



## Research article

## A review on literature of Islamic microfinance from 2010-2020: lesson for practitioners and future directions

Pupun Saepul Rohman<sup>a,b</sup>, Bayu Arie Fianto<sup>b,\*</sup>, Syed Alamdar Ali Shah<sup>b</sup>, Umar Nawaz Kayani<sup>c</sup>, Noven Suprayogi<sup>b</sup>, Indri Supriani<sup>b</sup><sup>a</sup> Department of Sharia Accounting, Mayasari Business Polytechnic, Mayasari Plaza Complex No. 1-4, Argasari, Cihideung District, Tasikmalaya, 46122, Indonesia<sup>b</sup> Department of Islamic Economics, Faculty of Economics and Business, Universitas Airlangga, Jl. Airlangga No. 4, Surabaya, 60286, Indonesia<sup>c</sup> College of Business Administration, Al Falah University, Dubai, United Arab Emirates

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## ABSTRACT

This study reviews the literature related to Islamic microfinance institutions (IMFI) published in reputable international journals. The manuscripts that have been collected consist of 71 papers that are classified into several study topics. The most researched topic is Poverty alleviation with as many as 25 papers (35%). Next are papers with the topic of Waqf-based microfinance as many as 12 papers (17%). This follows with 11 papers on the topic of Marketing & Fintech (15%), and 10 papers on the topic of Sustainability & Outreach (14%). Meanwhile, the paper with the theme Maqashid Shariah ranks fifth with a total of 7 papers (10%). Finally, there are 6 papers with the theme of Risk management & Governance (8%). At the end of each topic, the essence of research is presented for future research, which will be useful for academics and practitioners.

## 1. Introduction

This study presents a review of *Islamic* microfinance institutions (IMFI) papers published in reputable international journals. The aim is to provide an understanding of the results of research published in reputable international journals and also lessons that can be learned by stakeholders, especially researchers and practitioners of *Islamic* microfinance institutions (IMFI) in the future.

The article search goes through a series of filters to ensure that only the best articles are presented in this paper. From this selection, 71 papers were finally collected with the theme of Islamic microfinance institutions (IMFI).

The selected papers are then classified into six topics, namely Poverty alleviation with a total of 25 papers. After that, there were 12 papers with the topic of *Waqf* based microfinance. Next is a paper with the topic of Marketing & Fintech, totaling 11 papers. There are 10 papers on the topic of Sustainability & outreach. Meanwhile, there are seven papers with the theme *Maqashid Shariah*. And the last is Risk management & Governance papers with six papers.

Following introduction, section two discusses research methodology where the authors convey the research methods used. Furthermore, in the general features of the research section, the authors provide an

overview of various aspects related to the articles collected and reviewed in this study. Then the existing research section presents discussions from researchers related to *Islamic* microfinance institutions (IMFI) from various topics accompanied by interesting points at the end of each topic for both practitioners and academics to follow up. Finally, this article ends with a conclusion.

## 2. Literature review

The poor are those who have very low incomes. They only have little capital and some even have none at all. In addition, they also do not have access to loans provided by financial institutions in general. This is because the poor do not have collateral which is a prerequisite for disbursing loans from financial institutions. Their financial literacy is also very low. The poor need to be helped so that they can get out of the poverty line.

Microfinance institutions are projected as a solution to the problem of poverty. This is because microfinance institutions can provide micro-loans to micro and small businesses. The poor and very poor people who are at the bottom of the pyramid get credit services like other people. With this credit service, it is hoped that they can open new businesses as an additional source of income. In addition, credit services

\* Corresponding author.

E-mail address: [bayu.fianto@feb.unair.ac.id](mailto:bayu.fianto@feb.unair.ac.id) (B.A. Fianto).

are needed by the poor to cover their daily needs, ranging from food, drink, education costs, wedding expenses, and so on.

However, conventional microfinance institutions have not been able to become a solution to the problem of poverty, especially for the *Muslim* community. One of the reasons is that conventional microfinance institutions still operate with an interest system, which is prohibited in *Islamic* teachings because it is part of usury. In addition, there are still elements that are forbidden in microfinance institution transactions such as *maysir* and *gharar*. So, the presence of *Islamic* microfinance institutions is expected to be a solution for the *Muslim* community, where many of them are still below the poverty line.

*Islamic* microfinance institutions operate by applying the values of *Islamic* teachings. These values include monotheism, the application of *Shariah maqashid*, prohibition of usury, upholding justice, eliminating injustice, and eliminating elements of gambling in financial transactions. The existing contracts at *Islamic* microfinance institutions consist of buying and selling based contracts (*bai' al-murabahah*), business cooperation-based contracts (*al-musharakah*, *al-mudharabah*), lease-based contracts (*al-ijarah*), and loan contracts, pure without interest (*qardh-hasan*).

*Islamic* microfinance institutions have experienced significant developments in the last two decades although it remained slower than conventional microfinance institutions. Along with the growth of *Islamic* microfinance institutions, research related to the theme of *Shariah* microfinance institutions has also developed. Research related to *Islamic* microfinance institutions is deemed necessary to examine the shortcomings and advantages to obtain solutions and strategies for overcoming the problems faced by IMFI. In the end, all of this is useful for the development of *Islamic* microfinance institutions in the present and in the future.

### 3. Research methodology

This study uses a literature review as an approach, which is the best way to synthesize research findings. It demonstrates evidence at the meta level and covers areas where more research is needed. This is an important component of creating a theoretical framework and building a conceptual model. It also helps to provide an overview of areas in which the research is disparate and interdisciplinary. One of the concepts by Snyder (2019) is how papers were classified based on author, discipline, type, and contribution. Sukmana (2020) & Kuanova et al. (2021) said that this classification is important to enable readers to look into the state-of-the-art of certain topics and focus on how to extend them from specific topics.

The authors make Sukmana (2020) as reference journal with some developments. The search for articles using aggregators namely Scencedirect, Emerald, JSTOR, SpringerLink, Oxford, Cambridge, and Sage with the keywords "*Islamic* microfinance" and "*Islamic* cooperative". The articles that are collected are then organized according to the appropriate theme using the Mendeley application version 1.19.4.

The stages in searching for articles follow the steps of Sukmana (2020) in several aspects:

*First*, identification of the journal database for selected articles, the authors use Science Direct, Emerald Insight, JSTOR, SpringerLink, Oxford Journal Academic, Cambridge Core, and Sage.

*Second*, choosing keywords: "*Islamic* microfinance" and "*Islamic* cooperative" as keywords in article searches.

*Third*, choose the type of "Research Article" to ensure the search results in this study only focus on articles from research results.

*Fourth*, the publications are from the year 2010–2020. The search for articles is focused on the past decade so that the results of the articles obtained are still relevant to current conditions.

After passing all the steps above, all the papers were filtered again through several stages. *First*, it confirmed that the selected papers was indexed in Scopus by checking it directly on *scopus.com*. *Secondly*, only

those papers are selected that are predominantly discussing *Islamic* microfinance.

These criteria were used for all seven databases. This research found 16,861 papers using the keyword "*Islamic* Microfinance," 83,430 papers using the keyword "*Islamic* Cooperatives". Out of these research articles were 9,727 papers are for "*Islamic* Microfinance" and 48,295 papers are for "*Islamic* Cooperatives". Out of these numbers the remaining 3,624 papers are for "*Islamic* Microfinance" and 20,726 are papers for "*Islamic* Cooperatives" belonging to the period of our research i.e., from 2010 to 2020. Then, the Scopus Index and the *Islamic* Microfinance domination criteria were applied, which resulted in 71 papers.

