

Analyzing of External Environment Force and Islamic Business Ethics on Baitul Maal Wat Tamwil Performance through Organizational Commitment

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Abstract:

This study aims to analyze the influence of external environmental forces and Islamic business ethics which directly have a significant influence on Baitul Maal wat Tamwil (BMT) performance and have a significant influence indirectly through organizational commitment as a mediator on BMT performance. The CEO of BMT must know the fundamental theory in order to improve the BMT performance but also be able to analyze the advantages and limitations in practice. This study uses a survey strategy and is cross-sectional involving 283 BMT CEOs as respondents to get primary data through questionnaires and then analyzed using partial least square (PLS). The results show that directly external environmental forces and Islamic business ethics significantly influence on BMT performance as well as organizational commitment can mediate indirect effect of external environment forces and Islamic business ethics on BMT performance.

Keywords: Islamic; microfinance; external environmental forces; business ethics; organizational commitment; performance.

JEL Classification: D23; G21; M21.

Introduction

Performance is an important element in a company. Performance appraisal as a tool to evaluate previous activities and become an important foundation in order to increase company growth. Simionescu (2016) state the concept of performance of the company is based on the theory of the stakeholders. Managers can not maximize firm value ignoring the interests of the social partners: shareholders, employees, creditors suppliers, customers, state, and others. The company's performance will run based on the targets set by the company CEOs, if the company's management is run in accordance with the rules imposed by the company (Laitinen 2004). This also happened at the Baitul Maal wat Tamwil (BMT). Dewi (2017) state that BMT is a Microfinance Institution with sharia concept which consists of two businesses, namely Baitul Maal and Baitul Tamwil. Baitul Maal is more directed towards efforts to collect and channel non-profit funds, such as: *zakat*, *infaq*, and *sedeqah*. While the Baitul Tamwil is a business for collecting and distributing commercial funds (Ridwan 2004). These efforts become an inseparable part of BMT as an institution supporting the economic activities of micro and small economic communities based on Islam. BMT operates in accordance with Islamic sharia provisions, especially those concerning Islamic *muamalah*

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procedures (Rokhman 2013). In the Muamalah procedure, it is avoided from practices that are feared to contain elements of usury (*riba*) to be filled with investment activities on the basis of profit sharing and trade financing.

The existence of BMT is very strategic for further investigated, where the target of financing is aimed at micro and small entrepreneurs which in total 98.8% of all business operators in Indonesia (Kemenkop UKM 2020). In addition, BMT fills in non-formal vacuum functions of Sharia Banks including Islamic Rural Bank (BPRS), which have not yet reached the Micro and Small Enterprises (MSEs), even though this MSEs is a provider of employment for around 112.9 million people (Kemenkop UKM 2020). Constraints that limit sharia banks or BPRS reaching MSEs are collateral problems and financing formalities, a matter that is not an absolute requirement in BMT (Suhendi 2004). The gap between Islamic banks and MSEs is bridged by BMT. Another strategic value, that BMT is an institution that is not only business oriented, but also socially oriented. BMT pays close attention to low level entrepreneur up to an average of 81.69% of total funds, and entrepreneurs are having financial difficulties on 10.82% of total funds (Rokhman 2013).

Another reason, Sakti (2013) state that BMT drives the economy at a lower level community such as micro and small enterprises (MSEs) based on Sharia principles that have a social role and increase the distribution of people's income and reduce economic and social inequality. Thus in general BMT can support MSEs in business, as well as the role of making MSEs in the form of social values so they can grow and grow. Thus BMT is considered by the community to be able to build a mandate that has religious values based on Islamic law. BMT is growing year by year. Quantitatively, the history of BMT travel between 1980 and 2010 has grown to 3,307 BMT units throughout Indonesia. In the following four years (2014) there were 5,000 BMT units with assets of Rp 4.7 trillion and customers reaching more than three million customers (Hasbi 2015). Neither the BMT assets, continues to experience growth.

Cahyadi (2012) state BMT in running its business still has problems that must be an important concern for company management in advancing its institutions to be able to compete with similar and conventional companies. These problems trigger the development of the company, so that it can slow down company growth. Matters faced by BMT include capital. BMT generally has a relatively small capital, therefore BMT always expects an injection of funds, both from the government or parties interested in investing, so that in general the average BMT capital source is relatively weak, because it comes from funding sources, the majority of which comes from customers, not BMT owners (Hasbi 2015).

Another thing faced by BMT is bad financing from customers. As a result of the bad financing, BMT's capital turnover has reduced the company's growth. This issue has become a recurring occurrence in many financing agreements, although not all Debtors always have problems. Sakti (2013) findings in his research that the level of non-performing financing (NPF) BMT problem is quite large, NPF average of 4.97% in Central Java, 10.86% NPF in Jabar and the average of three provinces (East Java, Central Java, West Java) was 7.31%. The cause of non-performing financing for BMT problems in the three provinces is the failure of business from customers of BMT (55.52%) because almost 100% of BMT financing is aimed at productive motives, while non-performing financing based on loss to follow-up factors reaches of 26.91%.

BMT problems tend to face liquidity when customers withdraw funds. This liquidity problem has the potential to be a problem in almost all BMT, because the majority of the main funding sources for financing (66.75%) come from customers compared to sources of funds from their own capital only 18.70%, and capital from linkage with BUS / UUS of 6.23%. If the BMT faces liquidity problems, most of it is overcome from BMT owner funds (an average of 42.81%), other BMT (23.64%), other sources (11.18%), Bank of Sharia loans (8.4%), individual loans (7.67%), and the smallest loans from the government (3.19%).

