

**MASLAHAT ISSUE IN ISLAMIC MICROFINANCING:  
A STUDY OF ISLAMIC COOPERATIVE AND ISLAMIC RURAL BANK**

**Nurman Hakim<sup>1</sup>, Tika Kartika<sup>2</sup>, Muhammad Faisal Hidayat<sup>3</sup>, Nadia Zahra<sup>4</sup>**

<sup>1,2,3,4</sup> *Ibn Khaldun University Bogor, Indonesia*

Corresponding email: [nurman.hakim@uika-bogor.ac.id](mailto:nurman.hakim@uika-bogor.ac.id)

**Article History:**

Received: 05 May 2024 Revised: 11 June 2024 Accepted: 16 October 2024

**Abstract**

*This paper aims to identify the priority of goals and its strategies on Islamic micro-financing especially at Islamic rural banking and Islamic cooperative. This study uses analytic network process (ANP) as data processing method. The findings are: first, maslahat of people is the most dominant goal on Islamic micro-financing both banking and non-banking service providers. Therefore, the most dominant alternative to achieve maslahat is to create empowering programs for needed people effectively. Second, internal strategy is the fittest strategy on Islamic micro-financing both Islamic rural bank and Islamic cooperative. And the alternative strategy to imply the internal strategy is to increase employment performance.*

**Keywords:** *Empowerment, Islamic Microfinance; Islamic Rural Banking, Islamic Cooperative, Maslahat,*

**JEL Classification:** *G21, O15, P34, D81*

**1. INTRODUCTION**

Islamic microfinance is a strategic alternative to overcome the economic crisis caused by the usury system. Islamic microfinance institutions, both banks and non-banks, offer solutions through financing based on sharia principles. Islamic microfinance institutions or abbreviated as MFIs have developed not only as a solution to the financial crisis but have been dominant in serving access to financial services to unbankable people who are low-income, live in remote areas and are often called the bottom of the pyramid. One of the services of Islamic financial institutions for the poor is in the form of financing based on micro, small and medium enterprises (MSMEs) in Indonesia, both bank and non-bank financial institutions (Ascarya, 2012). Indonesian Islamic bank financial institutions have contributed to the efforts of Islamic microfinance services by continuing to increase productive financing for the micro, small and medium enterprises (MSMEs) sector in Indonesia.

Sharia People's Financing Banks (BPRS) are small-scale microfinance institutions that operate at the local level, with a basic range of products and services, and are authorized, regulated, and supervised by the Financial Services Authority (OJK) (Devi & Firmansyah, 2018). In addition to BPRS, non-bank Islamic microfinance institutions that support the development of microfinance in Indonesia are Sharia Cooperatives or in another form, Baitul Maal wat Tamwil (BMT). Sharia cooperatives or BMTs are very small-scale microfinance institutions that provide small-scale savings and financing services to communities throughout Indonesia (Rusyiana & Devi, 2013).

This research has the following problem formulations: What are the strategies of bank and non-bank Islamic microfinance institutions in increasing financial inclusion;

To what extent have Islamic microfinance institutions achieved in empowering the MSME sector in Indonesia; and What are the main challenges faced by Islamic microfinance institutions in improving operational efficiency?

The results of this study as (a) the development of Islamic economics, especially in studying Islamic microfinance, (b) a reference for the competent authorities in developing the Islamic microfinance service industry in the future, and (c) input in supporting the decisions of managers of Islamic microfinance institutions.

## **2. LITERATURE REVIEW**

### **2.1. BPRS and BMT**

*Bank Pembiayaan Rakyat Syariah* or abbreviated as BPRS is a bank that in its operational activities does not provide services in payment traffic. BPRS are limited liability companies and may only be owned by Indonesian citizens and/or Indonesian legal entities, local governments, or partnerships between Indonesian citizens or Indonesian legal entities and local governments.

BPRS were established as an active step in the framework of restructuring the Indonesian economy as outlined in various financial, monetary, and banking policies in general, and specifically filling opportunities for bank policies in setting interest rates (rate of interest) which are then widely known as profit-sharing banking systems or Islamic banking systems on a scale or retail banking outlets or rural banking. The objectives of the establishment of BPRS are (a) to improve the economic welfare of Muslims, especially the economically weak, (b) to increase per capita income, (c) to increase employment, especially at the sub-district level, (d) to reduce urbanization, (e) and to foster the spirit of *ukhuwah Islamiyah* through economic activities (Perwartaatmadja & Tanjung, 2007).

Baitul Maal wa Tamwil is short for Integrated Independent Business Center or Baitul Mal wa Tamwil, which is a microfinance institution (MFI) that operates based on sharia principles. Baitul Maal wa Tamwil consists of two functions: (a) Baitul tamwil (property development house), conducting activities to develop productive and investment businesses in improving the economic quality of micro and small entrepreneurs by, among others, encouraging saving activities and supporting the financing of economic activities. (b) Baitul Mal (treasure house), receives deposits of zakat, infaq and alms funds and optimizes their distribution in accordance with regulations and mandates (Amalia *et al.*, 2013).

Baitul Maal wa Tamwil is an integrated independent business center whose contents are based on bay al-mal wa al-tamwil with activities to develop productive and investment businesses in improving the quality of economic activities of small entrepreneurs down by, among others, encouraging saving activities and supporting the financing of their economic activities. Baitul Maal wa Tamwil can be established and developed with a gradual legal process. Initially it can be started as a self-help group by obtaining an operating or partnership certificate from PINBUK and if it has reached a certain asset value, it will immediately prepare itself into a cooperative legal entity (Wulandari, 2019).

