Islamic Microfinancial Institution in Distributing Productive Financing to SMEs

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Abstract:- Proper funding is one of the biggest problem faced by micro and small entrepreneurs. Funding or Capital financing is usually very limited. Meanwhile, existing banking institutions include shari'a banking initiate with various requirements so complicated for micro and small-enterprises/SMEs to attain. The existence of shari'a microfinance institutions which are currently in the form of BMTs can be found in almost every villages or small town. BMT, as part of shari'a coordination, is a microfinance institution that plays a role as a banking institution, i.e. collecting, distributing and providing services can be an alternative for micro and small entrepreneurs. BMT as a companion institution for the distribution of SME, would be the right partner, compared to banking institutions. Thus, it is expected that BMT as a shari'a cooperative or microfinance institution has to improve its performance. In exchange, the empowerment in micro and small businesses through financial assistance can be effective, especially in terms of funding management, membership and financing must be continuously improved.

Keywords:- Shari'a Banking, Murābaha, Mushāraka, SME.

I. INTRODUCTION

The ups and downs in the development of shari'a microfinance institutions, especially BMT in Indonesia, is inseparable from the obstacles they face. Among the most crucial is the legal basis that is not yet clear. Because most BMTs have cooperative legal entities, they cannot legally raise funds from the community directly. BMT must require membership for those who will be served, or make these members as prospective members for a certain amount of time. Consequently, not only some potential members are reluctant, but they also cause internal problems within the BMT because each member has the same voting rights. That to say, if BMT wants to be able to raise funds from the public directly, then BMT must change its status to become a bank or non-bank financial institution, such as venture capital. BMT will lose its main advantages as a financial institution that serves micro and small scale businesses. (Alma, et al. 2009, 18)

According to (Soesilo, 2008), the weaknesses and shortcomings of cooperatives, including shari'a cooperatives in reaching the welfare of their members due to weak aspects of capital as an internal problem. Also, they generally come from members of the community who have no or less formal or informal educational background, not to mention experience in the business. So that in general also lacks technical insight and ability to produce, trade and so on, let alone managerial ability to handle a business activity. BMT Cooperative indicators are good can be seen from the management of the cooperative. According to Limbong (2012), cooperative management runs so openly, especially for its members. The openness of cooperative management is emphasized on the implementation of the responsibility function of it.

Another problem that obstructs the growth of shari'a cooperatives, in particular, is the external factors, such as the business climate. In the field, it is still often heard how much they have to face a condition of uncertainty in the availability of main raw materials and additional materials. Likewise, the problem of using equipment and technology is very simple. Some of their markets tend to be oligopolistic. Capital ownership is very low. According to Baswir (1997), in addition to being caused by internal limitations of cooperatives, the backward conditions of organisations reveal the existence of business climate constraints that are influenced by a political economy that tends to hamper the development of the people's economic movements. Although the government's desire to create a conducive climate has been stated for a long time, the concrete follow-up has not yet been able to produce encouraging results.

Soesilo (2008), at least the weaknesses of cooperatives stem from (1) the difficulty of sources of capital; appropriate technology, difficulty of market access and business information by the people's economy, and (2) the low quality of institutional, management and cooperative organizations. Moreover, cooperatives with economies of business scale are limited and loaded with weaknesses in terms of HR members and HR managers of cooperatives as well as weaknesses in internal cooperative capital. So, it is natural that the existence of organisations is also affected by changes in the business climate (Sinaga, 2006).

This kind of behaviour can be found in shari'a cooperatives in Cirebon that from 12 Shari'a Cooperatives (Koperasi Baitul Māl wa Tamwīl/KBMT), only 5 KBMT could achieve a general meeting of members (Rapat Akhir Tahun/RAT). It is understandable because the majority of KBMT is not managed with modern management. Cooperative management should be participatory

management in which it can show the interaction between elements in cooperative management. Each part has a job description and thus, each part of management has a different decision scope, although it remains in the range of decisions made jointly (shared decision areas). (Limbong, 2012)

Sinaga (2006) in their study found that only a few of the shari'a cooperatives in the Regency and City of Cirebon, among the shari'a cooperatives capable of implementing modern management principles, were the Al-Ishlah Islamic Boarding School Cooperative Bobos Cirebon The Kopontren is capable of performing the principles of advanced management that carry out the vision and mission of institution itself. The Kopontren is also able to develop schemes involved with more specific business activities. In general, according to Sunindhia and Widiyanti (2010) that the management and members of cooperatives often did not know what their management was doing, and what to do, as management acted, and why it was so. Therefore the success or failure of an organization, including cooperatives, depends on the people who are members and primarily is the management of the cooperative.

In essence, Ropke (2003) that member participation is very important in managing cooperatives. Because the main purpose of cooperatives is to help improve the welfare of their members, with all marketing activities aimed at satisfying members, cooperative management needs to be done if the cooperative company wants to build loyalty and active participation of its members. Because member participation is not only an important part but also vital in cooperative development. Thus, the role of cooperative management based on capital and finance, human resources, production, financing and membership is very important in improving cooperative performance to empower the small business sector.