Based on the phenomenon, BMT needs to know that there are factors that affect company performance, especially the determinants of non-financial company performance. Non-financial factors are indeed important to be concern (Giovanni 2012). The non-financial factors studied are evidence of company performance based on the external environment force, Islamic business ethics, and organizational commitment.

The relationship of external environment force and Islamic business ethics to company performance can be explained by organizational commitment variables. These variables can be predicted to act as a mediator between external environment force on company performance and Islamic business ethics on company performance. Although the influence of mediators has not been found in the context of path analysis, the relationship of these variables has been proven separately in various studies. The influence of external environment force on organizational commitment is evidenced in the study of Jassmy *et al.* (2018), Ozsahin (2013).

Furthermore, the effect of organizational commitment on company performance is proven by Meyer *et al.* (2012), Miller and Lee (1999), Kuo (2013), and Hayati and Caniago (2012). The influence of Islamic business ethics on organizational commitment by Nor (2010), Manan *et al.* (2013), Yousef (2000). Research by Grbac and Loncaric

(2009), Ali and Al-Owaihan (2008) shows there is a positive influence of Islamic business ethics on company performance, even though Hayati and Caniago (2012) and Salem and Syed (2012) state otherwise.

This makes the theme of BMT performance is very interesting to analyzed especially non-financial factors, the variable of organizational commitment as a mediator is a value in the construct as a whole in this study. Testing the relationship of numbers of variable both directly and indirectly through mediator variables on company performance where Baitul Maal wat Tamwil (BMT) is the object of research. Based on the results of the study, recommendations will be made in the form of BMT development models by including non-financial variables. This model is schematic, supplemented by theoretical explanations based on empirical results.

1. Literature review

BMT is a non-bank microfinance institution that is categorized as one of the Sharia savings-loans and financing cooperative institutions (KSPPS) or the Sharia Sharia savings-loans and financing Unit (USPPS), often also called Integrated Business Centers, although BMT is not a sharia cooperative. BMT as KSPPS / USPPS has so far complied with Law No.25 / 1992 concerning Cooperatives, although it has not accommodated the existence of BMT as a microfinance institution that serves the community needs (Dewi 2017).

BMT's position in the Indonesian economy is very strategic, BMT as an intermediary institution between customer who have excess funds (*aghniya*) and customer who lack funds that not have access to banking institutions. BMT fills in non-formal functions of banks which have not been maximized in reaching Micro and Small Enterprises (MSEs). Meanwhile MSEs is a provider of employment up to 98.8%. The obstacle that limit Bank of Sharia reaching MSEs are collateral and formalities (Sakti 2013). This service gap between bank of sharia and MSEs is bridged by BMT.

Even though BMT have a significant role in drive of people's economy, BMT management still needs to be improved. However, BMT also has potential resources that can be increasingly empowered. These sources are not only tangible assets, also intangible assets, namely valuable, rarely, imperfect imitability, and non-substitution. BMT performance evaluation can be seen from two aspects (i) aspects of Ruhayah consisting of vision, mission, social sensitivity, strong sense of belonging and the implementation of social principles (ii) aspects of Service which consist of financial and institutional performance and management (Puspitasari 2014).

1.1. External environment force

The External environment force is defined as a factor of opportunities and threats from outside the organization which has implications for internal changes in the company (Banham 2010). In this study, external environment force is a company's ability to respond to pressures from the external environment which include market demand, political and legal power, social and ethical influence, technology, and competition. Nguyen and Nguyen (2013) identifies external environment forces can affect changes in a company including government regulations, market globalization and business internationalization, major political and social events, technological advancements, consumer expectations, supplier requirements, increased competition, organizational growth, and fluctuations in the business cycle. The turbulent conditions in the business environment affect the performance and changes in the company.

Mason (2007) conceptualizes external environment force from five of external environment dimensions. The five dimensions are:

- environmental capacity that focuses on the level of resources available to the organization;
- heterogeneity, referring to the extent to which organizations face different demands from different stakeholders;
- environmental concentration is the distribution of resources used by the organization;
- domain consensus represents the extent to which there is agreement between organizations that deal with organizations and other groups in society that have the right to provide certain goods/services;
- environmental uncertainty related to environmental instability or changes related to wide environmental aspects such as technology, legal politics and demographics.

Meanwhile regulations, legislation, pressures in competition, suppliers, consumers, all of which have increased awareness about the external environmental issues and their impact on company performance. External management is carried out by the company not only to reduce the impact of external environment, but also to carry out strategies to create competitive advantage and improve company performance and social welfare (Giovanni 2012). Suryana (2015) shows that an organization must respond quickly to changes in environmental forces in order to survive in a growing market. Organizational change as the impact of external environment changes, eventually becomes a change in employee perception of the organization.

1.2. Islamic business ethics

According to Al Qur'an from the standpoint of philosophy and epistemology, humans are leaders on earth (*khalifatul-ardli*). The concept of *khilafah* is one of the main reasons for human existence through acts of worship. The concept of worship applies to all aspects of life, including business aspects (Beekun and Badawi 2005). This means that Islamic business ethics is a moral culture or habits associated with a company's business activities. Agaoglu (2014) mention business ethics based on religion, namely there is a tendency for variations in business ethics between one country and another, depending on differences in the practice of local religion and culture.

Elmelki and Arab (2009) states that Sharia norms and values are used to strengthen business ethics in Moslem practices, since the values of Islamic business ethics can be applied to companies. To understand sharia, in Islam it is known as Usul-Fiqh which is the procedural law of sharia.

