

ISLAMIC MICRO FINANCE INSTITUTIONS' EXISTENCE, ROLE, AND CHALLENGES IN DEVELOPING THE INDONESIAN MICRO BUSINESS SECTOR POST COVID-19 PANDEMIC



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Abstrak

Penelitian ini bertujuan untuk menyelidiki peran penting dan tantangan yang dianut oleh Lembaga Keuangan Mikro Syariah (KPI) dalam memajukan perekonomian Indonesia. Dengan menggunakan pendekatan penelitian deskriptif-kualitatif, penelitian ini melakukan kajian literatur yang ada. Penelitian ini juga mencakup pemeriksaan analitis melalui perbandingan dengan temuan sebelumnya dan artikel yang relevan. Temuan utama studi ini menggarisbawahi peran penting yang dimainkan oleh Lembaga Keuangan Mikro Syariah dalam mendukung pertumbuhan Usaha Mikro, Kecil, dan Menengah (UMKM). Lembaga-lembaga ini muncul sebagai sumber penting dukungan keuangan untuk kegiatan pasar dan ekspansi bisnis, sehingga memberikan kontribusi besar bagi perekonomian nasional. Sebagai komponen integral dari sektor keuangan non-bank, Lembaga Keuangan Mikro (LKM) merupakan bagian penting dari upaya pengentasan kemiskinan pemerintah, yang bertujuan untuk memberdayakan individu yang terpinggirkan dan mendorong pertumbuhan usaha kecil dan menengah (UMKM).

This study aims to investigate the pivotal roles and challenges embraced by Islamic Microfinance Institutions (IMFIs) in driving forward the Indonesian economy. Employing a descriptive – qualitative research approach, this study conducts a comprehensive review of existing literature. The research also includes analytical examinations through comparisons with previous findings and relevant articles. The study's key findings underscore the essential role played by Islamic Microfinance Institutions in supporting the growth of Micro, Small, and Medium Enterprises (MSMEs). These institutions emerge as a critical source of financial support for market activities and business expansion, thus making a substantial contribution to the national economy. As integral components of the non – bank financial sector, Microfinance Institutions (MFIs) represent a vital part of the government's poverty alleviation efforts, aimed at empowering marginalized individuals and fostering the growth of small and medium enterprises (MSMEs).

INTRODUCTION

Eradicating poverty remains a stubborn global challenge, and Indonesia faces its own uphill battle. Extensive research, including work by Purmini and Roosemarina Anggraini Rambe citing World Bank data, identifies poverty as a major macroeconomic hurdle. In 2017, Indonesia's poverty rate alarmingly exceeded 10%. Fortunately, remarkable government interventions led to a staggering 9.22% decrease by 2019. However, the COVID – 19 pandemic threatens to unravel this progress. The World Bank warns that Indonesia could see a devastating surge of 5.5 to 8 million impoverished individuals if adequate social assistance measures are not swiftly implemented (Rambe et al., 2022)

Poverty in Indonesia is a classic unresolved issue that has gotten worse during the COVID – 19 pandemic. According to the report presented by the Central Statistics Agency of Indonesia (BPS), there have been 25.14 million people classified as poor in 2019. Poverty data published by BPS (2019) continue to reveal a very high percentage of the population living in extreme poverty, which is declining slowly over time. The average percentage of poor people has decreased by 0.5% over the last two decades (2001 – 2018), and the



number has decreased by 720 people per year. Furthermore, the poverty gap index and poverty severity index remain stable on average (BPS, 2022).

In such circumstances, one of the most strategic initiatives aimed at addressing Indonesia's poverty issue appears to be the empowerment of micro, small, and medium enterprises (MSMEs). MSMEs across Indonesia have experienced rapid expansion in recent years, making a significant impact on the national economy. According to Nurini, data from the Ministry of Cooperatives and MSMEs in 2019 revealed that the annual rate of job creation had increased by 2.15% during the last seven years of the study (2012 – 2018). Similarly, the contribution of MSMEs to the Gross Domestic Product (GDP) has seen substantial growth on average (Nursini, 2020).

MSMEs throughout Indonesia seem to be business entities that have demonstrated a powerful ability to endure in the presence of the country's financial crises, which started around 1997, continued across 2008, and most recently even during the COVID – 19 pandemic crisis. MSMEs have historically served as a safety valve for the national economy, functioning as a safeguard for stable GDP, which is also the largest contributor to workforce absorption in Indonesia. However, MSMEs' growth is frequently restricted by a shortage of capital. The absence of these assets undoubtedly limits their national contribution (Putri, 2020; Riyadi et al., 2019).

