

THE STRATEGY OF ISLAMIC MICROFINANCE TO STRENGTHEN COMPANY PERFORMANCE IN INDONESIA

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Abstract

The purpose of this research is to investigate Islamic microfinance strategies in order to drive the economy at the lower levels of society such as micro and small businesses based on Sharia principles. The Primary data were obtained from questionnaires to 283 managers. Using PLS analysis, strengthening company performance was measured by Islamic business ethics with organizational commitment and intellectual capital as mediation. The construct of this model is unique and provides value in this research. We found partially, all variables have a significant effect to strengthen company performance, however intellectual capital as mediation is poorly performs.

Keywords: Strategy, Islamic Microfinance, Business Ethics, Performance

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INTRODUCTION

Islamic microfinance especially Baitul maal wat tamwil (BMT) is growing up year by year in Indonesia. BMT was established in 1980 until 1996 there were only 8 BMTs, then grew to 53 BMTs in 1998. After 30 years, from 1980 to 2010 it grew to 3,307 BMTs throughout Indonesia. In the following four years later (2014), there were 5,000 BMT units with assets of Rp 4.7 trillion and customers reaching more than three million people (Hasbi, 2015; Cahyadi, 2012). The existence of BMT is very strategic to be further investigated, where the target of financing or loan is aimed at micro-small businesses (MSEs) that amount to 98.8% of the Indonesian population.

The strategic value of BMT is socially oriented, following the mission of BMT which is to help the poor level of community (*dhuafa*). Sakti (2013) informs BMT allocate social funds to the poor around the BMT of 79.80% - 83.74%, customers having business difficulties of 7.50% - 13.13%, filing a business proposal of 1.25% - 5.05% and others 2.02% - 7.50%. It appears that the *dhuafa* is the top priority in allocating funds as a BMT social program. The orientation of the BMT business function focuses on MSEs intending to fill the vacuum of non-formal functions of Islamic banks or non-banks that have not maximally reached MSEs because they do not have collateral and complicated financing formality processes, even though MSEs are a field provider the largest employment is around 50.7 million workers in Indonesia (Dewi, 2017; Rokhman, 2013).

In daily activities, BMT implements religious values in Islam by al-Quran and al-Hadith, including the unity of god, benoviolence, equilibrium, fair-capital-sincere-trusted, and responsibility (Widana, 2014). The mission orientation and practice of religious values illustrate that BMT has well performance and will continue to grow and become an extraordinary social-business prospect along with the increasing awareness of the moslem community

which constitutes 80% of the majority of Indonesia's population and the largest in the world (Agaoglu, 2014). Ridwan (2004) said that the measurement of BMT performance was one of the main tools to evaluate in the previous period. Florian (2013) states performance measures to evaluate each company's perspective are provided by the balanced scorecard methodology which targets four performance domains: financial, marketing, operational and innovation-leadership. The advantage of the balanced scorecards approach can produce strategic plans that have comprehensive, coherent, balanced and measurable characteristics (Laitinen, 2004).

Several studies that illustrate the existence of a research gap in the connection between Islamic business ethics on company performance by Grbac & Loncaric (2009), Agaoglu (2014), Rokhman (2010), Tlais (2015) state there is a connection between Islamic business ethics and company performance. Previous studies by Rice (1999), Khan & Thaut (2008), Muhammad et al. (2008), Ali & Al-Owaidan (2008) also show the values of Islamic business ethics if implemented in a company are believed to affect the company performance. This is different from the research results by Hayati & Indra (2012), Salem & Syed (2012) which show that the influence can vary depending on the level of employee obedience to religion including the levels of Islam, Faith, and Ihsan.

Considering that there is a research gap in Islamic business ethics on company performance, this research adds two mediator variables, namely intellectual capital and organizational commitment. Both of these mediators have not found influence in the context of overall path analysis, namely Islamic business ethics through intellectual capital on company performance or Islamic business ethics through an organizational commitment to company performance, however, a direct relationship on each variable has been proven separately in various studies.

