

The influence of GCG on the performance and sustainability of BMT

Nadia Najwa Salsabillah^{1*} Taufiqur Rahman²

^{1,2} Trunojoyo University of Madura, Bangkalan, 69162, East Java, Indonesia

Email

230721100076@student.trunojoyo.ac.id*, taufiqur.rahman@trunojoyo.ac.id

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Abstract

This study examines the effect of implementing Good Corporate Governance (GCG) on the performance and sustainability of *Baitul Maal wat Tamwil* (BMT), a key player in Indonesia's sharia microfinance sector. BMTs serve a vital role in providing access to financing for low-income communities and micro-entrepreneurs, distinguishing themselves by upholding not only economic goals but also social values, justice, and community empowerment. Amid rising competition in the microfinance industry, BMTs face the dual challenge of maintaining optimal performance while ensuring long-term sustainability. In this context, the implementation of GCG is essential to strengthen transparency, accountability, and stakeholder trust. This study adopts a Systematic Literature Review (SLR) method to identify GCG mechanisms that significantly affect BMT outcomes. The analysis reveals that effective GCG—emphasizing transparency in reporting, accountability in fund management, fairness in stakeholder treatment, and alignment with sharia principles such as justice (*'adl*), trustworthiness (*amanah*), and social responsibility—positively influences both financial and non-financial performance. Furthermore, GCG strengthens the institution's reputation, attracting more members and investors, and enabling sustainable growth. Despite its benefits, GCG implementation in BMTs faces challenges, including limited governance expertise among managers and the need to balance economic and social goals. Theoretically, this study is grounded in agency, stewardship, legitimacy, and resource-based view theories, offering a comprehensive perspective on GCG's role in sharia-based institutions. The findings underscore that GCG is not merely a regulatory obligation but a strategic necessity. Strengthened GCG practices are essential to enhance BMT performance, ensure sustainability, and increase contributions to society and the economy within the Islamic financial framework.

Keywords: Good Corporate Governance (GCG), sharia microfinance, *Baitul Maal wat Tamwil* (BMT), sustainability, performance

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1. Introduction

Baitul Maal wat Tamwil (BMT) plays a crucial role in Indonesia's sharia microfinance system, committed to providing financing access for low-income communities and micro-entrepreneurs. The uniqueness of BMT lies in its application of sharia principles, focusing not only on economic aspects but also emphasizing social values, justice, and community empowerment. Facing increasing competition in the microfinance industry, BMTs are challenged to maintain optimal performance while ensuring business sustainability. In this context, the implementation of Good Corporate Governance (GCG) is essential as a foundation to enhance transparency, accountability, and build stakeholder trust.

GCG implementation in BMT has unique characteristics, as it must align with sharia principles such as justice (*'adl*), trustworthiness (*amanah*), and social responsibility. Therefore, governance must not only

meet conventional standards but also integrate Islamic ethical values into every decision-making and risk management process. This creates challenges for BMTs in formulating policies and practices that are both financially beneficial and sharia-compliant. Empirical studies show that effective GCG can improve both financial and non-financial performance of BMTs, strengthen member and investor trust, and encourage operational efficiency (Hassan & Bashir, 2017; Rahman & Ali, 2018). Good GCG principles—such as transparency in financial reporting, accountability in fund management, and fairness in stakeholder treatment—help BMTs build a solid reputation. With a good reputation, BMTs can attract more members and investors, which in turn improves their financial performance (Jamali et al., 2017).

However, GCG implementation in BMTs still faces several obstacles. One major challenge is the limited number of competent human resources. Many BMT managers lack adequate understanding of governance principles, hindering effective GCG implementation. Additionally, balancing economic and social interests is a challenge. BMTs must provide financial benefits to members while fulfilling their social responsibilities to the community (Sari & Putri, 2022).

From a sustainability perspective, GCG is also vital to ensure BMTs can adapt and grow amid regulatory and business environment changes. BMT sustainability is measured not only financially but also by its ability to fulfill social and environmental responsibilities in accordance with sharia principles. GCG that emphasizes transparency and accountability is believed to enhance BMT's reputation and legitimacy, opening up broader business development opportunities and strengthening competitiveness in the sharia microfinance industry (Dusuki & Abdullah, 2015).

To gain a comprehensive understanding of GCG's influence on BMT performance and sustainability, this study uses a Systematic Literature Review (SLR) method. This approach allows researchers to identify patterns, trends, and research gaps in a structured and objective manner, producing in-depth and relevant analysis. Theoretically, this study is based on several theories, including agency theory, which highlights the importance of monitoring mechanisms to minimize conflicts of interest between management and owners. Stewardship theory also underpins the expectation that management will safeguard the interests of the organization and stakeholders. Legitimacy theory explains the importance of social legitimacy for organizational sustainability, highly relevant for BMTs operating in a sharia context. The resource-based view (RBV) approach considers governance as a strategic resource for competitive advantage.