Small and medium enterprises face five challenges: (1) limited capital; (2) less qualified human capital for business management; (3) inability to advertise effectively; (4) limited access to data; and (5) a highly traditional managerial structure (Beik & Arsyianti, 2015). Since these issues align with Islamic teachings, Islam appears to provide potential solutions for the concerns of small businesses in Indonesia. Islamic microfinance institutions serve as one of the means through which Islamic principles are applied. Abduh and Jamal note that a significant number of Baitulmaal Wa Tamwil and Islamic Financing Savings and Loan Cooperatives (IFSLC) have been established in Indonesia, with over 7,000 units currently in operation. Since these issues are covered in Islamic teachings, Islam appears to exist as just a solution to the concerns of Indonesia's small businesses. Islamic microfinance institutions represent one of Islam's vehicles (Riyadi et al., 2019). According to Abduh and Jamal, a significant number of Baitulmaal Wa Tamwil and Islamic Financing Savings and Loan Cooperatives (IFSLC) have been established in Indonesia, with more than 7,000 units currently in operation.

IMFIs are legal entities that operate within defined areas and adhere to Sharia – compliant operational standards, primarily focused on providing financing to MSMEs and low – income individuals. The strong demand for small – scale capital to meet business needs in Indonesia reflects a growing awareness of the importance and impact of Islamic Microfinance Institutions (IMFIs). These institutions play a vital role in addressing the capital requirements of MSMEs and bridging the financial gaps faced by the poor. The resurgence of IMFIs is a key driver of regional financial empowerment, offering a promising alternative to address the existing constraints on MSMEs . Building upon the points mentioned earlier, this study seeks to evaluate the role and importance of IMFIs in promoting the growth of micro – enterprises in Indonesia in the aftermath of the COVID – 19 pandemic.

Literature Review

Micro Business

Every economy follows its own unique set of criteria to categorize micro, small, and medium enterprises. In many nations, there's often no clear distinction made between micro and small businesses, as they are generally perceived to be quite similar. The primary factors that differentiate small, medium, and large enterprises typically revolve

around criteria like the number of employees, annual sales, profitability, and investment in plant and machinery (Behera et al., 2020).

Furthermore, the Law of the Republic of Indonesia No. 20 of 2008 on MSMEs regulates the definition of business in Indonesia in Chapter I regarding General Provisions in Article 1, defining micro – businesses as productive businesses organized by individuals and/or specific business entities that fulfill the requirements of micro – enterprises as stipulated in laws and regulations (Number, 20 C.E.). Total assets or resource value is used to determine microenterprises.

A micro business, as defined by the legal rules, is a special unit with at least Rp. 50 million in net wealth and a minimum annual sales of Rp. 300 million. According to the Ministry of Finance Decree No.40/KMK.06/2003, small businesses are controlled by Indonesian families or individuals with an annual income of no more than Rp. 100,000,000.00. Banks might very well consider micro organizations for loans of up to IDR 50,000,000.00 (Riyadi et al., 2019).

Sharia Financing Scheme

Islamic finance encompasses various financial instruments and structures, including equity, debt, and derivatives. It consists of four primary components: Islamic banking and microfinance, the Islamic capital market, takaful (Islamic insurance) and re – takaful, and the Islamic interbank money market (Huda, 2012). These activities are typically managed by both bank and non – bank Islamic financial institutions. Sharia financing is grounded in fiqh muamalat rules, which are Islamic principles governing transactions. These rules draw from various sources, including the Qur'an, Sunnah (the practices and teachings of the Prophet Muhammad), and other secondary sources of Islamic law, such as scholarly consensus (ijma'), analogy (qiyas), and individual reasoning (ijtihad). Some of the most widely used financing schemes within Islamic finance include Bai Bishaman – Ajil, Ijarah Thumma Al – Bai Musyarakah, and Murabahah (Antara et al., 2016; Asnawi & Amrawaty, 2018).

