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Islamic Microfinance: A Bibliometric Review

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Islamic microfinance: A bibliometric review

ABSTRACT

This paper quantitatively analyzes the literature on Islamic microfinance from early 2000 to 2020, as represented by English-language articles from the Scopus database. Using a bibliometric approach plus content analysis, we describe the field's evolution and structure, including co-citation, coauthorship, and bibliographical coupling. We find that Malaysia is the most relevant country, the International Islamic University Malaysia (IIUM) the most relevant institution, and the *International Journal of Systems and Ethics* the most relevant journal. There are four main topics: (1) principles, performance, and problems in Islamic microfinance, (2) sustainable development, (3) women's empowerment, and (4) the role of banks. We also offer future research directions.

JEL classifications:

G21

Q01

M15

Keywords:

Microfinance

Islamic microfinance

Bibliometric

Micro credit

Poverty alleviation

Islamic microfinance: A bibliometric review

1. Introduction

Islamic microfinance is a subset of Islamic finance; accordingly, it follows Shari'ah principles and prohibits riba (interest)-based transactions. However, it differs from other kinds of Islamic finance in several respects. First, Islamic microfinance focuses primarily on the well-being of the community and emphasizes financial inclusion of the poverty-stricken segment of the community. Second, Islamic microfinance advocates allocating collateral-free loans (Qard-al-Hasan) to micro-entrepreneurs, who often cannot get financing from Islamic banks. Islamic microfinance can address the high transaction costs associated with the Islamic financial system (Widiarto & Emrouznejad, 2015).

The global success of the Islamic finance industry has generated growing calls for a paradigm shift of this sector's contribution toward poverty alleviation. Researchers (for example Alam, Hassan, & Said, 2015) have identified Shari'ah-compliant microfinance through Islamic financial institutions as a viable alternative for maximizing social benefits. Haque and Yamao (2011) find that lack of financial access prevents poor micro-entrepreneurs from contributing to economic development. Such financial exclusion creates a vicious cycle of poverty. Despite its strong appeal and the demand for it in Muslim countries, Islamic microfinance represents less than 1 percent of global microfinance outreach (Global Islamic Finance Report, 2016). There are several reasons. Muhammad (2012) concludes that the debt-based microfinance structure offered by Islamic institutions often resembles the interest-based structures of conventional microfinance which could lead to higher administrative costs.

Despite such issues, Islamic microfinance has the potential to alleviate poverty in emerging economies. Recent studies also emphasize its contribution toward empowering women (Hassan, Rahman, Bakar, Mohd, & Muhammad, 2013; Nik Azman,

Kassim, & Adeyemi, 2016; Santoso & Ahmad, 2016). However, its performance has been under scrutiny (see Widiarto & Emrouznejad, 2015; Haque & Yamao, 2011), and Rahmn and Dean (2013) identify several challenges that limit the contribution of Islamic microfinance institutions (IMFIs) toward economic development: lack of funds, higher transaction costs, and unfavorable regulations (see also Ashraf, 2018; Kaleem & Ahmed, 2010; Rahim Abdul Rahman, 2010). Bhuiyan, Siwar, Ismail, and Talib (2011) and Dusuki (2008) propose innovative Islamic microfinance models that involves the participation of Islamic banks to penetrate the global microfinance market.

Past studies on Islamic microfinance cover a wide range of issues. To provide a structured overview of the most important ones, we conduct a bibliometric review, classifying the studies into meaningful research clusters and identifying needs for future research on Islamic microfinance. We used the SCOPUS database to collect 122 papers on Islamic microfinance published between 2000 and 2020, and RStudio and VOSviewer to analyze citation patterns, various other relationships, keyword occurrence, and research performance.

We address three primary research questions:

- (1) Who are the most influential authors in Islamic microfinance?
- (2) What are the issues most explored in Islamic microfinance?
- (3) Where does past literature on Islamic microfinance point in terms of future research directions?

Our review makes several unique contributions. First, we identify authors whose publications could serve as benchmarks for future researchers, the geographic coverage of Islamic microfinance issues, and the most relevant journals. Second, we serve both researchers and policy makers by identifying four research streams, condensing the findings of the most-cited papers. Finally, we specify research gaps that provide directions for future

research on Islamic microfinance.

The rest of the paper proceeds as follows:

- Section 2 discusses the method used for the study.
- Section 3 reports findings from the bibliometric and content analyses of the selected papers on Islamic microfinance.
- Section 4 discusses the research streams identified through the bibliometric review.
- Section 5 concludes the study by identifying areas for future research on Islamic microfinance.

2. Method

Bibliometric analysis combined with content analysis has become increasingly popular among scholars (Koskinen et al., 2008). Past researches can be categorised as descriptive, integrative, systematic, and meta-analysis reviews in bibliometric review process (Martínez-Climent, Zorio-Grima, & Ribeiro-Soriano, 2018).