Thus, the role of the Shari'a Microfinance Institution (LKMS) as an economic development tool that aims to provide benefits for low-income people is very much needed by the people. Given that low-income people generally have a type of small-scale businesses that are still many. The problem is that until now capital support for small businesses has been classified as insufficient. Therefore, MFIs are needed that can serve low-income communities in regions of developing countries (NSB). (Arsyad 2008 in Sholikha, 2009, 25)

II.   LITERATURE REVIEW

The BMT shari'a cooperative, or it can be called a micro shari'a financial institution, is tasked with developing productive businesses and investments in improving the quality of economic activities of small and small entrepreneurs by, among other things, encouraging saving activities and supporting the financing of economic activities. Also, the BMT Shari'a Cooperative, said (Djazuli et al., 2002), can receive alms as well as to distribute them based on the regulations and their authority.

In contrast to Djazuli, (Buchori, 2009) forbade it. He emphasized that in shari'a cooperatives this is not condoned, because each transaction (tasharuf) is based on whether the effective use is for financing daily needs. Both of these are treated differently. For productive ventures, members who will trade then use the principle of profit-sharing (mushārakah and mudhārabah), while for the purchase of transportation equipment or other tools can use the principle of buying and selling (murībahah).

According to Buchori (2009) shari'a microfinance institutions must have 7 (seven) basic characteristics: (1) Acknowledging members' ownership of venture capital; (2) not conducting transactions by stipulating interest (usury); (3) The functioning of Ziswaf institutions; (4) Acknowledging existing market mechanisms; (5) Driving profit motives; (6) Initiating will of business freedom; and (7) Recognizing the existence of joint rights. Therefore, shari'a cooperatives (BMTs) are open, as cooperatives in general, are independent, not participant, oriented towards developing savings and financing to support productive economic businesses for members and the social welfare of surrounding communities, especially micro and poor businesses.

However, (Aziz, 2008) emphasized that there are important things that must be characteristic of shari'a cooperatives compared to non-shari'a cooperatives, namely shari'a cooperatives must be: a) The economic and social driving force of many communities, b) The spearhead of the implementation of the Shari'a financial system, c) Liaison between the Aghnia (rich) and the dhu'afā (poor), and d) Informal education facilities to realize the principles of life that are *barakah, ahsanu 'amala*, and *salam* through spiritual communication with dhikr *qalbiyah Ilāyahyah*. BMT operate based on the Islamic economic system.

Aziz (2008), the role of shari'a cooperatives cannot be separated from their institutional role as follows: 1) Develop of productive businesses and investments in improving the quality of the microeconomics through the Bait at-Tamwil (asset development) function, and 2) Increase social services through the deposit of *zakat, infaq* and shadaqah funds as well as optimizing distribution following regulations and mandate from Baitul Maal, which becomes the main role of shari'a microfinance institutions. These two main functions are the basis of BMT not only as micro-finance but also as cooperative institutions. Although this is different from Buchari, it is important for BMT that its philanthropic role must coincide with its business role.

Figure 1 Shari'a Cooperative Activities
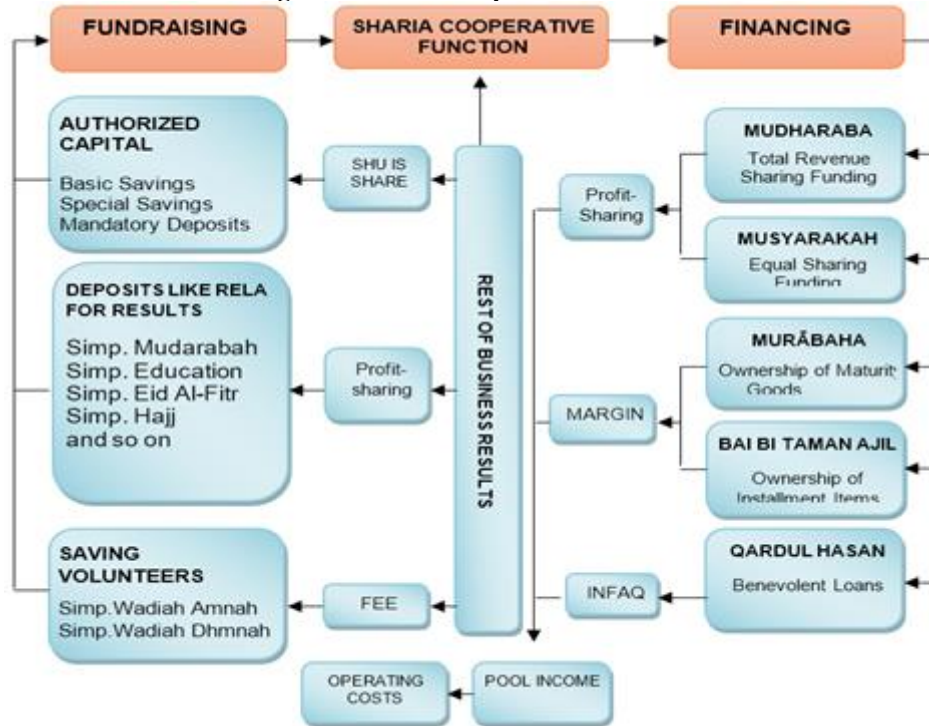
Sources: (Djazuli et al., 2002)

Shari'a cooperatives operate not only as a financial institution for productive funding but also to fulfil consumptive needs, such as houses and motor vehicles. Shari'a cooperatives, in this case, act as financial institutions (managers) or investments to the community, (Rivai & Arifin, 2010). Financing in Islamic financial institutions provided to the public for business capital needs usually intended for businesses that are productive, clear and transparent, and are halal, both in terms of management to the results of the business that will be given benefits to the community.

