

Does contract type influence the *Zakat*, *Infaq* and *Shadaqah* donation of Islamic Microfinance customers? Case study of *Baitul Maal Wat Tamwil* Beringharjo, Yogyakarta, Indonesia

Ebi Junaidi¹
Putri Dini Rizkiyah²

Baitul Maal Wat Tamwil (BMT) combines both the business function (tjaroah) and charity function (tabarru'). The Baitul Maal raises the charity funds by collecting zakat, infaq, and shadaqah (ZIS) donation and the Baitut Tamwil raises the profit by giving financing to micro enterprises. Studies on conventional enterprises shows that charity funds payment by enterprises are influenced by several factors, such as size of the enterprises, financial performance, advertising expenditures, tax rate, Earning Before Tax, Asset Size, Advertising Intensity and debt. This paper tries to find factors that determine the zakat, infaq and shadaqah payment through the Islamic financial and charity institution by their customers. More specifically, this paper examine whether type of contracts of mode of financing has significantly affect the amount of zakat, infaq and shadaqah donation. Furthermore, while many critics of Islamic micro finance practice emphasize the importance of implementing the Natural Uncertainty Contracts (NUCs, such as Musyarakah, etc.) over Natural Certainty Contract (NCC, such as Al Bai, Salam, and Istishna', Ijarah and Ijarah Muntahia Bi Tamlik), this study argues that any Islamic contracts are preferred by most micro enterprises and NCC are superior to replace current riba-based contracts used by current loan shark in the market. We further found that informal practice of debt, zakat, infaq and shadaqah collection is the main features that influence the success of the institutions.

Keywords: Micro finance, Religious donation, Zakat, Infaq and Shadaqah, Corporate Social responsibility.

1. Introduction

Zakat is one of five pillars of Islam. It is a compulsory donation which must be paid by wealthy Moslem over the *nisab* once a year. As a compulsory donation, *Zakat* is a restricted order in Islam i.e there are clear definition of the the percentages of wealth to be donated, the type of wealth subject to *zakat*, the duration of the wealth being held, and the recipient of *zakat*. *Infaq* and *Shadaqah* are not compulsory donation but highly encouraged both in the Qur'an and the Sunnah. *Zakat*, *infaq* and *shadaqah* are activities that shape social virtue in the community.

Most Moslem in developing countries earns their living by holding micro, small and medium enterprises. Micro enterprises are always being the blood of economics for many peoples in the world. Unfortunately, people with micro enterprises are usually lack of accesses to

¹ Lecturer, Faculty of Economics and Business, University of Indonesia, Indonesia.

Email: ebijunaidi@gmail.com, Telephone: +33546024916

² Small and Medium Enterprises Owner, Jawa Barat, Indonesia.

Email: pdinir@yahoo.co.id, Telephone: +6285692230203

capital, resources, human capital and also managerial skills. They live in uncertainty, without collateral and or sometimes without government insurance from bankruptcy.

The banks do not always try to reach them. The banks find that lending money to Small Medium Enterprises (SMEs) is not so much interesting as they found that informal institutions like these SMEs are involved in high risk business, having insufficient collateral and instability in return.

The current Islamic finance progress in Indonesia has allowed a progressive growth of Baitul Maal Wat Tamwil (BMT). Micro enterprises could get financing from this Islamic-based institutions. BMT is the micro financial institution based on Syariah rules which combines both the business function (*tijarah*) and charity function (*tabarru'*). *The Baitul Maal* raised the charity funds by collecting zakat, infaq, and shadaqah (ZIS) donation. And *The Baitut Tamwil* raised the profit by giving financing (Sholehudin and Hakim, 2008). Community development is the main purpose of BMT. They came to the traditional market, traditional agriculture sector, grass-roots community in which usurer loan shark are usually operated.

An estimated figure from Pusat Inkubasi Bisnis Usaha Kecil (PINBUK) or Centre for Micro Enterprise Incubation mentioned that by September 2010, out of 3,068 BMTs under their supervision, financing has reached a total of 1,67 billion IDR. The total asset of the above institutions was estimated around 2.16 billion IDR³. It is important to note that these data underestimate the significance of BMTs in Indonesia, since not all BMTs are under the PINBUK's supervision.

One of the successful BMT is Baitul Maal Wa Tamwil Beringharjo, based in Yogyakarta. They called their debtors and depositor as *mitra* which means partner or friend, as they treat them as their friends and family member. BMT Beringharjo operates mainly in Beringharjo traditional market where usurer loan sharks are very common to be found.

BMT Beringharjo uses variety of akad or contract such as *Musyarakah*, *Ijarah*, *Ijarah Muntahia Bi Tamlik* and *Murabahah*. The contract of *tijarah* or business function is divided into two groups. The first group is Natural Uncertainty Contract (NUC), which consist of venture capital or partnership. In this type of contract, Both partners share the profit or loss, thus expose to uncertainty as the amount received may varied every period. BMT Beringharjo only provides *Musyarakah* financing under this scheme.

Another contract type is Natural Certainty Contract (NCC) which mimics the pattern of buying and selling or exchange transaction both in cash, installment or lump sum. It has fixed payment amount every period. The akad under this scheme offered by BMT Beringharjo are *Ijarah*, *Ijarah Muntahia Bi Tamlik* and *Murabahah*.

Aside from its role as a saving and lending institution, BMT Beringharjo also play a role as collector of ZIS from their customers. Given the different nature of the two contracts (The Natural Uncertainty Contract (NUC) and Natural Certainty Contract (NCC)), it is interesting to see the behavior of the two different customer in paying ZIS.

A lot of critics has been posted towards the domination of the use of NCC in Islamic banking⁴. The impact of such a contract to the debtor's cash flow might influence not only its

³ PINBUK and <http://majalah.tempointeraktif.com/id/arsip/2010/09/13/EB/mbm.20100913.EB134584.id.html#>, accessed on 7 July 2011.

⁴ See Abdullah Saeed (2004), "Islamic Banking and Finance, In Search of a Pragmatic Model", dalam Virginia Hooker *et al.* (eds.), *Islamic Perspectives on The New Millennium*. Singapore: Institute of Southeast Asian Studies, pp. 120-123, for instance.

overall financial performance but also its allocation for donation. This paper's hypothesis is that customers under Natural Certainty Contract (NCC) will pay less donation compare to customers under Natural Uncertainty Contract (NUC).