Tlaiss (2015) describes 13 items contained in Islamic business ethics, including: trust, legitimate sources in obtaining wealth, ordering to shop, zakat, order of business, productive, honesty in business matters, taking into account humanitarian aspects in making business agreements, satisfying all business obligations, reasonable handling by staff, mutual respect, clear business transactions, fair in making purchases and sales.

Muhammad *et al.* (2008) state there are a number of things that are unethical (*haram*) based on Islamic business ethics, namely: selling prohibited goods/services such as selling liquor, narcotics, stolen goods, *etc.*; conducting fraud in business transactions; often taking oaths in selling their products; displaying products/services not in accordance with reality (window dressing); violating/not fulfilling agreements in transactions; hoarding goods, food, *etc.* others to obtain future profits; speculative business activities; include interest in transactions; price fixation; selling forbidden animal meat; buying and selling weapons that cause the destruction of humanity; fraudulent transactions; making uncertain transactions.

1.3. Organizational commitment

This organizational commitment is needed in organizations because a committed worker is important in the organization, especially to maintain the continuity and achievement of goals (Rizal *at al.* 2019). Yousef (2000) define organizational commitment as a psychological attitude that attaches an employee to an organization in a manner that reduces his or her turnover intention. Organizational commitment typically relates to the characteristics, work and behavior of employees, and the socio-cultural environment of an organization. Organizational commitment consists of the most powerful emotional components and includes the public interest, principles, values, and goals (Reade and Lee 2012).

In addition, organizational commitment is a measure of employee identification with the organization. Organizational commitment consists of three elements, namely belief and strong acceptance of the goals and values of the organization, want to carry out efforts for the organization, and have a strong desire to remain a member of the organization (Hung *et al.* 2015). Meanwhile Allen and Meyer (1990) divide into three component processes, namely affective commitment, continuous commitment, and normative commitment. Organizational commitment can impact and or relate to employee retention, employee involvement, productivity, work quality, and the desire to make sacrifices in an effort to strengthen the image and performance of the organization.

Encouraging organizational commitment among human resources is essential, bearing in mind that human resources who are highly committed to their organization are likely to stay longer at the organization, have higher productivity, better performance, and they have high involvement. Human resources that has high organizational commitment tends to have high loyalty to the organization, has a more positive attitude towards the goals and values of the organization, thus supporting the development of positive work behavior (Hanaysha 2016). Organizational commitment is considered as a significant issue, because it is related to job satisfaction, both related to organizational profitability and superior competitiveness (Marri *et al.* 2012).

1.4. Company performance

Richard *et al.* (2009) said company performance must be distinguished between organizational performance and organizational effectiveness. The concept of organizational performance is concerned with the results of corporate work, which consists of three areas, namely: financial performance, product performance, and returns for shareholders. If the three fields which are financial and non-financial indicators are combined, the meaning is wider than financial performance, so it is referred to as the economic performance of a corporation.

Venktrakaman and Ramanugan (1986) divide company performance into operational performance and financial performance. Operational performance includes market share, product quality, and marketing effectiveness. Meanwhile financial performance is divided into two, namely market-based financial performance (stock prices, dividend payments, earnings per share, *etc.*) and accounting-based financial performance (such as

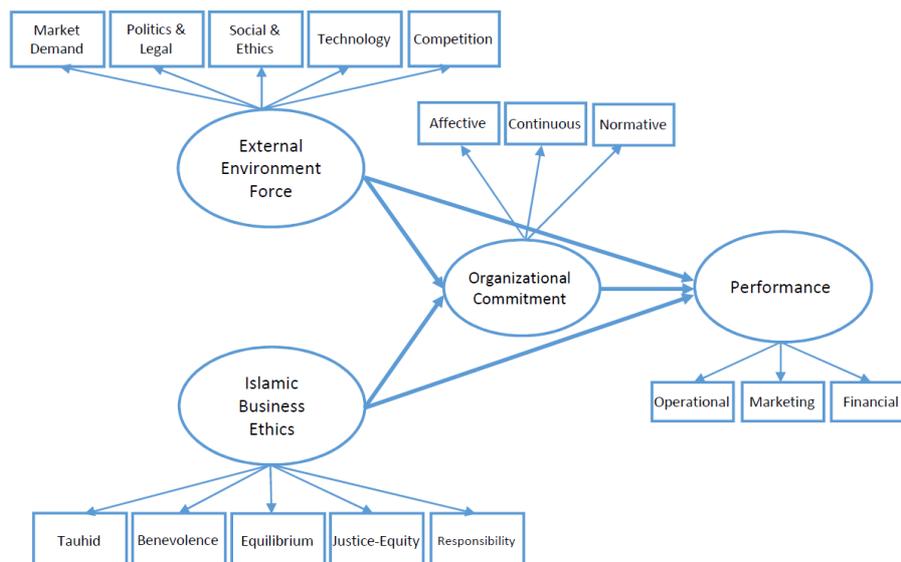
return on assets and return on equity). Fauzie, *et al.* (2010) suggested that the concept of company performance in the accounting literature usually refers to financial aspects such as earnings, ROA, and economic added value. Then the scope was extended by Kaplan and Norton (1996) with the concept of the balanced scorecard, which is to obtain a balance in performance measurement, which so far has been dominated by financial measurements, so that it is balanced with non-financial measurements, namely marketing and operations.

The performances of the Small and Medium Enterprises depend on the effective appeal and implementation of concepts, approaches, methods, techniques and other elements (Văcărescu-Hobeanu 2017). Giovanni (2012) states the performance of micro and small business sector is influenced by two main factors namely external environment force and internal environmental force. Internal force includes HR, finance, production techniques, and marketing aspects. External force includes government policies, socio-cultural and economic aspects, and the role of institutions related to government, universities, private sector and NGOs.

