

THE MECHANISM OF CORPORATE GOVERNANCE, FINANCIAL PERFORMANCE, AND SOCIAL PERFORMANCE IN BAITUL MAAL WAT TAMWIL (BMT)

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DOI: <https://doi.org/10.33005/jasf.v3i1.66>

Received: January 2, 2020. Revised: April 12, 2020. Accepted: April 27, 2020

Abstract

This study aimed to empirically prove the influence of the number and education level of managers, supervisory boards, Sharia Supervisory Board (SSB) and the attendance of Baitul Maal wat Tamwil (BMT) members (owners) in annual member meeting towards on profitability (ROA and ROE), and social performance (zakat performance). The research sample was BMT in Semarang Regency selected by purposive sampling method with an observation period from 2013 to 2017. Data analysis used the Structure Equation Model with the WarpPLS tool. The results showed that the number and education level of managers did not influence financial performance. The education level of the supervisory board had a significant influence on financial and social performance. The number and the education level of SSB changed financial performance, but the education level of SSB did not affect social performance. The Attendance of BMT members at the annual member meeting did not have a significant influence on BMT's financial and social performance improvement. These results indicated the minimal role of members in evaluating BMT performance, both profitability and social performance.

Keywords: *Financial Performance, Social Performance, Education Level of Supervisors Board, Education Level of Sharia Supervisory Board, Baitul Maal Wattamwil*

How to cite (APA 6th style)

Mukhibad, H. & Nurkhin, A. (2020). The Mechanism of Corporate Governance, Financial Performance, and Social Performance in Baitul Maal Wat Tamwil (BMT). *Journal of Accounting and Strategic Finance*, 3 (1), 1-17.

INTRODUCTION

Islamic microfinance institutions already have an increasingly large market share. The World Bank estimates that there are more than 7000 microfinance institutions in the world. These microfinance institutions have alleviated 16 million poor people (Akhter, Akhtar, & Jaffri, 2009). In Indonesia, Islamic microfinance institutions are called *Baitul Maal Wat Tamwil* (BMT) and currently have

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increasingly rapid development. Report of the Deputy for Institutional Offices and SME, Ministry of Cooperatives and SMEs, Setyo Heriyanto, as quoted by *Republika* (2015), stated that in 2015, BMT had assets of Rp.4.7 trillion (Alamsyah, 2015). This amount of assets increased rapidly from a few years before, starting from 2011 with only a total of Rp. 3.6 trillion (*Tempo*, 2018). When compared to the two data, it can be concluded that the average BMT assets increased by 7.6% per year.

The growth of the BMT had an impact on improving the welfare of the Indonesian people. Tarmizi (2017); Rokhman (2013); Wulandari & Kassim (2016); Lasmiatun (2014); Dusuki (2006); Riwijanti (2013) prove that BMT has benefits in reducing poverty. Financing in the micro sector in the form of working capital becomes additional capital for SMEs and subsequently enables them to improve business performance. The next impact is to improve the welfare of MSME actors.

The strategic function performed by BMT is less than optimal due to the various problems they faced, i.e., business continuity and low health. The phenomenon of closing down a BMT occurred in the case of BMT Perdana Surya Utama (PSU) at Malang City, BMT CSI Syariah Sejahtera, Koperasi CSI Madani Nusantara; and BMT Fajar Mulia at Semarang Regency (Laucereno, 2018; Munir, 2015; Kompasiana, 2019).

To elaborate on the problem above, we use the role of corporate governance in improving performance. The correlation is based on previous studies that have found that there is a positive relationship between Corporate Governance and financial performance. The corporate governance effect in reducing NPF and improving social performance (Ahmed, 2017; Ghaffar, 2014; Ghasemi & Razak, 2016; Srairi, 2015); reduced Non-Performing Financing (Khafid et al., 2018; Mukhibad & Khafid, 2018; Mustafidah & Mukhibad, 2018) and increased social performance (Aguilera, Williams, Conley, & Rupp, 2006; Garas & ElMassah, 2018; Gill, 2008; Young & Thyil, 2013). Even Iqbal et al. (2019), who used a sample of microfinance institutions identified that the implementation of Corporate Governance could improve BMT's profitability and sustainability. The low sustainability of BMT businesses is caused by weak supervision from the government (Seibel, 2007; Alaeddin & Anwar, 2012). Therefore, Ssekiziyivu et al. (2018) revealed that microfinance institutions need to be regulated, and corporate governance codes need to be put in place. This study was conducted to evaluate the performance of BMT and identify the attributes of corporate governance mechanisms that affect BMT performance.

