in its activities can meet the cost of funds for the long term. In order to have the ability to survive (Siebel, 1999). Internal factors that affect the survival of BMT are Human Resources (HR), capital, management, market reach and product innovation (Salam, 2008). We can see the problem from the internal factors of BMT in Malang, in the BMT

PSU. The phenomenon of the failure of BMT in Malang Raya, one of which is the BMT Perdana Surya Utama (BMT PSU Malang). the tempest of the bankruptcy of BMT PSU in July 2015 as many as 1200 customers demanded a return of investment funds of 17 billion. This happened because the leadership of BMT PSU Anharil Huda used third party funds to purchase land, thus making BMT PSU bankrupt, because BMT at that time only had funds of no more than 600 million (Jawa Pos, 2017). Based on the failure phenomenon from internal factors, namely there was a failure in managing the capital of third party funds, in this case members who were misused by the BMT leadership. And also based on this problem, the human resources of BMT are unprofessional in their work which has resulted in embezzlement and misappropriation of BMT funds.

The failure of the BMT PSU in Malang Raya affected the sustainability of the BMT business, the BMT PSU went out of business, the BMT could not survive in covering its operational costs when using business income generated from business activities. The sustainability of a BMT is very important considering the function of BMT in helping Indonesia's economic growth through MSMEs. Sustainability of Microfinance Institutions is the ability of institutions to survive continuously in covering operational costs by using business income generated from business activities (Woller, 1991). BMT can be said to be sustainable or can maintain its sustainability if it is able to survive in managing operational costs for the sustainability of a business. For this reason, researchers want to conduct research on BMT in Malang Raya, to be able to analyze what factors will affect the sustainability of a BMT and in the future based on the results of this study it is hoped that BMT in Malang Raya can maintain its sustainability.

LITERATURE REVIEW

Sharia Microfinance Institutions (LKMS)

Microfinance institutions (MFIs) are financial institutions specifically established to provide business development services and community empowerment either through loans or financing in micro-scale businesses to members and the community, managing deposits, and also providing business development consulting services that are not solely seeking profit. According to Law No. 1 of 2013 concerning Microfinance Institutions, it explains that Microfinance Institutions, hereinafter abbreviated as MFIs, are financial institutions specifically established to provide loans or financing in micro-scale businesses to members and the public, manage deposits, as well as provide business development consulting services. not just looking for profit. In its operations, MFIs can be run conventionally or with sharia principles. Sharia Microfinance Institutions (LKMS) are financial institutions specifically established to provide community development and empowerment services, either through loans or financing in micro-scale businesses to members and the public, managing deposits, as well as providing business development consulting services that are not solely seeking advantages that in its operations apply sharia principles.

Baitu Maal Wat Tamwil (BMT)

Baitul Maal wat Tamwil (BMT) is a financial institution that is profit socially oriented, because it has the function to collect, manage and distribute zakat, infaq, and shadaqah (ZIS) funds as a function of money which focuses on social aspects and functions to collect and distribute funds to the public. in the form of financing (Widodo, 1999). In its development, because BMT is a combination of two activities of different nature, namely profit and non-profit (social) in an institution, there are 3 types of business activities carried out by BMT, namely firstly financial services in the form of raising funds and distributing funds, secondly in the real sector. , and third in the social field (zakat, infaq, shadaqah). The financial services developed by BMT are in the areas of raising funds and distributing funds. The collection of funds by BMT is obtained through savings, namely funds entrusted by members to BMT to be distributed in the form of financing. These deposits can be in the form of wadi'ah savings, short-term and long-term mudharabah deposits. The distribution of BMT funds to members consists of two types, namely financing with a profit sharing system and buying and selling with deferred payments. Financing is the distribution of BMT funds to third parties based on an agreement between the two parties with a certain period of time and a predetermined profit-sharing ratio. This financing can be in the form of musyarakah and mudharabah financing. While the distribution of funds is in the form of buying and selling with deferred payments in the form of payments in installments, murabaha and payments are made at the end of the agreement. BMT real sector activities are a form of channeling BMT funds. However, the distribution of funds in the real sector is permanent or long-term and there is an element of ownership in it. This distribution of funds is called investment or participation, the investment made by BMT is by establishing a new business or entering into an existing business by buying shares, and the last social activities carried out by BMT include zakat, infaq, and sadaqah. Thus, the empowerment carried out by BMT is not limited to the economic side, but also in terms of religion.

