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The Role of Baitul Maal Wat Tamwil Financing and Business Coaching on Business Development and Welfare Improvement of Micro Traders in Traditional Markets

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Abstract:

Research aims: This study aims to analyze the role of financing and business coaching in BMT (Baitul Maal Wat Tamwil). The role of financing and business coaching focused more on its impact on business development and improved welfare of BMT members who carried out financing. BMT members here were specifically from micro-enterprises by traditional market traders.

Design/Methodology/Approach: Market traders used as objects were still micro-scaled in traditional markets in Purworejo Regency, Central Java. In this study, the obtained data that could be processed were 72 respondents from 18 traditional markets. Then, the analysis tool used Structural Equation Modeling (SEM) – Variance Based.

Research findings: The results of this study exhibited that business coaching had a significant positive effect on business development and welfare improvement of traditional market traders who were still on a micro-scale. The development of these businesses also affected the improvement of their welfare. However, BMT financing did not affect traditional market traders' business development and welfare improvement.

Theoretical contribution/Originality: This study applied Community Development Theory and Constructive Perception Theory to BMT members' perceptions of business development and welfare improvement. The assessment of business development and welfare improvement was based on the respondents' perceptions, not on numerical standards that came from outside. It is hoped that in this way, the sustainability of the role of BMT towards its members will be more maintained and objective.

Practitioner/Policy implication: An important implication of this study's results is that BMT's business coaching for its members, even with relatively small financing, will positively impact their perception of business development and welfare improvement. It can be used to create a better relationship between BMT and its members.

Research limitation/Implication: The limitation of this study is that it only used the business coaching variable as a BMT coaching tool for its members. It is also possible that other variables can be used as a tool to maintain good relations between BMT and its members.

Keywords: BMT Financing; Business Coaching; Business Development; Welfare Improvement

Introduction

Economic growth is essential in maintaining the stability of the life of the nation and state. Economic growth can be seen from its economic indicators (Prastiawati & Darma, 2016). However, the COVID-19 pandemic has had a significant effect on slowing economic growth. Many business actors have experienced a crisis because their businesses had to be temporarily closed or underwent operational restrictions. In fact, based on data from the Ministry of Cooperatives and SMEs, the current number of MSMEs (2021) reached 64.2 million, with a contribution to GDP of 61.07% or worth 8,573.89 trillion rupiahs (Coordinating Ministry for Economic Affairs, 2021).

In other words, MSMEs are the most important pillar of the economy in Indonesia (Coordinating Ministry for Economic Affairs, 2021). Small and micro businesses could show their ability to survive an economic crisis (Alhempri & Harianto, 2013). However, the COVID-19 pandemic in 2020 and 2021 generally impacts all business sectors (large, medium, small, and micro). It was due to operational restrictions in all sectors, except in critical areas.

The decline in economic growth in the small and micro-business sectors could lead to a significant decline in economic growth and development in Indonesia (Coordinating Ministry for Economic Affairs, 2021). Contributions from micro, small, and medium enterprises can also absorb a large workforce. The contribution of MSMEs to the Indonesian economy could absorb 97% of the total available workforce and even collect up to 60.4% of total investment (Coordinating Ministry for Economic Affairs, 2021). Therefore, the small and micro business sector needs special attention.

Despite playing a major role in the economy, a foremost obstacle to the growth of small businesses is the lack of adequate access to finance (Thampy, 2010). On the other hand, small and micro-entrepreneurs have various weaknesses, especially in terms of management, skills, and finance. Likewise, they are constrained by access to the Islamic finance sector. Overall, the social performance of the Islamic finance train average in Indonesia was still lower than in Malaysia (Sofyani et al., 2012). To overcome these weaknesses, other parties are needed who can help to encourage growth in the Islamic finance sector, especially the micro sector. Islamic microfinance institutions are also considered to help overcome one of these problems, namely financial problems. The financial institution is Bitul Maal Wat Tamwil (BMT) or sharia cooperative (Prastiawati & Darma, 2016).

BMT is a sharia financial institution based on sharia principles (Soemitra, 2009), whose license is as a sharia cooperative at the Ministry of Cooperatives and Small and Medium Enterprises. One of the goals of BMT is to protect the lower middle class from the interest system that conventional institutions and moneylenders charge high-interest rates on their customers. In addition, BMT is oriented towards efforts to improve the welfare of its members through increasing its business (Mashuri, 2016). Here, BMT members must be empowered to be independent. Thus, BMT tends to provide financing in the form of working capital to people with micro-businesses so that they are encouraged to be more

creative and productive, lifting the economy of the lower middle class (Prastiawati & Darma, 2016).