This study focuses on BMT in Semarang Regency as the object of research. The reason is the first bankruptcy of BMT occurred to BMT in Semarang Regency. An example was the case of BMT Fajar Mulia, which went bankrupt due to default on customers (Hardoko, 2015). Besides, bankruptcy is indicated by a decrease in profits (Syaifudin, 2011). Also, the Semarang Regency government has dissolved 127 cooperatives (including BMT) (Pribadi, 2015). Furthermore, in 2017, the Semarang Regency government has dissolved 174 Cooperatives because they do not provide their annual member meeting reports regularly (Munir, 2017).

This study measures the overall performance, which concerns financial performance and social performance. The reason for using these two performance measures is because, in Sharia principles, there is the concept of *tawazun*, which emphasizes that Sharia entities have financial and social performance (IAI, 2017). Therefore, ideally, the Sharia entity has balanced financial and social performance (Mukhibad et al., 2017).

Additionally, this study uses a complete corporate governance mechanism, which is more widely adopted from business entities with a legal form of *Perseroan Terbatas* (PT)/limited liability company (LLC). However, in making this adoption, we made adjustments to cooperative institutions where cooperatives characterized the ownership of Cooperatives as members, so the

number of cooperative members (the same as ownership in a limited liability company) is a predictor that we use to improve entity performance.

Managers have the responsibility to run the BMT business by conducting policies and profitable investments to realize sustainable performance improvement. Following the vision of BMT as a micro-sharia institution, management will adopt policies that can improve the welfare of members, under Sharia.

The effectiveness of the manager's role, which is thought to influence performance strongly, can be measured by the manager's level of education. Education will be a directive for management in policymaking, planning, and building relationships with customers. Effective policies will have a positive impact on performance, both financial performance and social performance. Saidu (2019) and Darmadi (2013) have proven that CEO education has a significant influence on ROA. Thus, the following hypothesis can be developed:

H1a: The manager's education level has a positive influence on financial performance.

The policy of BMT management concerns is related to improving financial and social performance. Both of these performances are of interest to Sharia entities (including BMT) because they are in line with the concept of *tawazun*. Furthermore, Sharia accounting standards have also issued guidelines for Sharia entities to compile the sources and management of zakat funds and benevolent funds as a complement to financial statements on conventional entities. (IAI, 2017).

Educational background is the basis of some researchers, i.e., Saidu (2019), Ayaba (2012), and Darmadi (2013), as an indicator that influences the effectiveness of managers in performing their duties. Previous studies show that education is important in corporate decision making and the outcome of these decisions is a reflection of CEO quality (Saidu, 2019). Manager education is the basis for assessing the knowledge and skills possessed by management (Cvilikas, Šarapovas, & Aurelijus, 2011). Ruangviset et al. (2014) use director education as an indicator in measuring corporate governance (CG). They found that CG had a positive influence on CSR. Thus, technical and managerial skills are acquired by a manager when they have higher education (Saidu, 2019).

H1b: The education level of manager has a positive influence on social performance

The effectiveness of the manager's performance can be measured by the number of management personnel. A large number of managers will be more effective in performing their duties because each manager will have more specific tasks and have adjusted their area of expertise. This condition will have an impact on improving performance. On the one hand, a large number of managers will affect increasing the manager's salary costs. A high manager's salary will reduce profits. However, the high cost of a manager's salary will be less than income if management is effective in performing their duties. Haleblan & Finkelstein (1993) found that companies that had more management teams performed better than companies that had fewer managers. Isik & Ince (2016) and Kalsie & Shrivastav (2016) have also found that the number of boards has a positive influence on performance.