The impact of Islamic business ethics on intellectual capital is evidenced in research Rose (2009) Congleton (1991), Su (2014), Kumar & Raduan (2012), Rizk (2008) Hadisi (2014). The impact of Islamic business ethics to organizational commitment is evidenced in research Marri (2012), Moayed (2009), Nik et al. (2004), Nor (2010), Rahman et al. (2006), Yousef (2000), Salem & Syed (2012). Furthermore, the connection of Intellectual capital to Company performance are evident in the research of Peng et al. (2007), Khalique et al. (2015), Hasbi et al. (2020), Sydler et al. (2014), Abdullah & Sofian (2012), Sharabati et al. (2010), Kamukama et al. (2013), Shiu (2006), Kannan & Aulbur (2004), and Belkaoui (2003). Meanwhile, the effect of organizational commitment to company performance is proven by Meyer & Allen (1997), Miller & Lee (1999), Kuo (2013), Conchas (2000) and Abdi et al. (2014). Based on the research background above, the two mediator variables are assumed to be able to answer this research, namely organizational commitment and intellectual capital can mediate the influence of Islamic business ethics to strengthen company performance. The use of two mediator variables at the same time is an aspect of novelty or value in this research.

LITERATURE REVIEWS

Baitul Maal Wat Tamwil

BMT is a microfinance institution with the concept in sharia that practices Islamic religious values according to al-Quran and al-Hadith, namely: unity of god, benoviolence, equilibrium, justice-equity, and responsibility (Widana, 2014), besides Alkahtani (2014) said the need for practice the principles of business religious, among others: (1) Prohibit business conducted by the process of sleaze (QS.4: 29). Business must be based on willingness and openness between the two parties and without any party being harmed. People who do vanity include acts of persecution, violating their rights and committing grave sins (QS.4: 30). (2) The Business may not contain elements of usury (QS.2: 275). (3) Business activities also have a social function both through *zakat* and *sadaqah* (QS.9: 34). Wealth development will not be realized except through interaction between people in various forms. (4) Prohibit the reduction of the right to an item or commodity obtained or processed by measuring or weighing media because it is a form of tyranny (QS.11: 85), so that in business practice, the scales must be refined (QS.7: 85, QS.2: 205), and finally (5) Businesspeople are prohibited from doing wrong doing (cheating) both for themselves and other business actors (QS.7: 85, QS.2: 205)

Islamic Business Ethics

Islamic business ethics, according to Beekun & Badawi (2005) comes from transcendental sources, namely highlighting matters that are of faith. This is the main reason for the determination of business people to the values of Islamic business ethics from time to time, even though everything is changing. Islamic business ethics embrace the fundamental concept namely al-Quran and al-Hadith (Al-Aidaros et al., 2013). Elmelki & Arab (2009) state Islamic norms and values are used to strengthen business ethics in moslem practices since the values of Islamic business ethics can be applied to companies. In understanding sharia, Islam is known for a unique method called *usul-fiqh* which is the procedural law of sharia. Tlais (2015) details 13 items contained in Islamic business ethics including (i) trust (ii) legitimate

sources of wealth (iii) ordering to shop (iv) zakat (v) order business (vi) productive (vii) honesty in business matters (viii) taking into account humanitarian aspects in making business agreements (ix) satisfying all business duty (x) fair handling (xi) reciprocal respect, (xii) clean transactions, (xiii) fair in purchases and sales.

Intellectual Capital

Curado & Bontis (2007) defined Intellectual capital is a combination of an unit's resources involving information, knowledge, experience, intellectual properties, and other intellectual resources that give positif and significant contribution for organization. Edvinsson & Malone (1997) explains the intellectual capital scope consists of (i) Relational Capital, including Strategic alliance, licenses, Agreement, Relationships with partner, Supplier and consumer, as well as knowledge of partners, suppliers, and consumers. (ii) Structural Capital that include research and development, system and programs, and also intellectual property rights. (iii) Human capital, which involves expertise, innovation, creation, training and education, and experience. Intellectual capital can affect business performance which includes productivity, profits, and market valuations (Sharabati et al., 2010). Pulic (2000a, 2000b) proposed the efficiency measurement of value-added through company intellectual abilities which came to be known as Value Added Intellectual Coefficient (VAIC). The VAIC components base on corporate source such as physical capital, structural capital and human capital. The method of VAIC can give information on value creation efficiency for tangible assets and intangible assets in a corporation. There are three types input from VAIC method measurement of efficiency to corporation, namely: (i) Capital Employed Efficiency (VACA); (ii) Human Capital Efficiency (VAHU); and (iii) Structural Capital Efficiency (STVA). The combination of VACA + VAHU + STVA are VAIC value. Higher VAIC value indicates the use of good management in utilizing the potential of creative value (Dumay, 2009).