There are several forms of financing for business improvement purposes or commonly known as productive Islamic financing provided by the Islamic Financial Services Cooperative (Read; Islamic banks), namely financing with the principle of buying and selling, financing based on profit sharing principles following the agreement and funding policy, the and adjusted according to the proportion of participation, and funding based on the principle of lease purchase. (Rivai & Arifin, 2010).

The financing is based on the principle of leasing and buying according to members who want additional assets obtained through the lease which ultimately aims to transfer ownership of these assets to members. Leased assets can be in the form of movable property (vehicles/land transportation equipment, air-sea and heavy equipmentconstruction machinery) or immovable property (land, buildings, and cancellations on the land) (Rivai & Arifin, 2010).

Sutopo (2004 in Budiono 2009), it is stated that the Micro Finance Institution has a significant effect on poverty alleviation. Financing of Micro, Small and Medium Enterprises (MSMEs) is an important thing to study considering a large number of sure 99% of the total businesses in the national economy, as well as its ability to absorb 99% of the total workforce in 2004. (Statistics of the Cooperatives Department, 2004)

As can be seen in the number of MSMEs in West Java in 2008 it reached 8,214,262 units, capable of absorbing 13,911,5911,531 workers, contributing to the West Java LPE (Growth Rate) of 8.04 per cent and West Java's GRDP of Rp. 345.187 trillion. While cooperatives based on data as of August 2010 totalled 22,664 units, with a total of 14,771 active cooperatives and 7,893 inactive cooperatives. The number of members is 4,576,978 people, with a business volume reaching Rp. 10.312 trillion, assets of Rp. 8.831 trillion and the Remaining Business Results (SHU) reached Rp. 1.017 trillion. As for the condition of MSME centres in the West Java area, specifically, the City and Regency of Cirebon (21%) and (12%) contributed to the development of a leading commodity centre in West Java Province.

However, the number of KUMKM actors is not directly proportional to the productivity achieved by KUMKM units, where the added value obtained by KUMKM is only 3.47 per cent, far lower than that of large business actors which reached 96.53 per cent. The low productivity of KUMK is partly due to their lack of access to institutional aspects, human resources, markets, capital, technology, raw materials, and place of business. Therefore, the importance of Islamic microfinance institutions (BMT) in assisting productive financing to SMEs is very significant.

III. METHODOLOGY

This discussion aims to determine the role of Islamic microfinance institutions (BMT) which are known from the results of their performance in the distribution of productive financing to micro and small businesses. This study will lead to descriptive and causal survey methods through the use of multiple regression analysis or called analytic surveys (inferential statistics), (Soehartono, 2011). (Supardi, 2013), Study model in this research used path analysis to test the path coefficient on each path diagram of the causal relationship between variables.

So, this research design is classified as survey research, both descriptive survey method and analytic survey. A quantitative analytic descriptive survey is used to explain the influence of the role of shari'a cooperatives on

their performance in productive financing through statistical data through the relationship between variables, while the analytic survey relates to the problem of estimating or testing hypotheses, whether or not the role of shari'a microfinance institutions (BMT) through its performance in distribution of productive financing to micro and small businesses (SMEs), with the use of the AMOS SPSS software system Version 22.0.

An empirical quantitative approach with a survey on the role of LKMS through BMT performance in the distribution of productive financing as an exogenous variable, and how much influence the distribution of productive financing as an intermediate variable on the empowerment of micro and small businesses as an endogenous variable in Cirebon. The model can be described as follows:
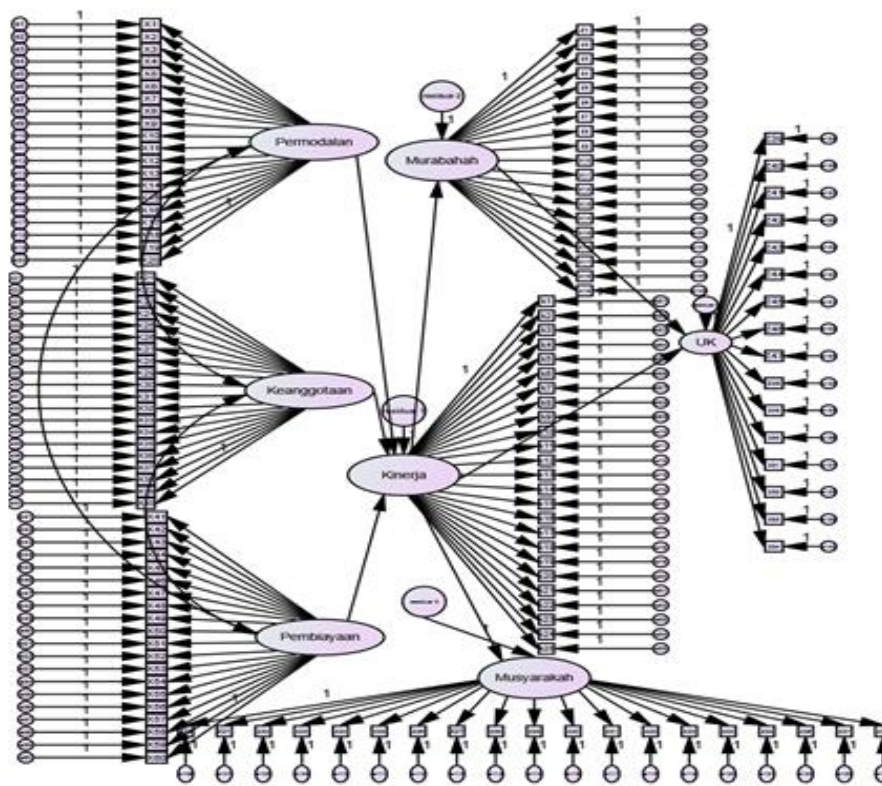