Baitul Maal wa Tamwil has a role: (a) keep people away from non- sharia economic practices. Actively socializing in the community about the importance of the Islamic economic system. This can be done by training on Islamic ways of transacting, for example, so that there is proof of transactions, it is forbidden to cheat in weighing goods, being honest with consumers and so on; (b) fostering and funding small

businesses. Baitul Maal wa Tamwil must be active in carrying out its function as a microfinance institution, for example by way of mentoring, coaching, counseling, and supervision of customer businesses or the public; (c) releasing dependence on moneylenders, people who are still dependent on moneylenders because moneylenders are able to fulfill the wishes of the community in fulfilling funds immediately. So Baitul Maal wa Tamwil must be able to serve the community better, for example, funds are always available at any time, simple bureaucracy; (d) and maintain community economic justice with equitable distribution (Hariyanto, 2017).

BPRS has a lot of potential in market development and deepening. Collaboration, re-branding, improving customer service through digital platforms, and community-based customer development can be recommendations for the development of the BPRS industry (Utami *et al.*, 2023).

## **2.2. Islamic Microfinance Strategy**

In some of the literature reviewed on Islamic microfinance, there are several financing strategies in developing Islamic microfinance institutions:

### **a. Market Perception and Orientation**

Positive perceptions of Muslims are positively related to the decision of customers to use Islamic products in conventional banks in Kano, Nigeria (Ringim, 2014). In addition to positive perceptions, orientation towards the Islamic microfinance market according to Kazemian found several empirical findings that show that customer orientation significantly affects the management and financial sustainability of Islamic microfinance institutions in Malaysia, namely Amanah Ikhtiar Malaysia. In further research, Kazemian confirmed that the market orientation factor is one of the success factors in managing Islamic microfinance institutions. The dimensions of market orientation are customer orientation, competitor orientation and internal function coordination (Kazemian *et al.*, 2014).

Wulandari & Kassim (2016) found distinctive characteristics of microfinance linking products for the poor during the *pre-financing* process, during financing, and *post-financing*. These are taught as follows: (a) the Jabotabek financing area combines the financing process with spiritual guidance; (b) the NTT area, in the pre-financing process, good financing eligibility screening such as character checks, background checks, BI checks, minimum collateral requirements are carried out in a family manner; (c) while the South Sulawesi area, the pre-financing process is accompanied by gold and savings requirements as collateral requirements, and (d) the Yogyakarta area, the pre-financing process is carried out by visiting the customer's place, setting 75 percent of collateral as a requirement, and the 5 C's (*Character, Capital, Capability, Collateral, Condition of Economy*) requirements that must be met.

Wulandari (2019) further states that there are several problems in financing the poor, especially in Islamic microfinance institutions such as Baitul Maal wa Tamwil, namely (i) sources of financing, (ii) the contract screening process, and (iii) financing in installments. Some of the research policy recommendations are: First, the government, national private companies and international donor agencies should jointly find a substitute source of financing for financing the poor through BMT. The provision of stable subsidies can be a sustainable financing alternative for BMTs. Second, the screening process. This issue describes two screening processes in BMT: poor people have to send their collateral as a requirement when applying for financing to BMT or in

the case of the absence of collateral poor individual borrowers (people) have to join a group financing scheme with pooled debt. BMT must do a good monitoring to ensure the loan repayment performance. Third, financing with credit. Finally, the problem of default in the case of poor borrowers. This problem states that zakat, infaq, and waqf take a role in such cases.

Another point highlighted by Abbas *et al* (2015) found that (a) small entrepreneurs do not have formal access to microfinance either conventional banking or Islamic banking, (c) The majority of respondents also felt that Islamic banking is not present in encouraging small entrepreneurs with low income because Islamic microfinance is forced by (i) lack of qualified knowledge, (ii) experience and other professionalism in supporting employees who participate in training as well as lack of risk management to overcome cases of defaulters. (d) lack of adequate loanable funds based on profit and loss sharing is also highlighted as a major concern.

#### **b. Efficiency**

Seibel considers that Islamic microfinance institutions in Indonesia have not developed compared to conventional banks, one of which is BPRS have not proven to be effective and efficient Islamic microfinance institutions, while non-bank Islamic financial institutions such as Islamic cooperatives risk losing customers' and depositors' money (Seibel & Agung, 2006). Siwar argues that specific and clear policies and regulations are needed to operate microfinance institutions efficiently and effectively in mobilizing funds (Siwar & Talib, 2001). Dean also argues that the sustainability factor of an Islamic microfinance institution in the lack of mobilization of funds, and the high administrative costs and effectiveness of Islamic microfinance institutions in overcoming poverty (Rahman & Dean, 2013). This is corroborated by Ascarya's research which assesses that conventional banking is more efficient than Islamic banking (Ascarya *et al.*, 2008). In line with this, Antonio suggested that the Islamic microfinance institution Baitul Maal wa Tamwil has the opportunity to provide financing services for small and medium enterprises by reducing the inefficiency of its services and performance (Antonio, 2011).

### **2.3. Previous Studies**

The results of previous studies that have relevance to this research are: Siwar & Talib's research (2001) Siwar & Talib (2001) studied three Islamic microfinance institutions in Malaysia, namely Amanah Ikhtiar Malaysia (AIM), Yayasan Usaha Maju (YUM) and Koperasi Kredit Rakyat (KKR). The results showed that many poor women benefited from the microfinance program. In terms of sustainability and business continuity, the study showed that Amanah Ikhtiar Malaysia (AIM) and Yayasan Usaha Maju (YUM) did not achieve full sustainability, they are still dependent on and for their operations.