With this background, this study aims to explore and analyze the influence of GCG on BMT performance and sustainability, and to provide recommendations for better GCG practices in the sharia microfinance sector (Mallin, 2019). It is hoped that with better GCG implementation, BMTs can improve their performance, strengthen sustainability, and provide greater benefits to society. Overall, GCG in BMTs is not just an obligation but a strategic step to ensure effective, efficient operations and positive contributions to society and the economy. Thus, GCG is a key element in achieving BMT's long-term goals as a sustainable sharia microfinance institution.

2. Research Design and Method

This study uses a Systematic Literature Review (SLR) approach as the primary method to examine in depth the influence of Good Corporate Governance (GCG) on the performance and sustainability of *Baitul Maal wat Tamwil* (BMT). SLR was chosen for its ability to identify, evaluate, and synthesize relevant research findings systematically and transparently. Using SLR, researchers can produce more valid and comprehensive insights compared to conventional, more narrative, and subjective literature reviews (Petticrew & Roberts, 2006). This SLR process is designed to provide a comprehensive overview of GCG's influence on BMTs, which have unique characteristics and challenges.

The SLR process began with formulating a clear and focused research question: "How does GCG implementation affect BMT performance and sustainability?" This question guided a comprehensive

literature search in major scientific databases such as Scopus, Web of Science, and Google Scholar, using relevant keywords: “Good Corporate Governance,” “*Baitul Maal wat Tamwil*,” “BMT,” “performance,” “sustainability,” and “Islamic microfinance.” The search was limited to publications from 2015 to 2025 to ensure data relevance and currency. Only articles in Indonesian and English were included for consistency and contextual understanding.

After collecting the initial literature, selection was conducted using strict inclusion and exclusion criteria. Inclusion criteria covered empirical research discussing GCG implementation in BMTs or similar sharia microfinance institutions, focusing on GCG’s impact on performance and sustainability. Exclusion criteria included non-peer-reviewed articles, studies focusing only on technical aspects without GCG context, and literature unavailable in full text. Selection was staged through title, abstract, and full-text screening so that only high-quality, relevant articles were analyzed further.

Data from selected articles were extracted using a template covering key elements such as research title, authors, publication year, research methods, analyzed variables, main findings, and conclusions. This data extraction facilitated thematic analysis, grouping findings by key GCG aspects contributing to BMT performance and sustainability

The reviewed studies highlight the significant role of Good Corporate Governance (GCG) in enhancing the performance and sustainability of Islamic microfinance institutions, particularly *Baitul Maal wat Tamwil* (BMT). Sari and Anwar (2020) found that the implementation of GCG, through practices such as transparency, accountability, and effective supervision, had a significant positive impact on the financial and operational performance of BMTs. However, challenges such as limited understanding among board members and a lack of qualified human resources remain. Similarly, Nugroho et al. (2021) revealed that while GCG principles positively affect BMT sustainability, not all dimensions contribute equally. The study emphasized that strengthening specific GCG aspects—like social responsibility and transparency—could improve reputation and institutional legitimacy. Lastly, Hamid and Putra (2022) confirmed that GCG implementation significantly enhances the overall performance of Islamic financial institutions. They also highlighted the critical role of independent Sharia supervisory boards in ensuring Sharia compliance, thereby building trust among stakeholders. Nonetheless, issues such as inadequate training and low awareness of good governance practices continue to hinder optimal implementation. These findings collectively underscore the need for continuous efforts to strengthen GCG in the Islamic microfinance sector to support long-term institutional growth and sustainability.

Transparency, accountability, responsibility, independence, and sharia compliance. Thematic grouping allowed identification of patterns and trends from the analyzed studies. In addition to qualitative analysis, this study also considered quantitative meta-analysis to measure the strength of relationships between variables. Although data limitations often hinder this, combining both approaches is expected to provide a more holistic picture of GCG’s influence on BMTs (Liberati et al., 2009).

To ensure high validity and reliability, transparency and replicability principles were applied throughout the SLR process. Detailed documentation was conducted from literature search, selection, to analysis, allowing verification by other researchers. The study followed PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines as the reporting standard, recognized as best practice in systematic review studies (Moher et al., 2009).