2.1. Study design

We follow Paltrinieri, Hassan, Bahoo, and Khan (2019), and Figure 1 summarizes the structure of our method. There are three stages in our design: formulating the research questions, identifying the relevant literature to include in the review, and using the bibliometric review to draw conclusions in line with the research questions.

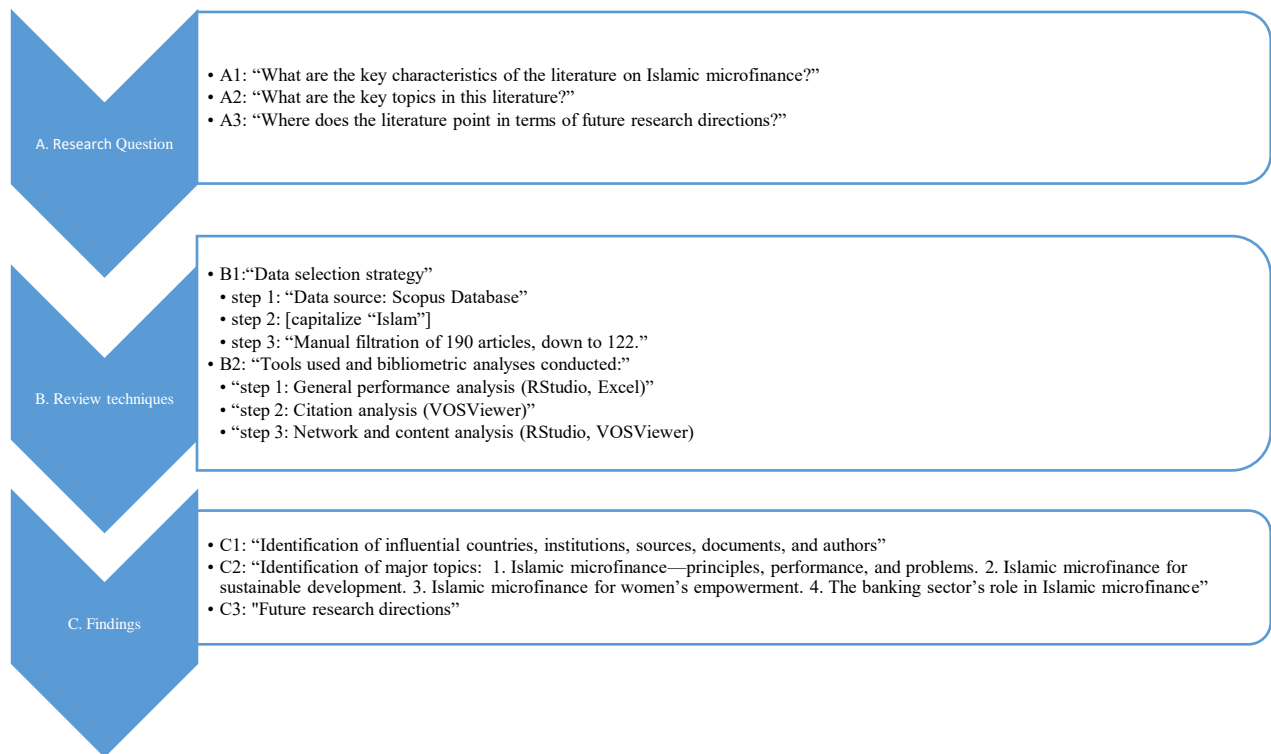


Fig. 1. Research design.

2.2. Data selection strategy

We rely on the Scopus database which is widely used database for rigorous scientific production in social science (Pérez-Gutiérrez & Cobo-Corrales, 2020). It provides users with easy-to-use features for compiling data. We chose Scopus in preference to other widely accepted databases because the Web of Science Social Science Citation Index (SSCI) has low coverage of Islamic microfinance content, and Google Scholar has many unaudited articles of low quality or lacking scientific measures. Table 1 provides a comparative overview of the Islamic microfinance content available in different databases.

We chose Scopus (which listed 193 articles on Islamic microfinance) in preference to other widely accepted databases because the Web of Science Social Science Citation Index (SSCI) has low coverage of Islamic microfinance content (only 94 articles), and Google Scholar (with 845 articles) includes many unaudited articles of low quality or lacking scientific measures.” To identify relevant papers from the SCOPUS database, we conduct a

keyword analysis; Table 1 shows the keywords, queries, and search results for the major task before the manual refinement.

Table 1

Data selection strategy.