It is important to note that after two decades existence of Islamic banking and finance in Indonesia, NCC is still standing as the main contract used by financial institutions both by large commercial bank and Micro Islamic banks like BMT Beringharjo.

As the Islamic pillars motivate the Moslem to be able to pay donation as their social contribution and devotion to God, it is interesting to analyze further whether the Islamic financial institution that empower the Moslem to be financially assisted, has a significant role in enabling them to perform this Islamic pillar. More specifically, under two different contracts, a question of which one is more likely to influence their donation payment is an interesting question that so far has not been well-addressed.

Therefore, the objective of this study is to find answer to the following question: is there any significant differences on zakat, infaq and shadaqah donation of small medium enterprises using natural uncertainty contracts (NUC) and natural certainty contract (NCC)?

2. Literature Review

The conventional study categorized donation as the social responsibility funds. Zakat, Infaq and Shadaqah (ZIS) as a religious giving can be included in this category. The root of Corporate Social Responsibility (CSR) is the concept of stakeholder theory. Stakeholder theory posits that firms have multiple obligations to numerous entities. While the economic ownership objectives of the firm are valued and addressed, stakeholder theory claims that businesses must serve a broader objective to create value for society (Miller and Setley, 2009).

Several studies have tried to explain factors influenced the funds allocated for corporate social responsibility. The size of corporation is one of the most discussed factors. Others have suggested the contrary opinion that smaller firms are by nature more socially responsible (Miller and Setley, 2009).

A study of over 3600 Italian firms found a clear correlation between the size of the firm and the understanding and level of behavior related to social responsibility (Miller and Setley, 2009). Factors such as firm size, financial performance, advertising expenditures; tax rate had also been found as determinants of corporate charitable contribution (Xiaolu, 2009). An earlier research found that Earning Before Tax, Asset Size and Advertising Intensity have an impact to corporate philanthropy (Makki and Lodhi, 2008).

A pioneer study on Pakistan's LSE's 25 public listed companies found that beside Earnings before tax, firm size and advertising intensity, numbers of employees and salaries were also considered as moderating variables of the corporate philanthropy's determinant (Makki and Lodhi, 2008)

A study by Brown (2006) found that debt also influences corporation's behavior towards CSR. Debt can provide a check on managerial excesses in many ways. If business owner are committed to make regular debt payment, free cash flow will reduced (Brown, et al, 2006). The restriction of debt agreements limited the business owner's ability to spend money, including their charitable donation. This study is used as a base for determining how the influence of contract type (NUC and NCC) to ZIS donations.

3. Research Method

The previous research of donation payment determinant was studied by Makki and Lodhi (2008). They used multiple regression on secondary data to measure corporate philanthropy in Pakistan. This study adopts the same variables, modify and add some of variables to fit the nature of SMEs and ZIS. The following are the variables used and modification done:

1. Earnings before tax: Corporations usually contribute donations from their pretax earnings in order to minimize the after tax cost contributions. Earning before tax also describes financial performance of the firm. As all the SMEs in this study are not subject to tax under the tax in Indonesia, Earning before Profit-Losss Sharing (PLS) is used as the proxy.
2. Firm size: Literature review shows that firm size significantly affects corporate giving. Firm size also used by Xiaolu (2009) to determine corporate charitable contribution. The natural log of each firm's assets is the modest variable used to determine corporate donation by Makki and Lodhi (2006), Jackson et.al (2009), Brown et.al (2006).
3. Two moderating variables are used in this study, they are number of employees and number of dependents. Number of dependents variable includes parents, children and any extended families. As the case of ZIS is subject to individual, It is important to include the number of dependents of the business owner as they will reflect the total people needed to be supported, thus reducing free funds for charity.

This study gets primary data by spreading questionnaires to SMEs who in general did not write financial statements and or transactions. The questionnaire is adopted from previous research conducted by Azizie (2008) which was used for data collection on the Zakat determinant on individual level. The main purpose of this questionnaire is to recognize the financial condition of Small Medium Enterprises who took their financing in Baitul Maal Wa Tamwil Beringharjo and also paid their Zakat, Infaq and Shadaqah to Baitul Maal Wa Tamwil Beringharjo.

The questions in the questionnaire were not open-ended questions, because the participants were not really pleasant to be asked with open-ended questions. Another challenge is the fact that the business owners are not familiar with financial statements and consider that financial conditions are for private only. It is important to note that the data did not reflect the total of ZIS paid by the SMEs as the SMEs also donate either directly to the needy or to other ZIS collection institution.

There are two types of regression run in this study. The first regression is multivariate regressions done for four equations separating both the type of financing (i.e. NUC and NNC) and type of donation (i.e. Zakat and Infaq and shadaqah).

The second is to univariate regression to see whether type of financing effect donation, run using dummy variable.

The model used for the second regression is:

Y = Zakat, infaq and shadaqah donation of small medium enterprises

X = Contract of Financing

A = 1; Murabahah/IMBT/Ijarah (Natural Certainty Contracts)

0; Musyarakah (Natural Uncertainty Contract)

A model that can relate X and A to Y:

$$Y = \alpha_1 + \alpha_2 A + \beta X + u$$

From the model, it can be seen that

$$\text{ZIS of NCC} = \alpha_1 + \beta X$$

$$\text{ZIS of NUC} = \alpha_1 + \alpha_2 + \beta X + u$$

4. Findings

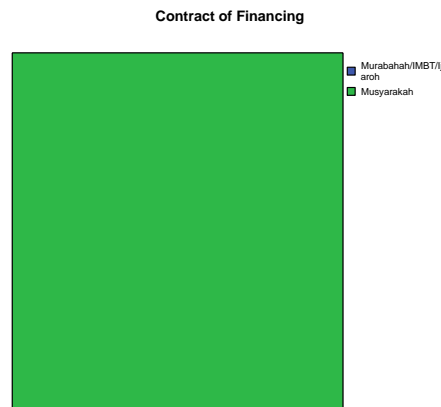
4.1. Descriptive Analysis

4.1.1 Profile of Respondents

Total respondents are 54 people, where the participants are 10 males or 18.5% and 44 females or 81.5%. This reflects the fact that women are the main player on small medium enterprises and also the majority debtors on micro finance institution, similar to Grameen Bank which gives loans to over seven million poor people, in 78,000 villages in Bangladesh, in which 97 percent of them are women.