Organizational Commitment

Meyer & Allen (1997) define organizational commitment as a psychological behavior in employees to the company to contribute and work according to expectations and reduce turnover intentions. They divide organizational commitment in three dimensions: (i) Affective commitment, referring to employees' feelings towards the organization. (ii) Normative commitment, describing employee trust in the organization. (iii) Continuous commitment describes individual needs for commitment in the organization. This organizational commitment confirms that individuals remain in an organization, because of affective commitment to their organization (Hung et al., 2015). Organizational commitment is important in a company, because it deals with connectivity between workers, work units to ensure all work is going well. and each phase is related to employee job satisfaction, both related to organizational growth, profitability and increased competitiveness (Abdullah & Ramay, 2012). Several researchers confirm the direct effect of organizational commitment to strengthen corporate performance (Hanaysha, 2016). Organizational commitment typically relates to the characteristics, work and behavior of employees, and the socio-cultural in organization environment (Reade & Lee, 2012). Organizational commitment as a condition of mindset that is binding and exists in every employee to contribute

to the company (Meyer et al., 2012). Organizational commitment consists of the most powerful emotional components and includes principles, public interest, values, and purpose (Tsai & Cheng, 2012). Organizational commitment can impact and or related to employee retention, productivity, employee involvement, quality of work, and the desire to work to strengthen the company's image and performance (Hung, et al., 2015).

Company Performance

Richard et.al. (2009) states company must distinguish between organizational effectiveness and organizational performance. Concept of organizational performance is related to the results of corporate work, which consists of three areas, namely: (i) financial performance, (ii) product performance, and (iii) returns for shareholders (Tyagi & Anil, 2013). If the three areas which are non-financial and financial indicators are put together, it means wider than just financial performance, so it is referred to as the economic corporate performance (Abdullah and Sofian, 2012). Venktrakaman & Ramanugan (1986) split company performance into financial performance and operational performance. Financial performance is divided market based financial performance (earnings per share, dividend payments, stock prices, etc.) than accounting based financial performance (ROA, ROE). Meanwhile, operational performance consists of quality of product, marketing effectiveness, and market share. Peng et al. (2007) research results show that five strong proxies to measure

company performance (the strongest starts) are efficiency in operations, controlled costs, data collection and growth, product or service quality, and productivity. Company performance is the performance of a company that concerns the results of corporate work which includes 4 domains of corporate performance, namely: (i) finance, (ii) marketing, (iii) operations, (iv) innovation & leadership (Florian, 2013). BMT performance in this research was measured using three indicators including financial, operational, and marketing performance.

Based on the philosophies, theories and phenomena that have been presented above, we proposed research hypothesis as follows:

- H1:** Islamic business ethics has a significant effect on intellectual capital
- H2:** Intellectual capital has a significant effect on strengthen company performance
- H3:** Islamic business ethics has a significant effect on organizational commitment
- H4:** Organizational commitment has a significant effect on strengthen company performance
- H5:** Islamic business ethics has a significant effect on strengthen company performance
- H6:** Intellectual capital mediates the indirect effect of Islamic business ethics on strengthen company performance
- H7:** Organizational commitment mediates the indirect effect of Islamic business ethics on strengthen company performance