H2a: The number of managers has a positive influence on financial performance

In line with the principle of *tawazun* on Sharia entities (including BMT), the management of entity assets is used to achieve the goal of improving financial and social welfare. In the financial

statements of Sharia entities, there are financial statements that have the purpose of reporting entities in social performance, i.e., the source and use of zakat funds reports and reports on the sources and management of benevolent funds (IAI, 2017).

Using the same assumption as the previous hypothesis that the BMT that has a large number of managers are enabled to do the professional division of tasks adjusted to the expertise of each manager. This division of functions has consequences for managers to perform the work that has become their duties, and the evaluation of the performance results of each manager is also easier to do. Besides, along with the challenges and complexities of a company's business, managers often need additional people who have different expertise to complete business considerations (Martín & Herrero, 2018). This process will undoubtedly improve BMT performance, including related to social performance.

A large number of managers allow BMT to assign an assignment to one manager to manage social funds. This condition certainly brings different consequences from BMT, which does not carry out this division. The next effect is an increase in financial and social performance. Also, entities can be more responsive to the interests of society as a whole by appointing directors who have this concern (Hung, 2011). The effect means that the BMT with a large number of managers allows one manager to have a more significant social interest. Hapsoro and Fadhilla (2017) have proven that the number of directors has a positive influence on CSR. Sadou, Alom, & Laluddin (2017), and Siregar and Bachtiar (2010) found that the number of boards had a positive relationship with social performance.

H2b: The number of managers has a positive influence on social performance

Cooperative supervisors are appointed by members during the annual member meeting. Supervisors must conduct supervision and provide consulting services related to cooperative management. The role of an effective supervisor will improve performance because management will always be monitored. The impact of ineffective policies or deviations can be avoided.

Indicators in measuring the role of supervisors are by using the level of education and the number of supervisory boards. The level of education will affect the way of thinking, actions, and policies taken. Supervisors who have high education will have ways of thinking, actions, and policies that support the achievement of objectives. Achieving this goal indicates that BMT has effectively realized its objectives. Darmadi (2013) found that the ratio of commissioners having postgraduate education affected profitability as measured by ROA and Tobin Q.

H3a: The education level of the supervisory board has a positive influence on financial performance.

In line with the theory of human resources, attitudes, ways of thinking, actions, and policies are influenced by expertise, educational background, and level of education. The supervisory board of the BMT entity has a duty as a representative of all BMT members to provide consulting and supervision services to the management in managing BMT assets. Consultation and supervision are needed so that the board can manage its assets to reach the welfare of all members. As a cooperative entity and a Sharia entity, BMT's concept about the welfare of its members is not only limited to the well-being of members in the financial sector but also in the social field. The welfare of members in the social area is realized by the willingness of BMT to collect and distribute social funds (zakat, *infaq*, non-halal) to those in need. Thus, the level of education of the supervisory board will affect the quality of the effectiveness of the provision of consultation and supervision

to managers and will subsequently have an impact on improving the social performance of the entity.

H3b: The education level of the supervisory board has a positive influence on social performance.

Another critical organ in the BMT is the Sharia Supervisory Board (SSB). SSB has to supervise BMT operations against the compliance of Sharia law. However, several studies have proven that SSB also has a role in improving the financial performance of Islamic banks. Nomran, Haron, & Hassan (2017), and Quttainah (2017) found a relationship between the number of SSB with profitability. The number of SSB affects the effectiveness of performing their duties. A BMT that has a large number of SSB will undoubtedly be more effective than others who have less SSB. In providing services in the evaluation of Sharia law compliance with certain products, SSB has the potential to pay attention to the economic value of the concerned product (more than the compliance with Sharia principles). Therefore, the following hypothesis can be developed:

H4a: The number of sharia supervisory board members has a positive influence on financial performance.

Previous studies have agreed that Sharia entities have more significant social responsibility than conventional bodies. The consequences of using Islamic law on Sharia entities require Sharia entities to have more critical social concerns than conventional organizations. In Islam, there are concepts of *hablum min Allah* and *hablum minannas*, which argue that humans must have an excellent vertical relationship (humans with God) and good horizontal relations (humans with other humans and nature) (Mukhibad et al., 2019). This concept underlies previous researchers to connect the number of SSB with social performance. One of them was Mukhibad (2018), Nurkhin, et al., (2018); El-Halaby & Hussainey (2016); Almutairi & Quttainah (2016) and Mallin et al., (2014) found a positive influence on the number of SSB on social performance.