Among the respondents, there are 12 peoples or 22.2% are aged between 20 until 35 years old. 22 peoples or 40.7%, between 35 until 50 years old, and 20 peoples or 37% respondents who attain the age more than 50 years old. Data on charitable giving of Immigrants in US and UK Giving on 2008 shows that both the incidence and levels of charitable giving increase with age but eventually declines among older households (Osili and Du, 2003). The case of BMT Beringharjo shows the same phenomenon.

Picture 4.1.1 Contract of Financing that was taken by respondents



In term of Contract of financing or the *aqad* that was taken by the customers, 20 participants or 37% are Murabahah/Ijarah Muntahia Bi Tamlik/Ijarah which are classified as Natural Certainty Contract and the rest 34 participants or 63% are Musyarakah which is classified as Natural Uncertainty Contract.

The above sample is taken to reflect the total type of financing in BMT Beringharjo in 2009, in which 30.98% customer's financing is NCC type, 69.01% is under NUC and 0.01% is under *Qardhul Hasan* Financing as *Tabarru* contract.

The levels of education of respondents are dominated by lower education. Around 27.8% were either reached elementary school only or didn't get any formal education at all. While diploma/undergraduate reached 25.9% and high school graduate is around 24.1%. The rest of sample are junior high (18.5%) and very small number are graduate/postgraduate (3.7%).

Picture 4.1.2 Level of education based on financing contract that was taken



The figure of level education divided by the contract above shows an interesting insight. In general, the higher the education the less likely the customer to take musyarakah financing.

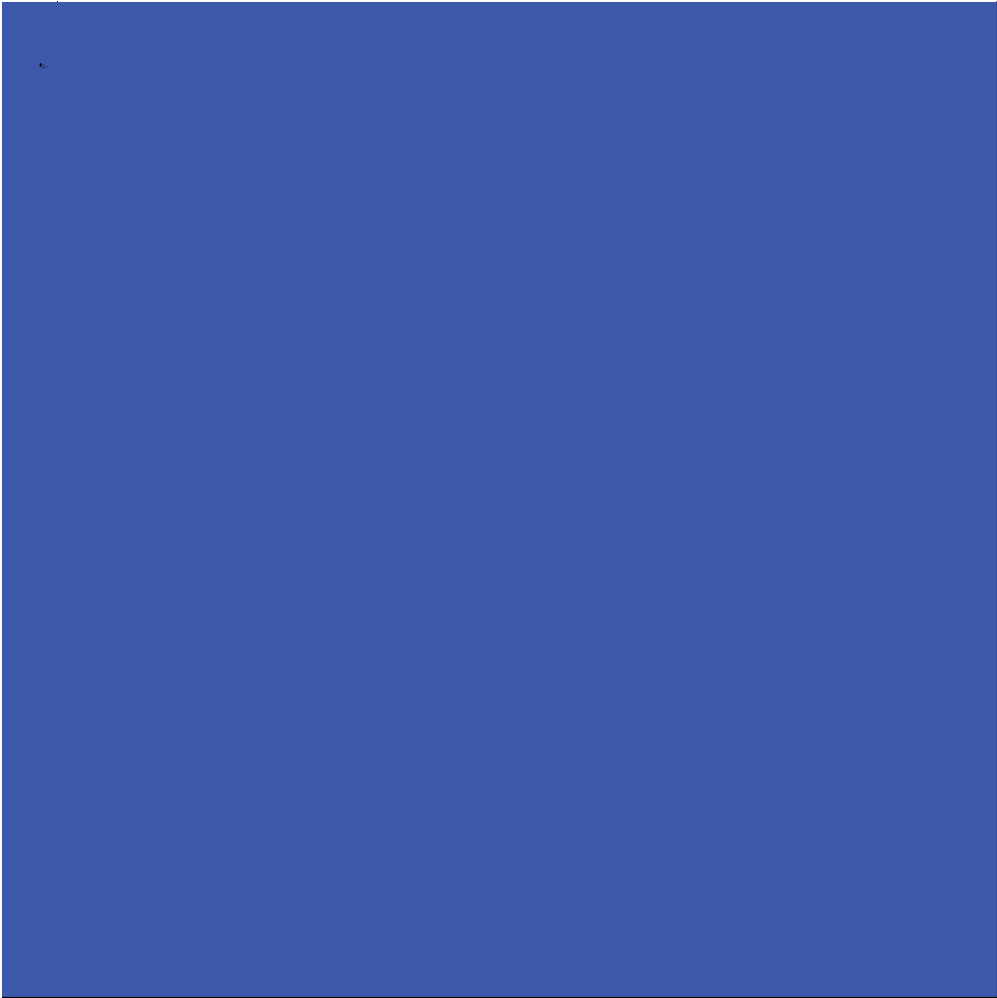
Picture 4.1.3 Gross Profit



The respondents' gross profit, both NCC and NUC show an indifferent result, except for less than 2 millions level, musyarakah is 50% higher. In the 2-10 millions level, none of the SMEs used mudarabah contract.

In term of Household expenditure, we found that there is no significant difference of type of financing used. However, it is interesting to note that most of the SMEs owner (69.1%) spend less than 2 Million Rupiahs per month, almost double Indonesia's national minimum wage.

Picture 4.1.4 Number of Employees



From the graph, we can see that most customers are self-employed and higher no employee.

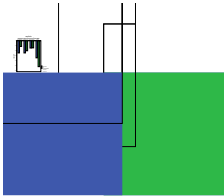
4.1.5 Saving Amount



The highest percentage saving amount of respondents are below 3 Million Rupiahs, around 50% for NCC and 55.9% for NUC.

It is interesting to note that the transaction of SMEs and their buyer are mostly on cash basis, we can see that 70% of NCC customers and 61.8% NUC customers have below 2 Million Rupiahs Account receivables.

4.1.6 Collateral used to get financing on BMT Beringharjo



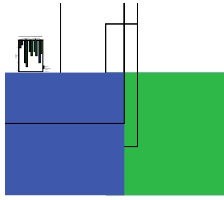
The collateral used to get financing at BMT Beringharjo are dominated by category “Others”. In this case, most respondents put their “market card” as the collateral. Market card is the license to trade in Beringharjo Market.