Fauzie *et al.* (2010) states the more comprehensive measure of company performance is three bottom line (TBL) consisting of economic performance, social performance, and environmental performance, while Tyagi and Anil (2013) divides 2 measures of company performance namely social performance and economic performance. Company performance concerns the results of corporate work which includes 4 domains of corporate performance, namely: finance, marketing, operations, innovation and leadership (Florin 2013). BMT performance in this study was measured using 3 (three) indicators including: financial performance, marketing performance, and operational performance.

Based on the literature review described above, a research framework has been developed that will examine the relationship and its effects both directly and indirectly seen in Figure 1.

Figure 1. Research framework model



Source: Own preparation

Based on the literature review and research framework model above, the research hypothesis is formulated as follows:

- H1: External environment force has a significant effect on BMT performance.
- H2: Islamic Business Ethics has a significant effect on BMT performance.
- H3: External environment force has a significant effect on organizational commitment.
- H4: Islamic Business Ethics has a significant effect on organizational commitment.
- H5: Organizational commitment has a significant effect on BMT performance.
- H6: Organizational commitment can mediate the effect of external environment force on BMT performance
- H7: Organizational Commitment can mediate the effect of Islamic Business Ethics on BMT performance.

2. Methodology

This study uses a quantitative approach, where the unit of analysis is Baitul Maal wat Tamwil (BMT) Institution in all provinces in Java under management of the Syariah Cooperative Parent (*Inkopsyah*), which 312 BMT CEOs are respondents. All members of the population were sampled with the reason that the error rate was relatively small in making generalizations. In the implementation, 283 respondents returned. Data were analyzed using partial least square. This study uses a survey strategy and cross-sectional where to obtain primary data using a questionnaire instrument through a closed-ended statement and produce numerical data (Creswell 2014). It also uses secondary data sourced from books, journals, documents to complete the required data.

Measurement scale uses itemized rating scale, in this case using the Likert Scale method. The code for the answers to the questionnaire was determined by the following categories: as strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5. Descriptive analysis is used to determine the profile of BMT profiles, description of respondents' profiles and description of research variables based on the results of questionnaires that have been carried out to measure the validity and reliability of the instrument.

The stages in the analysis include:

- the outer model testing stage, including: convergent validity, discriminant validity and composite reliability;
- the goodness of fit model testing phase to see whether the model is declared perfect fit;
- the inner model testing phase, among others: the test of the significance of direct influence, testing the indirect effect and measurement of the effect of each exogenous variable on endogenous variables and testing mediation effect using Variance Account For (VAF) (Hair 2014).

3. Results and discussion

3.1. Baitul Maal wat Tamwil profile

BMT generally (38.16%) have total assets of 11 to 25 billion, in addition 30.04% BMTs have a total asset of 1 to 10 billion, MBT that have total assets of less than 1 billion are still 20.85% and large BMTs that have total assets exceed 25 billion of 10.95%. This shows generally that BMT begin to growth with the magnitude of the total value of their assets and this also shows the BMT growth from year to year. The growth of their total assets indicates that BMT is trusted by customers, increased ability of BMT leaders to develop their companies and the support of stakeholders such as the government and other financial institutions that BMT can grow and develop as expected.

Generally, (62%) profit sharing for BMTs at 51% BMTs and 49% customers up to 75% BMTs and 25% customers, while the rest (38%) profit-sharing composition is 25% to 50% for BMTs. This shows that profit sharing obtained by BMT is generally getting bigger and this revenue can be utilized by BMT to expand business financing, allocate it to lower level society and other benefits to promote BMT financially, operationally and market share.

Table 1. Baitul Maal wat Tamwil profile

Characteristics	Category	Frequency (f)	Percentage (%)
Growth per year	1-10%	122	43.11
	11-20%	102	36.04
	21-30%	51	18.02
	>30%	8	2.83
Funding Yield for BMT (Profit Sharing)	25-50%	108	38.00
	51-75%	175	62.00
Total Asset	< 1 billion	59	20.85
	1 - 10 billion	85	30.04
	11 - 25 billion	108	38.16
	> 25 billion	31	10.95

Source: Data reprocessed (2019)

The average growth of BMT is generally (43.11%) ranging from 1% to 10% and then to 36.04% in the range of 11% to 20% and 18.02% grow by an average of 21% to 30% and the rest grow to an average above 30%. This is very encouraging that BMT can really develop BMT business both in terms of managerial, financial and operational capabilities of BMT, if this continues to be developed and maintained surely the BMT growth will be more significant further and the prospect of BMT in the community is more potential.

3.2. Instrument validity and reliability

The validity test used to compare the values of corrected items - total correlations with r table, which are verified as valid if the values of corrected items - total correlations exceed r table. Based on the validity test shows that all the instrument variable external environment force, Islamic business ethics, organizational commitment, and company performance have a corrected item value - total correlation exceeds r table (0.2787) this means all items in the instrument variable are valid. The reliability test in the study used Cronbachs alpha reliability test. The instrument is declared reliable if it has an Cronbachs alpha value exceeding 0.7. The reliability test results showed that the Cronbach alpha obtained was 0.885 which exceeds the stipulation of 0.7, this states that the variable instruments are reliable that presented in Table 2.