Microfinance Institution Sustainability

ASA (2002) states that the sustainability of an MFI must be seen from the aspects of institutional sustainability and financial sustainability. This is in line with the concept of a balanced score card (Kaplan and Norton, 1996). Institutional sustainability is the ability of an MFI to operate sustainably which is supported by the success factors in implementing cost-effectiveness as the main key to its business activities. Cost Effectiveness is obtained, among others, through the implementation of a decentralized system while still referring to well-documented manuals. the contents of the manual include policies and procedures on operations, accounting, auditing, financing, and so on. All operational standards are prepared based on experience in the field and are made in a very simple form so that they are easy to understand and implement. Meanwhile, ASA's financial sustainability applies the principle that income must be able to cover all costs, such as costs of funds, management fees, costs of losses, financing and inflation. Basically, the sustainability of an MFI can be observed through the health level of the MFI concerned. Especially for KSP, the level of health is indicated by good performance and sustainable business activities. MFI sustainability must be seen from the aspect of institutional sustainability and financial sustainability. Steindwand's (2001) research on the performance of the BPR industry in Indonesia. BPR Sustainability Criteria are defined as a unified element to provide satisfaction to the three stakeholders, namely customers, shareholders, and regulatory agencies at the same time. There are three

factors that can be used to measure a sustainable BPR, namely: (1) Total asset growth, (2) Credit Quality (Loan Performance), and (3) Profitability.

METHOD

This explanatory research was intended to find out the hypothesis by looking at the relationship or influence, so this approach is used as an explanation of the relationship between phenomena variables and other variables. Based on the data, this study is categorized as quantitative research. The population in this study were Baitul Maal wat Tamwil (BMT) located in Malang Raya which consists of Malang City, Malang Regency and Batu City, East Java. The sample studied amounted to 32 BMT. The sampling technique is purposive sampling. This study uses primary data. Primary data were obtained from questionnaires given to respondents. The influence between variables was analyzed using PLS (Partial Least Square) analysis processed on the SmartPLS 3.0 program. The analytical approach consists of several stages; designing the outer model, designing the inner model, and constructing the path diagram (Sekaran dan Bougie, 2016). The results of the analysis are significant if the probability score is smaller than 0.05. Finally, the Sobel test was conducted to determine the significance of the mediation variable.

RESULT

Outer Model

The purpose of testing the outer model is to ensure that the items of measurement are valid and reliable. This test includes convergent validity and construct reliability tests.

a. **Convergence Validity**

A convergent validity test was conducted to determine the validity of the relationship between the questionnaire items and latent variables. An item is valid if the coefficient level of the outer loading (loading factor) is more than 0.5. Table 1 shows the results of the convergent validity test.

Table 1. The result of the convergence validity test

Variable	Indicator	Loading factor	Interpretation
Regulation (X ₁)	X1.1	0.238	Invalid
	X1.2	0.039	Invalid
	X1.3	0.996	Valid
Control (X ₂)	X2.1	0.878	Valid
	X2.2	0.504	Invalid
	X2.3	0.835	Valid
Infrastructure (X ₃)	X3.1	0.843	Valid
	X3.2	0.040	Invalid
	X3.3	0.663	Invalid
	X3.4	0.947	Valid
	X3.5	-0.097	Invalid
Human Resources (X ₄)	X4.1	0.567	Invalid
	X4.2	0.805	Valid
	X4.3	0.641	Invalid
Management (X ₅)	X5.1	0.997	Valid
	X5.2	0.997	Valid
Capital (X ₆)	X6.1	0.794	Valid
	X6.2	0.883	Valid
	X6.3	0.683	Invalid
	X6.4	0.824	Valid
Market Reach (X ₇)	X6.1	0.041	Invalid
	X6.2	0.833	Valid
	X6.3	0.937	Valid
Sustainability (Y)	Y1.1	0.774	Valid
	Y1.2	0.534	Invalid
	Y1.3	0.817	Valid

	Y1.4	0.807	Valid
	Y1.5	0.713	Valid

b. Construct Reliability

Composite reliability is an indicator to measure a construct based on the coefficient of view latent variable. Composite reliability is evaluated by checking the internal consistency and Cronbach's alpha. A variable is reliable if *Cronbach's alpha* is equal to or greater than 0.70.