4.1.7 Purposes of Financing



The purpose of financing based on contract that was taken is extremely different. The NCC is dominated by consumptive purpose which account for around 65%. On the contrary NUC is dominated by productive purpose which account for 91.2%.

Picture 4.1.8 the Financing amount that was taken from BMT Beringharjo

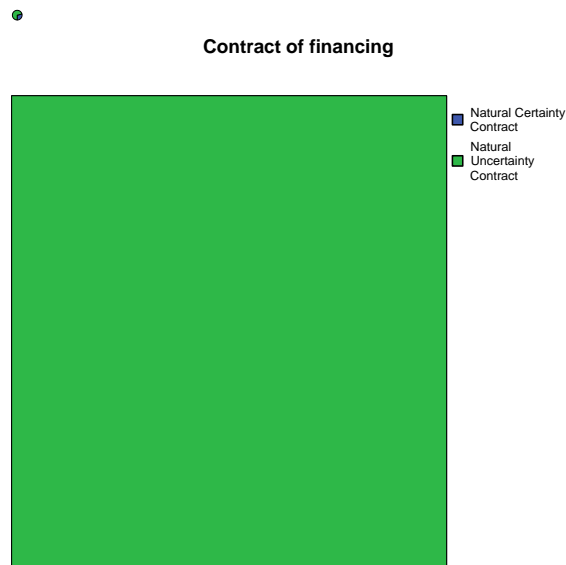


The amount of financing took by the customer is quite varies. However, very little portion borrow for less than 2 millions. In term of period of payment, the respondents are dominated by the range between 1 until 3 years, which account for 40% for NCC and 50% NUC.

It is interesting to find that 38.9% of the respondents were also taking financing from other institutions and or loan shark usurers. BMT Beringhardjo is operating in a very competitive market with over 30 institutional competitors excluding individual loan shark. The institutional competitors are other BMTs, Conventional Rural Banks, Sharia Rural Banks, Conventional Banks, Sharia Banks. The loan shark charged interest for at least 40% for each loan, much higher than the equivalent rate of both NUC and NCC loan.

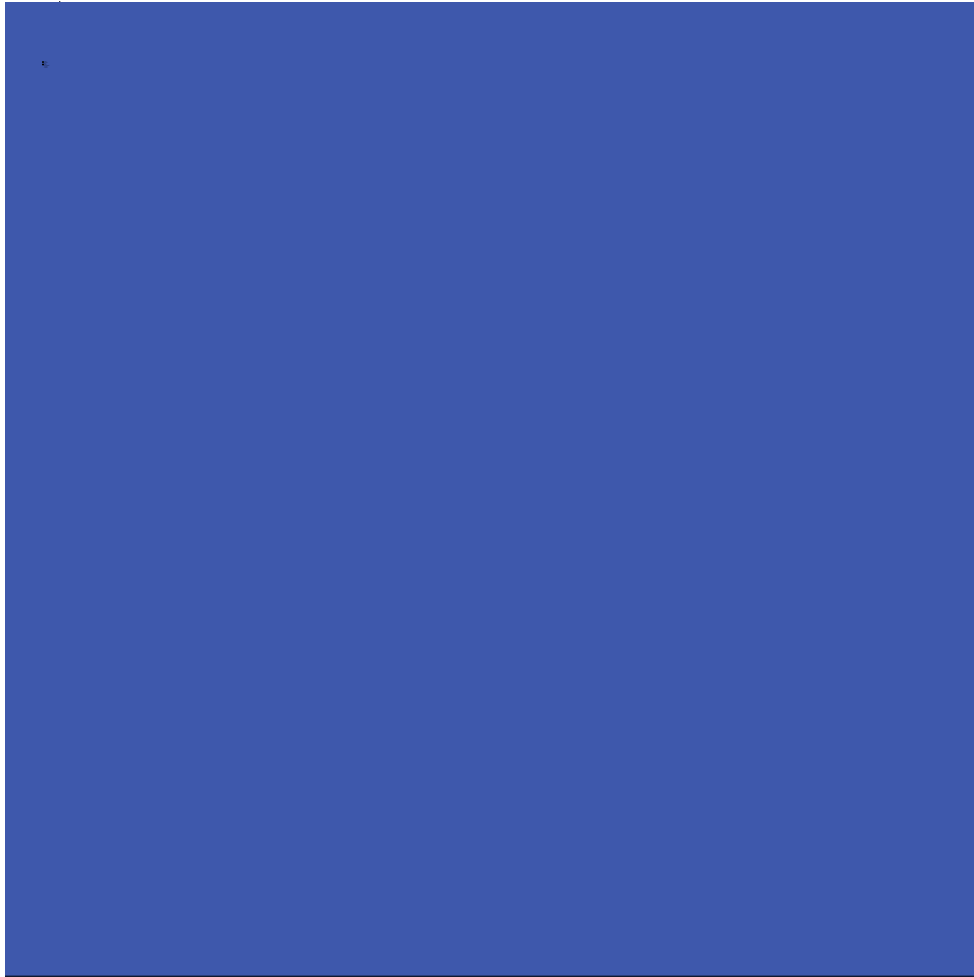
4.1.2. Customers who also took financing from other financial institutions.

Picture 4.2.1. Customers who took financing from other financing providers based on contract that was taken from BMT Beringharjo



This study found that customers who simultaneously took other financing from other financing providers are mostly the NUC customers (68.2%). This might explained that as the financing of NUC are mostly for productive proposes, some of the customers are forced by both its consumptive (54.5%) and daily business needs (45.5%) to take an easier way to access financial assistance from other financing providers. This can be seen by the fact that more than 72.7% of the financial providers used, are either conventional institution or personal loan providers. If the customers took a fixed monthly installment loan with high interest rate, it might jeopardize the equivalent rate of the profit lost sharing given to BMT Beringhardjo.

Picture 4.1.2 Amount of Debt that was taken by customers from another financial institution



The amount of financing that was taken is varied from less than 2 millions to more than 50 millions. Around 72.3% of the loan are above 10 millions, showing that BMT Beringharjo financing has not been considered as their main source of financing. The term of debt for these financing is also dominated by medium term which account for 72.3% of the respondents. It is also appeared that 40% of this medium term notes are above 3 years.

For any financing providers, it is preferred to demand “the market-card” as collateral. It is not only liquid as many people want to have it, it also has a high market value. This study shows that customers of BMT Beringharjo who could not provide their “market card” as collateral were using them as collateral for other financing providers. The data also shows that 50% of collateral used to get financing form other providers are the “market-card”.