Table 2. Validity and reliability test

Indicators	Corrected Item-total Correlation	r Table	Validity	Cronbachs Alpha	Reliability
Market Demand	0.590	0.2787	Valid	0.885	Reliable
Politics & Legal	0.622	0.2787	Valid		
Social & Ethics	0.722	0.2787	Valid		
Technology	0.668	0.2787	Valid		
Competition	0.627	0.2787	Valid		
Unity of God	0.655	0.2787	Valid	0.926	Reliable
Benoviolance	0.731	0.2787	Valid		
Equilibrium	0.584	0.2787	Valid		
Fair, Capital, Sincere, Trusted	0.775	0.2787	Valid		
Responsibility	0.711	0.2787	Valid		
Affective Commitment	0.737	0.2787	Valid	0.935	Reliable
Continuous Commitment	0.584	0.2787	Valid		
Normative Commitment	0.781	0.2787	Valid		
Financial Performance	0.847	0.2787	Valid	0.954	Reliable
Marketing Performance	0.836	0.2787	Valid		
Operational Performance	0.824	0.2787	Valid		

Source: data reprocessed (2019)

Based on the results, it can be concluded that all the variables are valid and reliable, so that it is feasible to use for research data collection.

3.3. Descriptive analysis

The results of data processing on the assessment of respondents as outlined in the questionnaire will be made in a summary overview of each variable in this study shown in Table 3. In this study, the variable of external environment force is measured in five indicators, namely market demand, political and legal, social and ethics, advanced technology and increased competition. Based on the results of filling out the questionnaire shows that among the five indicators that the most influential external factors on BMT sustainability are increased competition, social and ethics, as well as political and legal while advanced technology and market demand are the lowest external factors affecting BMT sustainability.

The analysis shows that the average rating of respondents is quite good, this shows according to the perception of most respondents, external environment force is sufficient to support BMT sustainability, according to most of the BMT respondents have paid good attention to the rights of customers, among others, profit sharing, the certainty of withdrawing funds, information if there are changes in rules or regulations, besides BMT product advertising in accordance with reality and BMT can compete in increasing marketing among other Islamic financial institutions. However, to balance the market demand from customers, BMT needs to review the profit-sharing system that can accommodate customer desires, in addition there must be an increase in providing good services for customers any time, give attention to customers, sincere and appropriate a target that will eventually become a loyal customer to BMT. In addition, BMT has also begun to improve its work systems and policies in accordance with government policies to support BMT sustainability, in addition to increasing the ability of information technology available and able to support BMT operation.

Islamic business ethics in this study is described by 5 indicators namely unity of god, nonviolence, equilibrium, fair-capital-sincere-trusted and responsibility. Based on the analysis conducted, it was found that Islamic business ethics has been directed, programmed and always monitored by manager/CEO continuously in

every opportunity during operational working hours. The monitoring results showed that the policy factors, equilibrium, fair-capital-sincere-trusted, gave good results while other factors that still needed to be improved were unity of god and equilibrium. However, the average score of respondents' answers on each item is good/high, this shows that generally BMT has tried to implement Islamic business ethics for all BMT employees properly and leads to the mandatory.

This can be seen when working, employees work honestly, politely, do not commit fraud, be transparent in explaining products and regulations, convey information using effective communication to customers, this makes the customer more trustworthy and not worried about saving funds or borrowing funds at BMT so as to strengthen relations between customers and BMT and at the same time strengthen the brand image of BMT as driver to lower-level community economy as well as help customers who cannot borrow funds from Islamic Banks, Sharia Rural Banks or other Islamic financial institutions. In addition, BMT employees also need to show the character and behavior of moslem who are simple in their daily lives, behave humbly, not display worldly luxury, and also work with efficient resources.

Table 3. Description of questionnaire score

No	Indicators	Mean
External Environment Force		
1	Market Demand	3.700
2	Politics & Legal	3.883
3	Social & Ethics	4.060
4	Technology	3.795
5	Competition	4.145
Average		3.917
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
Organizational 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 (2019)

Organizational commitment is described by 3 indicators, namely affective commitment, continuous commitment and normative commitment. The results of the analysis show that organizational commitment of almost all BMT employees is good/high, 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 the loyalty that is inherent in each employee so it is quite difficult for them to resign and 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 they still work at BMT because they feel that BMT has a good work environment family work atmosphere, feels challenged to improve and grow BMT, want to pursue a career in BMT, happy to be able to help fellow moslem or help lower-level people and feel happy at the time these communities can improve their lives and finally is an Islamic environment that they do not get in other companies. For BMT is to be able to create and foster loyalty, qualified ability and professionalism of employees in the field of Islamic finance,

especially in BMT so that it is expected that there will be a sense of ownership, feel heavy to leave BMT, feel a career in BMT is in accordance with the desires of employees and feel they have little choice to leave BMT.

BMT performance described in 3 indicators including marketing performance, operational performance and financial performance. Based on the results of the analysis 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 BMT which contributes significantly to the company in the daily work results is reflected in high employee productivity in terms of serving customers, the community and also other parties. In addition to operational aspects, BMT's marketing performance is also quite high, this shows that the marketing techniques used in order to enlarge the target market on target which are targeted at potential individual customers and potential companies are quite successful. In addition, the product sales reflected in market share and the level of customer satisfaction of most BMTs is also quite high. Marketing performance is currently very competitive with other Islamic financial institutions by providing more attractive offers of products and flexible policies to get customers, besides BMT needs to provide prime services to increase public confidence and prospective new customers to retain customers and even get new customers.