### 4. General features of the literature

This research has been conducted by reviewing 71 research papers related to *Islamic* Microfinance Institutions (IMFI's), which have been published in Scopus indexed international journals between 2010-2020. The following is a table of top 5 journal names and the number of papers published with *Islamic* Microfinance theme.

Based on Table 1, the publication source that mainly discusses *Islamic* Microfinance is the Journal of *Islamic* Accounting and Business Research, with 14 papers followed by ISRA International Journal of *Islamic* Finance with 11 papers. Meanwhile, the other most significant publications are from the International Journal of *Islamic* and Middle Eastern Finance and Management, with 9 papers.

Most of the research on IMFI during the period selected for research has been carried out in the last two years, namely 2019 and 2020. The highest number of papers published was 18 papers in 2019. In addition, the development of research related to *Islamic* microfinance has increased every year in the last six years (Table 2).

This study also reviews papers based on countries that were selected for IMFI research. *Malaysia* is the country with the most number of research studies totaling 24 papers. Followed by *Indonesia* with 14 papers, *Nigeria* with five papers, *Bangladesh* with four papers, and *India* and *Pakistan* with three papers each (Table 3).

The 71 papers are divided into four categories: papers prepared by 1) single author; 2) two authors; 3) three authors, and 4) four or more authors. The descriptive results show that papers with two authors have the highest number of publications over the past ten years, consisting of 39% of the total papers followed by papers with three authors (23%), papers with four or more authors (23%) and papers with a single author (15%) (Table 4).

Paper classification based on the methodological approach used by the authors is shown in Table 5. Based on the review results on 71 papers, there are three categories: the qualitative approach, the quantitative approach, and the mixed method. 41 papers i.e., 58% used qualitative approach; 27 papers or 38% used quantitative approach and the rest used mixed method approach. .

**Table 1.** Research Publications with the theme of IMFI.

| Publication  | Total of Publication |
|--|----------------------|
| Journal of Islamic Accounting and Business Research                        | 14                   |
| ISRA International Journal of Islamic Finance                              | 11                   |
| International Journal of Islamic and Middle Eastern Finance and Management | 9                    |
| International Journal of Social Economics                                  | 6                    |
| Journal of Islamic Marketing   | 6                    |
| Other 19 Journals  | 25                   |
| Total  | 71                   |

Source: Processed data.

**Table 2.** Classification of publications based on the Year of Publication.

| Year of Publication | Total     | Percentage  |
|---------------------|-----------|-------------|
| 2010                | 0         | 0%          |
| 2011                | 1         | 1%          |
| 2012                | 1         | 1%          |
| 2013                | 0         | 0%          |
| 2014                | 3         | 4%          |
| 2015                | 6         | 8%          |
| 2016                | 4         | 6%          |
| 2017                | 11        | 16%         |
| 2018                | 11        | 16%         |
| 2019                | 18        | 25%         |
| 2020                | 16        | 23%         |
| <b>Total</b>        | <b>71</b> | <b>100%</b> |

Source: Processed data.

**Table 3.** Classification of publications by country.

| Country            | Number    |
|--------------------|-----------|
| Malaysia           | 24        |
| Indonesia          | 14        |
| Nigeria            | 5         |
| Bangladesh         | 4         |
| India              | 3         |
| Pakistan           | 3         |
| Other 16 countries | 17        |
| <b>Total</b>       | <b>71</b> |

Source: Processed data.

**Table 4.** Publication classification based on number of authors.

| Number of Author          | Frequency | Percentage (%) |
|---------------------------|-----------|----------------|
| Single Author             | 11        | 15%            |
| 2 Author                  | 28        | 39%            |
| 3 Author                  | 16        | 23%            |
| More or equal to 4 Author | 16        | 23%            |
| <b>Total</b>              | <b>71</b> | <b>100%</b>    |

Source: Processed data.

This research was also conducted based on the main topic of the research paper. Classification by topic can be seen in Table 6. From these results, it can be seen that out of 71 studies reviewed, the main topic that was most widely studied was Poverty alleviation with as many as 25 papers. In the next order are 12 papers on the topic of Waqf based microfinance. After that, there were 11 papers on the topic of Marketing & Fintech, then 10 papers on the topic of Sustainability & Outreach. Meanwhile, the paper with the theme *Maqashid Shariah* ranks fifth with a total of 7 papers. And then there are 6 papers with the theme of Risk management & Governance.

## 5. Existing research

### 5.1. Poverty alleviation

The topic of poverty alleviation is the topic most widely chosen by world researchers in studying Islamic microfinance with 25 papers from 71 existing papers. Furthermore, this topic is divided into sub-topics as follows:

**Table 5.** Classification based on research method.

| Research Method       | Total | Percentage |
|-----------------------|-------|------------|
| Qualitative Approach  | 41    | 58%        |
| Quantitative Approach | 27    | 38%        |
| Mixed                 | 3     | 4%         |

Source: Processed data.

**Table 6.** Classification based on topic.

| Topics                       | Total     | Percentage (%) |
|------------------------------|-----------|----------------|
| Poverty alleviation          | 25        | 35%            |
| Waqf based microfinance      | 12        | 17%            |
| Marketing & Fintech          | 11        | 15%            |
| Sustainability & Outreach    | 10        | 14%            |
| Maqasid Shariah              | 7         | 10%            |
| Risk management & Governance | 6         | 9%             |
| <b>Total</b>                 | <b>71</b> | <b>100%</b>    |

Source: Processed data.

#### 5.1.1. Financial inclusion

Abdul Majeed and Alalubosa (2019) revealed that the *Islamic* concept in financial institutions is believed to be able to create financial inclusion in Nigeria. In line with Ali (2017), who stated that *Islamic* Microfinance Institutions (IMFI) are believed to be a solution to financial inclusion, especially in Kenya. Shinkafi et al. (2019) prove that services of IMFI's can encourage financial inclusion and other factors such as regulations and public awareness of the importance of *Shariah*-based financial services. Meanwhile, Obaidullah (2015) found that products of IMFI's can be a solution for financing farmers. Nasir and Abdullah (2019) designed *Islamic Cooperative Mortgage (ICOM)*, a homeownership solution for low-income groups of people. Other researchers, namely Selim and Farooq (2020), developed the *Islamic Value Cooperative Model (IVCM)* concept as a solution for the poor to get financing and skills training.

Wulandari and Kassim (2016) examined the role of *Baitul Mal wat Tamwil (BMT)* in Indonesia in realizing financial inclusion. Based on their research involving 382 BMTs in Indonesia, BMTs provide capital, infrastructure, and also training for the poor. Concerning collateral which is a prerequisite for financing, the poor who do not have collateral can choose group-based financing. In the case of a poor customer defaulting on payment, the *zakat*, *infaq*, and *sadaqah* funds managed by the *Baitul Mal* division will be used as a source to cover the default case. In addition, BMT also provides capacity building for financing to customers who receive financing as part of the risk management aspect.