Table 4.1 Zakat per year by customers who take NCC and NUC

	Zakat per year (in Rupiahs)					
	Natural Certainty Contract (N=20)			Natural Uncertainty Contract (N=34)		
	BMT	Others	Total	BMT	Others	Total
Median	100000,0	500000,0	933000,0	22500,0	500000,0	650000,0
Mean	332225,0	1320000,0	1652225,0	141735,3	1184411,8	1326147,1
Mode	0,0	0,0	100000,0	0,0	500000,0	500000,0
Minimum	0,0	0,0	0,0	0,0	0,0	0,0
Maximum	1800000,0	5000000,0	5750000,0	1644000,0	10000000,0	10250000,0
Std. deviation	470230,9	1920405,7	1965472,3	300335,1	1916208,0	1977057,2

Table 4.1 illustrates median, mean, mode, minimum, maximum and standard deviation for zakat payment based on contract of financing and where the zakat was donated.

Table 4.2 Shadaqah per month by customers who take NCC and NUC

	Shadaqah per month (in Rupiahs)					
	Natural Certainty Contract (N=20)			Natural Uncertainty Contract (N=34)		
	BMT	Others	Total	BMT	Others	Total
Median	0,00	35000,00	40000,00	15000,00	35000,00	53500,00
Mean	12500,00	104500,00	117000,00	22205,88	160588,24	182794,12
Mode	0,00	0,00	0,00	0,00	30000,00	30000,00
Minimum	0,00	0,00	0,00	0,00	0,00	5000,00
Maximum	150000,00	500000,00	650000,00	120000,00	200000,00	2025000,00
Std. deviation	33541,02	142227,58	163903,05	24777,53	380318,70	379368,20

Table 4.2 illustrates median, mean, mode, minimum, maximum and standard deviation for shadaqah payment based on contract of financing and where the shadaqah was donated. That total average the customers who were taking NUC had donated larger amount of infaq and shadaqah every month.

Picture 4.2.3 the reasons of channeling ZIS through BMT Beringharjo



From all customers that was taking NCC donate zakat to BMT Beringharjo, 35% paid donation because the location of BMT Beringharjo was near to the market, 15% donate it because of transparency of the report, 25% due to the proposal given by BMT Beringharjo, and only 5% who stated that the officer can be trusted, and 20% were choosing the others.

From all customers who took NUC and donate zakat to BMT Beringharjo, 11.8% paid donation because the location of BMT Beringharjo near by the market, 11.8% donate because of transparency of the report, 52.9% giving zakat because they have been given proposal by BMT Beringharjo, only 11.8% stated that the officer can be trusted, the same number with those to choose it for other reasons.

We can conclude that most customers who took NCC paid their zakat to BMT because the place that near to the market and easy of donate. Meanwhile, most of customers who took NUC paid their zakat to BMT because they have been given proposal by BMT Beringharjo.

We also found that tradition is the major reason for the customer to channel their ZIS outside BMT Beringharjo. It constituted 57.7% beside other reasons such as easy/near by residence, knowledge on the recipients' condition, response to proposal given by ZIS institution, etc.

From the chart that figuring reason of charity, we can see that being near to the market or near to residence are the main reasons to choose ZIS institution. In the case of BMT Beringharjo,

we found that this was due to the daily payment collection (i.e. visiting the customers' market stall everyday) has contributed to the feeling that the BMT is very close to the them, thus channeling it through this institution. This is inline with the US case once presented by H. Art Taylor, president and chief executive of the BBB Wise Giving Alliance. It was stated that donors give to organizations they are close to. So they give to their college or university, or maybe someone close to them who died of particular disease so they make a big gift to medical research aimed at that disease.⁵

The BMTs's officers collect ZIS of the customers by giving them a locked box which they can fill in case they want to donate something. This informal collection (both for financing payment and ZIS donation) by daily visit in the middle of trading day have attributed to the success of the institution. Most of the customers did not count the cash inflows before the end of their trading day, so any cash outflows to pay the financing and donation, would psychologically easier to be made. If the BMT officers visit them by the end of trading days, they mostly could not pay any payments, as most of the cash has been allocated to their daily expense, employee salary, suppliers and or payments to other financial institutions.

4.2 Regressions Analysis

4.2.1 Multivariate Regressions

Table: 4.3 Regression Results for determinant of Zakat Donation for NCC

$Y_{Zakat} = \beta_0 + \beta_1(ASSET) + \beta_2(DEPENDENTS) + \beta_3(EARNING) + \beta_4(NO. OF EMPLOYEES) + \epsilon_i$				
	Beta	St. Error	t-Value	Sig.
Intercept	188163.036	556936.17		
ASSET	1.629	0.002	2.724	0.023**
DEPENDENTS	-0.42	255572.641	-0.237	0.818
EARNING	-0.808	0.008	-1.059	0.317
NO.OF EMPLOYEES	-0.13	354324.39	-0.118	0.909
R2=0.763				
F= 7.263	Significance= 0.007***			
** Significant at 0.05 level				
***Significant at 0.01 level				

⁵ Articles by Stephanie Storm, Big Gifts, Tax Breaks and a Debate on Charity, *New York Times*, September 6, 2007

Table: 4.4 Regression Results for determinant of Zakat Donation for NUC

YZakat = $\beta_0 + \beta_1(\text{ASSET}) + \beta_2(\text{DEPENDENTS}) + \beta_3(\text{EARNING}) + \beta_4(\text{NO. OF EMPLOYEES}) + \epsilon_i$				
	Beta	St. Error	t-Value	Sig.
Intercept	959764.518	578290.48		
ASSET	0.173	0.001	0.897	0.377
DEPENDENTS	-0.23	267056.188	-1.581	0.124
EARNING	0.535	0.01	2.712	0.011**
NO.OF EMPLOYEES	0.088	96333.062	0.522	0.606
R2=0.462				
F= 8.294	Significance= 0.00***			
** Significant at 0.05 level				
***Significant at 0.01 level				

Table: 4.5 Regression Results for determinant of Infaq and Shadaqah Donation for NCC