Table 2. The result of the construct reliability test

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted	Interpretation
Regulation (X ₁)	0.381	0.332	0.350	Not Reliable
Control (X ₂)	0.640	0.746	0.574	Not Reliable
Infrastructure (X ₃)	0.447	0.972	0.411	Not Reliable
Human Resources (X ₄)	0.486	0.486	0.460	Not Reliable
Management (X ₅)	0.994	0.994	0.994	Reliable
Capital (X ₆)	0.809	0.822	0.639	Reliable
Market Reach(X ₇)	0.647	0.572	0.525	Not Reliable
Sustainability (Y)	0.781	0.796	0.542	Reliable

Inner Model

The inner model describes the relationship between latent variables based on substantive theory. Evaluation is done by looking at the R² value for the dependent construct, Stone-Geisser Q-square for the predictive relevance, t-test, and the significance of the path coefficients. Inner model is described as follows:

Table 3. Coefficient of determination

Independent Variables	Dependent Variables	R ²
Regulation (X ₁), Control (X ₂), and Infrastructure (X ₃)	Sustainability (Y)	0,536
Human Resources (X ₄), Management (X ₅), Capital (X ₆), and Market Reach (X ₇)	Sustainability (Y)	0,623

The coefficient of determination on the influence between external factors are Regulation (X₁), Control (X₂), and Infrastructure (X₃) on Sustainability (Y) is 0.536. Although, internal factors are Human Resources (X₄), Management (X₅), Capital (X₆), and Market Reach (X₇) on Sustainability (Y) is 0.623. This means that 53.6% of the sustainability is constructed by external factors and 62.3% by internal factors.

Hypothesis Test and Model Construction

The exogenous variables consist of Regulation (X₁), Control (X₂), Infrastructure (X₃), Human Resources (X₄), Management (X₅), Capital (X₆), and Market Reach (X₇), while the endogenous variables is Sustainability (Y). A model is good if the hypothetical model is in line with the result of data analysis. Hypothesis testing is based on a significance level of 0.05 (or a table value of 1.645). The results are displayed as follows:

Table 4. The results of hypothesis testing

No	Effect	t _{statistics}	p-value	Interpretation
1.	X ₁ -> Y	2.027	0.044	Significant
2.	X ₂ -> Y	0.972	0.507	Not Significant
3.	X ₃ -> Y	1.425	0.446	Not Significant
4.	X ₄ -> Y	2.607	0.009	Significant
5.	X ₅ -> Y	0.609	0.543	Not Significant
6.	X ₆ -> Y	1.562	0.119	Not Significant
7.	X ₇ -> Y	0.846	0.398	Not Significant

Table 4 shows the results of the study that in general it is seen that there are many influences from variables that have statistics smaller than table (1,645), with a significance value (p-value) greater than 0.05. Therefore, the effect of exogenous

variables on endogenous variables is not significant. This will be discussed further in the next section. Based on these results, the research model built is as follows:

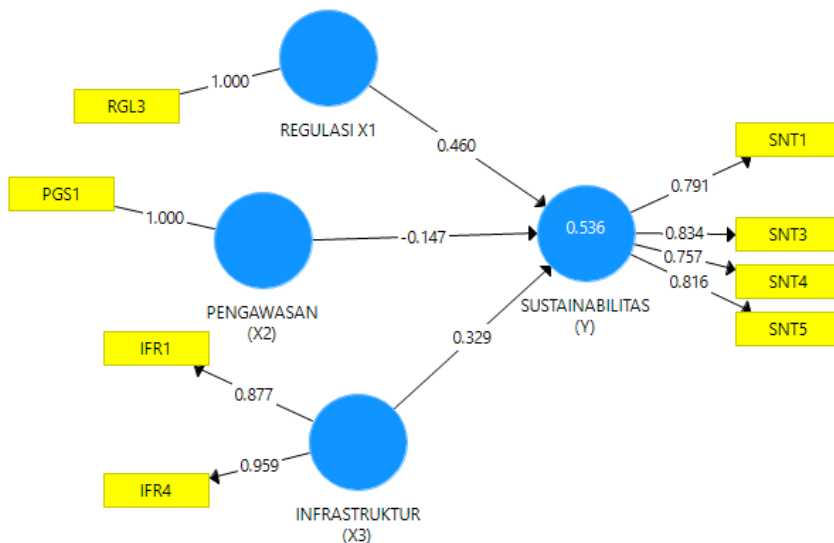


Figure 1. External Factors's Path Diagram

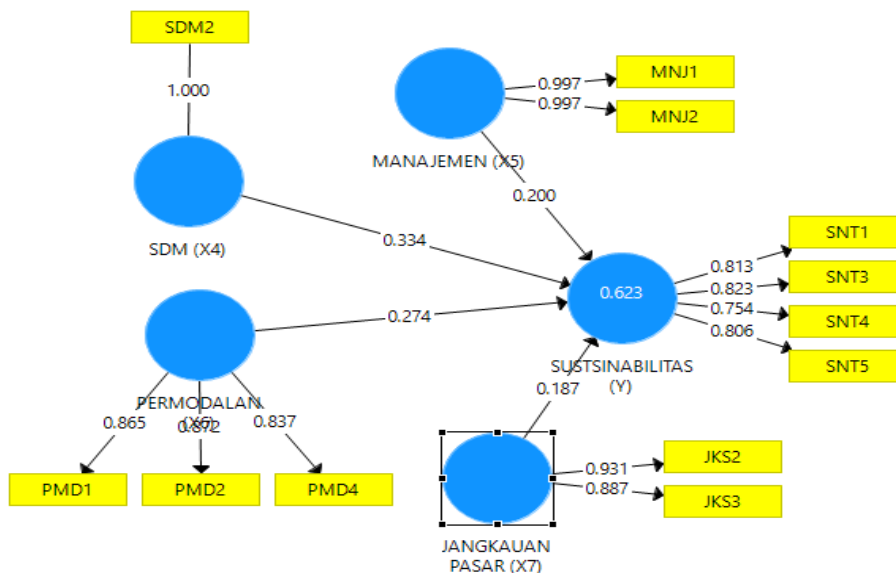


Figure 2. Internal Factors's Path Diagram

DISCUSSION

Effect of Regulation (X₁) on Sustainability (Y)

Based on the research conducted, the results of this study indicate that the regulatory variable (X₁) has a positive and significant influence on the Sustainability of BMT in Malang Raya with proven T-Statistic data of more than 1.96 which is 2.027 and P Values <0.05, which is 0.04 so it can be said take effect. This shows that the regulation variable (X₁) is one of the variables of external factors that affect the sustainability (Y) of BMT in Malang Raya. The rapid development of BMT in Malang Raya requires regulation and supervision that regulates all aspects related to BMT operations. Based on the tests that have been carried out in this study, it is known that the regulatory variable is formed by three indicators, namely regulatory adequacy (RGL1), the application of prudential principles (RGL2), and the application of financial standards (RGL3), in this case an effective regulatory variable is formed. by the indicator of the application of financial standards (RGL3) because it meets the outer loading value above < 0.07. Regulatory variables are an important factor because BMT operations in Malang Raya are managed by established signs. This supports ADB's study in conducting an MFI development study, stating that sustainability is strengthening the legal system for financial institution transactions which includes regulations and prudential principles (ADB, 2000). This finding is also supported by the respondents' perceptions of the BMT field survey in Malang Raya. Indicators of regulatory adequacy (RGL1) 78.1% or 25 BMTs in Malang Raya agree that regulatory adequacy affects the effectiveness of BMT regulations in Malang Raya. Indicators of the application of the precautionary principle (RGL2) BMT in Malang Raya 53.1% or 17 BMT in Malang Raya never

violated regulations in one year. Indicators of the application of financial standards (RGL3), 43.8% or 14 BMTs in Malang Raya have implemented accounting and financial standards very well. Regulation is also one of the infrastructures that greatly affects the sustainability of BMT in Malang Raya. Regulation is not only an external factor, but also for all institutions in the MFI industry, so it has become the norm for industry continuity. This is in line with Staschen's 1999 research which revealed that there are two regulatory instruments, namely protective and preventive which aim to provide protection for customers and microfinance institutions from the possibility of bankruptcy. The role of regulatory factors on the sustainability of BMT in Malang Raya is also supported by several previous studies, namely, Zubair 2016 in his research which supports that regulation has a positive and significant effect on the sustainability of BMT and according to Zubair 2016 regulation is needed to protect small savers in terms of avoiding the inability of BMT to pay. customer deposits in the event of a massive withdrawal of funds. Ubaidillah in his research results, supports that regulation has a positive influence on sustainability (Ubaidillah, 2021).