Moreover, MSMEs continue to grow rapidly in Indonesia (Coordinating Ministry for Economic Affairs, 2021). This rapid development occurs in urban, rural, and in between. It includes Purworejo Regency, which is directly adjacent to the west side of DIY Province, which has a more advanced economy. It is seen that from year to year, the number of micro-enterprises in Purworejo has increased (Department of SME Cooperatives and Trade Purworejo, 2021). MSMEs are spread throughout the Purworejo Regency. Meanwhile, many MSMEs are located near traditional markets, of which there are 27 traditional markets recorded (Department of SME Cooperatives and Trade Purworejo, 2021). It is because MSMEs with the status of small and micro traders are mostly in traditional markets and their surroundings.

Along with the growth of MSMEs in Purworejo, the number of BMTs in Purworejo also increased (Department of SME Cooperatives and Trade Purworejo, 2021). The increase in the number of BMTs is, of course, followed by an increase in the amount of financing provided. However, micro-enterprises still often find financial constraints, such as high financing and installment mechanisms. In fact, the Regional Government of Purworejo Regency strongly encourages the development of traditional markets. It is an opportunity for micro-entrepreneurs to develop their businesses. The increasing number of micro-enterprises will be a good opportunity for BMTs to disburse financing.

To determine whether BMT and the financing disbursement affect the business development of its members, it is necessary to do some research. The motivation of this research is to find empirical evidence that it is true that BMT, through its financing and business coaching, has a positive impact on society. It is especially a positive impact on micro-business actors experiencing funding problems (in line with BMT's goal to empower the ummah).

The research results by Fasilyana et al. (2019) showed that financing significantly affected the business development of its members. Likewise, financing had a significant positive effect on improving the welfare of its members (Nizar, 2016; Alexandi & Asy Syahidah, 2018; Atika, 2018; Fasilyana et al., 2019; Damanhur & Utami, 2020; Ferdiansyah et al., 2021; Mahdalena et al., 2021). However, research by Prastiawati and Darma (2016) revealed that BMT financing did not significantly affect the business development and welfare improvement of traditional market traders (with the object being traditional market traders in Bantul).

Meanwhile, the significant positive effect of business coaching on business development is shown by the research results by Alhempri and Harianto (2013), Irawati (2018), Anjaningrum and Sapoetra (2018), Fasilyana et al. (2019), and Rifai et al. (2021). Likewise, Wibowo et al. (2021) found a significant positive effect of business coaching on business development with the impact of the COVID-19 pandemic. In addition, coaching and mentoring significantly and positively affected improving the welfare of small businesses, as indicated by Bonandar's (2018) research results.

More and more small and medium enterprises use coaching, but there is not much research on the effects of this coaching, especially in the small and medium business sector (Gray et al., 2011). Likewise, it is stated by Blackman et al. (2016) that there are still few comprehensive studies on business coaching. In fact, coaching is the key to the success of small and medium enterprises (Bell, 2014). Therefore, according to the authors, research on the influence of coaching on MSMEs needs to be carried out and reproduced.

Based on the above background, the problems faced can be formulated as follows: 1) Do BMT financing and business coaching significantly positively affect the business development of its members? 2) Do BMT financing, business coaching, and business development significantly affect the welfare improvement of its members?

Under the problem formulation above, this study has the following objectives: 1) to examine and find empirical evidence whether BMT financing and business coaching have a significant positive effect on the business development of its members; 2) to examine and find empirical evidence whether BMT financing, business coaching, and business development have a significant positive effect on improving the welfare of its members. However, the limitation of this study is that it only used four variables: BMT financing, business coaching, business development, and welfare improvement. Although only using four variables, the researchers view these variables as basic. The BMT financing variable was data with the number of rupiah funds. Meanwhile, the variables of business coaching, business development, and welfare improvement were based on respondents' perceptions (primary data). The use of primary data in the form of perceptions of the three variables was because the perception of micro business actors played a vital role in the perception of the existence and benefits of BMT itself in the eyes of the community. It is expected to contribute to the form of input for the sustainability of the partnership between BMT and its members.

In addition to the above, this research is consistent and focuses on one of the goals of Islamic economics, i.e., empowering the ummah and society. Islamic economics does not only consist of sharia aspects but also covers aspects of Aqedah, morals, and society. Here, Islamic finance and its institutions are instruments of Islamic economics. In addition, community empowerment should always be a priority, for example, through coaching. However, Islamic banking is often only a business partner (with a syar'i contract) between banks and their customers (Darma & Afandi, 2021). It is feared that it will become a further gap between the goals of Islamic economics and the reality of business in Islamic finance. For this reason, this study is expected to provide empirical evidence as a novelty that the relationship between BMT and its members is not only like a business relationship between a bank and its customers but actually a closer relationship that leads to the goals of Islamic economics.