Figure 2: Research Design Modeling

IV. RESULT AND DISCUSION

Instrument Test

The validity of the questionnaire instruments on the variables in this study consisted of, 1) capital management X1; 2) Affiliation Management X2; 3) X3 financing management; 4) performance of Y cooperative; 5) Murābaha Z1 financing; 6) financing Mushāraka Z2; and 7) Z3 micro and small businesses. But before testing the hypothesis, the validity and reliability of the research instruments are tested first.

Validity test of all statement items is needed to guarantee the validity of statement items. Measuring instruments must be able to measure all variables in the

study. According to (Sugiyono, 2007), one of the measuring instruments compiled to test research instruments is the validity test using the Product Moment correlation technique. The correlation coefficient obtained will be compared with critical r or r table, if the correlation coefficient> r table then the items in the statement instrument can be said to be valid. Based on the test results of the instrument, all statements were declared valid.

In addition to being valid, the questionnaire instrument must also be reliable. Reliable means that the instrument produces a consistent measurement (the same) when used to measure repeatedly (Trihendradi 2012, 304). If the difference is very large from time to time then the

measurement results cannot be trusted (said to be unreliable). (Suliyanto & Si, 2006)

The method used to measure the consistency of an instrument to be reliable (reliability) is the Cronbach's alpha technique, (Indriantoro & Supomo, 1999). According to Balian (1988) and (Soehartono, 2011) in Yusuf (2009, 181), it explains that the guidelines for the reliability coefficient are demonstrated by the magnitude of the correlation coefficient. The results obtained are as in table 2 below:

Table 2 Instrument Reliability Test Results

Variabel	Koefisien Alpha	Conclusion (Reliability)
Capital	0,722	Enough
Membership	0,869	Very good
Financing	0,869	Very good
Cooperative Performance	0,931	Unbelievably good
Murābaha	0,922	Unbelievably good
Mushāraka	0,901	Unbelievably good
Small Business Trading	0,873	Very good

Measurement Model of Each Latent Variable

1.1 Capital Management Variable Measurement Model

The capital management's latent variables were initially measured using twenty variables, but there were eight indicators modified (capital withdrawal ability, increasing Murābaha financing from the capital, Mushāraka, encouraging cooperative performance, making procedures, reserve funds, subsidies and zakat distribution) that have value loading factor is smaller than required (validity and reliability via Rule of thumb <0.7). In Achieving a good economic model, the indicator is reduced from the model, loading factors of twelve other indicators in forming latent variables can be seen in Figure 3.

Based on the result of the twelve indicators of capital variable measurement, activeness in paying principal, mandatory and voluntary deposits is more dominant in the formation of latent variables (leadership) than the other twelve indicators. This is reflected in the loading factors (2%, 1.94,% and 1.79%) greater than the twelve other loading factors.

In according to indicators testing that used in this research, it can measure latent variables in capital management with a high degree of conformity, twelve indicators are calculated using the Scalar Estimate approach. Regression weighting values indicate that the value of nadir (critical ratio) is greater than twice the standard error (standard error) and the probability is 0.000 which means all items in the study are valid for each research variable in a convergent manner. Estimated values are interpreted as factor weights or loading factors ie of 0.808 (variable activity of paying principal contributions / P8), 0.794 (variable paying compulsory contributions P9), 0.449 (variable paying voluntary contributions P10), 0.238

(variable efforts of non-profit funds from endowment P20), 0.226 (variable donation of cooperative grant P11) etc.

1.2 Affiliation Management Variable Measurement Model

The latent variable of Affiliation Management was initially measured by using twenty variables then reduced to sixteen indicators as follows: HR, cooperation, employment, coaching members, planning new business units, interest-free member loans, self-management capabilities of members/members, decision making, risk identification, risk dare, increasing the number of members, investment members, networking, MAT and SHU which have a factor loading value smaller than required (validity and reliability through a Rule of thumb < 0.7). In achieving good model fit, the indicator is reduced from the model, loading factors of four other indicators in forming latent variables can be seen in Figure 4.

Of the four indicators measuring membership variables, program socialization, member participation and the roles of management, managers and members are more dominant in the formation of latent variables (leadership) than the fourteen other indicators. This result reflected in the loading factors (1.00%, 0.86% and 0.74%) greater than the eight other loading factors.