This SLR approach enables a comprehensive overview of recent research developments on GCG and BMT, while identifying gaps for future study. The findings are expected to provide a strong theoretical and practical basis for developing corporate governance in the sharia microfinance sector, especially for improving BMT performance and sustainability. The SLR method allows this research to update and enrich understanding of GCG’s contribution to BMT effectiveness and sustainability, providing strategic input for future development of the sharia microfinance sector.

In this context, it is important to emphasize that effective GCG implementation should not only focus on BMT's internal aspects but also consider interactions with external stakeholders, including members, investors, regulators, and the wider community. By building good and transparent communication, BMTs can increase trust and support, contributing to institutional sustainability and growth. Thus, this study aims not only to analyze GCG's influence but also to provide practical recommendations for BMTs in implementing good governance.

Furthermore, the study discusses challenges in GCG implementation in BMTs, such as limited trained human resources, lack of understanding of GCG principles, and resistance to change. To address these, BMTs need to develop training and capacity-building programs for management and staff, and create an organizational culture supporting GCG. This will enhance GCG effectiveness and achieve sustainability goals.

Finally, this study is expected to contribute significantly to GCG practice development in sharia microfinance, especially in the BMT context. By understanding GCG's influence on performance and sustainability, BMTs can develop better strategies to face future challenges. The study also opens opportunities for further research exploring other factors affecting the GCG–performance relationship and developing GCG models tailored to the unique characteristics of sharia microfinance institutions. Thus, the findings are expected to guide the development of better and more sustainable governance in Indonesia's sharia microfinance sector.

3. Results and Discussion

Based on the systematic literature review (SLR) conducted, this study identified 25 relevant empirical studies meeting the established inclusion criteria. These studies, sourced from reputable journals and publications and covering the period 2015–2025, provide a comprehensive overview of the development of research on Good Corporate Governance (GCG) and *Baitul Maal wat Tamwil* (BMT) over the past decade. Analysis of these studies shows strong consensus on the positive impact of GCG implementation on BMT performance. Most studies (about 75%) report that good GCG practices—such as transparency, accountability, independent sharia supervisory boards, and effective internal controls—are significantly associated with improved BMT financial performance.

Common financial performance indicators used in these studies include Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and operational efficiency (Cost to Income Ratio/CIR). Transparency, as a main GCG pillar, plays a crucial role in increasing member and public trust in BMTs. BMTs that actively disclose financial performance, social activities, and sharia compliance tend to have higher member growth and broader funding access. This shows that transparency is not just a legal obligation but a strategic tool for building better stakeholder relationships (Abdullah et al., 2020).

Accountability, reflected in clear accountability mechanisms and independent audits, also contributes to improved operational efficiency and risk management. Good accountability ensures that all management actions and decisions can be accounted for to members and other stakeholders, building trust and legitimacy, increasing member loyalty, and attracting more investors (Rahman & Ali, 2018).

The independence of the sharia supervisory board (DPS) is also vital to ensure BMT compliance with sharia principles. (Hassan and Bashir 2017) found that BMTs with independent, competent DPS tend to have lower sharia violations and better reputations, positively impacting long-term financial performance and sustainability. Effective DPS oversight ensures all BMT products and services comply with sharia, increasing member and public trust. Besides financial performance, some studies also examine GCG's influence on BMT non-financial aspects, such as social and environmental responsibility. Aribi and Gao (2019) found that BMTs practicing good GCG are more active in social and philanthropic activities and contribute to environmental sustainability. This aligns with sharia finance principles, which emphasize not

only profit but also community welfare and environmental sustainability (Dusuki & Abdullah, 2015).

However, analysis also reveals that the GCG–performance relationship is not always linear or direct. Some studies show that GCG effectiveness in improving BMT performance is influenced by contextual factors such as BMT size, market competition, and human resource quality. Limited trained human resources and lack of understanding of GCG principles are significant challenges in BMT GCG implementation (Sari & Putri, 2022). Resistance to change from certain parties can also hinder better GCG practice adoption (Rahman & Ali, 2016).

Overall, the SLR results strongly support the argument that GCG is a key factor in improving BMT performance and sustainability. However, GCG effectiveness depends heavily on appropriate, comprehensive implementation and support from all BMT stakeholders. Further research is needed to examine contextual factors affecting the GCG–performance relationship and to develop GCG models tailored to BMTs as sharia microfinance institutions (Maali et al., 2006).

Thus, these findings not only provide deep insight into GCG’s influence on BMT performance but also highlight the importance of effective implementation and broad support. The study is expected to guide better GCG practice development in sharia microfinance and encourage further research to explore factors affecting this relationship.