Literature Review and Hypotheses Development

Baitul Maal Wat Tamwil (BMT) and BMT Financing

BMT is a sharia microfinance institution whose task is to collect funds from its members and distribute them to other members in need (Soemitra, 2009). BMT is licensed as a sharia cooperative by the Ministry of Cooperatives and Small and Medium Enterprises. The actual function of BMT is as *baitul mal* and at the same time as *baitut tamwil*. As a *baitul mal*, it accepts deposits of zakat, *infaq*, and alms funds and optimizes their distribution. Meanwhile, as the *baitut tamwil*, it carries out activities for developing productive businesses and investing in improving the economic quality of its members (Soemitra, 2009). As a micro-sharia financial institution, BMT is widely used by micro and small entrepreneurs for saving activities and supporting financing.

However, the obstacle for micro-enterprises is the lack of financial capital. This obstacle can be overcome by the existence of microfinance institutions, both conventional and sharia, which channel their funds to microbusiness actors. Microfinance institutions can generally channel their financing to small business actors relatively easily and quickly (Prastiawati & Darma, 2016). In this case, BMT can go directly to the location of micro-business actors to channel their financing. This convenience can be an advantage of BMT and is generally in demand by micro-enterprises. However, BMT is responsible for coaching its members to improve their welfare.

In addition, the financing provided by BMT includes financing for business cooperation, i.e., *mudharabah* and *musyarakah* (Soemitra, 2009). Apart from the cooperation contract, there is a sale and purchase contract called *murabahah*. There is also a lease contract divided into three types: *ijarah*, *ijarah muntahiya bit tamlik* (IMBT), and multi-service *ijarah*. Another financing provided by BMT to its members is *qardh*, namely financing without being charged. In BMT, *qardh* can also be used for business assistance and help with marketing costs.

Community Development Theory

This research is based on the Community Development Theory of Jim Ife. This theory was used to build relationships between variables. Community Development Theory from Jim Ife suggests that communities can be empowered by being given resources, opportunities, knowledge, and skills to improve their ability to determine their future, and then these citizens participate in influencing the lives of their people (Ife & Tesoriero, 2006).

Community empowerment can be identified into six types: the ability to make personal choices, determine their needs, freedom of expression, institutional capacity, access to economic resources, and freedom in the production process (Ife & Tesoriero, 2006). In this case, BMT financing to the community, especially its members, is a form of providing access to economic resources. Meanwhile, business coaching from BMT is an effort to make its members have institutional capabilities, especially micro business units. Later,

the BMT members will have independence in determining their future and influencing other residents in community development.

Constructive Perception Theory

Perception is a process taken by individuals to organize and interpret the impressions received by the senses to give meaning to their environment and is an integrated activity within the individual (Robbins & Judge, 2015). This theory was used to see the business development and welfare improvement variables. The variables of respondents' business development and welfare improvement were assessed based on the respondents' perception, not based on welfare standard figures originating from outside the respondents. Individual respondents' perceptions of their business development and welfare improvement are expected to be more original and impact the sustainability of the relationship between respondents and the BMT.

Constructive perception theory states that humans actively construct and test the relationship between the impressions received by their senses and the knowledge or experience they already have. Supporters of this theory are Jerome Bruner, Richard Gregory, and Irvin Rock (Solso et al., 2011). The respondents in this study are assumed to have assumptions based on their knowledge or experience about what is meant by business development and welfare improvement. The researchers then confirmed this with research supporting instruments.

The Relationship Between BMT Financing and BMT Members' Perceptions of Their Business Development

Business development is a form of business that develops for the better and reaches a higher point. Business development indicators can be seen in income, profit, sales value, customers, goods sold, and business expansion over a certain period (Prastiawati & Darma, 2016). If the business income increases, followed by an increase in profits or the number of customers, it can be said that the business experiences growth. In this regard, the financing disbursed by BMT to its members is aimed at one of which is the business development of its members. The sustainable relationship between BMT and its members also depends on the member's business development perception after using BMT financing.

Research by Fasilyana et al. (2019) uncovered that financing significantly positively affected the business development of its members. However, the research results by Prastiawati and Darma (2016) revealed that BMT financing had a less significant effect on the business development of traditional market traders in Bantul. From the description above, the hypothesis of this research is:

H₁: BMT financing significantly and positively affects BMT members' perceptions of their business development.

The Relationship Between Business Coaching and BMT Members' Perceptions of Their Business Development

There are several methods for developing fostered partners, for example, training, mentoring, coaching, consulting, facilitating, and others. All have specificity and suitability to their respective situations and conditions. In this study, coaching was used, especially business coaching. Many SMEs have started to use coaching, but there is still little research related to coaching in SMEs (Gray et al., 2011). Similarly, Blackman et al. (2016) stated that few comprehensive studies on business coaching exist.