H4b: The number of Sharia supervisory boards has a positive influence on social performance.

The effectiveness of SSB in carrying out its functions is influenced by the level of education. SSB's duty is as a consultant and supervision of Islamic banks to Islamic law, so the level of education and educational background of SSB dramatically affects the effectiveness of SSB in carrying out its functions (Mukhibad, 2018). The quality of services provided by SSB is influenced by the SSB level of education. Nomran et al. (2017) used SSB education as a factor that influences profitability, and they found a negative relationship between the two. SSB, higher education levels can increase profitability (Musibah & Sulaiman, 2014). Therefore, the following hypothesis can be developed:

H5a: The education level of SSB has a positive influence on financial performance.

Some researchers also use the SSB education level as a factor influencing the social performance of banks. The logic used is because of the SSB's duty to oversee managers in managing BMT assets under Islamic law. The SSB is needed to advise and revise the sharia aspects of the transaction and to ensure that managers act in the best interests of all stakeholders (Quttainah

& Almutairi, 2017). This statement has been proven by Mukhibad (2018), who found that the average level of education had a positive influence on social performance.

H5b: The education level of SSB has a positive influence on social performance.

Other organs that can supervise the performance of cooperatives are members. From the perspective of cooperatives, members are owners. The management of BMT by managers will be reported to members through the annual member meeting. Members have to evaluate cooperative performance, especially members who attend at the implementation of the annual member meeting. In addition to being a performance evaluation activity for administrators, annual member meetings are also used to elect administrators and as a media, for administrators to convey their work programs. Therefore, the involvement of annual member meeting participants in participating in supervising performance is paramount.

Incorporations, the involvement of owners in managing a company can be measured by the ratio of management ownership, and it is empirically proven that the ratio of management ownership has a positive influence on performance (Chen, 2006; Florackis, Kostakis, & Ozkan, 2009; Palia & Lichtenberg, 1999). In this study, the use of management ownership ratio cannot be done, because, in cooperatives, the size of the ownership ratio does not affect the size of the rights and obligations of the owner towards cooperative supervision. However, we use the ratio of the attendance of members to the annual membership meeting as a means of owner control over the performance of the cooperative's management. The implementation of the annual membership meeting, which was attended by many members, allowed many members to question, give suggestions on BMT performance, policies, and planning. This process will undoubtedly increase the effectiveness of the plan, strategy, and policies taken by BMT. The next impact is the better financial and social performance of BMTs. Therefore, we develop the following proposition:

H6a: Attendance of members at the annual member meeting has a positive influence on financial performance.

Annual member meeting can also be used as a medium for the selection of managers, supervisory boards, administrators, and SSB of BMT. The participation of members in the annual member meeting will undoubtedly determine the quality of the results of the election. Members can choose managers, supervisors, administrators, and SSB who can protect all the interests of all stakeholders, including BMT's concern for social problems. Thus, we develop the following proposition:

H6b: The attendance of members at the annual member meeting has a positive influence on social performance.

RESEARCH METHOD

The population of this study is BMT in Semarang Regency. The sample selection uses a purposive sampling method, i.e., the BMT criteria are the BMT that has become a member of the BMT association and is willing to provide financial reports. The reason is that the BMT that has been involved with the association tends to have better administrative order, so the data presented is suitable for use. Based on these criteria, 13 BMTs were obtained from 2013 to 2017.

Financial performance is measured by the ratio of Return on Assets (ROA) and Return on Equity (ROE). ROA is measured from the percentage of net income to total assets, while ROE is measured by the percentage of net income to total equity. The social performance variable is measured by the ratio of zakat distributed to zakat received.