With indicators testing, we can measure latent variables of Affiliation Management with a high degree of conformity, four indicators are calculated using the Scalar Estimate approach. Regression weighting values indicate that the value of nadir (critical ratio) is greater than twice the standard error (standard error) and the probability is 0.000, which means all items in the study are valid for each research variable in a convergent manner. Estimated value is interpreted as a factor weighting or loading factor that is equal to 1.00% (program and product socialization variable / P19), 0.86% (variable participation of P2 members), 0.74% (variable roles of administrators, managers and P3 members), and so on.

1.3 Variable Measurement Model of Financing Management

Latent variables of overall financial management of the twenty variables already have the loading value as required. So that the fit model of twenty has fulfilled the requirements in forming latent variables can be seen in Figure 5.

Of the twenty indicators of measurement of financing management variables, productive financing of Islamic cooperatives and prudence is more dominant in the formation of latent variables (financing management) than eighteen other indicators. This is reflected in the loading factor (1.33%) which is greater than the eight other loading factor indicators. Financing management resulted with a high degree of conformity, the seventeen indicators are calculated using the Scalar Estimate approach.

Regression weighting values indicate that the value of nadir (critical ratio) is greater than twice the standard error (standard error) and the probability is 0.000 which means all items in the study are valid for each research variable in a convergent manner. Estimated values are interpreted as

factor weights or loading factors ie amounting to 0.763% (productive financing variable / P15), 0.752% (variable increasing the usability of money P5), 0.740% (productive variable of shari'a cooperative P4), 0.704% (variable business enthusiasm / P8), and so on.

1.4 Performance Variable Measurement Model

Latent performance variables are measured using twenty variables, and all of them have loading values as required. To get a fit model, the indicator does not need to be reduced from the model, loading factors of twenty indicators in forming latent variables can be seen in Figure 6.

To test whether the indicators used can measure latent variables of Islamic cooperative performance with a high degree of conformity, the twenty indicators are calculated using the Scalar Estimate approach. Regression weighting values indicate that the value of nadir (critical ratio) is greater than twice the standard error (standard error) and the probability is 0.000, which means all items in the study are valid for each research variable in a convergent manner. Estimated value is interpreted as a factor weighting or loading factor that is equal to 0.79% (variable understanding shari'a risk P24), 0.783% (variable coaching employees and members of P13), 0.760% (variable employee productivity / P6), 0.718% (variable role of management / P15), and so on.

1.5 Variable Measurement Model Murābaha Funding

Murābaha latent variables were initially measured using nineteen variables, but there were three modified indicators (Murābaha added venture capital, earnings & income, and contained risks) which had a loading factor value smaller than needed (validity and reliability through the rule of thumb < 0.7)). To get the appropriate model, the indicator is subtracted from the model, the loading factor of

sixteen other indicators in forming latent variables can be seen in Figure 7.

To test whether the indicators used can measure latent variables of Murābahah financing with a high degree of suitability, the twenty indicators are calculated using the Scalar Estimation approach. The regression weight value indicates that the nadir (critical ratio) is greater than twice the standard error (standard error) and the probability is 0,000, which means all items in this study are valid for each study variable in a convergent manner.

Estimated value is interpreted as a weighting factor or loading factor that is equal to 0.788% (principle variable profit sharing M15), 0.783% (variable according to al-Qur'anM1), 0.721% (variable prudential principle M14), 0.716% (variable competitive profit M12), 0.710% (variable according to the teachings of the sunnah M2), 0.708% (variable according to the agreement of scholars/ijma), and so on.

Structural Equation Model

After explaining the measurement model (measurement model) of each endogenous unobserved variable and exogenous unobserved variable, the structural model between variables formed from the measurement model will be described next. Based on the structural model testing framework with observed variables, then an outline, 3 sub-structures will be tested in this study, namely:

a. Effect of capital, membership, and financing on performance.
b. Effect of performance on Murābaha and Mushāraka financing.
c. The influence of Murābaha and Mushāraka financing on the empowerment of small businesses.

Table 3 Structural Models of Observed Variables Between Variables

Endogenous Constructs	Exogenous Constructs							Error
	X1	X2	X3	Y	Z1	Z2	Z3	
Y	y_1X_1	y_1X_2	y_1X_3	β_0	-	-	-	E1
Z1	-	-	-	-	β_1	-	-	E2
Z2	-	-	-	-	-	β_2	-	E3
Z3	-	-	-	-	-	-	β_3	E4

Based on the structural model equation observed the results of data processing obtained the structural equation as follows:

Table 4 Results of Structural Model of Observed Variables Between Variables

Endogenous Constructs	Exogenous Constructs					Error
	X1	X2	X3	Y	Z1	
Y	0,177 (0,212)	0,456 (0,617)	0,272 (0,309)	-	-	+32,02
Z1	-	-	-	0,111 (0,109)	-	+86,02
Z2	-	-	-	0,155 (0,146)	0,198 (0,128)	+78,52
Z3	-	-	-	-	0,270 (0,167)	+29,70

Note: Numbers in parentheses are t-test (regression weight / CR)

From the above equation can be interpreted as follows:

1.1 For performance, if capital increases one level while membership and financing are considered fixed, then performance will increase by 0.177, likewise if membership increases by one level. At the same time, capital and financing are assumed to be constant, then performance will increase by 0.456. Also, if financing increases by one level while the capital and permanent membership, then the performance will increase by 0.272 units. Based on the above equation, raising the most important performance is increasing the participation/ participation of members to increase capital to support strong and healthy financing.