Effect of Control (X₂) on Sustainability (Y)

Based on the research conducted, the results of this study indicate that the monitoring variable (X₂) does not have a significant effect on sustainability (Y) in Malang Raya with proven T-Statistic data less than 1.96, namely 0.972 and P value > from 0.05, namely 0.507 so that it can be concluded that said to have no effect on the sustainability of BMT in Malang Raya. Based on the tests that have been carried out in this study, it is known that the regulatory variable is formed by three indicators, namely external supervision (PGS1), report usefulness (PGS2), and internal control by DPS (PGS3). In this case, the indicator that most supports the supervision variable is the external monitoring indicator (PGS1) because it fulfills the outer loading requirements > 0.07. The results of the questionnaire of BMT respondents in Malang Raya based on external supervision indicators (PGS1), namely only 5 BMTs in Malang Raya or around 15.6% that require a reporting system to the relevant agencies as part of the supervision process and the remaining 13 BMTs in Malang Raya or around 40.6% and 14 BMT or about 43.8% require reports to agencies regularly for supervision and once a year. Based on the research results, BMT in Malang Raya prioritizes supervision from the external side rather than the internal side, or it can be said that BMT in Malang Raya is weak in supervision from the internal side. For this reason, BMT in Malang Raya in the monitoring variable has no influence on the sustainability of BMT. This is not in line with the existing theory put forward by Zubair in his research where supervision of BMT can run effectively if it is carried out externally and internally. External supervision is carried out through the establishment and appointment of an independent external institution to assess the health level of BMT, while internal supervision is carried out by the Sharia Supervisory Board (DPS) (Zubair, 2016). The monitoring variable (X₂) has no effect on the sustainability of BMT in Malang Raya. This is supported by the research of Mohammad and Nofri who researched the sustainability of BMT financing in the City of Padang saying that the results of their research on the monitoring variable had no influence on the sustainability of financing in the City of Padang (Mohammad and Nofri, 2019).

Effect of Infrastructure (X₃) on Sustainability (Y)

Based on the research conducted, the results of this study indicate that the infrastructure variable (X₃) does not have a significant influence on sustainability (Y) in Malang, as evidenced by the T-Statistic data less than 1.96, namely 1.425 and P value > from 0.05, namely 0.446 so that it can be concluded that said to have no effect on the sustainability of BMT in Malang Raya. Based on the tests that have been carried out, there are 5 indicators in the infrastructure variable, namely the existence of associations (IFR1), the existence of rating agencies (IFR2), the existence of audit services (IFR3), the existence of the Parent BMT (IFR4), and the existence of LPS (IFR5). The indicators that support the infrastructure variable are the presence of associations (IFR1) and the existence of the main BMT (IFR4) because the outer loading value of the two indicators above is > 0.07. The results of the questionnaire respondents 32 BMTs in Malang Raya are based on two indicators that support the infrastructure variable (X₃), namely the existence of associations (IFR1) 13 BMTs in Malang Raya or about 40.6% have associations, are independent and carry out their functions completely, 3 other BMTs There are associations but not fully functioning, the other 5 BMTs also have associations but are not yet independent. For indicators of the presence of BMT Parent (IFR4) 13 BMTs in Malang Raya have parent and carry out Apex functions, 10 of them have main BMTs but do not carry out apex functions and 9 of them do not have main or independent BMTs. Based on the research results of BMT in Malang, the infrastructure variable (X₄) has no effect on the sustainability of BMT in Malang. This does not support the theory put forward by ABD in his research, that the existence of a complete institutional infrastructure for microfinance business activities is proven to be able to grow the financial industry in a healthy manner (ABD, 2000). This does not affect BMT in Malang Raya. Then it is supported by research by Mohammad and Nofri which states that the infrastructure variable has no influence on the sustainability of financing in the city of Padang (Mohammad and Nofri, 2019).