Kirkpatrick & Maimbo (2002) says the literature in the regulation of microfinance institutions suggests that microfinance regulators and practitioners have yet to reach a consensus on the most appropriate regulatory framework for microfinance institutions. It is important that research is directed towards building a consolidated set of key principles for effective microfinance activities that national regulators can translate into specific performance benchmarks, directives, rules, and regulations. Gallardo's research (2001) The three-country case study raises important issues in promoting the development of microfinance vis-à-vis regulating them. The three

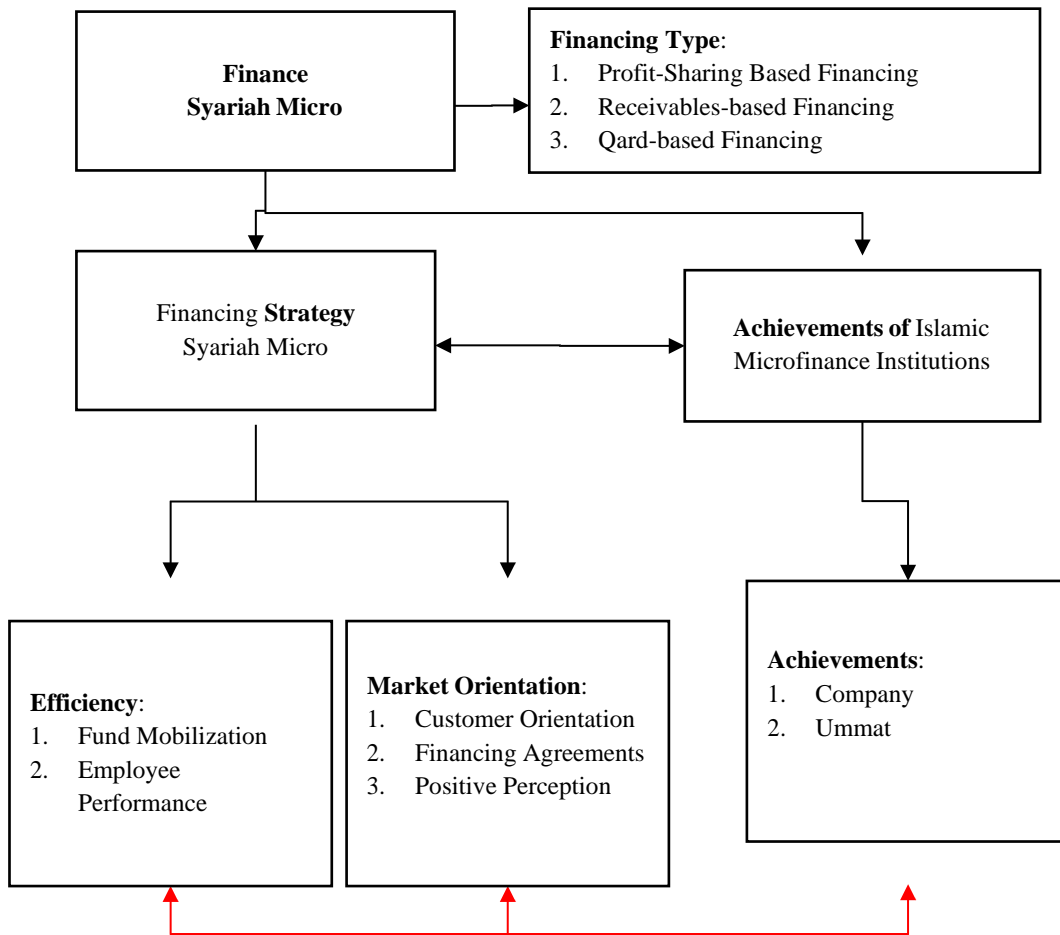
countries' regulatory experiences are used in highlighting the important differences when prudent supervision is warranted. And when there is insufficient understanding, and to identify the agency to carry out regulation.

Khan (2010) conducted research on one of the Islamic microfinance institutions in Pakistan, Akhuwat. The results of this study show that Islamic microfinance programs can run better and provide services to the poor with spiritual compatibility. Conventional microfinance institutions charge very high interest rates for example 22 percent or more which is unaffordable for people in poverty. Wulandari (2016) found a unique model with peculiarities of poor people linking microfinance products during pre-financing, during financing, and post-financing activities that will be a reference for government policy makers are as follows: (a) financing characteristics in Jabodetabek using a financing system and combined spiritual mentoring, (b) In East Nusa Tenggara, pre-financing uses character checks, background, visits and central bank channels, minimum collateral requirements for lending of more than 1 million familial and emotional selection, (c) Pre-financing in the South Sulawesi region uses gold and savings requirements, (d) In Yogyakarta, pre-financing uses site visits, 75 percent collateral requirements, and 5 C's requirements (*Character, Capital, Capability, Collateral, Condition of Economy*).

#### **2.4. Conceptual Framework**

Islamic microfinance institutions in Indonesia are broadly divided into two categories. *First*, Islamic microfinance institutions in the form of banks consisting of: (a) Islamic Commercial Banks with Islamic microfinance products, and (b) BPRS with a focus on microfinance customers who are middle to lower class people. *Second*, Islamic microfinance institutions in non-bank legal entities, consisting of: (a) sharia cooperatives, and (b) sharia venture institutions. Financing schemes in Islamic microfinance institutions are: (a) profit-sharing-based financing consisting of *mudharabah* financing and *musyarakah* financing. (b) sale and purchase-based financing consisting of *murabahah* financing. and (c) *qhard* financing. The Islamic microfinance strategies based on the literature review in this study are (a) external and (b) internal.

Based on this description, the framework in this study is as follows:



**Figure 1.** Decomposition of the Research

### 3. METHODOLOGY

The use of this method refers to Tanjung's opinion that solving a complex problem requires making the right decision to find a way out that is being faced. *Analytic Network Process* is one of the latest techniques in making the right decision by considering several aspects, so that the results will be more scientific and accountable (Tanjung & Devi, 2013). The research object as the variable of this research is Islamic microfinance institutions. The objects that become respondents in this study are academics and practitioners who have competence and experience in Islamic microfinance. This research uses the Analytic Network Process (ANP) method.