The coaching method is an effort so that individuals can act on the most suitable and suitable solutions for themselves personally (Wilson, 2020). Business coaching at BMT is BMT's effort to foster by exploring the business capabilities of its members to find the most suitable and suitable solution for themselves. The function of BMT is as a coach, not a mentor or consultant.

The positive influence of coaching on MSME business development has been found in the studies by Alhempri and Harianto (2013), Irawati (2018), Anjaningrum and Sapoetra (2018), Fasilyana et al. (2019), and Rifai et al. (2021). From the description above, the hypothesis of this research is:

H₂: Business coaching significantly and positively affects BMT members' perception of their business development.

The Relationship Between BMT Financing and BMT Members' Perceptions of Their Welfare Improvement

Welfare is a condition in which people can fulfill their minimum needs to carry out their social functions. Member welfare indicators are seen in members' ability to meet daily needs, such as basic needs, additional needs, educational needs, health needs, social needs, spiritual needs, and investment needs (Prastiawati & Darma, 2016). Here, one of the goals of BMT is to improve the community's welfare. The sustainable relationship between BMT and the community also depends on the perception of welfare improvement of its members after using BMT financing.

The results showing that financing had a significant positive effect on improving the welfare of its members are from Nizar (2016), Alexandi and Asy Syahidah (2018), Atika (2018), Fasilyana et al. (2019), Damanhur and Utami (2020), Ferdiansyah et al. (2021), and Mahdalena et al. (2021). However, research by Prastiawati and Darma (2016) disclosed that BMT financing had a less significant effect on improving the welfare of traditional market traders in Bantul. Similarly, Ahmad and Nurrohmah (2020) stated that *murabahah* financing did not affect welfare improvement. From the description above, the hypothesis of this research is:

H₃: BMT financing significantly and positively affects BMT members' perceptions of their welfare improvement.

The Relationship Between Business Coaching and BMT Members' Perceptions of Their Welfare Improvement

Coaching is the key to the success of small and medium enterprises (Bell, 2014). However, there are few comprehensive studies on the influence of coaching (Blackman et al., 2016). Coaching from BMT to its members, especially MSMEs, is appropriate because it tries to find the most suitable solution in accordance with the potential of MSMEs themselves. The solutions explored can be adapted to the conditions that occurred at that time (e.g., during a pandemic, when products were not selling well, and others) and adapted to the potential of each MSME.

Business coaching can also be carried out in a blended way, combining the advantages of face-to-face communication and internet-based communication (Ziemons, 2012). Bonandar's (2018) research revealed that coaching and mentoring small entrepreneurs could improve their welfare. However, the findings of Oberschachtsiek and Scioch (2015) showed that assistance programs in the form of training and coaching for unemployed entrepreneurs had outcomes with low statistical significance. Here, the participation of entrepreneurs and the specialization of business remains an important factor. From the description above, the hypothesis of this research is:

H₄: Business coaching significantly and positively affects BMT members' perceptions of their welfare improvement.

The Relationship Between BMT Members' Perceptions of Their Business Development and Their Welfare Improvement

Income or business profits of members can increase if there is business development. BMT financing to its members as additional business capital can lead to business development and improve welfare. Improving the welfare of members can be measured through the ability to meet basic needs and additional daily needs (Prastiawati & Darma, 2016). Therefore, if business development increases, the perception of increasing welfare will also increase.

Prastiawati and Darma's (2016) research results revealed that the business development of BMT members had a significant positive effect on the perception of their welfare improvement. Fasilyana et al. (2019) also presented the results of a similar study. From the description above, the hypothesis in this study is:

H₅: The business development of BMT members significantly and positively affects the perception of their welfare improvement.

Based on the proposed hypotheses, this research model is presented in Figure 1.