Furthermore, Sharia financing transactions should always adhere to the following requirements: 1. It seems to be completely void of usury elements. 2. ignorant of the concept of "time value of money." 3. does not possess the potential to harm or endanger certain people or oneself. 4. There is no element of trickery (gharr). 5. There is no gambling involved (maisir) (Fitri, 2015). Based on the previous principles, Islamic financing does not recognise interest and instead employs the profit – sharing concept. The difference between interest and profit sharing, according to Antonio (2001), would be that 1) interest is calculated at the time of the contract with the assumption that the business will always be profitable, whereas the amount of profit or loss sharing is estimated when the profit or loss income is earned. 2) The amount of capital lent determines the interest rate, while the amount of profit earned determines profit sharing. 3) Interest is paid regardless of the customer's profitability, whereas profit sharing is based on mutual profits and losses. 4) The amount of interest payments does not increase with the amount of profit, whereas the amount of profit sharing increases with the amount of income. 5) Fifth, all religions, such as Islam, oppose the interest system, whereas no one opposes the profit – sharing system (Antonio, 2001). According to Riaz, the increased performance of profit – sharing – based financing has expanded the scope of the role of loss/profit – based financing and therefore will return the Islamic banking operational system to the actual system, namely banks with a fair profit – sharing system, having a positive and profitable impact on Islamic banks, stakeholders, and society (Riaz & Qasim, 2016).

Sharia Financial Institution Concept

Islamic finance represents one of the fastest – growing sectors of the global financial system in Muslim countries. Since 1950, various Muslim countries have witnessed the growth of the Islamic finance industry. Today, this industry has extended to non – Islamic countries (Mifrahi & Tohirin, 2020). Islamic financial institutions are those that operate under the Sharia concept, with profit sharing as the main approach. Several types of Islamic financial institutions currently exist, such as Islamic commercial banks, Islamic people's credit banks, Islamic insurance, and Baitul Maal wa Tamil. These institutions possess different products and target markets; however, the Islamic financial institutions mentioned above have only minor functional differences in terms of the concepts and tools they use. Islamic banking is an integrated economic concept that not only focuses on profit sharing but also excellently induces an ethical code (moral, social, and trust) for achieving justice and prosperity (Rusydiana & Firmansyah, 2018).

Sharia Microfinance Institution Concept

Microfinance is the term used to describe the provision of financial services to residents of third – world countries in the form of personal loans, group financing, microlending, microcredit, microinsurance, and financial measures to develop high – risk businesses (Riaz & Qasim, 2016). Essentially, Islamic Microfinance Institutions (IMFIs), NGOs, and government agencies are constructing facilities to assist people truly in need with support from the government and non – governmental organizations. According to Mohammed Obaidullah and Tariqullah Khan (2008), there is something beneath the surface of shortages and requests for food due to generosity, unlimited abundance, and sleep (Obaidullah & Khan, 2008).

While the broader term "Islamic Microfinance Institution" encompasses all financial institutions operating under Sharia principles, the term "micro" specifically denotes institutions focused on smaller borrowers and projects. Therefore, we should ideally look to entities like microfinance foundations, banks and financial institutions with smaller capital bases, and regional institutions like Baitul Maal Wattamwil, Sharia Cooperatives, and Rural Sharia Banks (BPR Syariah). These institutions combine two key functions: 1) gathering funds from various sources like zakat, infaq, and sadaqa, and 2) utilizing these funds to create positive impact through value addition, wealth – based development, economic empowerment, and human resource development (Mujiono, 2017).

METHOD

Research methodology comprises a set of methods used to investigate a specified problem, gather data, and determine the research outcomes. The research employs a qualitative descriptive approach (Sugiyono, 1999). The qualitative descriptive analysis method used involves a literature observation approach, with the primary sources of this literature study being derived from journals, books, laws, and relevant reports about the research topic (Lambert & Lambert, 2012). An analytical study is conducted as an in – depth examination that relies on various sources of qualitative and quantitative information. It also involves a comparative analysis of past research findings and excerpts from relevant media related to the current topic. The gathered information is then organized according to established rules and analyzed under writing standards, facilitating the exploration of contemporary issues.

RESULT AND DISCUSSION

History of the Development of IMIFs in Indonesia

One of the fundamental objectives of financial institutions today is to revive the glory of Islam, which had successfully prospered in its community through the Shariah financial schemes they managed in the past. Establishing Islamic Microfinance Institutions (IMFIs) professionally will be an effective way to face the resurgence of those brilliant times. During the rule of Umar wali Abdul Aziz, a Khalifah who effectively employed Islamic social finance for the progress of his people, the Khalifah managed to fulfill their various needs, such as clothing, housing, food, education, welfare, the opportunity to speak, and more, making the local region quite prosperous. This serves as an ideal that we should strive to achieve. The role of Islamic MFIs in assisting the economic advancement of the community becomes more paramount and critical (Kamilah & Nst, 2019).