1.2 For Murābaha and Mushāraka financing, if performance increases by one unit then Murābaha and Mushāraka financing will increase by 0.111 level and 0.155 level so that for the rise in Murābaha and Mushāraka financing the most important is the achievement of performance because success in productive financing is highly dependent on the performance achieved by the employee.

1.3 For small business empowerment, if Murābaha financing increases by one unit and Mushāraka financing is fixed, it will increase by 0.198, and if Mushāraka financing increases by one unit while Murābaha financing is fixed, then it will increase by 0.270, so to tie the empowerment of small businesses it is appropriate to be given financing productive, both through Murābaha funding and Mushāraka.
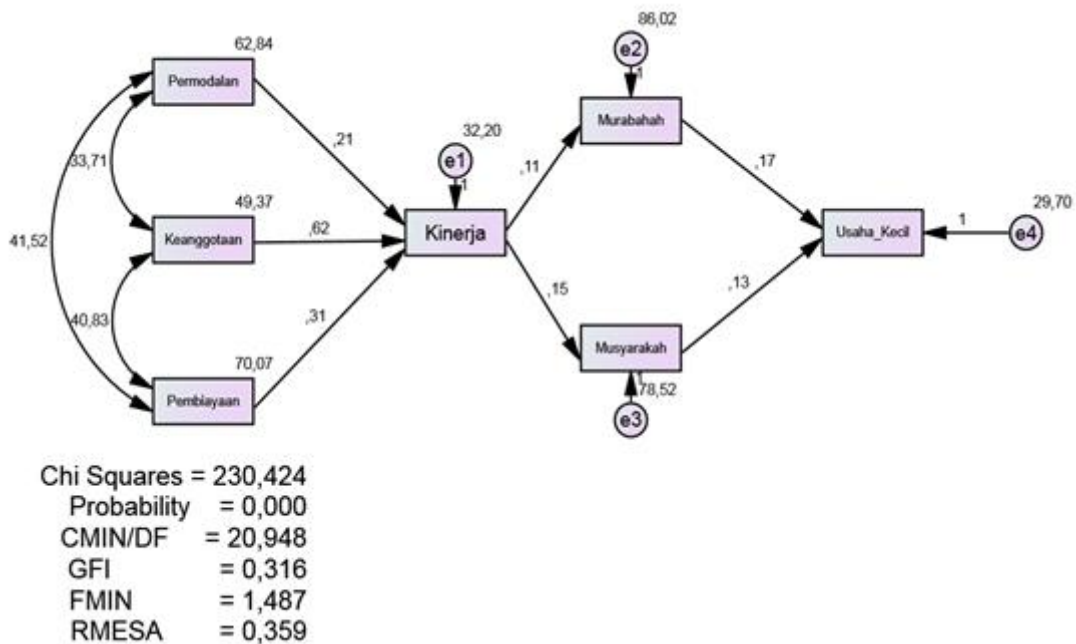

Chi Squares = 230,424
Probability = 0,000
CMIN/DF = 20,948
GFI = 0,316
FMIN = 1,487
RMESA = 0,359

Figure 3 Path Structural Equation Model

Based on the explanation and values in the structural model path diagram observed among latent variables, the influence of each exogenous variable on the endogenous variables can be directly or indirectly estimated. Each explanation is as follows:

Table 5 Large Direct Effects of Capital Variables (X1), Membership (X2) and Financing (X3) on Performance (Y)

Latent Variable	Coefficient of Effect	Direct Influence	Total (%)
X1	0,177	2,12	2,12
X2	0,456	6,17	6,17
X3	0,272	3,09	3,09
Total Combined Effects			**11,38**

In combination, capital, membership, and financing variables can explain the changes that occur in performance by 11.38% and the remaining 88.62% are explained by other factors not examined. Among the exogenous variables, the membership variable contributed the most.

Table 6 Big Direct Effects of Performance (Y) Against Murābaha (Z1), Mushāraka and Small Business

Latent Variable	Coefficient of Effect	Direct Influence	Total (%)
Y →Z1	0,111	0,146	14,6
Y →Z2	0,155	0,109	10,9
Total Combined Effects			**25,5**

In combination, the performance variables influence the financing of Murābaha and Mushāraka by 25.5% and the remaining 74.5% are explained by other factors not examined. Among the endogenous variables, the performance variable for Murābaha is the greatest.

Table 7 Major Direct Effects of Murābaha Financing (Z1) and Mushāraka Financing (Z2) Against Small Businesses (Z3)

Latent Variable	Coefficient of Effect	Direct Influence	Total (%)
Z1	0,111	0,167	16,7
Z2	0,155	0,128	12,8
Total Combined Effects			29,5

In combination, the Murābaha and Mushāraka variables influence the empowerment of small businesses by 29.5% and the remaining 70.5% are explained by other factors not examined. Among the endogenous variables, the Murābaha variable contributes the most directly.