YInfaq+Shadaqah = $\beta_0 + \beta_1(\text{ASSET}) + \beta_2(\text{DEPENDENTS}) + \beta_3(\text{EARNING}) + \beta_4(\text{NO. OF EMPLOYEES}) + \epsilon_i$				
	Beta	St. Error	t-Value	Sig.
Intercept	17493.984	24475.276		
ASSET	0.235	0	0.704	0.499
DEPENDENTS	0.063	11231.468	0.635	0.541
EARNING	0.553	0	1.298	0.227
NO.OF EMPLOYEES	0.197	15571.241	0.321	0.755
Adj R2=0.893				
F= 28.254	Significance= 0.000***			
** Significant at 0.05 level				
***Significant at 0.01 level				

Table: 4.6 Regression Results for determinant of Infaq and Shadaqah Donation for NUC

Yinfaq+Shadakah = $\beta_0 + \beta_1(\text{ASSET}) + \beta_2(\text{DEPENDENTS}) + \beta_3(\text{EARNING}) + \beta_4(\text{NO. OF EMPLOYEES}) + \epsilon_i$				
	Beta	St. Error	t-Value	Sig.
Intercept	56043.398	130939.348		
ASSET	0.045	0	0.182	0.857
DEPENDENTS	-0.055	60468.163	-0.298	0.768
EARNING	0.411	0.002	1.636	0.112
NO.OF EMPLOYEES	0.071	21812.201	0.329	0.744
Adj R2=0.127				
F= 2.239	Significance= 0.088			
** Significant at 0.05 level				
***Significant at 0.01 level				

Table 4.3 until 4.6 show the summary of the regression results for each type of donation under different mode of financing. The results is quite mixed, but it shows that the dependent variables and its moderating variables does have played as determinant factors of zakat, infaq and shadaqah payment made by SMEs.

It also shows that the independent variables chosen have stronger explanatory power in explaining the dependent variable. However, explanatory power of regression of NCC for zakat is 76% compare to only 46% for NUC, while the Infaq and shadaqah regression shows an even bigger gap; 89% compare to 13%. This suggests that NUC-financed SMEs owners might be

influenced stronger by variables other than the independent variables above. Is it possible that the mode of financing (NUC or NNC) has impact on the donation? To test this hypothesis, we will run the univariate regression using dummy variable as follows:

4.2.2 Univariate Regressions

We separate the type of donations, as the nature of both donation are different.

Table 4.7 Regression Result of Mode of Financing to Zakat Donation

Mode of Financing to Zakat Donation	Model Summary	R	0.081 a
		R Square	0.007
		Adjusted R Square	-0.013
		Std.Error of the estimate	1972832
	ANOVA	df regression	1
		df residual	52
		F	0.344
		Sig	0.560
	Coefficients	β (Constant)	1978303
		β Mode of Financing	-326078
		T	-0.587
		Sig (Constant)	0.041
		Sig Mode of Financing	0.560

Table 4.8 Regression Result of Mode of Financing to Infaq and Shadaqah Donation

Contract of Financing to Infaq and Shadaqah Donation	Model Summary	R	0.101 a
		R Square	0.010
		Adjusted R Square	-0.009
		Std.Error of the estimate	0.48957
	ANOVA	df regression	1
		df residual	52
		F	0.539
		Sig	0.466
	Coefficients	B (Constant)	1.606
		B Contract of Financing	0
		T	0.734
		Sig (Constant)	0.000
		Sig Contract of Financing	0.466

The summary of regression results above show that the regression model can not be used to predict both zakat and infaq and shadaqah donations, or simply Mode of Financing doesn't influence on Zakat and Infaq and Shadaqah Donation.

6. Conclusion

From explanation and result in previous chapter, we can conclude that contract type or mode of financing does not influence the Zakat, Infaq and Shadaqah of Islamic finance customers in BMT Beringharjo. The descriptive analysis shows, however, that the NCC customers are more

likely to be loyal to Islamic institution in the way that they are less likely to take other conventional loan simultaneously. Under the current practice, availability and accessibility of the riba-based source of funds for SMEs made NCC is superior to replace the current riba-based contracts.

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APPENDIX

Profile of Baitul Maal Wa Tamwil Beringharjo

The establishment of Baitul Maal wat Tamwil Beringharjo (BMT BDB) originated from the program of Education and Training (Training), Management of Zakah, Infaq and Shadaqah (ZIS) and Sharia Economic in BPRS Amanah Ummah in Leuwiliang Bogor, West Java, on December 1 to 5 September 1994.

From education and training on November 2 to 6, 1994 in Semarang, held at the same time also the same training as a milestone in the early formation of Forum Ekonomi Syariah (FES) which was initiated by the Dompot Dhuafa (DD) Republika and the Association of Sharia Rural Banks (BPRS) Indonesia (Asbisindo). Third Education and Training held in Yogyakarta on January 5 to 11, 1995. From the third training, several participants later joined an apprentice and were given the opportunity to establish BMT by Dompot Dhuafa Republika.

Dra. Mursida Rambe and Ninawati, SH were two participants in all such training. After they follow their training and then follow an internship in BPRS Margi Rizki Bahagia in Bantul, Yogyakarta. After a second internship this activists began to survey the market, location, lobbies and other preparations to establish BMT that at the time for the first time in Yogyakarta.

With determination and the two Sisters is supported by the Dompot Dhuafa Republika, walk maturation process Bina Dhuafa Beringharjo BMT. With good intentions to make changes for the poor and the spirit that never gave up, finally Dra. Mursida Rambe and Ninawati, SH successfully established BMT Beringharjo on December 31, 1994 in the foyer of Mosque Muttaqien on Beringharjo market. With capitalize USD. 1.000.000, - (one million rupiah) started to build a BMT with sincerity and limitations. Both realized that building trust from the public with honesty and commitment principles could help keep small communities will be increasingly confirmed the presence of BMT in the community.

At that time, if not all of they limited to say the emergency department. For administrative purposes the office had to borrow a friend's dorm typewriter for 1 (one) year. Not just borrow a typewriter, desk and chairs they borrow from the takmir room Muttaqien Mosque. Even the telephone facilities they borrowed from a friend. In the third month, they got surprised because they get a fee of Rp 20,000, - (twenty thousand rupiahs). They did not think when they finally get a salary, something never before they think.