The development of microfinance institutions in Indonesia is closely linked to the increasing religious enthusiasm among the middle – class and professional groups in the country. The establishment of the Indonesian Muslim Intellectuals Association (ICMI) was a significant part of the history of Islamic economic growth. ICMI played a pivotal role in the formation of the first Shariah bank in Indonesia, namely Bank Muamalat. However, long before the early '90s, several Shariah microfinance institutions had already been established, such as the pioneering initiative at Salman Mosque ITB, known as Baitul Maal wa Tamwil (BMT) Teknosa. Additionally, in Jakarta, the first BMT was initiated by Islamic activists, known as BMT Bina Insan Kamil (BIK) (Jamaludin, 2019).

During the 2000s, Shariah financial institutions saw a significant rise. The enactment of Law Number 21 of 2008 concerning Sharia banking was one of the contributing factors. Observing the articles of this law, many commercial banks established Sharia Business Units (UUS) and established new banks following Sharia standards. Sharia here refers to financing methods that use a profit – sharing system rather than interest – based methodologies. Since the Sharia Banking Law only covered large – scale monetary business practices, the public called for fair legislation to regulate microfinance institutions. With this consideration in mind, the Microfinance Institutions Bill was drafted in 2010 and officially passed in 2013. The Microfinance Institutions Act has been fairly successful in regulating the presence of microfinance institutions and Islamic microfinance institutions (IMFIs) in Indonesia (Hasanah, 2020)

Micro, Small, and Medium Enterprises (MSMEs)

Micro, small, and medium enterprises (MSMEs) are businesses owned by individuals or entities that meet the criteria to be classified as micro – enterprises. Many MSMEs receive financing from Islamic Microfinance Institutions (IMFIs) to operate their businesses, aiming to improve the living standards of the community, both socially and economically. Limited capital is a typical challenge faced by MSMEs, and as a result, they may have a smaller operational scope, making it more difficult for them to expand their businesses, such as fulfilling customer orders. If this issue is not addressed, efforts to create job opportunities may become more challenging (Ananda Iلمي Wahidiah, n.d.).

As stipulated in Law Number 20 of 2008, which regulates Micro, Small, and Medium Enterprises (MSMEs), the models of Micro, Small, and Medium Enterprises (MSMEs) are as follows:

1. Micro Enterprises are productive businesses owned by individuals or sole proprietorship entities that meet the guidelines specified in this Micro Business Law.

2. Small Enterprises are productive economic businesses that operate independently, controlled by individuals or entities that are not subsidiaries or part of organizations claimed, controlled, or associated with medium or large businesses, either directly or indirectly. They serve as a reference for Independent Companies as defined in this law.
3. Medium Enterprises are useful productive economic businesses that operate independently, managed by individuals or business entities that are not subsidiaries or part of organizations claimed, controlled, or partnered with Independent Businesses or Large Organizations, with all resources, whether directly or indirectly, as specified in this law, in a net or ongoing annual transaction (Jenita, 2017).

Most of the MSMEs classified as lower – to middle – income individuals originating from rural areas have poor operational and financial management skills. They tend to lack forward – thinking approaches when it comes to business development. They often believe that they can only reinvest their capital to generate more profit to meet their daily needs. Business owners are uncertain about the profit margins required to expand and market their businesses. Financial management among members is closely linked to their day – to – day financial activities, making it challenging to distinguish between household expenses and business capital expenditures. On the other hand, members do not comprehend standard financial reporting systems and are therefore not competent in managing company finances (Darwanto et al., 2020). Microfinance institutions are transliterations of microfinance, which is defined as the provision of financial services to the underserved (traditional) community to reduce poverty. Microfinance is a type of microfinance that provides microloans to underserved communities to fund family businesses run by individuals or groups of people (Mujiono, 2017).