Operational variables of the independent variable are: (1) the level of education of managers is measured by the percentage of managers who hold a minimum degree of undergraduate education level; (2) The number of managers is measured by the number of people who hold the position of managers; (3) the level of education of the supervisors is measured by the percentage of supervisors who hold a minimum degree of undergraduate education level; (4) the level of education of SSB is measured by the percentage of SSB who hold a minimum degree of undergraduate education level; (5) Total SSB is measured by the number of people who hold a position of SSB; (6) The ratio of attendance of members at the Annual Member Meeting is measured from the percentage of members present at the implementation of the meeting. In this study, the variable of the number of supervisory boards cannot be used because all samples have three supervisors.

The analytical tool used to process data is the Structure Equation Model with WarpPLS tools. This test tool was chosen because SEM with WarpPLS can be used to test financial ratio data (Solimun & Fernandes, 2017). The same method was also used by Purbawangsa, Solimun, Fernandes, and Rahayu (2019). The model fit test involves the Average path test coefficient (APC), Average R-squared (ARS), Average adjusted R-squared (AARS), Average block VIF (AVIF), and Average full collinearity VIF (AFVIF).

RESULTS AND DISCUSSION

Results

The results of the descriptive study of the variables used found that all samples had quite good profitability performance and low standard deviations. The sample has a balanced and positive profitability performance. The description results of each variable are as follows:

Table 1. Descriptive Variables

Indicators	Means	Minimum	Maximum	St. Deviation
ROA (%)	0,0089	0,0015	0,0179	0,038
ROE (%)	0,1012	0,02	0,23	0,0444
Social Performance (%)	96,86	85,67	100	5,56
Education level of manager (%)	39,05	9,09	63,63	11,94
Number of managers (%)	3,5128	3	8	1,2457
Education level of the supervisory board (%)	38,88	16,66	50	10,28
Education level of SSB (%)	46,11	16,66	1	24,6
SSB Size (%)	2,3589	1	3	0,5805
Attendance of members (%)	2,4136	0,7337	13,223	2,7645

Source: Data processed

Table 1 also shows that BMT has distributed zakat, which they received with an average of 96.86%. There is a significant variation in the number of managers where there are BMTs that

only have three managers, and there are also BMTs that have eight managers. When viewed from the level of education, BMT administrators have a performance that most have not taken their undergraduate degrees. Table 1 results show that only 39.05% of BMT managers have a minimum of undergraduate education level. Board of supervisors who have a minimum undergraduate education level are 38.88%, and SSB is 46.11%.

Table 1 also shows that BMTs that are included as a research sample is managed by a diverse number of managers. The number of managers managing BMT is between 3 to 8 people. The number of people who hold a position as SSB in BMT is between 1 to 3 people. Table 1 also shows the low attendance of members in the annual member meeting because it was only attended by an average of 2.41% of the total number of members.

Before conducting the acceptance or rejection of the hypothesis test, the feasibility test of the model needs to be done. The model feasibility test of the results can be shown in the following table:

Table 2. Model Feasibility Test Results

Indicators	Score	Conclusion
Average path coefficient (APC)	0.235, P=0.029	Fit / acceptable
Average R-squared (ARS)	0.331, P=0.006	Fit / acceptable
Average adjusted R-squared (AARS)	0.202, P=0.045	Fit / acceptable
Average block VIF (AVIF)	1.873, acceptable if \leq 5, ideally \leq 3.3	Ideal / acceptable
Average full collinearity VIF (AFVIF)	2.789, acceptable if \leq 5, ideally \leq 3.3	Ideal / acceptable

Source: Data processed

From the results of this test, we conclude that the model used is fit and feasible to be used for hypothesis testing.

Hypothesis test results are shown in the table 3. Based on Table 3 above, a decision on acceptance or rejection of each hypothesis can be made as in Table 4.

Discussion

The results showed that the education level of managers did not have a significant positive influence on the financial performance of cooperatives; however, the management's level of education had a significant positive impact on the social performance of BMT. The results of this study indicate that the education level of a manager has not become an important indicator that can improve BMT's financial performance. At the BMT level, which has a cooperative legal entity, the needs of managers with certain levels of education are less needed. The need for BMTs, where managers are required to have more technical action than strategic decision making. BMT managers are required to collect funds from members and distribute them in the form of profitable financing. The technical expertise of BMT managers is still more important than theoretical expertise.