BMT Beringharjo informally established on December 31, 1994 and formally established in conjunction with 17 other BMT in Indonesia on April 21, 1995 in Yogyakarta by the vice president at the time, Prof. DR. Ing. BJ. Habibie. The first BMT Beringharjo office was in the court of Beringharjo market at Muttaqien Mosque in Yogyakarta. Finally, in 1997 BMT Dhuafa Beringharjo Bina has a legal entity of Cooperation with a number 157/BH/KWK-12/V/1997. Since that the relations with Dompot Dhuafa Republika hold tightly, especially after the second Memorandum of Understanding (MoU) on March 10, 2001. At that time Dompot Dhuafa Republika enclose the capital at BMT Bina Dhuafa Beringharjo.

Financial support from the Dompot Dhuafa Republika made better progress to BMT Beringharjo. In 2003 BMT Beringharjo has a second office located in the Kauman road, Yogyakarta. Enforce with 42 employees and assets reached 5.1 billion rupiahs on March 2003. And in December 2009 total asset reached over 30 billion rupiahs and than 7 branch offices, not only in Daerah Istimewa Yogyakarta Province but also in West Java, Central Java and East Java. All the branch office is held near by the traditional market and rural district which still have

many usurer giving loans with unreasonable interest rate, and BMT Beringharjo will never open the new branch if in the local district that have held Sharia Bank or another BMT.

In 2010 BMT Beringharjo has office channeling with banking in Hongkong, they provide it for Indonesian labors, and especially women labor that working in Hongkong who want to save their wages. So, when they were back to Indonesia, their saving can be drawing in the nearest branch of BMT Beringharjo.

Bina Dhuafa was chosen as brand mark because a very high anxiety implementation of its founders to be able to significantly enhance the economic empowerment acts lower classes that are often exploited by middlemen and investors in the wrong ways. Lower-class economic sectors are often forgotten and not taken by commercial and conventional banks.

Even if ultimately held by commercial banks that existed, the majority of market participants in this weak economic sector are often hit by the regulations set by the bank. The regulations set by the bank proved more harm lower-class society. With the implementation of a very high interest rate without going regardless of whether the business person running or not, it would be more burdensome to the community and is like "digging a hole close the hole."

Therefore a big commitment with the poor continues to hold and run until now by BMT Beringharjo. Besides as an alternative partner in running the business, BMT Beringharjo also gives spiritual training to all members or customers so that small traders are able to safely in the world and the hereafter.

BMT Beringharjo has its corporate culture. Corporate Culture is a thing which can not be separated because as a source of strength Beringharjo BMT, so it will be able to survive through the various challenges that arise in various periods. CARE (Cepat, Amanah, Resik, Empati) Corporate Culture as well as a commitment to continue to provide sharing the best with the neighborhood around the community, small traders and Dhuafa in Yogyakarta.

The descriptions of the CARE are as follows:

CEPAT (QUICK OR FAST)

The definition of fast is to develop a work culture that is not only oriented but also complete a neat and quick. Quick divided as follows:

1. Quick employees

- a. Rapid realization of new customers in three days time-consuming
- b. Fast in the realization of our customers take a day long
- c. Making the contract takes 8 minutes
- d. Making savings book and membership card 10 minutes
- e. Fast forward to serving our clients Mudharabah takes 25 minutes
- f. Partners in serving the coming quickly
- g. Sooner in teller services
- h. a-e points can be implemented only if all forms and completeness requirements are met.

2. Quick Partner

Quickly in providing data needed by BMT: photocopy of ID card, Security, C-1 and paycheck

AMANAH (TRUSTEESHIP))

The definition of Amanah is to develop a work culture in accordance with the rules and regulations that exist. Trust in the work culture associated with the time, appointments and job description, either to the partners and employees alike.

1. Amanah Employees

- a. Mandate of the office working hours
- b. Mandate of the job description of the duties and responsibilities.
- c. Each employee shall be responsible for completing the report in accordance with the specified time.
- d. Mandate of the promise he had made to both the partners and co-workers
- e. Amanah towards the development potential that has been facilitated by the company
- f. Mandate to rule the company's identity, for example: uniform and id-card

2. Amanah partners

- a. the mandate to complete the installment obligation
- b. mandate of the appointment, whether in connection with the time and place.
- c. realization of the mandate to allocate funds in accordance with its contract.

RESIK (Clean)

The definition of rehearsal is to develop a clean work culture in its employees and partners, both physical and non physical.

1. Employees Clean

a. Clean Up

1. Clean heart disease: envy, pride, haughty, vindictive, gossip, bad suspicion, and grapevine.
2. Clean himself from corruption collusion and nepotism: do not accept gifts from partners over Rp. 50 000, do not accept gifts of more than three times from the same partner, do not receive a fee from a partner because of working relationship.
3. Clothing that is clean, neat and harmonious.
4. keeping always look excellent.

b. Clean Work Environment

Rehearsal and office environment should be neat:

1. Desk and all rooms
2. Bathroom and toilet
3. Archiving: the location, labeling and catalogs
4. Plates, cups, spoons back into place
5. Not eating and drinking in the guest room / service

2. Clean Partners

- a. Clean the environment
- b. Clean in behavior (honest, trustworthy and leave bribery)
- c. Clean on faith.

EMPATI (EMPATHY)

That empathy means work culture that is able to understand the soul and feeling of the partner and fellow co-workers, then go do all it can to help.

1. Empathy Employee

a. Empathy Employee

1. Trying to help both financial and non financial difficulties
2. Helping co-workers completed the job if unable to attend or overloaded workload
3. No kidding excessive
4. Helped lift up cell-phone if our colleagues are not in place.
5. Not letting the phone ring more than twice.

b. Empathy working environment.

1. Efficient to use: electric, telephone, water, vehicles, and supplies
2. Response to the comfort of working environment, trash, seat layout, newspaper readiness to receive guests.