Meanwhile, in their research, Al-Awlaqi and Aamer (2019) proposed that IMFI should operate in rural areas to increase their productivity. According to them, IMFI's productivity is not only measured by the achievement of the financial aspect but also by the social aspect, namely the existence of an empowerment program for the poor and underprivileged. Shaikh (2017) proves that profit-sharing-based financing is more effective in alleviating poverty than interest-based credit services. Islam et al. (2020) suggest that IMFI practitioners should expand services to different market segments as their study found that implementing IMFI financing can increase the income of HIV patients.

#### 5.1.2. Islamic social business

Aydin (2015) states that *Islamic* social business (ISB), supported by *zakat*, *infaq*, *sadaqah*, and *qardhulhasan*, can be a solution for long-term community development. Meanwhile, Aziz and Mohamad (2016) prove that business practices without usury and profit-sharing supported by *zakat*, *infaq*, *sadaqah*, and *waqf* funds found in *Islamic* financial institutions can encourage a sustainable poverty alleviation program. Hossain et al. (2019) argue that the 'Salam contract' supported by *zakat*

funds will be able to support food security. Furthermore, it ensures the fulfillment of the needs of poor farmers with interest-free financing, fair and transparent selling prices for agricultural products, access to marketing channels, and reduces income uncertainty. Mikail et al. (2017) developed a micro *takaful* concept that is supported by *zakat* funds. According to them, with the micro concept of *takaful* based on *zakat* and *waqf*, the poor will share with each other in terms of guarantees and socio-economic welfare. Zauro et al. (2020) prove that *zakat*, *infaq*, *sadaqah*, and *qardhulhasan* will create financial inclusion in the Nigerian Muslim community.

Wulandari (2019) states the importance of BMT in the functioning of the *Baitul Mal*, which is part of the BMT itself, maximizing its role in managing *zakat*, *infaq*, and *sadaqah* funds to be channeled in social activities and *qardhulhasan* financing for the poor. *Qardhulhasan* financing is interest-free financing which is one of the characteristics of Islamic financial institutions such as IMFI. Abdul-Baki and Uthman (2017) argue that the role of IMFI in the social aspect needs to be supported by all stakeholders, especially Islamic banks. In this case, Islamic banks need to invest in IMFI to support this role.

### 5.1.3. Stakeholder perceptions of the poverty alleviation program by IMFI

In their research, Abbas and Shirazi (2015) involve MSME's and Islamic bankers as respondents. MSME's expect the existence of IMFI's, especially with the implementation of the profit-sharing contract because, according to them, Islamic banks are currently not optimally supporting small entrepreneurs. In line with the opinion of MSME's, Islamic bank practitioners agree that IMFI's do need assistance to overcome poverty. Fianto et al. (2018) extract information from customers who receive financing from IMFI's, to examine the effect of financing programs on rural household income and evaluate the suitability of financing practices with the *fatwas* of the National Shariah Council of Indonesian Council of Ulama (DSN-MUI). The study results indicate that both debt-based and equity-based financing positively and significantly affect rural household income. However, equity-based financing performed better than debt-based financing.

### 5.1.4. Rotating of saving and credit association (RoSCA)

Sadr (2017) examines RoSCA's, that are a traditional form of group-based financing practiced in almost all continents of the world. According to him, this financing is interest-free, and the process is relatively simple. In his research, Sadr (2017) studied the optimal size for the RoSCA's group to have a positive effect on the welfare of members. In this study, Sadr (2017) argues that the RoSCA concept is in line with the *qardhulhasan* concept. El-Gamal et al. (2014) argue that RoSCA can be an alternative micro-financing for Muslim communities in Egypt who believe in the prohibition of bank interest.

### 5.1.5. Women empowerment

Islam (2020) proves that IMFI's in Bangladesh have a significant positive impact on household income, savings, and expenditure; improves the standard of living and quality of human resources; and contributes to economic empowerment, socio-cultural empowerment, and family empowerment. In addition, based on respondents' assessments, IMFI's provide benefits for rural women and empowers them. Islam and Ahmad (2019) and also Islam and Ahmad (2020) who researched *Amanah Ikhtiar Malaysia* (AIM) have proven that IMFI's have the potential to empower women. Respondents who are women receiving AIM financing consider the importance of product-related socialization and education, especially *Musyarakah* and *Mudharabah* contracts and training related to entrepreneurship. Rashid and Ejaz (2019) proved that interest-free microfinance in Pakistan plays a vital role in bringing about positive changes in the lives of women and their families.

### 5.1.6. The lessons that can be learned

From the explanation above related to the topic of Poverty alleviation, there are several lessons that we can take.

First, the application of *Shariah* principles to Islamic microfinance is proven to support the creation of financial inclusion (Abdul-Majeed Alaro and Alalubosa, 2019; Islam et al., 2020). An input for IMFI practitioners to further strengthen aspects of *Shariah* by always ensuring conformity between practice in the field and the *fatwas* of *ulama* in their respective countries (for Indonesia, the DSN-MUI *fatwa*).

Second, the role of Islamic microfinance in poverty alleviation needs to be supported by all stakeholders from the community, Islamic banks, and especially the government. Government support can realize providing adequate infrastructures such as regulations that support the growth and development of IMFI, infrastructure, and all aspects that facilitate IMFI's performance in alleviating poverty (Ali, 2017; Abdul-Baki and Uthman, 2017; Abbas and Shirazi, 2015).

Third, among the financing contracts that have great potential to become a tool for empowering the poor are capital-based and profit-sharing contracts, namely *Musyarakah* and *Mudharabah* (Fianto et al., 2018; Shaikh, 2017). It is time for practitioners of Islamic microfinance to think about how to increase the portion of capital-based financing and profit-sharing. This stage starts with strengthening the internal side of IMFI itself and socializing and educating the public regarding the principles and application of these contracts.

Fourth, the integration of the management of *zakat*, *infaq*, *sadaqah*, and *qardhulhasan* on Islamic microfinance can be a tool for community empowerment (Aydin, 2015).

### 5.1.7. Key issues and challenges for researchers

In this section, the author wants to convey challenges for researchers related to the role of IMFI's in poverty alleviation. First, research related to the factors that affect the productivity of IMFI's measured comprehensively by considering financial and social aspects will be an exciting research topic. Second, an empirical study related to the impact of profit-sharing based on Islamic micro institutions on the macro-level of poverty.

## 5.2. Waqf based Islamic microfinance

Allah Pitchay et al. (2018) revealed that *waqf* based IMFI's contributed positively to encouraging the productivity of *waqf* land in the Malaysian context. Abdullah and Ismail (2017) proposed using cash *waqf* as a source of funds for IMFI to provide low-cost financing services. Likewise, Thaker et al. (2016) developed the model Integrated Cash Waqf Micro Enterprise Investment (ICWME-I) in providing low-cost financial services to MSME players in the Malaysian context. Hamber and Haneef (2017) develop a social micro-enterprise model based on *waqf/waqf*-based social micro venture fund (WSMVF), which can support micro entrepreneurs' development of financial inclusion. Thaker (2018) developed the model ICWME-I projected to provide financing without the need for collateral, interest rates, and other strict requirements. Thaker et al. (2020) revealed that the model ICWME-I is used to increase the capabilities of micro-businesses through the Human Capital Development (HCD) program with cash *waqf* funding support. Zabri and Mohammed (2018) developed the Cash Waqf-Financial Cooperative-Musharakah Mutanaqisah (CWFCMM) model to provide Islamic House Financing (IHF) products at affordable prices in the Malaysian context.