Table 8 Large Indirect Effects of Capital Variables (X1), Membership (X2), Financing (X3) through Performance (Y), on Murābaha (Z1), Mushāraka (Z2) and Small Business (Z3)

Latent Variable	Coefficient of Effect	Indirect Influence			Total (%)
		Z1	Z2	Z3	
X1	-	0,023	0,031	0,008	
X2	-	0,067	0,090	0,023	
X3	-	0,034	0,045	0,011	
Y	-	-	-	0,037	
Total Combined Indirect Effects					3,69

In combination capital, membership, financing and performance variables can explain the changes that occurred in Murābaha, Mushāraka, and micro small businesses by 3.69% and the remaining 6.31% explained by other factors not examined.

Table 9 The Indirect Effects of the Murābaha Variable (Z1), and Mushāraka (Z2) Against Small Businesses (Z3)

Latent Variable	Coefficient of Effect	Indirect Influence	Total (%)
Z1	-	0,167	1,67
Z2	-	0,128	1,28
Total Combined Indirect Effects			2,95

In combination, the Murābaha and Mushāraka variables can explain indirectly the changes that occur in small businesses by 2.95% and the remaining 97.05% are explained by other factors not examined. If the survey data are analyzed using IBM SPSS Version 22.0 as in the appendix, then the equation can be written as follows:

$$Y = 10{,}694 + 0{,}212X_1 + 0{,}617X_2 + 0{,}309X_3$$
$$Z_1 = 68{,}308 + 0{,}109Y$$
$$Z_2 = 63{,}98 + 0{,}146Y$$
$$Z_3 = 46{,}721 + 0{,}167Z_1 + 0{,}128Z_2$$

From the SPSS Version 22.0 program equation, it can be interpreted that:

1) For performance, if capital rises by one level while membership and financing are considered fixed, then performance will increase by 0.212 units, likewise if membership increases by one level while capital and financing are assumed to be constant then performance will increase by 0.617 units and if financing increases by one level while the capital and permanent membership, the performance increases by 0.309 units. Based on the above equation, to improve performance the most important thing is to increase the role of management, increase employee productivity and guidance to its members must be intensified.

2) For Murābaha, if performance increases by one unit, the Murābaha will increase by 0.109 levels. So for the most productive Murābaha financing is the achievement of employee performance in expanding the financing.

3) For Mushāraka, if performance increases by one unit, Mushāraka will increase by 0.146 levels. So for Mushāraka productive financing, the most important is the achievement of employee performance in increasing the financing.

4) For the empowerment of small businesses, if Murābaha increases by one unit and Mushāraka is assumed to be permanent, then the small business will increase by 0.167, likewise, if Mushāraka increases by one level and Murābaha remains, then the small business will increase by 0.128 units.

HYPOTHESIS TEST

After testing the assumptions of the model (measurement model) and the suitability of the model (structural equation model), the hypothesis testing of the causality of the research variables is then carried out. Hypothesis test results of the relationship between variables are shown from the value of regression weight in the column (value) CR (t value) which is compared with the critical value (t-table) at a certain level of significance.

Testing this study also considers the probability value (p) for each regression weight value which is then compared to the value of the specified significance level (the researcher determines the significance level, α = 0.05). So, this research hypothesis is accepted if the probability value (p) is smaller than the value α = 0.05. The regression weight value of this study can be seen in Table 10.

Table 10 Assessment of Goodness-of-fit Models

The goodness of Fit Index	Cut-off Value	Result	Model Evaluation
Chi-Square (df =)	Small (<622,080)	230,424	Well
Probalitiy	≥ 0,05	0,000	Not good
CMIN/DF	≤ 29,623	20,948	Well
RMR	0 – 1	13,984	Not good
GFI	0 -1	0,804	Well
AGFI	≥ 0,90	0,502	Not good
PGFI	≥ 0,60	0,316	Not good
NCP	< Independence Model	219,424	Well
RMSEA	0,05 – 0,08	0,359	Not good
AIC	< Independence Model	264,424	Well
ECVI	< Independence Model	1,706	Well

Table 11 Structural Equation Test Results

			Estimate	S.E.	C.R.	P
The performance	<---	Capital	,212	,077	2,735	,006
The performance	<---	Membership	,617	,095	6,523	***
The performance	<---	Financing	,309	,081	3,810	***
Murābaha	<---	The performance	,109	,078	1,393	,163
Mushāraka	<---	The performance	,146	,075	1,953	,051
Small business	<---	Mushāraka	,128	,097	1,315	,189
Small business	<---	Murābaha	,167	,093	1,791	,073

Explanation:
1. Capital, membership, and financing have a very significant effect on performance

As can be seen in the table above, the parameters estimated for the influence of the capital, membership, and financing variables on performance have a probability (p) smaller than the value of α = 0.05. Thus, it can be concluded that capital, membership and financing have a significant effect on the performance of Islamic cooperatives (hypothesis accepted).