The steps in ANP: Decomposition; In empirical research, the steps that have been carried out include three stages: First, model construction or decomposition to identify, analyze, and structure the complexity of the problem into an ANP network consisting of: (a) literature review, questionnaires, and in-depth interviews with practitioners, regulators, and academics to fully understand the problem, (b) ANP network construction, and (c) ANP network validation.

To structure complex problems, it is necessary to decompose them into components, clusters, sub-clusters and alternatives. Decomposing the problem into a feedback framework can be called the ANP approach. This research uses a *feedback*

network where elements can be dependent or bound to components like a hierarchical network but also dependent or bound to fellow elements. Furthermore, an element can be dependent on other elements within a component. Components that have a relationship or influence on other components. The criteria in the cluster in this *Analytic Network Process* (ANP) research are as follows:

**Table 1.** Research Clusters

Criteria	Cluster	References
Accomplishments	Profitability	Luzzi (2006); Qureshi (2017); Antonio (2011);
	Maslahat	Hartarska (2007)
Profitability	Financing	Khan (2008)
	Risk	
Maslahat	Justice	Hassan (2015), Kaleem (2010), Kaleem (2010), Ascarya (2015), Antonio (2013)
	Empowerment	Siwar (2001); Kazemian (2016); Wulandari (2016), Qureshi (2017), Qureshi (2017), Seibel (2006); Dean (2013), Opromolla (2012); Usmana (2016)
Strategy	Market orientation	Kazemian (2016)
	Efficiency	Seibel (2006); Antonio (2011); Ascarya, Yumanita (2008); Ascarya (2010)

The second stage is model quantification or *pair-wise* comparison which consists of (a) designing a *pair-wise* comparison questionnaire in ANP network format, (b) testing the questionnaire to respondents, (c) data processing and synthesis using *Superdecisions* software. In the analysis process, the *Analytic Network Process* (ANP) method uses *pairwise* comparison as a questionnaire design which will then be used in a survey of respondents. The guidelines for making *pairwise comparison* questionnaires are as follows:

**Table 2.** Scale in Analytic Network Process (ANP)

Level of importance	Description	Explanation
1	Equal influence/level of importance	The two elements being compared have the same importance contributing to the goal.
2		
3	Slightly greater influence/importance	Experience and judgment slightly favor one element over the other.
4		
5	Greater influence/level of importance.	Experience and judgment strongly favor one element over another.
6		
7	Very much greater influence/level of importance.	One element greatly outweighs the other and is predominantly demonstrated in practice.
8		
9	Extremely greater influence/level of importance.	Evidence that favors one element over another has the highest probability of affirmation.

*Source: Saaty & Vargus (2006)*

The third stage is analyzing the results which consists of (a) validating the results, (b) interpreting the research results, and (c) synthesizing the results of ANP analysis with other methods, namely, literature review and the results of in-depth interviews with respondents of this study. The analyses used in the *Analytic Network Process* (ANP) research are as follows: First, *Consistency*; To determine priorities in ANP network analysis is through pair comparisons between one criterion and other criteria. If only one criterion is compared. The inconsistency of the estimation matrix can be calculated as a function of maximum eigenvalue ( $\lambda_{max}$ ) and the number  $n$  in the matrix (Saaty & Vargas, 2006):

$$\mu \equiv \frac{\lambda_{max} - n}{n - 1}$$

Where:

$\mu$  = consistency index  
 $\lambda_{max}$  = maximum eigenvalue of matrix A  
 $n$  = order of matrix A

Second, *Rater Agreement*; A measure that shows the level of agreement of the respondents (R1-Rn) on an issue in one cluster. The tool used to measure *rater agreement* is Kendall's Coefficient of Concordance (W;  $0 < W \leq 1$ ). W=1 indicates perfect agreement (Ascarya, 2012) with Kendall's formula (W):

$$w = \frac{12s}{m^2(n^3 - n)}$$

If the W test value is 1 ( $W = 1$ ), it can be concluded that the assessment or opinion of the respondents has perfect compatibility. Meanwhile, when the W value is 0 or closer to 0, it shows that there is a discrepancy between the respondents' answers or the answers vary (Ascarya, 2012).

#### 4. RESULT AND DISCUSSION

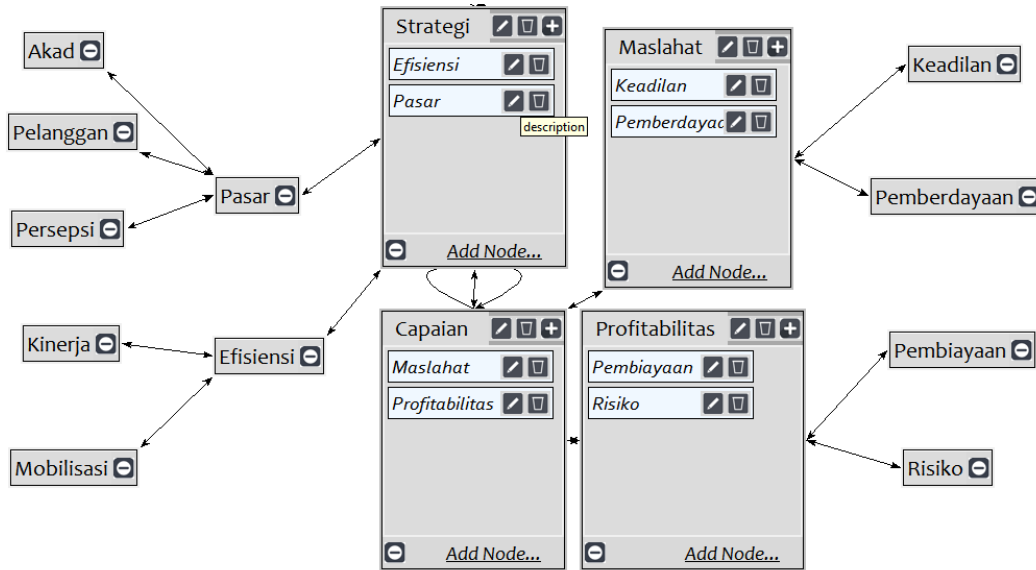
BPRS Amanah Ummah or known as Bank Syariah Amanah Ummah is one of the BPRs that operates based on sharia principles. BPRS Amanah Ummah is the first BPRS established in Bogor Regency where one of its main objectives is to develop the economy of the community, especially MSMEs based on Islamic sharia. The application of sharia principles at BPRS Amanah Ummah is based on Law No.7 of 1992, which was amended by Law Number 10 of 1998 and replaced by Law Number 21 of 2008 concerning Islamic Banks and finally based on Financial Services Authority Regulation Number: 3/POJK.03/2016 concerning Islamic People's Financing Banks.