The education level of the manager has a significant influence on the social performance of BMT, as measured by the size of distributed zakat. The distribution of zakat is still a voluntary activity of BMT. In the rules for the establishment of BMT and BMT health measures, zakat indicators as expenses that must be done by BMT have not been used. The distribution of zakat to BMT is based more on the reason for the manager's awareness of the importance of balanced

performance, i.e., financial performance and social performance, that are just as good. This level of consciousness is influenced by the level of education. The level is what makes the reason that the level of education of managers has a significant influence on the social performance of BMT.

Table 3. Hypothesis Test Results

Path coefficients						
Dependent Variables	The education level manager	Number of managers	The education level of the supervisory board	The education level of SSB	SSB Size	Attendance of members
Financial Performance (ROA and ROE)	0.147	-0.007	0,259	0.157	0.317	-0.391
Social Performance	-0.501	0.195	0,247	-0.098	0.417	0.089

P values						
Dependent Variables	The education level manager	Number of managers	The education level of the supervisory board	The education level of SSB	SSB Size	Attendance of members
Financial Performance (ROA and ROE)	0.171	0.482	0.035	0.153	0.015	0.003
Social Performance	<0.001	0.1	0.040	0.265	0.002	0.285

Source: Data processed

The results showed that the number of managers did not influence BMT's financial performance and social performance. BMT, which has many managers, will have a clear separation of duties and responsibilities amongst its managers. This separation of duties and responsibilities will lead to increasingly focused managers in performing their duties and subsequently will have an impact on improving BMT performance. However, a large number of managers will increase ineffective communication between management. Lack of effectiveness in communication and coordination will adversely affect policymaking and hinder further improvement in performance. Besides, an increase in the number of managers without increasing company resources will also lead to a lack of productive managers. The next impact is to increase salary costs and subsequently reduce BMT profitability.

The role of supervisors for BMT is vital in improving performance. Supervisors have a duty as a representative of the members to conduct supervision and consulting services to management in managing their assets. This supervision is needed so that the management can meet all the interests of its stakeholders. The vital role of cooperative supervisors is empirically proven

from the results of this study, which found that supervisors' education level had a positive and significant impact on financial performance and social performance. The role of supervisors in cooperatives has a balanced function with the board of commissioners of companies in the form of limited liability companies. This research supports the findings Adams & Mehran, (2012), Nawaz, (2017) and Mayur & Saravanan, (2017) also found that the number of commissioners had a positive influence on company profitability. Meanwhile, this research rejects the findings of Guest (2009), who found that the number of boards would reduce profitability.

Table 4. Summary of Acceptance or Rejection of Hypotheses

Hypotheses	Conclusions
H1a: The education level of the manager has a positive influence on financial performance.	Rejected
H1b: The education level of the manager has a positive influence on social performance.	Accepted
H2a: The number of managers has a positive influence on financial performance.	Rejected
H2b: The number of managers has a positive influence on social performance.	Rejected
H3a: The education level of the supervisory board has a positive influence on financial performance.	Accepted
H3b: The education level of the supervisory board has a positive influence on social performance.	Accepted
H4a: The number of sharia supervisory board members has a positive influence on financial performance.	Accepted
H4b: The number of Sharia supervisory boards has a positive influence on social performance.	Accepted
H5a: The education level of the Sharia Supervisory Board has a positive influence on financial performance.	Rejected
H5b: The education level of the Sharia Supervisory Board has a positive influence on social performance.	Rejected
H6a: Attendance of members at the Annual Member Meeting has a positive influence on financial performance.	Rejected
H6b: The attendance of members at the Annual Member Meeting has a positive influence on social performance	Rejected

Source: Data processed

Cooperatives that have several supervisors who have higher education levels are increasingly effective in conducting supervision of management performance. Also, related to the function of providing consultation and consideration for managers in their decision making, the large number of personnel will make it easier for management to request consulting services. Appropriate consultation will improve accuracy in decision making, either the decision that has an impact on increasing profits directly or the policy in making strategic policies that affect improving performance for the following year. Policymaking can also involve policies that affect improving the social performance of BMT, such as cooperation with *zakah* institutions where BMT is a partner in the distribution of zakat funds and so on.