Zauro et al. (2020) revealed that the integration of *waqf* with microfinance institutions could create financial inclusion in Northern Nigeria and promote economic growth and the socio-economic development of Nigeria in general. Haneef et al. (2015) proved that the cash *waqf* integration model with Islamic microfinance institutions (IWIMM) could reduce poverty in Bangladesh. Kachkar (2017) developed the Cash Waqf Refugee Microfinance Fund (CWRMF) model for solutions of financial inclusion for refugee micro-entrepreneurs who have business expertise. Shaikh et al. (2017) revealed that the flexibility of *waqf* regulations allows it to be provided directly to beneficiaries or indirectly through Islamic microfinance institutions.

### 5.2.1. The lessons that can be learned

Batrancea et al. (2020) stated that credit activities of financial institutions have a significant role in supporting a green financial system. Therefore, Islamic financial institutions as a part of financial institutions in the world can participate and contribute with Shariah-based services. Waqf-based Islamic microfinance institutions (Waqf-based IMFI) can be a solution in providing low-cost financing for the lower middle class (Abdullah and Ismail, 2017; Thaker et al., 2016; Hamber and Haneef, 2017; Thaker, 2018; Zabri and Mohammed, 2018). In addition, the flexibility of waqf regulations encourage IMFI's to be able to expand services to various aspects, namely social and financial aspects, and even has a macro impact on economic growth (Shaikh et al., 2017; Zauro et al., 2020; Haneef et al., 2015; Kachkar, 2017). In addition, it can be a solution for the management of waqf land, which is mostly less productive in several Muslim countries, especially Indonesia.

### 5.2.2. Key issues and challenges for researchers

According to the author, empirical studies related to waqf-based IMFI's in alleviating poverty and research on applying the accounting system to waqf-based IMFI are interesting issues for further research themes.

## 5.3. Marketing & Fintech

Effendi et al. (2020) revealed that the variables of compliance, promotion, service, attitude, subjective norms, and intention have a significant effect on Islamic BPR services. The variable product knowledge does not have a significant effect. Fianto et al. (2019a,b) prove that age and income significantly affect the decisions of rural communities in Indonesia in applying for LKMS financing. In addition, male respondents are more likely to access LKMS than women. Rokhman and Abduh (2019) show a significant influence between loan costs, loan risk, and loan repayments on customer satisfaction and customer satisfaction on customer loyalty. Shariah variables and family welfare are not statistically significant to predict customer satisfaction. El Ebrashi et al. (2018) reveal the potential for financing with a Musharaka contract among microcredit customers in Egypt, especially in the manufacturing and trade sectors.

Mansori et al. (2020) prove that religiosity, ulama fatwas, and social environment significantly affect the intention of Muslims in Malaysia in proposing microfinance products. Wijaya et al. (2019) examined the relationship between the level of religiosity and reasons for saving at BMT in Surakarta and Sukoharjo, Indonesia. The study results reveal a significant relationship between one's religiosity and reasons for saving at BMT. In their research, Maulana et al. (2018) suggest that BMT as part of Islamic microfinance is to maintain the quality of the products and services offered that are competitive, efficient in service, and have competent staff. Kazemian et al. (2014) examine the factors that make Amanah Ikhtiar Malaysia (AIM) one of the largest LKMS in Malaysia. The result is that AIM has a high-level customer orientation and coordination between functions and middle-level competitor orientation. Rozzani et al. (2016) explored implementing a mobile network system for Islamic microfinance institutions, created in collaboration with commercial banks in Malaysia. It found that the client was quite satisfied with the disbursement process via the mobile solution. However, the same does not apply to the installment payment process. Shaikh (2020) examines a model of MFI's that integrates multiple funding sources through social savings and investment and uses Fintech in various side operations demand and supply to help achieve cost efficiency and expand outreach. Shafi and Reddy (2019) examine the products and services of Islamic microfinance in India to identify its operating methods and analyze customer perceptions of all these aspects.

### 5.3.1. The lessons that can be learned

Based on the explanation of the research results above, there are several lessons that we can take. First, the application of the marketing

concept to IMFI has been proven to increase customer loyalty (Effendi et al., 2020). Second, customers still make service costs a significant factor in choosing financial products (Rokhman and Abduh, 2019). Islamic microfinance must find ways and strategies to provide services with minimal costs and compete with competitors (Maulana et al., 2018). Third, in several studies, it is stated that the problem of Shariah and product knowledge does not have a significant effect on customer decisions to use Islamic financial products (Effendi et al., 2020; Rokhman and Abduh, 2019). It must be a common concern of both experts and practitioners to always provide education to the public, especially Muslims, about the importance of using Islamic financial services (Mansori et al., 2020; Wijaya et al., 2019). Socialization and education can prioritize men as the head of the family because of the above research. Men are more likely to access IMFI than women (Fianto et al., 2019a,b).

### 5.3.2. Key issues and challenges for researchers

As far as the author's knowledge, there has been no research that examines the pricing model and pricing strategy in IMFI in general or BMT in the Indonesian context. Research related to pricing is essential to answer the negative stigma in society regarding the high cost of micro-financial institutions, including Islamic microfinance institutions. In addition, pricing proper also affects customer loyalty. Therefore, a comprehensive study related to the pricing model and pricing strategy in IMFI's/BMT's will be an exciting challenge for researchers.

## 5.4. Sustainability and outreach

Aliyu et al. (2017) revealed that the Islamic financing contract at IMFI, which emphasizes moral aspects, can encourage sustainability. IMFI's and community welfare through increased outreach to the poor. Bakar et al. (2019), making Amanah Ikhtiar Malaysia (AIM) as the object of research proves that the accountability and collection process by IMFI positively impacts sustainability. Ben Abdelkader and Mansouri (2019) found that IMFI is in MENA country (Middle East and North Africa) to integrate financial and social functions even when the crisis hit the region.

Said et al. (2019) examine the factors that contribute to sustainability (sustainability) IMFI in Tanzania, namely staff in charge, regular reviews of financial guidelines, member coaching, employee-management collaboration, and staff training. In addition, this study reveals that dependence on one funding source, namely membership fees, has a significant effect on the unsustainability of IMFI. Shaik Mohammed and Waheed (2019) examined some of the problems faced by IMFI's in India, namely the potential liquidity risk, the lack of service coverage and not being able to reach the inferior, issues of Shariah compliance, as well as problems in the structure of group savings schemes and financing contracts on Profit-sharing. In addition, in another study, Shaik Mohammed and Waheed (2019) found that the performance of IMFI's in India, in this case, the Bait-un-Nasr (BuN) Urban Cooperative Credit Society located in Mumbai, is still below the performance standards of conventional MFI's.

Wasiaturrahma et al. (2020) examine the factors that affect the breadth and depth of service coverage of Shariah cooperatives in East Java, Indonesia. As a result, the size, non-performing financing (NPF), the number of branches, grants, financial leverage, and significant effect on the age range of Shariah cooperatives. What should be of concern is that the size of a Shariah cooperative harms service coverage. In addition, high NPF has the effect of significantly reducing the range. Meanwhile, the increase in the number of grants had a positive impact.