The establishment of BPRS Amanah Ummah began with the concerns of K.H. Sholeh Iskandar (Alm.), a freedom fighter of the Republic of Indonesia and a scholar ulama who at that time served as Chairman of the Board of Cooperation Pondok Pesantren (BKSPP) West Java. Seeing the very poor economic condition of the lower tier Muslim community, he began to think about the need and necessity for Muslims to have financial institutions. The financial institution can be used as a medium to empower the economic life of the people in sharia. (*Development and Market Deepening of Sharia People's Economic Banks (BPRS)*, 2021).



#### 4.1. Problem Decomposition

The results of the problem decomposition in this study were obtained from interviews with research respondents, namely practitioners of Islamic microfinance institutions in the form of BPRS and Islamic cooperatives. Based on the decomposition of the problem, an Analytic Network Process (ANP) model framework can be formed in general as follows:



**Figure 2.** Decomposition of The Research Problem

#### 4.2. Sharia Microfinance Institution Outcome Prioritization Results

Based on the data analysis that has been carried out using the help of *superdecision* software, the following results prioritize the achievements of an Islamic microfinance institution:

**Table 3.** Main Cluster

CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Maslahah	0.66667	0.66669	1.33336	1	1
Profit	0.33333	0.33331	0.66664	2	

Based on this table, the result of the synthesis of the most dominant achievement criteria of Islamic microfinance institutions is *maslahah* after *profitabilitas*. This shows that Islamic microfinance institutions in conducting Islamic microfinance must prioritize the benefit of the people and not only collect profits. The agreement rate for these criteria is 1. This shows that the level of agreement of respondents in the study on the results of prioritization in the criteria cluster reached 100 percent. There is no difference between the results of prioritization between respondents. So, it can be concluded that in determining the achievement of an Islamic microfinance institution is to prioritize the goal of benefiting the people first, followed by the goal of collecting profits.

#### Results of Maslahah Criteria Prioritization of Islamic Microfinance Institutions

**Table 4.** Maslahah Sub-Criteria

SUB- CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Justice	0.33332	0.70834	1.04166	1	0
Empowerment	0.66668	0.29166	0.95834	2	

Based on the sub-criteria, the economic justice sub-criteria are the dominant sub-criteria in the maslahah criteria followed by community empowerment afterwards. This shows that in formulating the achievement of maslahah as the main objective of an Islamic microfinance institution, justice is the main aspect in formulating the benefits of an Islamic microfinance institution. The approval rate for the justice sub-criteria is 0. This shows that the level of agreement of respondents on the results of prioritization in the maslahah sub-criteria cluster is 0 percent. There is a very significant difference in respondents' agreement. This means that both aspects of economic justice and community empowerment have not been agreed among respondents which aspects are the most important in achieving the maslahat of an Islamic microfinance institution.

**Table 5.** Justice Alternatives

ALTERNATIVE	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Philanthropy	0.27086	0.31254	0.5834	3	0,25
Intermediation	0.31997	0.4512	0.77117	1	
Brotherhood	0.40917	0.23627	0.64544	2	

The result of the alternative cluster synthesis of economic justice is intermediation, which is then followed by Islamic brotherhood and philanthropy. The number of agreements between respondents on alternative clusters of economic justice is 0.25. This shows that the level of agreement between respondents is up to 25 percent. Respondents in this study have sufficient agreement regarding the alternative achievement of justice of an Islamic microfinance institution is financial intermediation.

**Table 6.** Empowerment Alternatives

ALTERNATIVE	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Effectiveness	0.31625	0.45121	0.76746	1	0,25
Sustainability	0.4302	0.31253	0.74273	2	
Growth	0.25355	0.23625	0.4898	3	

While the result of the synthesis of empowerment alternative clusters is effectiveness. The respondent's agreement rate on the empowerment alternative cluster is 0.25. This shows that the agreement between respondents reaches 25 percent. Respondents have a sufficient level of agreement regarding the empowerment achievement of an Islamic microfinance institution is the effectiveness of an empowerment program.

**Results of Profitability Criteria Prioritization of Islamic Microfinance Institutions**

The synthesis results on the prioritization of profitability achievements of an Islamic microfinance institution are as follows:

**Tabel 7.** Profitability Criteria

CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Financing	0.33331	0.66665	0.99996	2	0
Risk	0.66669	0.33335	1.00004	1	

Based on the table, the results of the synthesis of the most dominant profitability achievement criteria of Islamic microfinance institutions are financing risk. The number of respondents' agreement on the profitability criteria cluster is 0. This means that the level of respondents' agreement on the cluster is low, reaching 0 percent. This means that neither the aspect of increasing the amount of financing nor mitigating financing risk has yet to be agreed among respondents which aspect is the most important in achieving the profitability of an Islamic microfinance institution.