2. Empathy partners

- a. Serving partner with patience, friendly, courteous and full attentions,
- b. Trying to help the problem partners

- c. Does not distinguish between partners' social status
- d. Concerned about the state of both partners love and grief

The BMT Beringharjo also has visions and missions, and the mission and vision are:

VISION

"BMT is a leading Shariah-BASED BUSINESS PARTNER"

The VISION Achieved through:

1. Visionary human resources, competent, and professional and has a commitment to the values of Shariah
2. Growth and development of highly profitable business
3. Implementing based value management system and accountable business processes.
4. Innovation of Sharia Products

MISSION:

1. Continue to bring Sharia to Healthy Financial Institutions, Justice and reassuring
2. Providing a sustainable benefit to the BUSINESS PARTNER

PURPOSE:

1. Business Results Achieved Time that could encourage the growth of business development
2. Maximizing productivity improvement efforts.
3. Improving Employee Benefits

Profile of Customers

Mitra means friends or partner in English literary. Baitul Maal Wa Tamwil Beringharjo was using this word to substitute debtor and savers. Because they want their employees have sense of belonging with them, and treat them as big family and best friends. The fact is that their employees have closer relationship with their debtors and savers, they knew not only their account number and saving amount but also their home, siblings, spouse, children, and they felt as a kinship.

Customers of BMT Beringharjo at Yogya City consist of merchant along Malioboro Road, Beringharjo market at Pabringan Road –the general market that provide almost all necessities-, and Kauman Road where nearby the Palace. These areas are well-known as the travelers' destination for cultural heritage, shopping, center of souvenir, batiks and Yogyakarta cuisine. So, the customers of customers are not only native residents but also tourists who visit Yogya city.

The Participants

This study focused on Small Medium Enterprises who took their financing and also paid their Zakat, Infaq and Shadaqah (ZIS). The number of respondent involved approximately 75 peoples. The main purpose of this study is to discover how Zakat, Infaq and Shadaqah and financial factors that influence their giving amount. The population of interest in this research is Small Medium Enterprises in Pabringan Road and Malioboro Road who took their financing and also paid their Zakat, Infaq and Shadaqah to Baitul Maal Wa Tamwil Beringharjo.

The questionnaire constitutes two sections. The first section was design to measure the mitra's financial ability, the contract of financing and their spending amount to Baitul Maal Wa Tamwil Beringharjo, both financing and giving. The second section was designed to their spending amount, both financing and giving to the other financial institution and not-for-profit organization.

The SME owner usually never made the financial statements, so the main purpose of the questionnaire is to answer how their financial condition, especially related their financing activities and their spending for charity. The original questionnaire from previous research conducted by Azizie (2008) was used for data collecting on research of Zakat variables.

The questionnaires would directly distribute and administered by the researcher to the respondents. This method was capable to do since the researcher has the access to the respondents, meeting them in their store and outlet in distributing the questionnaires. The researcher was also accompanied by research and publishing manager of BMT Beringharjo, to translate and become an interpreter between researcher and participants, because the customers are rarely spoken in Indonesia, they are usually preferred spoken in Javanese.

The units of analysis for this study are SME. Specifically, the subjects of this study are SME who paid their ZIS and also took their financing on Baitul Maal Wa Tamwil Beringharjo. There are approximately less than 100 SME who paid their ZIS in BMT Beringharjo. Only 75 questionnaires were distributed to the respondent, because there are a few customers who took their financing and also paid their Zakat, Infaq and Shadaqah in BMT Beringharjo. There only 54 questionnaires were usable for the data analysis.

3.2.2 The Questionnaire and Methods of Data Collection.

The questionnaires were consisting of respondent's profile. The items are:

1. Contract of Financing
 2. Level of Education.
- the next are the expenditure that must be paid every month.

1. Number of dependents
2. Household Expenditures
3. Number of Employees
4. Operating Expenses.

The next questions are to know the source of wealth.

1. Gross profit
2. Saving
3. Receivables

The fourth parts are to know the liabilities of small, medium enterprises to Baitul Maal Wa Tamwil Beringharjo.

1. Amount of Financing
2. Installment per month
3. Term of Payment
4. Purposes of financing

The fifth part is to know the liabilities to others parties besides Baitul Maal Wa Tamwil Beringharjo.

1. Are they took other financing
2. Source of Financing
3. Amount of Debt
4. Term of Debt
5. Installment per month
6. Purposes of debt.

The sixth part is to know the amount of zakat, infaq and shadaqah which donated to Baitul Maal Wa Tamwil Beringharjo and Others and also donate motivation.

From previous study there's so many variable that usually used to determined charity donation.

Islamic microfinance institutions are essentially MFIs that operate on the basis of Islamic principles. In brief, these MFIs operate share several values: a prohibition against usury (riba) and excessive uncertainty (ghahar), a requirement that all activities are used for permitted purposes (halal), and an implementation of profit and loss sharing (Walters 2011; Garner 2013). The name Baitul Maal Wat Tamwil represents these institutions' socio-economic mission. As baitul maal (houses of wealth), BMTs play a role in collecting and distributing zakah, infaq, and sadhaqah funds, and uses such funds to provide interest-free financing (qard hasan) to the deserving poor. Various types of Islamic microfinance institutions in Indonesia according to Soemitra (2009) are zakah management institutions, waqf management institutions, baitul mal wat tamwil (BMT) and sharia cooperatives. Operationally, from the four institutions, there are two of them who have similar operational activities, namely BMT and sharia cooperatives (Soemitra, 2009). The development of sharia cooperatives in Indonesia is promising (Umam, 2016). As a profit-oriented business institution, Islamic cooperatives are also considered capable of performing social functions in which social funds can be collected by this institution and channeled to the rightful parties (Burhanuddin, 2013). The involvement of Islamic Microfinance Institutions (IMFI) in building the national economy is paramount to help the poor. However, provision of access and services to lower-level households can potentially conflict with the sustainability of the institutions. The influence of independent variables on financial and social efficiency is significant with the coefficient of determination 23.1274% and 53.2941%, respectively. Keywords: cost, economic efficiency, social efficiency, average loan instalment, number of offices, age, profit orientation, fund collection, amount and type of financing, amount and type of savings, cost per borrower, Islamic Microfinance Institution. The effort to collect and distribute zakat, infaq, and shadaqah is a real BMT's activity to obtain social benefits. When customers deposit money and expect a return, they're the arbab al mal (the investors), which is the plural form of rab al mal. The bank is the fund manager or working partner "the mudarib. When a mudaraba contract is used as a source of bank funds (when the customer deposits money in the bank), the unrestricted mudaraba is most often used. When the contract supports a bank's equity financial product (when the bank supplies funds to a working partner), the restricted mudaraba is most often in play. The mudaraba contract is applied when someone deposits money in an Islamic bank with the expectation of getting a return. In most cases, the contract applied is a first-tier (or simple) mudaraba contract, meaning that only the customer and the bank are involved.