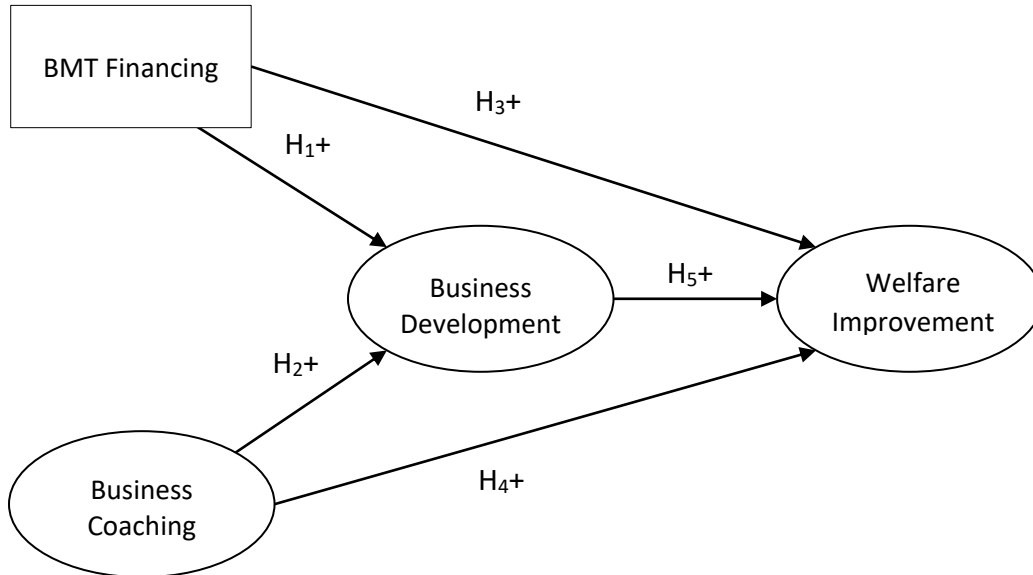


Figure 1 Research Model

Research Method

Population and Sample

This research was conducted by survey method. The population was micro traders in traditional markets in Purworejo, who got financing from BMT. The sampling technique used purposive sampling. In this study, the things considered in the sampling were: 1) BMT members who were in the financing contract period and still had a minimum financing balance of IDR 1,000,000; 2) BMT members who were traditional market traders in Purworejo; 3) micro traders with a net worth of not more than IDR 50,000,000; 4) traders operating with a maximum business place at the level of a stall, not a kiosk or shop; 5) becoming a member of the BMT operating in Purworejo. Then, the data collection method used in this study was a questionnaire instrument. The questionnaire first went through the pilot test stage. The data collection was carried out in November and December 2021. If the respondents wished, they would be guided by the researchers (including interviews). In addition, the researchers try to make traders in these markets less hassled and fill in data more accurately.

Operational Definition and Measurement of Variables

Financing Variable

This study's financing variable (abbreviated to PB) was not limited to certain financing but all financing contracts (*mudharabah*, *murabahah*, or others). The assumption is that BMT

has been responsible for guiding according to the number of funds distributed. Meanwhile, BMT members are responsible for the maximum utilization of the number of rupiahs used. In this study, the BMT financing variable was measured by the number of rupiah given in general (Prastiawati & Darma, 2016).

Business Coaching Variable

The business coaching variable (abbreviated to BC) in this study is the effort of BMT as a coach and BMT members who carry out financing as a coachee to explore members' potential and maximize solutions to increase resources. The business coaching variable used a questionnaire instrument developed based on Ye et al. (2015), consisting of five dimensions: understanding business goals, helping to understand problems, helping to find solutions according to potential, evaluating activities, and helping to find business improvement opportunities. This variable was measured using a Likert scale.

Business Development Perception Variable

The BMT members' perception of their business development variable (abbreviated to PU) is a condition in which BMT members felt that their business was growing to be better than before, leading to more success. The BMT members' perception of their business development variable employed a questionnaire instrument from Prastiawati and Darma (2016), comprising six dimensions: increasing the amount of revenue, profit, sales value, customers, goods sold, and business expansion during the financing period. This variable was determined using a Likert scale.

Welfare Improvement Perception Variable

The BMT members' perception of their welfare improvement (abbreviated to PK) is a condition where BMT members feel that their minimum standard of physical needs has been met and has increased, including psychological and social needs, so that they feel better and safer in carrying out their individual and social functions than before. The BMT members' perception of their welfare improvement variable utilized a questionnaire instrument from Prastiawati and Darma (2016), covering eight dimensions: fulfillment of basic needs, additional needs, educational needs, health needs, social needs, mandatory spiritual needs (e.g., zakat), optional spiritual needs (e.g., *infaq/alms*), and investment/saving needs. This variable was calculated using a Likert scale.

Data Analysis Techniques and Methods

The data analysis method in this study used VB-SEM (Variance Based - Structural Equation Modeling), i.e., PLS (Partial Least Square) assisted by utilizing SmartPLS software version 3.3.9. The choice of data analysis using PLS considered the researchers' ability to obtain data. The sampling was carried out during a pandemic, so traditional markets were not always open daily. When the market was open, there were restrictions with the system opening and closing at certain hours, traders taking turns selling, and limits on the number of people in the market.