**Table 8.** Alternative Financing Amounts and Financing Risks

CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Financing Amounts	0.33331	0.66665	0.99996	2	1
Financing Risk	0.66669	0.33335	1.00004	1	

As for the alternative clusters of financing amount and financing risk, there is no adequate data in the priority score and the level of respondent agreement, respectively.

**Results of Strategy Prioritization of Islamic Microfinance Institutions**

Based on the data analysis that has been carried out using the help of *superdecision* software, the following are the results of prioritizing the strategy of an Islamic microfinance institution:

**Table 9.** Strategy Criteria

CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Market Orientation	0.33333	0.33333	0.66666	2	1
Efficiency	0.66667	0.66667	1.33334	1	

Based on this table, the results of the synthesis of the most dominant Islamic microfinance institution strategy criteria are efficiency strategies. The respondent's agreement rate on the strategy criteria cluster is 1. This means that the respondent's level of agreement with the cluster is low, reaching 100 percent. This shows that respondents have a high level of agreement in the selection of efficiency strategies in an Islamic microfinance institution.

**Table 10.** Market Orientation's Strategy Sub-Criteria

SUB-CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Aqad/Contract	0.53961	0.29696	0.83657	1	0,75
Customer	0.29696	0.53961	0.83657	1	
Perception	0.16343	0.16342	0.32685	3	

Based on this table, the results of the cluster synthesis of the most dominant market orientation strategy sub criteria of Islamic microfinance institutions are understanding contracts and customer orientation. The respondent's agreement rate on the market orientation strategy sub criteria cluster is 0.75. This means that the respondent's level of agreement with the cluster is low, reaching 75 percent. This shows that respondents have a high level of agreement in choosing market orientation strategies, namely understanding contracts and customer orientation in an Islamic microfinance institution.

**Table 11.** Efficiency Strategy Sub-Criteria

CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Performance	0.66668	0.66668	1.33336	1	1
Mobilization	0.33332	0.33332	0.66664	2	

Based on this table, the synthesis result of the most dominant efficiency strategy criteria of Islamic microfinance institutions is employee performance. The respondent's

agreement rate for the strategy criteria cluster is 1. This means that the respondent's level of agreement with the efficiency strategy cluster is significant, reaching 100 percent. This shows that respondents have a high level of agreement on employee performance as part of the dominant efficiency strategy in an Islamic microfinance institution.

**Table 12.** Market Orientation Strategy Alternatives: *Aqad/Contract Understanding*

SUB- CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Business Feasibility	0.47002	0.5165	0.98652	2	0
Conformity of the Deed	0.52998	0.4835	1.01348	1	

Based on this table, the result of the synthesis of alternative clusters of understanding contracts as an external strategy of Islamic microfinance institutions that is the most dominant is the suitability of contracts with financing. The number of respondents' agreement on the alternative cluster of understanding the contract is 0. This means that the level of respondents' agreement on the cluster is low, reaching 0 percent. This means that both business feasibility and conformity with the financing contract, there is no agreement among respondents which aspect is the most important in the external strategy of an Islamic microfinance institution.

**Table 13.** Market Orientation Strategy Alternatives: *Customer Orientation*

SUB-CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Access	0.4835	0.52998	1.01348	1	0
Attendance	0.5165	0.47002	0.98652	2	

Based on this table, the result of the synthesis of alternative customer orientation clusters as market orientation strategy of Islamic microfinance institutions that is most dominant is customer access to Islamic microfinance services. The respondent's agreement rate on the alternative customer orientation criteria cluster is 0. This means that the level of respondent agreement on the cluster is low, reaching 0 percent. This means that there is no agreement among respondents which is the most important aspect in market orientation strategies, especially in the customer orientation of an Islamic microfinance institution.

**Tabel 14.** Alternative Market Orientation Strategies: *Public Perception*

SUB- CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Positive	0.42409	0.42409	0.84818	2	1
Spirituality	0.57591	0.57591	1.15182	1	

Based on this table, the result of the synthesis of alternative clusters of public perception as a market orientation strategy of the most dominant Islamic microfinance

institution is the spirituality reflected in an Islamic microfinance institution. The number of respondents' agreement on the cluster of alternative criteria for public perception is 1. This means that the level of agreement of respondents on the cluster is low, reaching 100 percent. This means that there is significant agreement among respondents that the most important aspect in market orientation strategies, especially in building public perception, is the spirituality of an Islamic microfinance institution itself.

**Table 15.** Efficiency Strategy Alternatives: Employee Performance

SUB- CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Experience	0.46296	0.46296	0.92592	2	1
Professionalism	0.53704	0.53704	1.07408	1	

Based on this table, the result of the alternative cluster synthesis of employee performance as an efficiency strategy of the most dominant Islamic microfinance institution is the professionalism of employee work. The number of respondents' agreement on the cluster of alternative criteria for public perception is 1. This means that the level of agreement of respondents on the cluster is low, reaching 100 percent. This means that there is a significant agreement among respondents which is the most important aspect in the efficiency strategy of an Islamic microfinance institution itself.

**Tabel 16.** Efficiency Strategy Alternatives: Fund Mobilization

SUB- CRITERIA	SCORE			RANK	W
	BPRS	KOPSYAR	TOTAL		
Experience	0.46296	0.46296	0.92592	2	1
Professionalism	0.53704	0.53704	1.07408	1	

Based on this table, the result of the alternative cluster synthesis of employee performance as an efficiency strategy of the most dominant Islamic microfinance institution is the professionalism of employee work. The number of respondents' agreement on the cluster of alternative criteria for public perception is 1. This means that the level of agreement of respondents on the cluster is low, reaching 100 percent. This means that there is a significant agreement among respondents which is the most important aspect in the efficiency strategy of an Islamic microfinance institution itself.