Ahmad et al. (2020), with a sample of 543 MFI's conventional and 101 IMFI's worldwide, found that the breadth and depth of coverage of IMFI's exceed MFI's conventionally. In fact, according to him, MFI's conventional have more robust financial performance. Sukmana et al. (2020), using the DEA approach, reveals that both BPR and BPRS are still inefficient in terms of their intermediary role but are efficient in production. Furthermore, the Tobit estimate shows that both efficiencies result positively influenced by location and capital adequacy ratio (CAR).

BPRs operating in cities tend to have higher levels of efficiency than vice versa. In addition, the higher the capital more efficient *Shariah* and conventional BPRs are in terms of production and intermediation. [Widiarto and Emrouznejad \(2015\)](#) stated to measure the efficiency of an MFI's or IMFI's, it must view from two sides, namely the financial side and also the social side. A microfinance institution considered successful if it is financially sustainable and can serve the poor as much as possible.

#### 5.4.1. The lessons that can be learned

The correct application of the *Shariah* contract has proven to make IMFI more sustainable ([Aliyu et al., 2017](#)). In addition, accountability and collection processes affect the sustainability of IMFI's ([Bakar et al., 2019](#)). However, the source of funds also affects the sustainability of IMFI's ([Said et al., 2019](#); [Sukmana et al., 2020](#)). It means that IMFI must find a strategy in obtaining new sources of funding for its sustainability. Regarding the previous topic (the topic of *waqf* based on Islamic micro-finance), *waqf* can be an alternative source of funds IMFI in the future.

Based on the presentation of the research results above, we also find lessons on the importance of IMFI's in integrating financial and social functions than making them a measure of efficiency and performance ([Widiarto and Emrouznejad, 2015](#)). IMFI is an institution that expects to be a driving force in providing services to the poor ([Zainal et al., 2020](#); [Wasiaturrahma et al., 2020](#)).

Size and capital have a negative relationship with service coverage ([Wasiaturrahma et al., 2020](#); [Ahmad et al., 2020](#)). It indicates an issue of commercialization in IMFI's, which must be a common concern of all IMFI stakeholders, given that IMFI's initial appearance was to provide solutions to as many poor people as possible. However, in the future, IMFI's are projected to compete with conventional MFIs in terms of service coverage for the poor, if Islamic values remain the preferred principle ([Wasiaturrahma, 2020](#); [Ahmad et al., 2020](#)).

#### 5.4.2. Key issues and challenges for researchers

Research related to the impact of IMFI outreach on economic growth is a research theme that researchers have not studied in depth by researchers in the world.

In addition, research related to factors affecting the productivity of IMFI's in the MENA region is a research theme that researchers should consider, considering that countries in the MENA region are conflict-prone countries. However, what is unique is, based on the findings of [Ben Abdelkader and Mansouri \(2019\)](#) IMFI's actually a good level of productivity and can achieve financial and social goals simultaneously. In fact, for most IMFI's, there are often a trade-off to achieve these two goals.

### 5.5. Maqashid Shariah

[Smolo and Ismail \(2011\)](#) stated that IMFI is a microfinance institution that complies with *Islamic Shariah* and its products are not interest-based. [Handayani et al. \(2018\)](#) examine the history of the IMFI's in *Indonesia* and reveals the emergence and development of the IMFI in *Indonesia*, which is in line with the process of socio-political change, especially the role of *Islamic* movements and politics in *Indonesia*. [Alkhan and Hassan \(2020\)](#) in their research using *Kyrgyzstan* as a case study concluded that IMFI's contribute to serving many main aspects of *maqashid Shariah*, including: (1) poverty alleviation (2) economic improvement (3) improvement of social conditions of society (4) redistribution wealth, and (5) increase in the intellectual level of society.

[Miah and Suzuki \(2020\)](#) show that the practice of *Murabahah* contracts in *Islamic* financial institutions is still too dominant compared to profit-sharing-based contracts. His research offers alternatives to increasing the portion of profit-sharing-based financing such as *Mudharabah* and *Musarakah*, which in the case of IMFI's can meet the needs of the lower middle class. [Tisdell and Ahmad \(2018\)](#) reveal the importance of economic values and ethical values in microfinance practice. From an ethical perspective, microfinance needs to be complemented by charitable activities to help the poor. [Wahyudi \(2014\)](#) examined the

relationship and cooperation between BMT and *Islamic* banks and shows that commitment contributes to achieving the financial goals of an alliance.

#### 5.5.1. The lessons that can be learned

*Maqashid Shariah* is the goals to be achieved by *Shariah* which consists of the protection of the religion (*hifzh al-din*), the protection of the soul (*hifz al-nafs*), the protection of the mind (*hifz al-aql*), the protection of the descendants (*hifz al-nasl*), and custody of property (*hifz al-maal*) to achieve benefits. An IMFI is designed in such a way as to conform to *Shariah* in order to provide benefits to the wider community ([Smolo and Ismail, 2011](#); [Alkhan and Hassan, 2020](#); [Handayani et al., 2018](#)).

IMFI practices should refer to the *Maqashid* in order to provide convenience to the community while still adhering to the rules of *Shariah* ([Ishak et al., 2020](#)). For example, the practice of financing with profit-sharing contract is believed to provide more benefits to the poor and also more in line with *Maqashid Shariah* when applied by an IMFI ([Miah and Suzuki, 2020](#)).

*Maqashid Shariah* is a differentiator for *Islamic* financial institutions when compared to conventional financial institutions. The application of the *Maqashid Shariah* concept at the IMFI is believed to encourage IMFI's to operate more wisely, in a more balanced manner, paying attention to the needs of the poor while adhering to the principles of *Islamic Shariah*.

#### 5.5.2. Key issues and challenges for researchers

Research related to performance measurement based on *maqashid Shariah* at IMFI's is a study theme that still needs to be developed by researchers and academics. This study considers the *maqashid Shariah* components (*hifz al-din*, *hifzh al-nafs*, *hifz al-aql*, *hifz al-nasl*, *hifz al-maal*) as a variable for measuring IMFI performance.

In addition, a comprehensive study related to the comparison between the practices of the *Murabahah* contract with the *Musarakah/Mudharabah* contract in terms of *maqashid Shariah* is also an interesting study that researchers can develop.

### 5.6. Risk management & governance

[Fianto et al. \(2019\)](#), using Probit Regression, reveals that age, gender, occupation, and type of contract affect the performance of *Islamic* MFI's customers in *Indonesia*. [Kassim and Rahman \(2018\)](#) identified the causes of the risk of default of *Grameen* Bank customers in *Bangladesh* and found that post-disbursement supervision impacted the success of MFI's. [Kassim and Rahman \(2018\)](#) suggest using *Musarakah* and *Mudharabah* contracts in MFI financing contracts so that there is active supervision from both parties (MFI's and customers) during the business process. [Maali and Atneh \(2015\)](#) examined the use of the concept of *takaful* and *tabarru* as a means of guaranteeing deposits in *Islamic* financial institutions and their impact on the concept of risk-sharing in *Islamic* finance. [Rozzani et al. \(2017\)](#) examine the risks faced by two types of IMFI's in *Malaysia*, namely, IMFI's based on non-governmental organizations and IMFI's in the form of commercial financial institutions. The types of risk faced by both are *Shariah* risk, operational risk, and credit risk. In addition, commercial IMFI's face reputational risks. [Sholihin et al. \(2018\)](#), who examined *Shariah* BPRs revealed that in addition to conducting conventional credit analysis using 5C (character, capacity, collateral, capital, and condition), *Shariah* BPR also considers *Islamic* morals in making credit decisions. *Islamic* moral indicators are the reputation of keeping promises to customers, suppliers, neighbors, and the applicant's morals for financing. [Wardiwiyono \(2012\)](#) revealed that BMTs in *Indonesia* has implemented an internal control system for their financing activities. The implementation rankings are information and communication, monitoring; control environment; risky tasks; and control activities. However, the implementation of authorization and consultation with the *Shariah* Supervisory Board is still low.