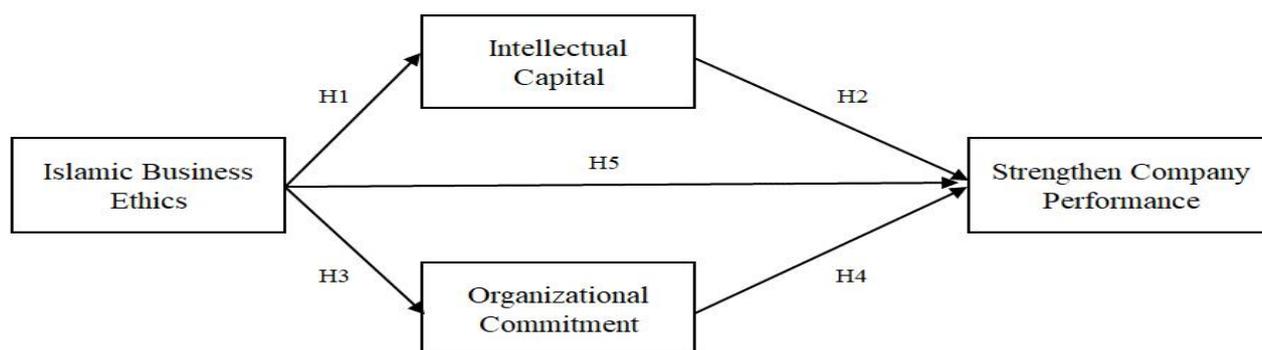


Figure 1. Conceptual framework

RESEARCH METHOD

This research uses knowledge claims of pragmatism with quantitative approach and cross-sectional primary data. The unit of analysis is Baitul Maal wat Tamwil BMT in all provinces in Java, where the respondent consists of 283 managers that return the questionnaire, the number was sufficient to find and analyze the relationship under study using PLS analysis that applied to all scales and does not require many assumptions and no need to have a large sample (Hair et al., 2013). The time of research was carried out between January and October 2019.

RESULTS AND DISCUSSION

BMT Characteristics Profile

The characteristics as the object of research are shown in Table 1 where BMT generally has a total asset of 11-25M (38.16%), the remaining 20.85% has a total asset of < 1M,

a total of 30.04% BMT has total assets between 1-10M and 10.95% BMT have total assets > 25M. Most of BMT growth averages 1-10% per year (43.11%) and 11-20% (36.04%), the remaining 18.02% BMT has growth per year 21-30% and 2.83% BMT has growth > 30%. BMT funding sources from individual customers are 51-75% (84.10%) the remaining 3.89% have individual customer funding sources by 25-50% and as much as 12.01% BMT has funding sources from individual customers by 76-100%. BMT financing allocation to individual debtors is 51-75% (57%), the remaining 12% BMT has a financing allocation of 25-50% and as much as 31% BMT has a financing allocation of 75-100%. The return on funding for BMT is 51-75% while 38% of BMT has funding results of 25-50%. Besides BMT generally has a profit margin of 10-20% while the remaining 31% BMT has a profit margin of 25-50%.

Table 1. BMT Characteristics

Characteristics	Category	Frequency (f)	Percentage (%)
Total Asset	< 1 billion	59	20.85

	1-10 billion	85	30.04
	11-25 billion	108	38.16
	>25 billion	31	10.95
Growth per year	1-10%	122	43.11
	11-20%	102	36.04
	21-30%	51	18.02
	>30%	8	2.83
Funding from Individual Customer	25-50%	11	3.89
	51-75%	238	84.1
	76-100%	34	12.01
Financing allocation to Individual Debtors	25-50%	34	12.00
	51-75%	161	57.00
	76-100%	88	31.00
Funding Yield for BMT (Profit Sharing)	25-50%	108	38.00
	51-75%	175	62.00
Funding Yield for BMT (Profit Margin)	10-20%	195	69.00
	25-50%	88	31.00

Source: data reprocessed (2020)