The task of conducting supervision and consulting services carried out by supervisors requires adequate business knowledge and experience so that the level of education as one of the factors in shaping the supervisor's knowledge has an immense contribution in supporting supervisors' performance. Supervisors who have a high educational background tend to have a better understanding and knowledge. This skill is needed in the implementation of supervisory duties. An effective task will have a significant contribution to improving BMT performance. The results of this study reject the findings Khafid, Fachrurrozie, Anisykurlillah, & Mukhibad (2018) found that the number of supervisory boards did not have a significant effect on cooperative's ROA and ROE. This difference in results might be due to the use of different research objects. The study of Khafid et al. (2018) used conventional savings and loan cooperatives, while our research uses Sharia cooperatives as research objects. There are indications that the supervisory role of Sharia cooperatives is more effective than conventional cooperatives.

The number of SSB has been empirically proven to have a significant role in improving the financial performance and social performance of BMT. Completing the supervisory duties, in Shariah financial institutions, some organs focus on supervision and consulting services are the suitability of BMT performance against Islamic law. BMT is a savings and loan cooperative based on Islamic Sharia as its operational basis, so compliance with Islamic law is an obligation. To ensure Shariah compliance, BMT has SSB. The results of this study empirically prove that the number of SSB and their level of education have a significant influence on financial performance and social performance of BMT. The results of this study support the findings of Mukhibad & Khafid (2017), Shittu et al. (2016); Mollah & Zaman (2015), and Nawaz, (2017) which found that the amount of SSB had a positive influence on ROA and ROE. Besides, the number of SSB also influences the disclosure of the bank's social performance (Mukhibad, 2018; Mallin et al., 2014; Indrawaty & Wardayanti, 2016; Qoyum, 2017; Fitriyah; Oktaviana, 2007; Rahman & Bukair, 2013; Farook et al., 2011). Also, the number of SSB has a significant influence on the performance of the bank's *zakah* (Nurkhin et al., 2018).

However, the results of the study indicate that the education level of SSB does not have a positive impact on performance, both in financial and social performance. This finding is different from the results of Mukhibad (2018), and Nurkhin et al., (2018) who found that the education background of SSB would have an impact on increasing the extent of ISR disclosure and Nurkhin et al., (2018) who found that educational background has a positive influence on the performance of *zakah*. The difference in findings is due to different research objects. The study of Mukhibad (2018) used Islamic banks as research objects, while this study uses research objects in the form of BMT. Islamic banks certainly have higher transaction complexity than BMT, so that the complexity of the transaction requires a lot of consideration for SSB in assessing the feasibility and compliance of transactions against Sharia. Finally, the background and level of education greatly influence SSB performance. However, different conditions are found in BMT, where BMT has a more linear function than banks, so the transactions made are more straightforward. This more limited transaction certainly has different consequences for SSB's capability, education and scientific background.

The results of this study also show that the number of members did not have a significant influence on the financial performance and social performance of BMT. This finding indicates that the role of BMT members as cooperative owners is not optimal. Before utilizing BMT services, Shariah, as a member, does not increase member's awareness of the ownership of respective members with BMT. As a result, since the sense of ownership is not yet owned by its members; subsequently, the BMT performance supervision of members is also less than optimal. This finding

is different from the results of Khafid et al. (2018), who found that the number of members had a positive influence on the ROA and ROE of cooperatives.

CONCLUSIONS

Based on the analysis, it was concluded that the role of managers in improving financial performance and social performance of BMT was not proven. However, the role of cooperatives' supervisory has been shown to have an essential role in improving the financial and social performance of BMT. The evidence is indicated by the significant influence between supervisors' education level on BMT's financial and social performance.

The number of SSB has a significant role in improving the financial and social performance of BMT. Still, the education level of SSB has not been able to trigger an increase in the financial and social performance of BMT. The number of BMT members does not have a significant influence on BMT's financial and social performance improvement. This sign indicates that the role of members as BMT owners and supervision of management performance has not been optimally implemented.