Supposedly, the more samples were taken from the population, the better (Cohen et al., 2007). However, its efficiency depends on the research type. This correlational research type that uses a minimum of 30 respondents is considered sufficient (Gay et al., 2012). Several statistical data analysis techniques can be used with a minimum of 30 samples (Bailey, 2008). In determining the sample, there are many formulas or opinions from experts. However, it is only a guideline, not an absolute requirement. More important is that the sampling process or sampling must be good so that the sample is indeed representative of the population.

The PLS approach was first introduced by Herman Wold and is classified as soft modeling (Vinzi et al., 2010). Using PLS, it is possible to model structural equations without strong assumptions, such as normal distribution, sample size, and measurement scale (Vinzi et al., 2010). Thus, SEM-PLS becomes a good alternative when researchers face situations where it is impossible to use CB-SEM (Covariance Based - Structural Equation Modeling), commonly used to confirm theory (Wong, 2013). The lowest recommended range for sample sizes that can still be used with PLS is 30 to 100 (Langer, 2020).

SEM-PLS is used for exploration, visualization, explanation, prediction, classification, and study of structural systems. However, according to Sanchez (2013), it can also be used for confirmatory. Therefore, PLS can be used to confirm theory by testing hypotheses. However, when checking the outer loading, it is appropriate to use the minimum standards proposed by Hair et al. (2011), which is a minimum of 0.7. The standard in some literature (e.g., 0.6 or 0.5 or even 0.4) is that if it is used for exploratory purposes, it is not confirmatory. If the outer loading is below 0.4, the reflective indicator must be removed from the construct. If the value is between 0.4 but not up to 0.7, considering whether it will be deleted, composite reliability and items from other convergent validity are looked at (Hair et al., 2017).

Result and Discussion

There were 27 traditional markets in Purworejo (Department of SME Cooperatives and Trade Purworejo, 2021). The traditional markets included in this research survey were 18 markets. The distribution of questionnaires was as many as 120 pieces considered to represent BMT members in these markets. Of the 120 questionnaires distributed, the number of questionnaires that were returned and could be processed was 72 or 60%. Table 1 presents respondents by markets in Purworejo Regency. Table 2 shows the business types of the respondents. Meanwhile, Table 3 displays descriptive statistics of the number of rupiah financing funds obtained by BMT members.

Table 1 Characteristics of Respondents Based on Market

No	Business Location	Number	Percentage
1	Ngori Banyuurip Market	2	2.8%
2	Baledono Market	9	12.5%
3	Wirodaman Market	3	4.2%
4	Suronegaran Market	8	11.1%
5	Gebang Market	4	5.6%
6	Krendetan Market	4	5.6%
7	Purwodadi Market	3	4.2%
8	Jenar Market	3	4.2%
9	Tambakrejo Morning Market	6	8.3%
10	Mranti Market	2	2.8%
11	Soko Market	3	4.2%
12	Bayem Market	3	4.2%
13	Krandegan Market	3	4.2%
14	Kongsi Market	7	9.7%
15	Kaliboto Market	5	6.9%
16	Pangenrejo Market	3	4.2%
17	Brengkelan Market	2	2.8%
18	Kutoarjo Market	2	2.8%
Total		72	100%

Table 2 Characteristics of Respondents by Business Types

No	Items for Sale	Number	Percentage
1	Fruit	5	6.9%
2	Herbs	3	4.2%
3	Cloth	3	4.2%
4	Meat and fish	6	8.3%
5	Mineral gallons and LPG	2	2.8%
6	Grocery	5	6.9%
7	Children's toy	1	1.4%
8	Food	9	12.5%
9	Apparel	7	9.7%
10	Underwear	2	2.8%
11	Furniture	4	5.6%
12	Vegetables	6	8.3%
13	Basic food	4	5.6%
14	Snack (Snack/wet food)	8	11.1%
15	Tempe and tofu	3	4.2%
16	Bags and shoes	2	2.8%
17	Food stalls (<i>Warteg</i>)	2	2.8%
Total		72	100%

Table 3 Descriptive Statistics of Financing (IDR)

Variable	Kode
Mean	4,412,500.000
Median	4,700,000.000
Minimum	1,000,000.000
Maximum	9,200,000.000
Standard Deviation	2,151,739.445

Figure 2 shows the measurement of outer loadings, especially convergent validity. Each indicator had a loading factor value above 0.7 for its variables (Hair et al., 2011), indicating that it passed the convergent validity test.