Descriptive Variables Analysis

In this research, analysis is used for overview of the research variables, descriptive analysis is seen in Table 2. Islamic Business Ethics is measured by 5 indicators namely Unity of God, Benoviolance, Equilibrium, fair-capital-sincere-trusted and responsibility. Based on the analysis that Islamic business ethics that have been carried out well by most BMTs are policy factors, equality, and fairness, capital, sincere and trustworthy, while Islamic business ethics that still need to be improved are in terms of the Unity of God and responsibility. Besides, the average score of respondents' answers on each question item is good or high, this shows that generally, BMT has implemented Islamic business ethics so that it can be reflected at work. They work honestly, politely, do not commit fraud, be transparent in explaining BMT products and regulations to customers, this makes the customer more trustworthy and not worried, which can strengthen the relationship between the customer and BMT. However, BMT employees also need to show the character and behavior of Moslems who are simple in their daily lives, behave humbly, do not display worldly luxury, but also can work with efficient resources. Intellectual capital is measured by 3 indicators, namely relational capital, human capital, and structural capital. Based on analysis shows that three relational capital indicators are the highest intellectual capital owned to BMT, this shows that the strength and loyalty of customer relationships, in this case, the customer is the first one factor that can create value added and relationships. The average score of respondents' answers on each question item is good or high, this shows that generally, BMT employees have high intellectual capital, mainly because most BMTs require employees to provide added value in serving customers such as speaking and behaving politely, honest, transparent, and provide solutions that are right on target for customers, besides they do an effective way of communicating to customers. However, BMT still needs to increase the intellectual capital of their employees by providing training related to their daily work so that employees become more trained and competent, directing employees to work optimally and prepare well for leadership regeneration in the future.

Table 2. Description of the average questionnaire score in BMT

No	Indicators	Mean
Islamic Business Ethics		
1	Unity of God	4.430

2	Benoviolance	4.460
3	Equilibrium	4.465
4	Fair,Capital,Sincere,Trusted	4.453
5	Responsibility	4.425
Average		4.450
Intellectual Capital		
1	Relational Capital	4.450
2	Structural Capital	4.437
3	Human Capital	4.430
Average		4.440
Organizastional Commitment		
1	Affective Commitment	4.383
2	Continuous Commitment	4.340
3	Normative Commitment	4.357
Average		4.360
BMT Performance		
1	Financial Performance	4.366
2	Marketing Performance	4.395
3	Operational Performance	4.405
Average		4.380

Source: data reprocessed (2020)

Organizational commitment is measured by 3 indicators namely normative commitment, continuous commitment and affective commitment. The analysis shows the organizational commitment of most BMT employees is good, this is reflected when BMT experiences problems, most employees assume that the problems faced by BMT are problems that must be solved together because it involves common interests and loyalty for employees so it is quite difficult for them to work in other companies. However, it is different from a continuous commitment where there are many choices of companies or business sectors where they can move to other companies. Events like this are usually for employees who have different educational backgrounds, work locations, or desire to try on other jobs, but until now still, work at BMT. For BMT, employees like this must be created and fostered a sense of loyalty and professionalism in the field of Islamic finance, especially in BMT so that it is expected that later will arise a sense of belonging, feel difficult to leave BMT, feel a career in BMT is following with desires of employees and feel they have little the choice to leave BMT. BMT performance is measured by 3 indicators that is financial performance, operational performance, and marketing performance. Analysis results among the three performance measurement indicators, operational performance is the highest BMT performance compared

to the other two performance measurement indicators. This shows that the performance of the BMT is making a significant contribution to daily work results that is reflected in the efficiency and high employee productivity. Apart from operational aspects, marketing performance is also quite high, this shows that the results of product sales that are reflected in market share and the level of customer satisfaction of most BMT are also quite high. Marketing performance is currently very competitive with other financial institutions by providing attractive offers to attract customers, besides that customers are very sensitive to services so BMT needs to provide excellent service to retain customers and even bring in new customers. The tight government regulation and the slowing growth of Indonesia's macro conditions in several sectors have affected BMT both directly and indirectly, such as the rate of return of substandard credit, violating the stipulated BMT ratio and other things with the aim that BMT can move flexibly in conditions current economy. The analysis shows BMT is performing well, this can be seen from the majority of BMT that have been rated well by the Customer, good employee efficiency and high BMT employee productivity. However, BMT still needs to improve its other performance, BMT always has a Non-Performing Financing Ratio and a Cash Ratio following the Laws and Regulations.

Data Analysis

The influence of Islamic business ethics on BMT performance mediated by intellectual capital and organizational commitment was analyzed using PLS. The stages in the PLS analysis include the outer model testing stage, the goodness of fit test phase and the inner model testing phase.

Goodness of Fit Model Test

The fit PLS model seen at SMRM value. This model stated met the goodness of fit criteria if SRMR < 0.10 and

declared a perfect fit if SRMR < 0.08 (Hair et al. 2014). The results of PLS model goodness of fit test in Table 3 shows SRMR value on saturated model is 0.062 and the estimated model is 0.063 and under the provisions of 0.08, the model is declared perfect fit and is suitable for testing the research heirthesis.