Effect of Human Resources (X₄) on Sustainability (Y)

Based on the research conducted, the results of this study indicate that the HR variable (X₄) has a positive and significant influence on the Sustainability of BMT in Malang Raya with evidenced T-Statistics data of more than 1.96 which is 2.607 and P Values < 0.05 which is equal to 0.009 so it can be said take effect. This shows that the HR variable (X₄) is one of the variables of external factors that affect the sustainability (Y) of BMT in Malang Raya. Indicators in Human Resources research (X₄) are derived from the results of research developed by Salam (salam, 2008). The indicators are the level of education (HR1), experience (HR2), and training (HR3). The indicator that most supports the HR variable (X₄) is the experience indicator of the BMT management (SDM2). The results of the questionnaire test of 32 BMT respondents in Malang Raya, 13 BMT or about 40.6% BMT management and management experience, which is more than 4 years, 10 BMT in Malang Raya or around 31.3% have management and management experience for three to four years, 8 of two to three years. And 1 BMT in Malang Raya management and management have one year of experience, it can be concluded that the average experience and management (HR2) of BMT administrators is two to three years. The average level of education (HR1) of BMT administrators in Malang is D3/Academy graduates. And the average participation of management in training (HR3) is one to two times in one year. Based on these data 32 BMTs in Malang Raya the higher the level of education, the more training and experience the BMT administrators have, the more influence it will

have on the sustainability of BMTs in Malang. Based on the results of HR research (X4) which has an influence on the sustainability (Y) of BMT in Malang, this supports the theory put forward in the salam research where KSP (Savings and Loans Cooperatives) can be sustainable by increasing the capacity of KSP institutions through improving internal conditions, including sources. Several previous studies that have supported it, namely Zubair in his research conveyed that internal factors that had a positive effect were human resources on the sustainability of BMTs in DIY (Zubair, 2016), then Meyla Husna in her research that the determinants of sustainability were human resources in Agam Regency (Meyla Husna, et al 2019), Mohammad and yendra in their research stated that the HR variable had an influence on the sustainability of BMTs in the city of Padang (Mohammad and Yendra, 2019), and Ubaidillah said in their research that HR had a positive influence on the sustainability of Sharia MFIs in Banyumas Regency (Ubaidillah, 2021).

Effect of Management (X₅) on Sustainability (Y)

Based on the research conducted, the results of this study indicate that the Management variable (X5) does not have a significant influence on sustainability (Y) in Malang Raya with proven T-Statistic data less than 1.96, namely 0.609 and P value > from 0.05, namely 0.543 so that it can be concluded that said to have no effect on the sustainability of BMT in Malang Raya. The indicators in the management variable are adopted from the theory put forward by Salam that Savings and Loans Cooperatives (KSP) can become sustainable MFIs through increasing the capacity of KSP institutions with improvements in internal conditions in terms of management, including SOPs and SOM (Salam, 2008). The results of this study do not support the theory of his research. Salam. Because the more complete the SOP and SOM owned by BMT in Malang Raya, it has no effect on the sustainability of BMT in Malang Raya. The results of the questionnaire test of 32 BMT respondents in Malang Raya for indicators of Standard Operating Procedures SOP (MNJ1) and Standard Operational Management SOM (MNJ2) 13 BMTs in Malang Raya or 40.6% have complete SOP and SOM and an online information system. 10 BMTs in Malang Raya or 31.3% have complete SOPs and SOMs and stand alone information systems. 7 and 6 Other BMTs have SOP and SOM but are not complete. Several studies that support that management (X5) has no effect on sustainability (Y) are Zubair in his research saying that the management variable has no influence on the sustainability of BMT in DIY (Zubair, 2016) and Ubaidillah also said in his research that management variables do not have a positive effect on the Sustainability of Sharia MFIs in Banyumas Regency (Ubaidillah, 2021).