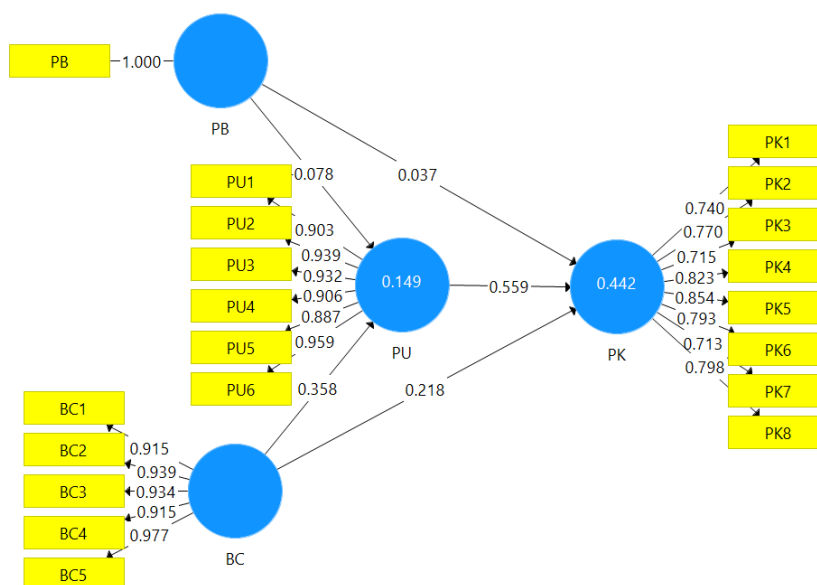


Figure 2 Factor Loading of Convergent Validity Test

Table 4 summarizes the reliability testing results using Cronbach's Alpha and composite reliability values and convergent validity testing using the AVE value. All Cronbach's Alpha values were above 0.6 (Chin et al., 2003). All composite reliability values were above 0.5 (Fornell & Larcker, 1981). In addition, all the Average Variance Extracted (AVE) values were above 0.5 (Fornell & Larcker, 1981).

Table 4 Results of Reliability and Convergent Validity Testing

Variable	Kode	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Business Coaching	BC	0.965	0.972	0.876
Financing	PB	1.000	1.000	1.000
Business Development	PK	0.906	0.924	0.604
Welfare Improvement	PU	0.964	0.971	0.849

Table 5 displays the discriminant validity test results using cross-loadings. Each indicator had the highest correlation on its construct compared to the correlation on other constructs, and the values were greater than 0.7 (Gefen & Straub, 2005).

Table 5 Discriminant Validity Test Results

	BC	PB	PK	PU
BC1	0.915	-0.211	0.438	0.375
BC2	0.939	-0.282	0.358	0.307
BC3	0.934	-0.200	0.409	0.383
BC4	0.915	-0.285	0.330	0.315
BC5	0.977	-0.296	0.411	0.378
PB	-0.269	1.000	-0.119	-0.175
PK1	0.309	-0.109	0.740	0.419
PK2	0.164	-0.058	0.770	0.667
PK3	0.420	-0.081	0.715	0.409
PK4	0.329	-0.100	0.823	0.486
PK5	0.209	-0.002	0.854	0.587
PK6	0.412	-0.172	0.793	0.423
PK7	0.395	-0.211	0.713	0.355
PK8	0.430	-0.056	0.798	0.519
PU1	0.276	-0.127	0.626	0.903
PU2	0.306	-0.200	0.633	0.939
PU3	0.396	-0.142	0.555	0.932
PU4	0.357	-0.223	0.546	0.906
PU5	0.366	-0.112	0.507	0.887
PU6	0.394	-0.159	0.631	0.959

Table 6 Hypothesis Testing Results

Correlation	Hypo.	Original Sample	T-Statistics	P-Values	Conclusion
PB → PU	H ₁	-0.078	0.676	0.250	Not Supported
BC → PU	H ₂	0.358***	3.133	0.001	Supported
PB → PK	H ₃	0.037	0.324	0.373	Not Supported
BC → PK	H ₄	0.218**	1.664	0.048	Supported
PU → PK	H ₅	0.559***	4.614	0.000	Supported

*** significant on an alpha of 0.01

** significant on an alpha of 0.05

* significant on an alpha of 0.10

Table 6 reveals the hypothesis testing results. The hypothesis is supported if the p-values of significance are less than 0.01 (***) or 0.05 (**) or 0.10 (*) and the direction of the original sample (positive/negative sign) are the same as the hypothesized direction. Table 6 shows that hypotheses 2, 4, and 5 were supported. However, hypotheses 1 and 3 were not supported. Based on the research model and the supported hypothesis testing results, a path analysis of the relationship between BC and PK through PU could be carried out. Then, Table 7 presents that the direct effect of BC on PK was greater than that of BC on PK through the intervening variable PU.