The slowing growth of the macroeconomic condition in the world has also affected Indonesia's macroeconomic conditions, so that the government and other stakeholders have also changed their policies to a more stringent direction, which has directly or indirectly affected the BMT business conditions, such as the decline in customer funding levels, the increase in market share is not as expected, increase nonperforming financing, violates the BMT financial ratios. This was responded by BMT by making efficient the available resources, streamlining operational activities appropriately, changing rules and standard operation to be more flexible, revising policies so that the company could continue to grow and be able to maintain customers, market shares and other funding sources for BMT businesses continuity according to expectations.

Based on the results of the analysis show that generally BMT is performing well, it can be seen that most BMTs have been rated well by the customer, the productivity and efficiency of BMT employees are high. However, in order to improve the BMT performance, BMT needs to improve the financial performance such as having a low Non-Performing Financing Ratio and the appropriate cash ratio in accordance with regulations.

3.4. Data analysis

In this study to determine, describe, test and analyze the influence of external environmental forces and Islamic business ethics on BMT performance mediated by organizational commitment used partial least square. The stages in the analysis include the outer model testing stage, the goodness of fit test stage and the inner model testing stage.

3.4.1. Testing the Outer model

The testing phase of the measurement model includes convergent validity, discriminant validity, and composite reliability testing.

Convergent validity

Convergent validity test is tested by looking at the loading factor value of each indicator against the construct. For confirmatory research, the loading factor limit used is 0.7 (Hair *et al.* 2013). All indicators that seen at Table 4 for each construct have a loading factor value exceeds 0.7. Based on the loading factor, it means that all indicators in each construct are valid in measuring the construct. In addition, the AVE value of each construct exceeds 0.5 which indicates that all constructs have met the required convergent validity criteria.

Discriminant validity

Discriminant validity is carried out to ensure that each concept of each latent variable is different from the other variables. The model has good discriminant validity if the AVE squared value of each exogenous construct (the value on the diagonal) exceeds the correlation between the construct and the other construct (the value under the column) (Hair *et al.* 2013). Based on Table 5, all constructs have AVE square root values above the correlation value with other latent constructs, it can be concluded that the model has met the discriminant validity.

Table 4. Convergent validity test

Construct	Indicators	Loading Factor	Cut Value	AVE	Conv. Validity
External Environment Force (EEF)	Market Demand	0.828	0.7	0.714	valid
	Politics & Legal	0.924	0.7		valid
	Social & Ethics	0.884	0.7		valid
	Technology	0.786	0.7		valid
	Competition	0.793	0.7		valid
Islamic Business Ethics (IBE)	Unity of God	0.909	0.7	0.803	valid
	Benovolence	0.885	0.7		valid
	Equilibrium	0.852	0.7		valid
	Fair, Capital, Sincere, Trusted	0.950	0.7		valid
	Responsibility	0.881	0.7		valid
Organizational Commitment (OC)	Affective Commitment	0.941	0.7	0.895	valid
	Continuous Commitment	0.949	0.7		valid
	Normative Commitment	0.948	0.7		valid
BMT Performance (BP)	Financial Performance	0.940	0.7	0.861	valid
	Marketing Performance	0.921	0.7		valid
	Operational Performance	0.921	0.7		valid

Source: data reprocessed (2019)

Table 5. Discriminant validity test

Construct	IBE	EEF	BP	OC
IBE	0.896			
EEF	0.761	0.841		
BP	0.828	0.797	0.928	
OC	0.768	0.703	0.774	0.946

Source: data reprocessed (2019)

Composite Reliability

Construct reliability can be assessed from the Alpha Cronbachs value and the Composite Reliability value of each construct. The recommended composite reliability and Cronbachs alpha values are more than 0.7 (Hair *et al.* 2013). The reliability test results in Table 7 show that all constructs have composite reliability values exceed 0.7 and Cronbach's Alpha exceed 0.7, which indicates that all constructs have met the required reliability.

Table 6. Composite reliability test

Construct	Cronbach's Alpha	Composite Reliability
IBE	0.938	0.953
EEF	0.895	0.923
BP	0.919	0.949
OC	0.941	0.962

Source: data reprocessed (2019)

3.4.2. Testing of goodness of fit model

After fulfilling the validity and reliability of the construct at the outer model testing stage, the test continues on the Goodness of fit model testing. The PLS model is stated to have met the criteria of goodness of fit model if the SRMR value less than 0.10 and the model declared perfect fit if the SRMR value less than 0.08 (Heir *et al.* 2013).

The results of goodness of fit test in Table 7 show that the SRMR value of the saturated model is 0.060 and the estimated model is 0.060. Because the SRMR value of the model is good on the saturated model and the estimated model is below 0.08, the model is perfect fit and is suitable for testing the research hypothesis.

Table 7. Goodness of Fit Model Test

Item	Saturated Model	Estimated Model
SRMR	0.060	0.060

Source: data reprocessed (2019)

3.4.3. Testing of inner model

Testing the inner model includes the test of the significance of direct influence, testing the indirect effect and measurement of the effect of each exogenous variable on endogenous variables. All of these tests will be used to test the research hypothesis.

Testing of direct effects

Significance of the direct effect test is used to test the effect of exogenous variables on endogenous variables. Based on the test results, if the p value less than 0.05 concluded that the exogenous variables significantly influence the endogenous variables, whereas if the p value exceed 0.05 concluded that the exogenous variables did not significantly influence the endogenous variables (Hair *et al.* 2014). Based on the test results on the direct effect in Table 8, the following conclusions:

- The influence of external environment force on BMT performance (EEF → BP) shows that the p value is 0.244, because the p value exceed 0.05, it is concluded that external environment force has no significant effect on BMT performance.
- This is different from the influence of Islamic business ethics on BMT performance (IBE → BP), external environment force on organizational commitment (EEF → OC), Islamic business ethics on organizational commitment (IBE → OC), and organizational commitment to BMT performance (OC → BP) which has a p value less than 0.05 concluded that exogenous variables have a significant effect on endogenous variables.