Effect of Capital (X₆) on Sustainability (Y)

Based on the research conducted, the results of this study indicate that the capital variable (X6) does not have a significant influence on sustainability (Y) in Malang Raya with proven T-Statistic data less than 1.96, namely 1.562 and P value > from 0.05, namely 0.119 so that it can be said to have no effect on the sustainability of BMT in Malang Raya. This variable was adopted from Morshed's theory in his research on sources of capital that form capital factors and affect the sustainability of Grameen Bank as a micro-operating bank. (Lamiya; 2002), the indicators are the amount of customer savings funds (PMD1), many customer savings accounts (PMD2), the number of loans received commercially by BMT (PMD3), and many institutions that provide commercial loans to BMT (PMD4). The supporting indicators for the capital variable in this case are (PMD1), (PMD2), and (PMD4) because they have an outer loading value > 0.07. The results of the questionnaire test of 32 BMT respondents in Malang Raya, the average amount of customer funds (PMD1) in BMT Malang Raya is 1-2 billion. The average number of customer accounts (PMD2) in Malang Raya is 500-1000 accounts. The number of loans that have been borrowed (PMD3) by BMT Malang Raya is around less than 1 billion. And the average number of institutions that have been borrowed commercially by BMT in Malang Raya is one bank or non-bank institution. Based on the results of the questionnaire test, BMT respondents in Malang Raya have limitations in terms of capital from external funds, because from internal funds the number of customer savings and BMT accounts in Malang Raya can be said to be sufficient. Although BMTs in Malang Raya have limited access to external capital, this does not affect the sustainability of BMTs in Malang. And refutes the capital theory presented in Morshed's 2018 research regarding the successful experience of Grameen Bank as a microfinance actor. Based on the results of the research test, BMT in Malang Raya has no effect on the sustainability of BMT in Malang. Some studies that support this are the research of Meyla Husna who said that the capital variable had no influence on the sustainability of Sharia MFIs in Agam Regency (Meyla Husna, et al, 2019) and Atsauri in his research said that the capital factor had a negative impact on BMT Mandiri Ukhuwah Persada East Java (Atsauri, Hilmi Haidar, 2018).

Effect of Market Reach (X₇) on Sustainability (Y)

Based on the research conducted, the results of this study indicate that the market reach variable (X7) does not have a significant influence on sustainability (Y) in Malang, as evidenced by the T-Statistic data less than 1.96, namely 0.846 and the P value > from 0.05, which is 0.398. it can be said that it has no effect on the sustainability of BMT in Malang Raya. This variable was developed from the results of research proposed by (Martowidjoyo, 2001 in Salam, 2008), while the indicators are market reach based on account officers (JKP1), market reach based on amount of financing (JKP2), and market reach based on number of financing customers (JKP3). The supporting indicators for market coverage variables are (JKP2) and (JKP3) because the outer loading value is above > 0.07. The results of the questionnaire test by respondents from 32 BMTs in Malang Raya, indicators of market reach based on the number of account officers (JKP1) BMTs on average BMTs in Malang Raya have two Account Officers in each BMT in Malang Raya, indicators of market reach based on the amount of financing channeled to customers (JKP2), the average BMT in Malang Raya distributes financing amounts to 0.5 billion to 1 billion, then for the market coverage indicator according to the number of financing customers (JKP3) the average BMT in Malang Raya has around 20-100 financing customers. Based on the results of the respondent's test above BMT in Malang Raya, it can be said that the market reach is still inadequate, this is what causes the market reach variable (X7) has no effect on the sustainability of BMT in Malang Raya. Based on Robinson's theory where market reach is to emphasize the quality of MFI services which refers to a number of small-scale financial services in savings and financing services as commercial institutions for survival (Robinson, 2002). The results of this study do not support Robinson's theory, because the variable market coverage of BMT in Malang Raya does not have a significant influence on the

sustainability of BMT in Malang. This is supported by Zubair's research which states that market reach does not have a significant effect on the sustainability of BMT in DIY (Zubair, 2016).

CONCLUSION

First, based on the results of the model built in this study, it shows that the variables that make up the external factors, namely regulation, supervision and infrastructure of the three variables, only one variable has a positive and significant influence on the sustainability of BMT in Malang Raya. Then the variables that make up the internal factors, namely human resources, management, capital and market reach, of the four variables only one variable has a positive and significant influence on the sustainability or sustainability of BMT in Malang Raya, namely the human resource variable. Second, the variables of external and internal factors that are determined to have an influence on the sustainability of BMT in Malang Raya are regulatory variables and human resource variables. These two variables can be used as a guide to improve BMT performance for sustainability or BMT sustainability, especially in Malang Raya. Things that need to be done to improve the performance of BMTs are increasing the capacity of human resources for managing BMTs and accelerating self-regulation of BMTs.

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