Table 3. Goodness of Fit Test

Item	Saturated Model	Estimated Model
SRMR	0.062	0.063

Source: data reprocessed (2020)

Direct Effects Test

The results on the direct effect at Table 4, several results are obtained.

1. Effect of Islamic business ethics (IBE) on intellectual capital (IC); the result shows that p-value is 0,000 < 0.05, it is concluded Islamic business ethics has a significant effect on intellectual capital.
2. Effect of intellectual capital (IC) on strengthen company performance (CP); the result shows that p-value is 0.019 < 0.05, it is concluded intellectual capital has a significant effect on strengthen company performance.
3. Effect of Islamic business ethics (IBE) on organizational commitment (OC); the shows p-value is 0.003 < 0.05, it is concluded Islamic business ethics has a significant effect on organizational commitment.
4. Effect of organizational commitment (OC) on strengthen company performance (CP); the shows that p-value is 0,000 < 0.05, so it is concluded organizational commitment has a significant effect on strengthen company performance.
5. Effect of Islamic business ethics (IBE) on strengthen company performance (CP); the result shows that p-value is 0,000 < 0.05, it is concluded Islamic business ethics has a significant strengthen company performance (CP).

Table 4. Direct Effects Test

No	Direct Line	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t Statistics (O/STDEV)	p-values	explanation
1	IBE → IC	0.512	0.488	0.111	4.606	0.000	Significant
2	IC → CP	0.106	0.099	0.051	2.089	0.019	Significant
3	IBE → OC	0.373	0.341	0.137	2.730	0.003	Significant
4	OC → CP	0.491	0.475	0.072	6.790	0.000	Significant
5	IBE → CP	0.388	0.383	0.086	4.526	0.000	Significant

Source: data reprocessed (2020)

R Square Value

The R square in Table 5 can be explained as follows:

1. R square value of organizational commitment (OC) is 0.462, shows the contribution of OC to strengthen company performance is 46.2%, the remaining 53.8% OC variants for BMT employees are influenced by other factors.
2. R square value of intellectual capital (IC) is 0.566, indicating that the contribution of IC to strengthen company performance is 56.6%, the remaining 43.4% IC variants for BMT employees are influenced by other factors.
3. R square value of strengthen company performance (CP) is 0.852, indicating that the contribution of Islamic business ethics to strengthen company performance is 85.2%, the remaining 14.8% variance of strengthen company performance is influenced by other factors outside intellectual capital,

organizational commitment, and Islamic business ethics.

Indirect effects test

Based on the calculation of VAF values in Table 6, that:

1. The VAF value on the relationship of Islamic business ethics (IBE) through intellectual capital (IC) to strengthen company performance (CP) is 16.88% because the VAF value < 20% concluded intellectual capital (IC) is not a mediator as an indirect influence of Islamic business ethics (IBE) to strengthen company performance (CP).
2. The VAF value on the relationship of Islamic business ethics through organizational commitment to strengthen company performance (CP) is 29% because the VAF value is at intervals of 20% to 80%, it is concluded that organizational commitment is a partial mediating as an indirect influence of Islamic business ethics (IBE) to strengthen company performance (CP).

Table 5. R Square

Variables	R Square	R Square Adjusted
OC	0.466	0.462
IC	0.569	0.566
CP	0.854	0.852

Source: data reprocessed (2020)

Table 6. Indirect Effects Test

No	Indirect Line	a	b	c	VAF	Mediation of Nature
1	IBE → IC → CP	0.731	0.230	0.828	16.88	Not mediation
2	IBE → OC → CP	0.643	0.526	0.828	29.00	Partial mediation

Source: data reprocessed (2020)