The growth of Islamic microfinance institutions, especially in the last decade, has been phenomenal, both in terms of the number of institutions and the number of consumers. This is closely related to the increasing understanding among the public regarding the benefits and relevance of conducting economic transactions through these financial institutions to improve their quality of life. Microfinance institutions (MFIs) are also expected to play a key role in accelerating Indonesia's transition to a prosperous economy by 2030. In his address at the 47th anniversary of Bogor Agricultural Institute (IPB), Chairul Tanjung, an entrepreneur and Chairman of the National Economic Committee (KEN), expressed this. According to him, Indonesia will be one of the five most advanced countries by 2030, with MFIs as one of the main pillars (Qadariyah & Permata, 2017).

The diversity of Microfinance Institutions (MFIs) spread throughout Indonesia, such as cooperatives, Miniature Endowment Banks (BWM), Baitul Maal Wat Tamwil (BMT), and other MFIs, reflects the presence of MFIs in Indonesia. Furthermore, the existence of LMIs should be evident from the related administrative regulations governing MFIs. By expanding microfinance services at no cost, there is an indirect reduction in the financial burden on the state. Additionally, with Microfinance Foundations, regions demonstrate an undeniable level of commitment and oversee reserves independently.

Public authorities have outlined three main areas of financial regulation focus within Functional Microfinance Institutions (MFIs/IMFIs) to empower direct monetary development linked to MSMEs. Above all, the strategy is to strengthen financial administration. The enhancement of financial administration systems, such as market access, debt collection and payment administration, ease of savings and depositing, as well as extensive support for exchange implementation, constitutes the second crucial strategy. Without a full – scale drive to reinforce MSMEs business boundaries, improved administration and support frameworks alone will not suffice. Restricting development and authority from a specific perspective and executive peers, product development and

delivery, financial organization, and general business are the third and fourth critical strategies.

The government's MSME development policy aims to enhance the potential and active participation of this sector in national development, particularly economic activities, to achieve development equity through job creation and income enhancement. Create a legal framework for both Islamic and traditional MFIs to operate within it. Article 3 of Law Number 1 of 2013 on Microfinance Institutions aims to: 1) improve public access to micro – scale financing; 2) assist in enhancing economic empowerment and community productivity; and 3) aid in increasing income and welfare, especially for the poor and low – income populations (Lasmiatun, 2017).

The Role of Islamic Microfinance Institutions

Islamic Microfinance Institutions (IMFIs) are profit – driven institutions with a social mission. Their activities are focused on community development without diminishing their role as financial intermediaries that adhere to Islamic values in their operations. As financial organizations that serve as intermediaries, IMFIs are engaged in savings and lending activities. In addition to offering loans, IMFIs are required to educate the public, especially low – income individuals, about the importance of savings and caring for others through Islamic philanthropy (Jenita, 2017).

The following are Sharia Microfinance Institutions in Indonesia:

1. BPRS (Islamic Rural Banks): BPRS is a financial institution that accepts money deposits only in the form of deposits, savings, and/or other equivalent forms and channels funds as a Rural Bank (BPR) business, in accordance with Banking Law No. 7 of 1992. According to Banking Law No. 10 of 1998, BPR is a bank financial institution that conducts business activities traditionally or according to Sharia principles. Bank Indonesia's Director Letter No. 32/36/KEP/DIR/ regarding Rural Banks Based on Sharia Principles, dated May 12, 1999, regulates the implementation rules of BPR based on Sharia principles. In this context, Sharia BPR operates in the same way as traditional BPR but adheres to Sharia rules (Qadariyah & Permata, 2017).
2. Baitul Maal wa Tamwil (BMT) is an integrated self – supporting business center engaged in the development of productive businesses, capital investment in improving productive businesses, capital investment in improving the quality of small, medium, and micro – sized enterprises, as well as community economic activities. It supports medium – sized entrepreneurs by promoting savings and facilitating financing for their economic activities. BMT is an acronym for Baitul Maal wa Baitul Tamwil, which has evolved into Baitul Maal wa Tamwil, abbreviated as BMT. Baitul Maal mainly deals with the collection and disbursement of non – profit funds such as zakat, infaq, and charitable donations. Meanwhile, Baitul Tamwil is involved in the collection and disbursement of business funds (Jenita, 2017).
3. Sharia cooperatives, also known as sharia financial service cooperatives, share the same concept that their economic activities involve finance, investment, and savings based on profit – sharing principles (sharia). For instance, in conventional cooperatives, product trading is referred to as murabahah, while savings and loan products are known as mudharabah. Not only does the name change, but also their operational system, transitioning from conventional (ordinary) to sharia – based systems. These cooperatives provide business development services and community empowerment to members and the general public, whether through loans or financing for micro – scale businesses, managing savings, or offering

consulting services for business development. They must adhere to sharia rulings issued by the Indonesian Ulema Council and the National Sharia Board, rather than solely conventional principles (Hasanah, 2020).