### 5.6.1. The lessons that can be learned

The types of risk faced by IMFI's are *Shariah* risk, operational risk, credit risk, and reputation risk (Rozzani et al., 2017). The performance of IMFI financing customers is influenced by age, gender, type of work, type of financing contract, and supervision after disbursement (Fianto et al., 2019a,b; Kassim and Rahman, 2018). To anticipate the risk of default, implementing the *Musyarakah* and *Mudharabah* contracts in IMFI practice can be a solution. The *Musyarakah* contract and the *Mudharabah* contract are two types of capital-based and profit-sharing contracts that place the two transacting parties in the same and parallel position. Therefore, the two transacting parties have the right and obligation to supervise the business process from the business founded until the end of the business collaboration (Kassim and Rahman, 2018).

In addition, to reduce the risk of default of IMFI customers, IMFI can withdraw *takaful* savings from all customers. These savings function as *tabarru* (kindness) funds used when there is a default from one of the customers (Maali and Atmeh, 2015). In addition, in the process of disbursing financing, IMFI's should consider aspects of morality and honesty as part of the appraisal process and using the 5C's credit analysis (Sholihin et al., 2018).

### 5.6.2. Key issues and challenges for researchers

The effect of implementing the *Musyarakah* and *Mudharabah* contracts in financing by IMFI's; its effect on their financial performance; and its role in reducing financing risk needs to be the attention of researchers for future studies.

## 6. Conclusion

This research aims to determine the extent of research developments related to *Islamic* Microfinance Institutions (IMFI) research in the world. The results show an increase in the development of IMFI's research from year to year.

Many studies related to IMFI's have been carried out in several countries. The country that has the most case studies is Malaysia. Based on the methodological approach, a dominant research was carried out with a qualitative approach. The topic of the paper that is most studied by researchers is the topic of poverty alleviation. In addition, papers with 2 authors are the most commonly found papers in this study.

This research was also conducted based on the main topic of the research paper. Classification based on the topic of poverty alleviation has 25 papers. In the next in order are 12 papers with the topic of *Waqf* based microfinance. After that, there were 11 papers on the topic of Marketing & Fintech, then 10 papers on the topic of Sustainability & Outreach. Meanwhile, the papers with the theme *Maqashid Shariah* rank fifth with a total of 7 papers. Finally, there are 6 papers with the theme of Risk management & Governance.

At the end of each topic, the research presents important points that can be followed up by stakeholders, especially practitioners and researchers. The aim is to provide an understanding of the results of research published in reputable international journals and also lessons that can be learned by stakeholders, especially researchers and practitioners of *Islamic* microfinance institutions (IMFI) in the future.

For the topic of poverty alleviation, there are several lessons that can be learnt; first, the application of *Shariah* principles at IMFI's has proven to be able to support the realization of financial inclusion. Secondly, the role of IMFI's in poverty alleviation needs to be supported by all stakeholders, especially *Islamic* banks and the government. Thirdly, contracts at IMFI's that have great potential to become a tool for empowering the poor are stock-based financing contracts such as *Musharakah* and *Mudharabah* contracts. Fourthly, the integration of the management of *zakah*, *infaq*, *shadaqah*, and *qardhulhasan* at IMFI's can be a tool for community empowerment.

From the topic of poverty alleviation, there are several issues and challenges for researchers in the future. Firstly, research related to the factors that affect IMFI productivity from a financial and social point of

view. Second, an empirical study related to the impact of profit-sharing-based financing by the IMFI's on poverty at a macro level.

Meanwhile, the lessons that can be learned from the topic of *Waqf* based microfinance are as follows. First, *waqf*-based microfinance institutions can be a solution in providing financing at a price that can be affordable to the lower middle class. Secondly, the flexibility of *waqf* regulations can encourage IMFI's to expand its services to various aspects: for instance, social aspects and financial aspects, in addition to having a macro impact on economic growth. Thirdly, the integration of *waqf* in IMFI's can be a solution for *waqf* land management in some *Muslim* countries, most of which are less productive.

From the topic of *Waqf* based microfinance, the issue and challenge for researchers are empirical studies related to the effectiveness of *waqf* based IMFI's in poverty alleviation. In addition, research on the application and treatment of accounting at the *waqf* based IMFI's has the potential to be an interesting issue to study.

The paper with the theme of Marketing & Fintech provides several lessons for practitioners. First, the application of marketing principles to IMFI's has proven to increase customer loyalty. Secondly, customers in general still take the service cost factor as a consideration in making decisions on the selection of financial products. Thirdly, both experts and practitioners need to provide continuous education and socialization to the public regarding the importance of using *Shariah*-based financial services.

The issues and challenges for researchers related to the Marketing & Fintech theme include research that examines the pricing model and/or pricing strategy at IMFI.

The paper with the theme of Sustainability and Outreach provides several important lessons for practitioners. First, the application of *Shariah* contracts has been proven to make IMFI more sustainable. Secondly, accountability, funding sources, and collection activities have a positive impact on IMFI's sustainability. Thirdly, IMFI's need to consider cash *waqf* as a new source of funds for their sustainability. Fourthly, IMFI's need to integrate social functions as well as financial functions and make both a measure of efficiency and performance.

Issues and challenges for researchers related to the theme of Sustainability and Outreach are as follows. First, research related to the impact of service coverage by IMFI on economic growth. Secondly, research related to factors affecting IMFI productivity in MENA countries.

A collection of papers with the theme *maqashid Shariah* provides several lessons for practitioners. First, IMFI practices must refer to *maqashid Shariah* in order to provide convenience to the community while still complying with *Shariah* rules. Second, *maqashid Shariah* is the difference between *Islamic* financial institutions and conventional financial institutions. Thirdly, the application of the *maqashid Shariah* concept at the IMFI's is believed to encourage them to operate more wisely, in a more balanced manner, paying attention to the needs of the poor while adhering to the principles of *Islamic Shariah*.

For researchers, studies related to the application of *Shariah maqashid* at IMFI's are a study theme that must continue to develop. In addition, a comprehensive study related to the comparison of the practice of *Murabahah* contracts with *Musyarakah/Mudharabah* contracts in terms of *maqashid Shariah* is a study that is still interesting to study.

The paper with the theme of Risk management & governance provides several lessons. First, that the type of risk faced by IMFI's is not only operational risk, credit risk, and reputation risk, but also *Shariah* risk. *Shariah* risk is the risk faced when IMFI practices in the field are not in line with *Islamic Shariah* values. Secondly, the performance of IMFI financing to customers is influenced by age, gender, type of work, type of financing contract and post-disbursement supervisory activities. Thirdly, to anticipate the risk of default at the IMFI, the application of *Musyarakah* and *Mudharabah* contracts can be a solution because these two types of contracts place the transacting parties in the same and equal position so that they all have the same rights and obligations to oversee the project progress until the end of the year.