Table 8. Direct effects test

No	Variables	Original Sample (O)	Sample Mean (M)	St dev	t Statistics	p Values	Explanation
1	EEF -> BP	0.334	0.345	0.143	2.341	0.244	No significant
2	IBE -> BP	0.396	0.385	0.141	2.811	0.005	Significant
3	EEF -> OC	0.289	0.303	0.115	2.508	0.012	Significant
4	IBE -> OC	0.551	0.542	0.108	5.098	0.000	Significant
5	OC -> BP	0.491	0.475	0.072	6.790	0.000	Significant

Source: data reprocessed (2019)

R Square value

Based on the calculation of the value of R square that seen in table 9, the following results are obtained:

- R square value of BMT performance (BP) is 0.773, because in this model BMT performance is influenced by organizational commitment, external environment force and Islamic business ethics, then R square value of 0.773 indicates that the contribution of external environment force, organizational commitment and Islamic business ethics on BMT performance was 77.3%, while the remaining 22.7% variance in BMT performance was influenced by other factors.
- R square value of organizational commitment (OC) is 0.623, because in this model organizational commitment is influenced by external environment force and Islamic business ethics, then R square value of 0.623 indicates that the contribution of external environment force and Islamic business ethics on BMT performance is 62.3%, while the remaining 37.7% of the variance of organizational commitment of BMT employees is influenced by other factors outside.

Table 9. R Square Value

Items	R Square	R Square adjusted
BP	0.776	0.773
OC	0.626	0.623

Source: data reprocessed (2019)

Testing of mediation effects

In PLS analysis involving mediating variables, mediator variables can be stated as mediating variables if they meet the following conditions:

- The direct effect of exogenous variables on endogenous variable before significant mediator variables are entered with path coefficient "c";
- After entering the mediator variable, the indirect effect of the exogenous variable on the endogenous variable through a significant mediator variable with path coefficient "a*b";
- VAF value less than 20%, then it is stated not to be a mediating variable, furthermore if the VAF value is at an interval of 20% to 80% then the mediating variable is proven to be able to mediate with partial mediation and if the VAF value exceeds 80%, then it is stated that the mediating variable is proven to be able to mediate with full mediation. The VAF calculation formula is:

$$VAF = \frac{a*b}{(a*b)+c} \quad (1)$$

Based on the results of the calculation of VAF values with the steps and formulations above shown in Table 10, and can be interpreted as follows:

- The value of VAF on the path that connects the external environment force variable to the BMT performance variable through organizational commitment mediator is 34.71%, because the VAF value is at an interval of 20% to 80%, it is concluded that the organizational commitment variable is a partial mediation on the indirect effect of external environment force on BMT performance;
- The value of VAF on the path that connects Islamic business ethics variables through organizational commitment mediator is 29.00%, because the VAF value is at an interval of 20% to 80%, it is concluded that organizational commitment variable is a partial mediation on the indirect effect of Islamic business ethics on BMT performance.

Table 10. Variance Account For (VAF) Value

No	Line	a	b	C	VAF	Nature of mediation
1	EEF --> OC --> BP	0.638	0.619	0.743	34.71%	Partial mediation
2	IBE --> OC --> BP	0.643	0.526	0.828	29.00%	Partial mediation

Source: data reprocessed (2019)

3.5. Hypothesis test

Based on the Direct Effects Test in Table 8, it can answer the hypothesis in this study as follows:

- Hypothesis 1: The results of the analysis show the influence of external environment force on BMT performance has a p value of 0.2440, because p value exceeds 0.05 concluded that external environment force does not significantly influence BMT performance.
- Hypothesis 2: The influence of Islamic business ethics on BMT performance has a p value of 0.005 because p value less than 0.05 concluded that Islamic business ethics has a significant effect on BMT performance.
- Hypothesis 3: The influence of external environment force on organizational commitment has a p value of 0.012, because the value of p value less than 0.05 concluded that external environment force has a significant effect on organizational commitment.
- Hypothesis 4: The influence of Islamic business ethics on organizational commitment has a p value of 0,000, because the p value less than 0.05 concluded that Islamic business ethics has a significant effect on organizational commitment.
- Hypothesis 5: The influence of organizational commitment on BMT performance has a p value of 0,000, because the p value less than 0.05 concluded that organizational commitment has a significant effect on BMT performance.

Based on the calculation of VAF values in Table 10, it can be concluded as follows:

- Hypothesis 6: The external environment force on BMT performance through organizational commitment has a VAF value of 34.71%, because VAF value is in the range of 20% to 80%, it is concluded that organizational commitment is a partial mediation on the indirect effect of external environment force on BMT performance.

- Hypothesis 7: The Islamic business ethics through organizational commitment has a VAF value of 29.00%, which is in the range of 20% to 80%, concluded organizational commitment is a partial mediation on the indirect effect of Islamic business ethics on BMT performance.

The analysis shows that external environment force does not significantly influence on BMT performance. This shows that the increase and decrease in external environment force directly can not affect the BMT performance, it needs for other factors that follow increase or decrease performance so that the increase in external environment force can have an impact on increasing or decreasing BMT performance. Based on the results of the mediation effect test, organizational commitment is proven to be a partial mediation indirect influence of external environmental forces on BMT performance. The results of this study indicate that when conditions in external environment get worse, the BMT performance will not directly decrease, if the worsen condition of external environment force does not reduce the organizational commitment of BMT employees. High organizational commitment to employees can overcome the poor condition of external environment force so that BMT performance remains good.