### 4.3. Achievements of Islamic Microfinance Institutions

(a) *Maslahah* as an Outcome of an Islamic Microfinance Institution.

Based on the research results, the achievement of an Islamic microfinance institution is for the benefit of the people. The benefit of the people can be in the form of community welfare, improving the quality of life, and increasing household income. In its operation, the benefit of the people is achieved in the form of *muamalah* between the community and institutions that provide Islamic microfinance services using various contracts, especially in Islamic microfinance transactions. These contracts include profit-sharing-based financing consisting of *mudharabah* and *musyarakah*, receivables-

based financing consisting of *murabahah*, *istisna*, *ijarah*, and *qard-based financing*.

As research has shown in Shaikh (2010), Rahman (2010) and Adnan (2015) that a number of these contracts have met the working capital needs of potential small entrepreneurs and the poor, thus empowering the poor with productive businesses that can further reduce poverty. Islamic microfinance that is free from usury will avoid the accumulation of prices in the rich only. As the opinion of Quth (1998) adds that an economic system that aims for property to circulate only among the rich is a system that is contrary to the Islamic economic system. Muhammed (2016) explains that one of the goals of Islamic economics is social justice and equitable income distribution.

(b) Effectiveness of the Community Empowerment Program by Sharia Microfinance

Institutions Antonio (2013) states that in addition to financial intermediation, Islamic finance has a role as a social intermediary institution. This role involves the poor who need Islamic financial services to improve their welfare. Furthermore, Muhammed (2008) believes that financial integration can fulfill the social intermediation role played by an Islamic microfinance institution. In another study, the social intermediary Kaleem (2010) interpreted Islamic microfinance institutions based on zakat, infaq, sadaqah, and waqf funds that are managed properly and sustainably. Islamic microfinance institutions that not only provide usury-free financial services, Mohsin (2008) suggests that Islamic microfinance institutions participate in poverty alleviation and inequality as zakat, waqf, *qard hassan* institutions. Based on the results of this study, these opinions have a relationship that Islamic microfinance institutions as one of their main objectives is to bring benefit to the people, as well as an institution that can empower the community with the funds collected infaq, shadaqah, zakat and waqf.

Respondents of Islamic microfinance institutions in this study have played an active role in empowering the poor with a significant distribution of zakat, infaq, shadaqah and waqf funds. And what is an important factor in empowering the community is how effective each of these community empowerment activities is, as Dean (2013) research shows, namely the effectiveness of an Islamic microfinance institution in overcoming poverty with empowerment programs.

#### **4.4. Discussion of Sharia Microfinance Institution Strategies**

Based on the research findings, the internal strategy of Sharia microfinance institutions is critical for achieving the benefit of the people. One key internal strategy is improving employee performance, which includes maintaining professionalism at work. Widiyanto (2010) emphasizes the importance of integrating Islamic values holistically to build spirituality within these institutions. Abbas (2015) further highlights that work professionalism encompasses qualified knowledge, sufficient work experience, and other competencies that support employees in becoming more productive.

In terms of market orientation, Kazemian (2016) identifies customer orientation as a vital success factor for the effective management and sustainability of Islamic microfinance institutions. Additionally, customer orientation is linked to the coordination of internal company functions, forming the broader market orientation variable. Nugroho (2009) adds that customer orientation also connects the operational characteristics of Islamic microfinance institutions with the socio-economic aspects of their clients, who are often from underprivileged backgrounds. Regarding funding sources, Wulandari (2015) notes that one of the significant challenges faced by Islamic

microfinance institutions, such as Baitul Maal wa Tamwil (BMT) or Islamic cooperatives, is securing financing sources. Abbas (2015) identifies strong loan funds as a critical success factor for these institutions. Moreover, Dean (2013) points out that the sustainability of Islamic microfinance institutions depends on mobilizing funds effectively and minimizing administrative costs during operations.

## 5. CONCLUSION AND RECOMMENDATION

Based on the theoretical descriptions, research results, and *analytical network process* (ANP) analysis that has been carried out regarding the achievements and strategies of Islamic microfinance institutions with a focus on Islamic microfinance at BPRS and Islamic cooperatives. *First*, the achievement of an Islamic microfinance institution is not only to generate profits for the company, but rather to create the benefit of the people, starting from the fulfillment of basic needs, increasing income, being free from poverty, to being able to help others in need. This study concludes that by prioritizing the benefit of the people, an Islamic microfinance institution can do not only financial intermediation institutions, but also conduct social intermediation with various effective community empowerment programs. Optimizing the use of zakat, infaq, shadaqah, and waqf funds collected by Islamic microfinance institutions makes a significant contribution in creating the benefit of the people. The welfare of the people, which must be the achievement of Islamic microfinance, is determined both in bank category Islamic microfinance institutions and non-bank Islamic microfinance institutions.

*Second*, the Islamic microfinance strategy at an Islamic microfinance institution depends on the characteristics of the financial institution itself. In general, the strategy that is prioritized to be applied in Islamic microfinance is an internal strategy that focuses on employee performance by continuously improving their professionalism. Based on the research results, Islamic microfinance institutions in the bank category, in this context with the legal entity of BPRS, are more likely to choose the strategy of minimizing financing risks, understanding and compatibility of contracts for financing to the importance of the presence of affordable Islamic financial services. Meanwhile, non-bank category Islamic microfinance institutions, in this case in the form of legal entities of Islamic cooperatives (Kopseyah), are more likely to choose a deep market orientation strategy, namely by getting to know more closely all the needs of customers in such a way and empowering them so that their businesses are eligible for financing by building access that makes it very easy for prospective customers to meet their financial needs.