Table 7 Results of Direct Effects, Indirect Effects, and Total Effects

Correlation	Direct Effects	Indirect Effects	Total Effects
BC → PU	0.358		0.418
BC → PK	0.218		
PU → PK	0.559		
BC → PU → PK		0.200	

The results of this study did not indicate that BMT financing affected the business development of its members who came from micro-enterprises in Purworejo traditional markets. These results are not in line with research from Fasilyana et al. (2019), which stated that financing had a significant positive effect on business development. The results of this study also showed that BMT financing did not affect its members' welfare improvement who came from micro-enterprises in the Purworejo traditional markets. These results are inconsistent with research by Nizar (2016), Alexandi and Asy Syahidah (2018), Atika (2018), Fasilyana et al. (2019), Damanhur and Utami (2020), Ferdiansyah et al. (2021), Mahdalena et al. (2021).

However, the results of this study are the same as those of Prastiawati and Darma (2016), which showed that BMT financing had a less significant effect on the traditional market traders' business development and welfare improvement, especially in Bantul. Similarly, research by Ahmad and Nurrohmah (2020) stated that financing using a *murabahah* contract did not affect improving customer welfare. Based on the data, the number of rupiah financing obtained by the researchers was relatively small, IDR 4,412,500. Meanwhile, the need for financing to develop a business is relatively large enough to compete with larger businesses. BMT might also still be careful to provide larger funds. Meanwhile, the needs of micro merchants, like the public, continue to increase throughout the year. Moreover, when conditions are uncertain, such as during the COVID-19 pandemic, BMT is very careful, while micro traders are also more difficult to run their business. Thus, the exact step is to provide continuous guidance from BMT to its members, even though the disbursement of funds is being tightened.

Furthermore, business coaching at BMT in this study succeeded in showing a significant positive effect on the business development of its members. These results support the studies by Alhempri and Harianto (2013), Irawati (2018), Anjaningrum and Sapoetra (2018), Fasilyana et al. (2019), and Rifai et al. (2021). Business coaching at BMT also succeeded in showing a significant positive effect on improving the welfare of its members. These results reinforce Bonandar's (2018) research. In addition, the results of this study revealed that the business development of BMT members had a significant positive effect on the perception of increasing their welfare. These results corroborate the research of Prastiawati and Darma (2016) and Fasilyana et al. (2019).

The results of this study uncovered that coaching or mentoring is an essential effort for BMT towards its members to empower the community. This finding also confirmed that although the disbursement of financing funds from BMT to the community was relatively small, it was beneficial. The business coaching could be by understanding the community about the problems they face and exploring the potential of the community itself to find solutions and seek development opportunities. Also, BMT members can get financing not only from BMT but also from other financial institutions. In addition, there is also assistance for micro-enterprises from several parties.

Still, coaching from BMT, which has always focused on micro-enterprises, has contributed greatly to business development and even welfare improvement. Business coaching from BMT can also be a means to maintain good relations between BMT and its members.

Based on the Constructive Perception Theory, the perception of business development and welfare improvement is purely according to the members of the BMT itself, which is based on the knowledge and experience of each individual. Apart from the findings that contributed to this research, there is also a methodological novelty, which is proven to be supported by research results that business development can be an intervening variable between business coaching and welfare improvement of micro-enterprises.

Conclusion

The results of this study exposed that BMT financing on traditional market micro traders who were members of BMT in Purworejo did not significantly affect the traders' perceptions of their business development and welfare improvement. However, the business coaching that BMT did to its members significantly and positively affected their perception of their business development. Likewise, business coaching significantly and positively affected the perception of their welfare improvement. In addition, the traders' perception of their business development had a significant positive effect on the perception of their welfare improvement.

It can be said that based on the perception of micro traders in traditional markets in Purworejo Regency, in general, BMT has had a positive role in the business development and welfare improvement of its members, especially through business coaching. It can be used to maintain good relations between BMT and its members. Although the financing provided by BMT is still considered insignificant for its members' business development and welfare improvement, BMT still has a positive impact on its members through coaching and mentoring. In general, BMTs still provide small amounts of funding, but various types of coaching and mentoring can be beneficial. It is evidenced by the results of this study, especially the effect of business coaching. Then, the results of this study carry theoretical implications that Community Development Theory aligns with Islamic economic philosophy, which aims to benefit society. Meanwhile, the practical implication is that even with a relatively small amount of funding, the development carried out in the community will still have a good impact.

Based on the conclusions from the research results above, suggestions from the researchers for further research are expected to add conditional research variables (e.g., market conditions, level of business competition, and other variables). It may also be necessary to classify the types of financing contracts. In addition, this research was only focused on business coaching. Thus, further research can focus on the coaching or mentoring types variables other than coaching, for example, training, mentoring, consulting, counseling, facilitating, and others. Moreover, it is hoped that more and more parties are willing further to fertilize sharia financial transactions in the micro sector. Research directly down to the bottom (microfinance sector) should be done more often, as one of the foundations of the strength of Islamic finance in the future.

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