The implication of this research is to support the recommendation of Ssekiziyivu et al. (2018) to develop CSR guidelines for microfinance institutions. Also, corporate governance guidelines are needed for cooperatives, especially Sharia savings and loan cooperatives that have a substantial bankruptcy risk. The role of members in monitoring the performance of cooperatives also needs to be improved by requiring a certain percentage of cooperative members to be present at the annual member meeting.

This study cannot provide empirical evidence on the influence of the number of supervisors on financial and social performance because our results show that all samples have three supervisors. The effect causes the test cannot be done because the data do not vary. Besides, the performance measurements that we do are ROA, ROE, and zakat performance. Other performance measures, such as member's welfare or other social performance, are highly recommended for further research.

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Appendix

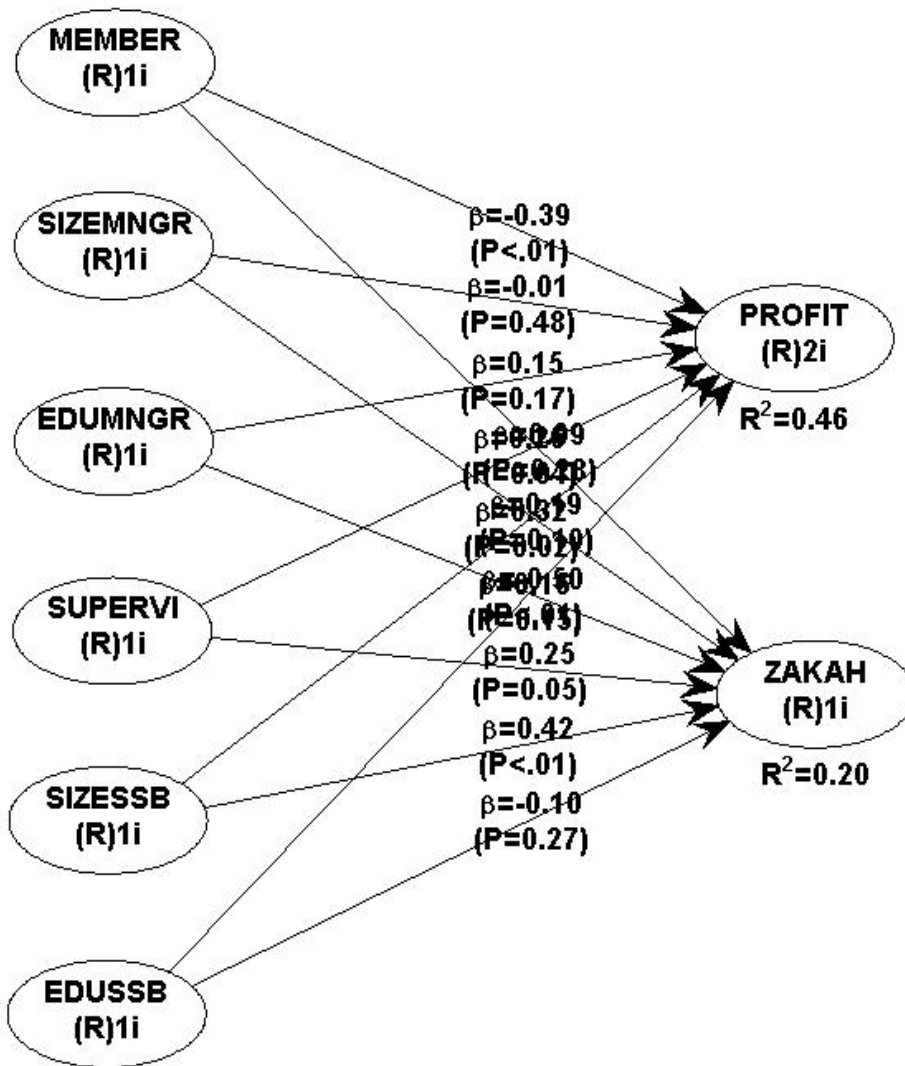


Figure 1. The output from the model
Source: WarpPLS