Although overall that intellectual capital does not mediate indirect effect of Islamic business ethics to strengthen company performance, the direct effect of Islamic business ethics has a significant effect on intellectual capital (Table 4). This shows that the better Islamic business ethics is practiced and implemented by BMT, the higher the intellectual capital of BMT. The results of this test are in line with the theory by Beekun and Badawi (2005) which shows Islamic business ethics is one of main reasons for the determination of business operators to believe and run it because Islamic business ethics comes from transcendental sources. Especially in business, Islamic business ethics outlines the concept of the unity of god and human mission in the world as the *khalifah*. Likewise, Tlaiss (2015), Congleton (1991), Jalil (2010) Kumar & Rose (2010), Ali (2005), Rizk (2008), who found the connecting between Islamic business ethics and human resource development including intellectual capital. However the efforts of BMT must make intellectual capital can mediate between Islamic business ethics and BMT performance include: (a) providing training that can improve the skills, attitudes, responsibilities of employees so that all employees can take action to use resources the most efficient (b) directing employees to work optimally so that all employees can prioritize social interests over personal interests (c) prepare future leadership regeneration (d) provide excellent service and communicate effectively to customers so they can increase customer trust (e) commitment of BMT employees to practice Islamic values during activities such as unity of god, benoviolance, equilibrium, fair, capital, sincere, trusted, and responsibility and increase self-awareness at work. All this time, BMT has been less concerned that training, internships, focus group discussions, workshops, seminars, and others can increase the capacity of skills, expertise, understanding, and mastery of problems by employees in the scope of their work so that work is less efficient and have an impact to employee satisfaction also overall BMT achievement. The results of training activities, workshops, focus group discussions, mentoring, and others will affect the level of mastery ability and job skills so that managers can direct their employees to work more optimally to increase customer satisfaction, customer confidence, BMT market share, information, and business transparency, increase company image and to raise public funds. More and more trained and highly capable employees will bring up leaders who have to be prepared at this time to become BMT's future backs, with knowledge and skills and experience that is expected that the potential of BMT business in the future will increase and especially will provide benefits and benefits for the Ummah so that the welfare of employees, customers and the surrounding community (the poor) is better. This is inseparable from the Islamic religious values

practiced by all BMT employees so that whatever is done daily is worship to seek the blessing of Allah SWT. BMT performance is achieve and has an influence when mediated by organizational commitment of BMT employees along with practicing Islamic business ethics in their daily work activities and even they practice it in their daily lives at home in the midst of the family, even being practiced by family members so that they become civilized in BMT employees. Likewise, with the direct connecting of intellectual capital on BMT performance, that intellectual capital has a significant effect on strengthen company performance (Table 4). It seen the higher of BMT intellectual capital, make BMT performance higher. This analysis in line with Mhedhbi (2013) and Tseng et al., (2015) which states that human intellectual capital is value creation source. As intangible assets, intellectual capital has a relationship with the creation of corporate value, which means it can improve company performance. According to Massingham & Leona (2015) employee capability as a proxy for intellectual capital and employee satisfaction have a significant effect on work activities as a proxy for social creativity. This research in line with Whyte & Zyngier (2014), Kamukama et al. (2013), Khalique et al. (2015), Sydler et al. (2014), Sharabati et al. (2010), Peng et al. (2007), Chen et al. (2005) and Goh (2005) which proves the relationship of intellectual capital and strengthens company performance. Implications that must be made by the Manager of BMT are (1) applying Islamic values and principles in the daily activities of BMT employees (2) improving employee skills and abilities through training, workshops, mentoring, coaching by Managers (3) fostering employee loyalty, professionalism and responsibility towards their work (4) raises the mindset of having to achieve the goals set by the manager. It is hoped that by orienting to these all points, BMT will be more advanced and developed and able to educate the surrounding community and micro and small entrepreneurs about the existence and benefits of BMT.

CONCLUSION

The growth of BMT in Indonesia is very potential in the future, of course with the support of all parties including BMT employees and administrators, the sharia supervisory board, and also the government by making policies that support BMT growth even better, but this development also brings problems in the internal BMT namely capital, liquidity and collectability financing factors that need to be considered for BMT stakeholders. BMT performance is well performed and has a positive effect because BMT employees implement Islamic business ethics principles and values in their daily activities as well as the application of intellectual capital and employee commitment to developing BMT have a positive influence on BMT, but BMT performance is not

good when practicing Islamic business ethics through intellectual capital due to weak mastery and day-to-day work skills and lack of effective communication and employee responsibilities so that service to customers is less than the maximum which also affects BMT performance.

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