2. Performance does not have a significant impact in Murābaha financing but is significant on Mushāraka financing

Murābaha financing parameters estimated for the influence of performance variables on Murābaha have a probability value (p) greater than α = 0.05. That is, Ho is accepted and Ha is rejected (hypothesis rejected). As for Mushāraka with a probability value (p) equal to α = 0.05 which means that performance significantly affects Mushāraka (hypothesis accepted).

3. Murābaha and Mushāraka have an insignificant effect on empowering small businesses

Looking at the estimated parameters for testing the influence of Murābaha and Mushāraka on empowering small businesses shows that the probability value (p) is greater than α = 0.05. Thus it can be concluded that the Murābaha and Mushāraka variables are statistically not significant effects on empowering small businesses (hypothesis rejected).

To identify whether performance variables plays a role as intervening variables or not, direct effects, indirect effects, and total effects analysis needs to be conducted. With this method, the influence of exogenous variables on endogenous variables through intervening variables can be identified.

Table 12 shows that the direct effect of capital on performance, the direct effect of membership on performance, and the direct effect of financing on performance respectively 0.212; 0.456 and 0.272. Whereas the direct influence of performance on Murābaha and the direct effect of performance on Mushāraka were 0.109 and 0.146, respectively. While the direct influence of Murābaha on small businesses and the direct influence of Mushāraka on small businesses were 0.167 and 0.128, respectively.

Table 12 Direct Effects

	Financing	Membership	Capital	Performance	Mushāraka	Murābaha
Performance	,309	,617	,212	,000	,000	,000
Mushāraka	,000	,000	,000	,146	,000	,000
Murābaha	,000	,000	,000	,109	,000	,000
Small business	,000	,000	,000	,000	,128	,167

Table 12 shows the indirect effect of capital, membership and financing on Mushāraka and Murābaha mediated by their respective performance of 0.031; 0.090 and 0.045. While the indirect effect of performance on small businesses mediated by Murābaha and Mushāraka is 0.037.

Table 13 Indirect Effects

	Financing	Membership	Capital	Performance	Mushāraka	Murābaha
Performance	,000	,000	,000	,000	,000	,000
Mushāraka	,045	,090	,031	,000	,000	,000
Murābaha	,034	,067	,023	,000	,000	,000
Small business	,011	,023	,008	,037	,000	,000

The total effect of each construct on a particular construct is shown in Table 43.6 The magnitude of the total effect is 0.272 for the total effect, both direct and indirect, of the financing variable on performance. The total effect of 0.032, 0.042 and 0.017, both directly and indirectly from the variable capital influence on Murābaha, Mushāraka and small businesses.

The total effect of 0.456; 0.051; 0.071, and 0.028, both directly and indirectly from membership variables on performance, Murābaha, Mushāraka, and small businesses. While the total effect, both directly and indirectly, from the capital variable on performance, Murābaha, Mushāraka and small businesses each amounted to 0.177; 0.020; 0.027 and 0.011.

The total effect of the performance variables on Murābaha, Mushāraka and small businesses, both directly and indirectly, each by 0.155; 0,111 and 0,061. While the total influence, both directly and indirectly, of the Murābaha variable on small businesses, is 0.270 and the Mushāraka variable is on small businesses, both directly and indirectly at 0.198.

Table 14 Standardized Total Effects

	Financing	Membership	Capital	Performance	Mushāraka	Murābaha
Performance	,272	,456	,177	,000	,000	,000
Mushāraka	,042	,071	,027	,155	,000	,000
Murābaha	,030	,051	,020	,111	,000	,000
Small business	,017	,028	,011	,061	,198	,270

Based on the results of the analysis of the influence of the variables can be seen that the magnitude of the total effect between each variable is greater when compared to the magnitude of the direct effect between each research variable. Thus, it can be concluded that performance as an intervening variable mediates the effect of capital, membership and financing on Murābaha and Mushāraka. Whereas Murābaha and Mushāraka as intervening variables on small businesses.

V. CONCLUSION

The partial influence of the role of capital, membership and financing on the performance of Islamic cooperatives is very significant. However, the role of membership is the most significant variable influencing the performance of shari'a cooperatives, this is following the theory put forward by (Ropke, 2003), (Sinaga, 2006) and (Taqiyuddin, 1996), that cooperative performance is highly dependent on the role of customer participation (members) because aside from being a business owner is also a producer of the company's products and customers of that product. The role of membership in influencing the performance of shari'a cooperatives can be seen as indicators of customer satisfaction, retention (ability to retain old customers), market share, and ability to attract new customers.

The role of capital, membership and financing simultaneously affect shari'a cooperative performance. This is consistent with the theory conveyed by (Ropke, 2003) and (Partomo, 2009) that cooperative business activities today and the greater the funds used to finance cooperative business activities, both originating from internal funds (own capital) and external capital (external capital/loans), then the heavier management responsibilities.

The performance of shari'a cooperatives has no significant effect on Murābaha financing and is significant on Mushāraka. This is following (Lewis, Mervyn K. dan Algaoud, 2007) theory, that transactions based on Mushāraka are more *promising* for both parties (middle way) than the interest system (riba), because cooperative performance is a measure in the distribution of Mushāraka financing for proportional profit-sharing distribution. Financing Murābaha and Mushāraka even partially did not affect the development of micro small businesses. It will be effective if the two funds are combined.

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