The challenge for researchers related to the theme of Risk management & governance is a study or research related to the effect of implementing IMFI *Musarakah* and *Mudharabah* contracts on IMFI's financial performance. In addition, the study of the role of these two contracts in reducing the risk of financing is an object of study for researchers in the future.

**Declarations**

*Author contribution statement*

Pupun Saepul Rohman: Conceived and designed the experiments; Performed the experiments; Contributed reagents, materials, analysis tools or data; Wrote the paper.

Bayu Arie Fianto: Conceived and designed the experiments; Performed the experiments; Contributed reagents, materials, analysis tools or data.

Syed Alamdar Ali Shah and Umar Nawaz Kayani: Analyzed and interpreted the data; Contributed reagents, materials, analysis tools or data.

Noven Suprayogi: Analyzed and interpreted the data; Contributed reagents, materials, analysis tools or data; Wrote the paper.

Indri Supriani: Performed the experiments.

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*Data availability statement*

Data included in article/supplementary material/referenced in article.

*Declaration of interests statement*

The authors declare no conflict of interest.

*Additional information*

No additional information is available for this paper.

**Appendix**

**1. Poverty alleviation**

| Sub-topic               | Papers  | Findings  |
|-------------------------|---|---|
| Financial inclusion     | <a href="#">Abdul-Majeed Alaro and Alalubosa (2019)</a> | The implementation of Islamic financial covenants supports the development of MFIs and encourages financial inclusion in Nigeria.   |
|                         | <a href="#">Ali (2017)</a>                              | Challenges for MFI/I MFI: low literacy and inadequate infrastructure  |
|                         | <a href="#">Shinkafi et al. (2019)</a>                  | Technology; IMFI's financing; regulation; public awareness; financial capacity and literacy; and financial infrastructure is a driver of financial inclusion.   |
|                         | <a href="#">Obaidullah (2015)</a>                       | The integration of philanthropic-based, non-profit, and profit-based components can provide an ideal solution.  |
|                         | <a href="#">Nasir and Abdullah (2019)</a>               | Islamic Cooperative Mortgage (ICOM) is superior to conventional cooperative mortgages.  |
|                         | <a href="#">Selim and Farooq (2020)</a>                 | The Islamic Value Cooperative Model (IVCM) allows for poverty alleviation programs.   |
|                         | <a href="#">Wulandari and Kassim (2016)</a>             | BMT not only provides capital but also provides infrastructure and training for the poor.   |
|                         | <a href="#">Al-Awlaqi and Aamer (2019)</a>              | IMFI's productivity is when they can serve more poor people.  |
|                         | <a href="#">Shaikh (2017)</a>                           | Capital-based financing and its advantages can use to finance micro-businesses.   |
|                         | <a href="#">Islam et al. (2020)</a>                     | Islamic microfinance practitioners and policymakers need to tackle different market segments, diversify products, and formulate policies.   |
| Islamic social business | <a href="#">Aydin, N. (2015)</a>                        | Zakat, sadaqah, and qardhasan can be used to support sustainable development.   |
|                         | <a href="#">Aziz and Mohamad (2016)</a>                 | ZISWAF-based non-usury and profit sharing-based business practices encourage a sustainable poverty alleviation program.   |
|                         | <a href="#">Hossain et al. (2019)</a>                   | Benefits of the Zakat-based Salam Akad: interest-free financing, fair pricing, access to new marketing channels, and reduced income uncertainty for rural small farmers.  |
|                         | <a href="#">Mikail et al. (2017)</a>                    | The disintegration of zakah and waqf, which is part of the Islamic ecosystem of the takaful micro model, makes it less effective and less sustainable.  |
|                         | <a href="#">Zauro et al. (2020)</a>                     | Zakat, sadaqah, and qardhulhasan as a means to improve socio-economic justice and financial inclusion.  |
|                         | <a href="#">Wulandari (2019)</a>                        | The function of Baitul Maal from Baitul Tamwil needs to be separated to increase its role in providing qardhasan financing to the community at the Bottom of Pyramid (BOP).   |
|                         | <a href="#">Abdul-Baki and Uthman (2017)</a>            | Islamic banks need to invest in IMFI to achieve the social goals of today's Islamic banks, stakeholder perceptions.   |
| Stakeholder Perception  | <a href="#">Abbas and Shirazi (2015)</a>                | 1. The urgency of implementing the profit-sharing contract; 2. Islamic banks have not optimally supported small entrepreneurs; 3. IMFI problems: staff who are less knowledgeable, inexperienced, less professional, 4. IMFI needs to be assisted by all parties to overcome poverty. |
|                         | <a href="#">Fianto et al. (2018)</a>                    | Debt-based and capital-based financing has a positive and significant effect on rural household income. Financing at IMFI is in line with the fatwa of the National Shariah Council (MUI) based on respondent's assessments.  |
| RoSCA                   | <a href="#">Sadr (2017)</a>                             | An optimal RoSCA or QHA can have a positive effect on the welfare of members.   |
|                         | <a href="#">El-Gamal et al. (2014)</a>                  | RoSCA can be an interest-free financing solution.   |
| Women empowerment       | <a href="#">Islam (2020)</a>                            | IMFI in Bangladesh has had a significant positive impact on women's empowerment   |
|                         | <a href="#">Islam and Ahmad (2020)</a>                  | The urgency of implementing musarakah and mudharabah contracts.   |
|                         | <a href="#">Rashid and Ejaz (2019)</a>                  | IMFI in Bangladesh has had a significant positive impact on women's empowerment   |
|                         | <a href="#">Islam and Ahmad (2019)</a>                  | The urgency of implementing musarakah and mudharabah contracts  |

Source of Data: Scopus Data Base.



## 2. Waqf based microfinance

| Sub-Topic           | Papers  | Findings   |
|---------------------|---|--|
| Cash Waqf           | Zabri and Mohammed (2018)   | Cash Waqf-Financial Cooperative-Musharakah Mutanaqisah (CWFCMM) provides Islamic House Financing (IHF) products at affordable prices in the Malaysian context. |
|                     | Abdullah and Ismail (2017)  | Cash waqf as a source of funds for IMFI to provide low-cost financing services   |
|                     | Thaker et al. (2016)  | Integrated Cash Waqf Micro Enterprise Investment (ICWME-I) Model in providing low-cost financial services to MSME players in the Malaysian context.            |
|                     | Thaker (2018)   | The ICWME-I model can provide financing without the need for collateral, interest rates, and other stringent requirements.                                     |
|                     | Thaker et al. (2020)  | The ICWME-I model can be used to increase the capabilities of micro-businesses through the Human Capital Development (HCD) program with cash waqf funds.       |
|                     | Haneef et al. (2015)  | Integration model of cash waqf with Islamic microfinance institutions (IWIMM) can reduce poverty in Bangladesh.  |
|                     | Kachkar (2017)  | Cash Waqf Refugee Microfinance Fund (CWRMF) model for financial inclusion solutions for refugee micro-entrepreneurs with business expertise.                   |
|                     | Shaikh et al. (2017)  | Flexibility of waqf regulations allows it to be provided directly to beneficiaries or indirectly through Islamic microfinance institutions.                    |
|                     | Allah Pitchay et al. (2018)   | Waqf based IMFI contributes positively to boost the productivity of waqf land in the Malaysian context.  |
|                     | Hamber and Haneef (2017)  | Proposes establishing a waqf-based micro-social enterprise fund (WSMVF) that promotes inclusive finance for micro-entrepreneurs.                               |
| Zauro et al. (2020) | Integration of waqf with microfinance institutions can create financial inclusion in Northern Nigeria and promote economic growth and the socio-economic development of Nigeria in general. |  |