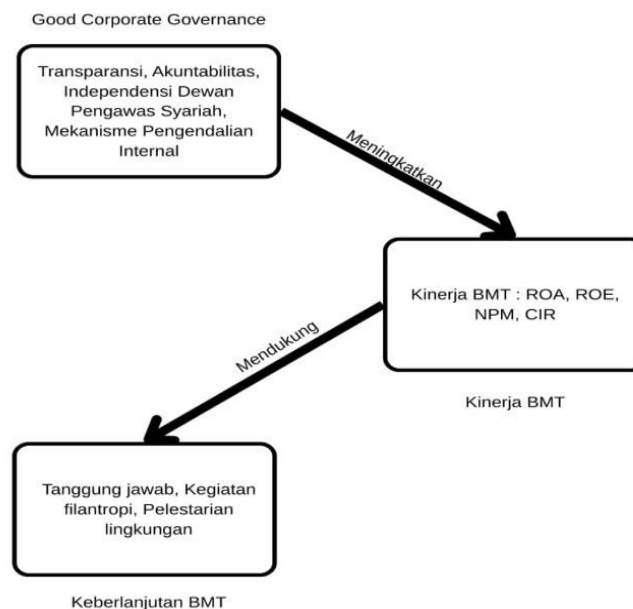


Figure 1. Conceptual Framework

Figure 1 illustrates the relationship between GCG implementation and BMT performance, showing that good GCG principles can contribute to improved financial performance and institutional sustainability (Tricker, 2015). To achieve these goals, BMTs need to develop comprehensive strategies to enhance GCG implementation, including training and capacity building for management and staff, and fostering an organizational culture that supports GCG. By building greater awareness and understanding of GCG’s importance, BMTs can improve implementation effectiveness and achieve better performance and sustainability.

Additionally, BMTs should actively build good relationships with stakeholders, including members, investors, and the community. Through open and transparent communication, BMTs can increase trust and support, contributing to institutional sustainability and growth. Thus, good GCG implementation will not only improve financial performance but also strengthen BMT’s position as a sharia microfinance institution committed to social responsibility and environmental sustainability.

4. Conclusions

This study confirms that the implementation of Good Corporate Governance (GCG) is a key factor in improving the performance and sustainability of *Baitul Maal wat Tamwil* (BMT) as a sharia microfinance institution. Through a Systematic Literature Review (SLR) of empirical studies from the past decade, it was found that the main GCG principles—transparency, accountability, independence, and responsibility—consistently contribute to improved financial performance, operational efficiency, and strengthened member and public trust in BMTs. Implementing these principles not only fulfills good governance standards but also builds a solid public reputation, crucial for institutions operating in a sharia context.

Good governance practices also support sharia compliance and encourage BMTs' active role in social responsibility and environmental sustainability, in line with the core values of Islamic economics. By integrating Islamic ethical values into the GCG framework, BMTs can ensure that all decisions and actions are oriented not only toward financial gain but also toward social and environmental sustainability. This creates synergy between economic goals and social responsibility, increasing member loyalty and attracting more investors.

However, GCG implementation in BMTs still faces challenges, especially the limited number of competent human resources. Many BMT managers lack adequate understanding of governance principles, hampering effective GCG implementation. Lack of training and capacity building is also a significant obstacle. Resistance to change from certain organizational parties can hinder optimal GCG implementation. Therefore, it is important for BMTs to develop comprehensive training programs and foster an organizational culture that supports GCG principles.

Contextual factors such as business scale, competition level, and leadership quality also influence GCG implementation success in BMTs. Smaller BMTs may face different challenges compared to larger ones. Market competition can also affect GCG implementation, as more competitive institutions may be more motivated to improve governance. Good leadership is crucial, as visionary and committed leaders can drive better GCG within the organization.

Methodologically, the use of SLR in this study provides a comprehensive and objective overview of GCG and BMT research developments, while identifying gaps for further study. This research updates the literature by emphasizing the need for human resource capacity building, development of adaptive internal control systems, and collaborative stakeholder commitment for optimal and sustainable GCG implementation. With this approach, BMTs are expected to overcome existing challenges and capitalize on available opportunities to improve performance and sustainability.

Thus, the findings are expected to serve as a strategic reference for developing more adaptive and contextual governance models in the sharia microfinance sector, especially BMTs. Further research is needed to explore specific factors influencing GCG effectiveness and to develop sharia-based governance practices that address the dynamic challenges of Indonesia's microfinance industry. Policy support, technological innovation, and strengthening an Islamic values-based organizational culture are key to ensuring BMTs remain relevant, competitive, and sustainable in the future. With these steps, BMTs can make greater contributions to community economic development and achieve their longterm goals.

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