According to Santoso, the role of microfinance institutions (MFIs) in Indonesia is crucial. Savings and Loan Cooperatives are considered financial service providers for micro, small, and medium enterprises (MSMEs) and play a significant role in the economic well-being of the community (Hendri, 2018). The operationalization of MFIs is carried out based on the principles of cooperation and inclusivity, and currently, there are 108,000 savings and loan cooperative entities. The role of savings and loan cooperatives extends to more than 18 million members, including MSMEs (Santoso & Ahmad, 2016).

BMT in Indonesia serves as a Sharia microfinance institution that caters to the community based on cooperation and trust values. Assistance from BMT is based on Islamic financial principles such as Qiradh and Syirkah (profit – sharing), driven by Islamic values. Additionally, BMT states that it is an Islamic missionary institution aimed at serving the community towards a better life (Chikmiyah, 2021; Dewi & Izmuddin, 2018; Sukmayadi, 2016)

The Existence of Islamic Microfinance Institutions (IMFIs) in Indonesia

IMFIs, called LKMS, is a financial institution committed to working on individual regional government assistance. One response to the advancement of Islamic finance, which until now has largely been among the upper class, is the emergence of Sharia microfinance institutions in Indonesia. Indeed, IMFIs has become a practical choice for Indonesia's financial recovery. Sharia microfinance institutions are non-administrative associations that aim to build beneficial organizations and businesses through the utilization of Sharia standards (Qadariyah & Permata, 2017). The presence of local Microfinance Institutions (MFIs) is planned to support the strengthening of low-payment networks and centers, much like Micro, Small, and Medium Enterprises (MSMEs). MFIs provide various services to assist individuals in overcoming the limitations of open subsidies in banks and other financial organizations. The public authorities and the People's Representative Council (DPR) finally enacted the Microfinance Institutions Act on January 8, 2013, to provide a legitimate basis for the tasks of MFIs (Disemadi & Wahyuni, 2019).

The existence of Islamic microfinance institutions (MFIs) has significant implications for Sharia-based economic development, particularly in providing solutions for empowering small and medium-sized enterprises (SMEs), serving as the backbone of the community's economy, and providing key support for the national economy. This allows for increased utilization of products and services offered by microfinance institutions to empower the community's economy (Husna et al., 2019). This indicates that MFIs play a crucial role in society as Sharia-based microfinance institutions capable of addressing the fundamental challenges faced by small and medium-sized enterprises, especially in the capital sector. MFIs are not only responsible for capital distribution but also for social projects. According to the definition of MFIs, they are institutions needed by the community, especially small groups. However, they still have certain limitations in terms of usage. Therefore, this issue must be effectively addressed to maintain a positive reputation for clean and trustworthy Islamic microfinance institutions (Qadariyah & Permata, 2017).

CONCLUSION

MSMEs are highly dependent on IMFIs for crucial services, especially capital to expand their markets and build organizational capacity. This vital support leads to

significant contributions to the local economy. Recognizing the long – term mutual benefit between MSMEs and IMFIs, and their positive impact on Indonesia's broader economy, negative perceptions of IMFIs held by some associations should be actively addressed. However, current approaches haven't yet fully tackled the key challenges identified by IMFIs themselves in strengthening and nurturing the financial foundations of these critical, often interconnected, small business networks.

This is one signal that financial institutions will continue to grow rapidly using Sharia principles amidst the proliferation of Sharia – labeled financial institutions in recent times. Their presence also extends to remote areas, making direct communication with financial institutions easier for rural residents. BMTs, Sharia cooperatives, and BPRS are examples of Islamic microfinance institutions that indirectly contribute to expansion in line with the real needs of the community for these institutions.

IMFIs must offer a wider range of products to attract customers to use their services or invest in them. MFIs also need to increase the availability of Sharia microfinance for the common people. The diversity of these products, especially for the common people, will be highly beneficial. MFIs also need to innovate in technology management to keep up with established financial institutions that have embraced technological advancements.

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