Recommendations Based on the results of this research, the author recommends making a regulatory framework regarding benefit as an achievement of sharia microfinance institutions that can be detailed into various objectives that must be achieved by a microfinance institution in providing sharia microfinance services to the poor. As a unity of financial and social intermediation that supports each other.



## REFERENCES

- Abbas, K., Shirazi, N., Abbas, K., Shirazi, N., Adnan, M. A., Ajija, S. R., Haneef, M. A., Pramanik, A. H., & Mohammed, M. O. (2015). The key players' perception on the role of Islamic microfinance in poverty alleviation: The case of Pakistan. *Journal of Islamic Accounting and Business Research*, 6(2), 244-267.
- Ali, M. M., Devi, A., Furqani, H., & Hamzah, H. (2020). Islamic financial inclusion determinants in Indonesia: an ANP approach. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(4), 727-747.
- Amalia, E., Nur, D. M., & Arif, R. Al. (2013). The Suitability of Islamic Economics Learning in Higher Education with the Needs of Human Resources in the Islamic Financial Industry in Indonesia. *Inference Journal of Social and Religious Research*, 123(1), 123-142.
- Anisa Dwi Utami, Lukman M Baga, Rahmat Yanuar, Tita Nursyamsiah, Busaid, & Mahanani, Y. (2023). Development Strategy of Islamic People's Financing Bank in Indonesia. *AL-MUZARA'AH*, 11(1), 47-61. <https://doi.org/10.29244/jam.11.1.47-61>
- Antonio, M. S. (2011). Islamic Microfinance Initiatives to Enhance Small and Medium Enterprises in Indonesia: From Historical Overview to Contemporary Situation. *Journal of Indonesian Islam*, 5(2), 313. <https://doi.org/10.15642/JIIS.2011.5.2.313-334>
- Ascarya. (2012). Solutions To Prevent Financial Crisis in Islamic Economic Perspective: Anp Approach. *Proceedings of the International Symposium on the Analytic Hierarchy Process*, 23-26.
- Ascarya, Yumanita, D., Achsan, N. A., & Rokhimah, G. S. (2008). Measuring the Efficiency of Islamic Bank in Indonesia and Malaysia Using Parametric and Nonparametric Approach. *3rd International Conference on Islamic Banking and Finance*, July.
- Devi, A., & Firmansyah, I. (2018). Solution to overcome the bankruptcy potential of Islamic rural bank in Indonesia. *Journal of Islamic Monetary Economics and Finance*, 3, 25-44.
- Gallardo, J. (2001). *A Framework for Regulating Microfinance Institutions: The Experience in Ghana and the Philippines* (November Issue). The World Bank.
- Hariyanto, R. (2017). Fostering the spirit of entrepreneurship towards pesantren-based umat economic independence (Case Study at PP Darul Ulum Banyuanyar Pamekasan). *NUANSA: Journal of Islamic Social and Religious Sciences Research*, 14(1), 185. <https://doi.org/10.19105/nuansa.v14i1.1318>
- Kazemian, S., Rahman, R. A., Sanusi, Z. M., & Adeyemi, A. A. (2016). Role of market orientation in sustainable performance: the case of a leading microfinance provider. *Humanomics*, 32(3).
- Kirkpatrick, C., & Maimbo, S. M. (2002). The Implications of the Evolving Microfinance Agenda for Regulatory and Supervisory Policy. *Development Policy Review*, 20(3), 293-304.
- Perwartaatmadja, K., & Tanjung, H. (2007). *Syariah Bank: Theory, Practice, and Its Role*. Celestial Publishing.
- Rahman, R. A., & Dean, F. (2013). Challenges and solutions in Islamic microfinance. *Humanomics*, 29(4), 293-306. <https://doi.org/10.1108/H-06-2012-0013>
- Ringim, K. J. (2014). Perception of Nigerian Muslim account holders in conventional

- banks toward Islamic banking products. *International Journal of Islamic and Middle Eastern Finance and Management*, 7(3), 288-305.
- Rusydiana, A. S., & Devi, A. (2013). Challenges in developing baitul maal wat tamwiil (BMT) in Indonesia using analytic network process (ANP). *Business and Management Quarterly Review (BMQR)*, 4(1), 51-62.
- Saaty, T. L., & Vargas, L. G. (2006). *Decision making with the analytic network process* (282nded.). Springer Science and Business.
- Seibel, Hans Dieter & Dwi Agung, Wahyu, 2006. "Islamic Microfinance in Indonesia," Working Papers 2006,2, University of Cologne, Development Research
- Siwar, C., & Talib, B. A. (2001). Micro-Finance Capacity Assessment for Poverty Alleviation: Outreach, Viability and Sustainability. *Humanomics*, 17(1), 116-133.
- Tanjung, H., & Devi, A. (2013). *Metodologi penelitian ekonomi Islam*. Gramata Pub..
- Wulandari, P. (2019). Enhancing the role of Baitul Maal in giving Qardhul Hassan financing to the poor at the bottom of the economic pyramid: Case study of Baitul Maal wa Tamwil in Indonesia. *Journal of Islamic Accounting and Business Research*, 10(3), 382-391. <https://doi.org/10.1108/JIABR-01-2017-0005>
- Wulandari, P., & Kassim, S. (2016). Issues and challenges in financing the poor: the case of Baitul Maal Wa Tamwil in Indonesia. *International Journal of Bank Marketing*, 34(2), 216-234. <https://doi.org/10.1108/IJBM-01-2015-0007>