## 3. Marketing & Fintech

| Papers                   | Findings  |
|--------------------------|---|
| Effendi et al. (2020)    | Compliance, promotion, service, attitude, subjective norms, and intention variables significantly affect the use of Islamic BPR services.   |
| Fianto et al. (2019)     | age and income significantly influence the decisions of rural communities in Indonesia in applying for IMFI financing   |
| Rokhman and Abduh (2019) | Loan costs, loan risk, and loan repayments affect customer satisfaction and customer satisfaction on customer loyalty. Shariah variables and family welfare are not significant.                                    |
| El Ebrashi et al. (2018) | Potential for financing under the musharaka contract among microcredit customers in Egypt, particularly in the manufacturing and trade sectors.   |
| Mansori et al. (2020)    | Religiosity, ulama fatwas, and social environment have a significant effect on the intention of Muslims in Malaysia in proposing microfinance products.   |
| Maulana et al. (2018)    | As part of Islamic microfinance, BMT is to maintain the quality of the products and services offered that are competitive, efficient in service, and have competent staff.  |
| Kazemian et al. (2014)   | Based on the findings of this study, AIM has a customer orientation and coordination between high-level functions and mid-level competitor orientation.   |
| Rozzani et al. (2016)    | Clients are pretty satisfied with the disbursement process via mobile solutions. However, the same does not apply to the instalment payment process.  |
| Shaikh (2020)            | MFI model that integrates multiple sources of funding through social savings and investment and uses Fintech in a variety of demand and supply-side operations to help achieve cost efficiency and expand outreach. |
| Wijaya et al. (2019)     | There is a significant relationship between one's religiosity and reasons for saving at BMT.  |
| Shafi and Reddy (2019)   | In India, the IsMF is at a nascent stage, but many institutions have entered into the IsMF type financial business.   |

## 4. Sustainability & Outreach

| Papers                             | Findings   |
|------------------------------------|--|
| Aliyu et al. (2017)                | Shariah financing contracts that emphasize moral aspects can encourage IMFI to be more sustainable, which in turn can affect the sustainability of IMFI and Community welfare through broader outreach to the poor.  |
| Bakar et al. (2019)                | The level of customer protection by AIM is very high. Accountability and loan collection processes by AIM significantly affect AIM's sustainability performance. It is in line with the concept of agency theory.  |
| Ben Abdelkader and Mansouri (2019) | The MENA regional efficiency score shows high variability, both across time and countries. Significant differences in efficiency find due to the age of regulation of the MFI. The results also reveal Arab MFIs combine their social and financial performance and their solidarity in times of crisis.   |
| Said et al. (2019)                 | Factors contributing to IMFI's sustainability in Tanzania include responsible staff members, regular reviews of financial guidelines, education of members, a collaboration between employees and management, and staff training. In addition, this study reveals that depending on one source of funding, namely member fees contribute significantly to the unsustainability of IMFI.  |
| Shaik Mohammed and Waheed (2019)   | The problems faced by IMFI in India, namely the potential liquidity risk, the lack of coverage among the poorest of the poor, the problem of Shariah in the method of determining service fees, and problems in the structure of group savings schemes and financing contracts for the result.   |
| Shaik Mohammed and Waheed (2019)   | IMFI's performance in India is still below the performance standards of conventional MFIs.   |
| Ahmad et al. (2020)                | Breadth and depth of Islamic MFIs exceed conventional MFIs, although conventional MFIs have strong financial performance.  |
| Sukmana et al. (2020)              | With the DEA approach, the results show that both BPR and BPRS are still inefficient in their intermediary role and efficient in production. Furthermore, the Tobit estimate shows that both efficiencies result positively influenced by location and capital adequacy ratio (CAR). BPRs operating in cities tend to have higher levels of efficiency than vice versa. In addition, the higher the capital, the more efficient Shariah and conventional BPRs are in terms of production and intermediation. |
| Wasiaturrehman et al. (2020)       | Size, non-performing financing (NPF), number of branches, grants, financial leverage, and age significantly affect the reach of Islamic cooperatives. Uniquely, size harms the reach of services by cooperatives. In addition, a high NPF significantly reduces the range. Meanwhile, the increase in the number of grants had a positive impact.  |
| Widiarto and Emrouznejad (2015)    | Measuring the efficiency of an MFI or IMFI must be viewed from two sides, namely the financial side and also the social side. A microfinance institution considers successful if it is financially sustainable and can serve the poor as much as possible.   |

## 5. Maqashid Shariahh

| Papers                   | Findings   |
|--------------------------|--|
| Alkhan and Hassan (2020) | Data and empirical analysis show that IMFI contributes to serving many central aspects of maqashid Shariah, including (1) Poverty alleviation, (2) economic improvement, (3) improvement in social conditions, (4) wealth distribution and circulation, and (5) increasing levels intellectual society.  |
| Handayani et al. (2018)  | This paper shows that the emergence and development of IMFI in Indonesia have been shaped in a broader process of socio-political change, particularly the role of the Islamic movement and politics in Indonesia.   |
| Ishak and Asni (2020)    | Maqasid al-syari'ah is applied to reconcile decisions in fiqhmuamalat with the banking environment to be adopted pragmatically without sacrificing Shariah principles  |
| Miah and Suzuki (2020)   | IMFI need to increase the portion of financing based on profit sharing   |
| Smolo and Ismail (2011)  | This article discusses the contractual framework in MFI modelling and the role of MFIs through various financing contracts in providing capital to micro-businesses.   |
| Tisdell and Ahmad (2018) | The need for ethical values in the form of charity for the poor in microfinance practices.   |
| Wahyudi (2014)           | This research shows that commitment makes a positive contribution in achieving the financial goals of an alliance. Coordination and initial agreement have a positive and significant effect in shaping commitment from BMT and trust from Islamic banks. In addition to coordination and initial agreements, the trust given to Islamic banks also comes from the social capital owned by BMTs. |

## 6. Risk management

| Papers                   | Findings  |
|--------------------------|---|
| Fianto et al. (2019)     | Age, gender, occupation, and type of contract affect the performance of Islamic MFI customers in Indonesia. |
| Kassim and Rahman (2018) | Post disbursement supervision dramatically influences the success of microfinance.                          |
| Maali and Atmeh (2015)   | Tabarru and takaful concepts for risk management  |
| Rozzani et al. (2017)    | IMFI risk: Shariah risk, operational risk, and credit risk, and reputation risk.                            |
| Sholihin et al. (2018)   | Islamic BPRs apply a filter in the form of Islamic morals as an assessment in disbursement.                 |
| Wardiwyono (2012)        | BMT in Indonesia has implemented an internal control system for its financing activities.                   |

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