World Bank report in 2019 that the economic recession that hit the United States, the decline economic engine in the European Union, especially the economic crisis in Greece, Turkey and several other EU countries and slowing growth in China, also affected Indonesia's economy which has slowed down in recent years. In addition, it was also strengthened by the Central Statistics Agency (BPS) releasing the Business Tendency Index (ITB) announcing that in the third quarter of 2019 ITB was 105.33. That number is lower than the position of quarter II-2019 of 108.81 and estimates ITB quarter IV-2019 will again decline to 104.79. This indicates that the business in Indonesia or the real sector is under pressure from external environment force and macro economic factors, Indonesia's economic growth is slowing. This will influence government policy, the direction of government policy, state financial policy and the policies of bank and non-bank including BMTs.

Inkopsyah also released information that these few years were a tough year for BMT because some government policies that hampered BMT's performance, the cessation of grants from the government, protection to BMTs had not been given real attention, so BMTs were told to stand alone. Besides being associated with the mediating effect of organizational commitment, the influence of external environment forces on BMT performance is also due to BMT performance being influenced more by internal factors. Giovanni (2012) states the company has two environments, namely the internal environment and external environment. If the external environment is good and stable, then the obstacles that exist in the internal environment will have a stronger influence on BMT performance. This also impacts the global economic crisis on the poor population (Kaya 2017).

The results of this study are supported by the results of previous research conducted by Rosyafah (2017) conducted in several MSEs in Sidorejo regency, the results of her research indicate that the external business environment does not significantly influence the business performance of MSE's superior products, but the results of this study were not in line with Mason (2007), Giovanni (2012), Banham (2010), Suryana (2015), Nguyen and Nguyen (2013) which shows that there is a relationship between external environment force on company performance.

Based on the results of descriptive analysis, most of them have implemented Islamic business ethics well, for example the prohibition to stay away from usury (*riba*) has been used as business ethics in each BMT. Although it has implemented Islamic business ethics well, but in terms of employee responsibilities, BMTs need to improve the attitude of employee responsibility so that all employees can take actions to use the most efficient resources and can prioritize social interests above personal interests. Islamic business ethics is based on Islamic divine values, which are sourced from the Al Quran and Sunnah. Islamic business ethics has core values, among others: all activities (not including business activities) are intended not only to pursue economic, social and environmental values, but also to worship Allah SWT. Islamic business ethics upholds honesty, fairness, efficiency and savings. Treat customers equally and seek financial and social sustainability. Islamic business ethics values, if implemented in a company are believed to affect company performance (Muhammad *et al.* 2008). Research by Grbac and Loncaric (2009), Hayati and Caniago (2012), Hadisi (2014) proves that there is a relationship between Islamic business ethics on company performance.

Organizational commitment is the willingness of employees to devote themselves and loyalty to the company (Hanaysha 2016). Organizational commitment can affect company performance, considering that organizational involves employees' behavior and organizations. Therefore, the highs and lows of organizational reflected in the behavior of employees and organizations can affect to company performance. Meyer and Allen (1990). Yousef (2000), Kuo (2013), Hayati and Caniago (2012) find that organizational commitment influences company performance.

The extent to which of external environment force on BMT performance, can also be mediated by organizational commitment. This is considering the influence of external environment force through the process of one of the three elements of organizational commitment. These three elements are belief and strong acceptance of the goals and values of the organization, want to carry out efforts for the organization, and have a strong desire to remain a member of the organization Reade and Lee (2012). Hung *et al.* (2015) prove there is a relationship between external environment force on organizational commitment. Meanwhile Allen and Meyer (1990), Miller and Lee (1999), and Kuo (2013) find that organizational commitment influences company performance.

There are variations in the implementation of Islamic business ethics (Hadisi 2014). The variation of Islamic business ethics implementation in each company depends on the organizational commitment of employees and company leaders. In other words, organizational commitment can mediate the influence of Islamic business ethics on BMT performance. Yousef (2000), Salem and Syed (2012), Hayati and Caniago (2012) show the relationship between Islamic business ethics and organizational commitment. Steers (1997) found that organizational commitment is not related to company performance. However, other studies have found the opposite results. Meyer and Allen (1997). Miller and Lee (1999), Kuo (2013), London (1983) find that organizational commitment influences company performance.

The implications of the results of hypothetical analysis above must motivate the CEO/Manager to develop sustainable BMT by continuing to identify the risks around stakeholders, they can understand and calculate financial fundamentals so that the BMT business becomes solid so that it fosters trust in the community, especially Moslem, to become an good Islamic finance institution and can increase employee organizational commitment which ultimately increases employee performance and will directly have a significant impact on BMT performance.

Conclusion

Increased public confidence, especially Moslem towards BMT in Indonesia marks the rise of Islamic microfinance institutions amidst the incessant other financial institutions. As an Islamic financial institution that bases itself on the Alquran and hadiths, it is hoped that it will bring benefit to the Moslems. It is expected that with the significant growth of the BMT it will also be supported by stakeholders such as the government, investors, capital owners and even the community.

In addition, BMT internal factors must also be continually improved to build high organizational commitment, so that loyalty, professionalism, integrity and integrity will feel BMT is their property that must be protected from the external and internal environment and practice Islamic business ethics is sourced from Alquran and Hadith.

It is seen that organizational commitment can mediate the indirect relationship of external environment forces and Islamic business ethics to BMT performance, and it is hoped that BMT will continue to grow continuously and become the main choice of Indonesian Moslem community.

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