Query Wording	Scopus Search Appearances		
	TITLE-ABS-KEY	TITLE	KEY
("microfinance" OR "micro finance" OR "micro-finance" OR "micro credit" OR "microcredit" OR "small medium enterprise" OR "SME" OR "SMEs") combined with AND ("islam*" OR "sharia" OR "shari'ah" OR shari'ah")	206	193	194
Combine		190	
#1 TITLE OR #1 KEYWORD			
After manual filtration			122

Note: The column TITLE-ABS-KEY indicates the number of papers that have at least one of these keywords in their title, abstract, or keywords. The columns “Title” and “Key” indicate the number of papers including any of the keywords in either their title or keywords. In step 2, we choose papers containing at least one of these keywords in either their title or keywords. Finally, we go through each paper manually to ensure that these papers are relevant for our study.

After a cursory examination of each paper to confirm or reject its relevance to our topic, we keep 122 papers for the bibliometric review. Our selected papers cover twenty years, from 2000 to 2020. The appendix contains a descriptive review of the 20 most frequently cited articles.

2.3. Analysis tools

We use three software packages to answer our research questions: RStudio, VOSviewer, and Excel. RStudio is an integrated development environment (IDE) for R, a programming language for statistical computing and graphics. VOSviewer enables users to create and visualize bibliometric networks, termed maps (van Eck & Waltman, 2010), of

relations among authors, sources, countries, and keywords, and to analyze co-authorship, co-occurrence, and co-citations. It also enables users to perform bibliographical coupling, which helps build a representative clusters for the literature. We use Excel worksheets to organize numbers and data with formulas and functions, and to generate editable graphs.

2.4 Types of analysis

We split our analysis into three categories: general performance, citations, and networks and content. The general performance analysis yields information about the literature’s growth over the years and the most relevant authors, countries, and affiliations. The citation analysis identifies the most cited authors, documents and journals. Finally, we perform a network and content analysis and use bibliographical coupling, co-citation, and co-occurrence analysis to conduct the clustering.

3. Results

Table 2 provides a general overview of the data. The 122 articles come from 70 journals, indicating low journal specialization. Only twenty articles are sole-authored, indicating a high level of collaboration in this field. The four reviews constitute about 3 percent of the sample, suggesting a need for more reviews to cover the field’s development.

Table 2

Descriptive overview of selected Islamic microfinance publications.

Description	Criteria	Results
Main information about data	Timespan	2000–2020
	Sources (Journals)	70
	Documents	122
	Average years from publication	4.35
	Average citations per document	4.23
	Average citations per year per document	0.67
	References	4409
Document types	Article	118
	Review	4
Document contents	Keywords plus (ID)	85
	Author's keywords (DE)	362
Authors	Authors	257

	Author appearances	323
	Authors of single-authored documents	20
	Authors of multi-authored documents	237
Authors' collaboration	Single-authored documents	22
	Documents per author	0.47
	Authors per document	2.11
	Coauthors per document	2.65
	Collaboration index	2.37

Figure 2 shows the yearly distribution of the 122 papers published between 2000 and June 2020. The annual growth is 16%. Although publications started in early 2000, the number before 2010 is low; academic interest in Islamic microfinance started to develop only after 2013. By comparison, a Scopus search using keywords and titles for conventional microfinance yields more than 2200 papers.

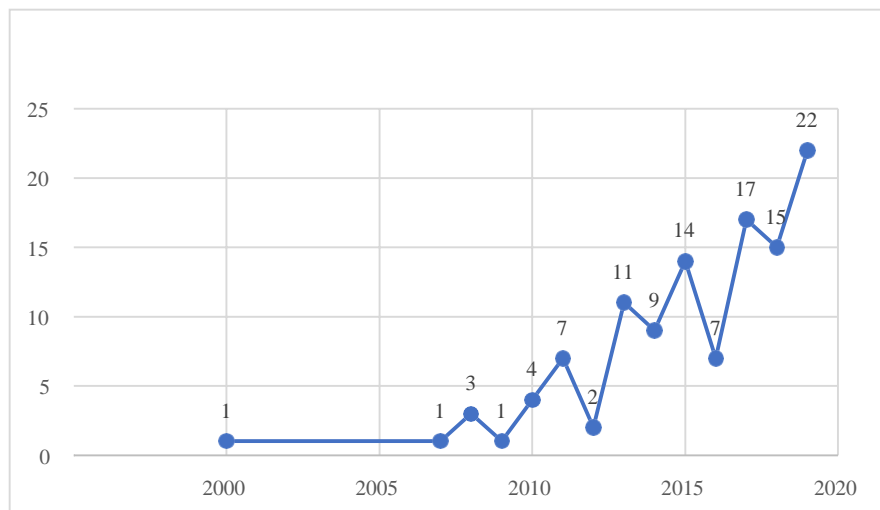


Fig. 2. Annual distribution of Islamic microfinance papers.

3.1. Leading authors, institutions, countries, and journals

Figure 3 shows the authors most frequently published on this topic. A. B. Bhuiyan has seven articles, followed by A. G. Ismail and C. Siwar with six articles. Each of these authors lives in Malaysia. R. A. Rahman and D. Masyita have five and four articles, respectively.

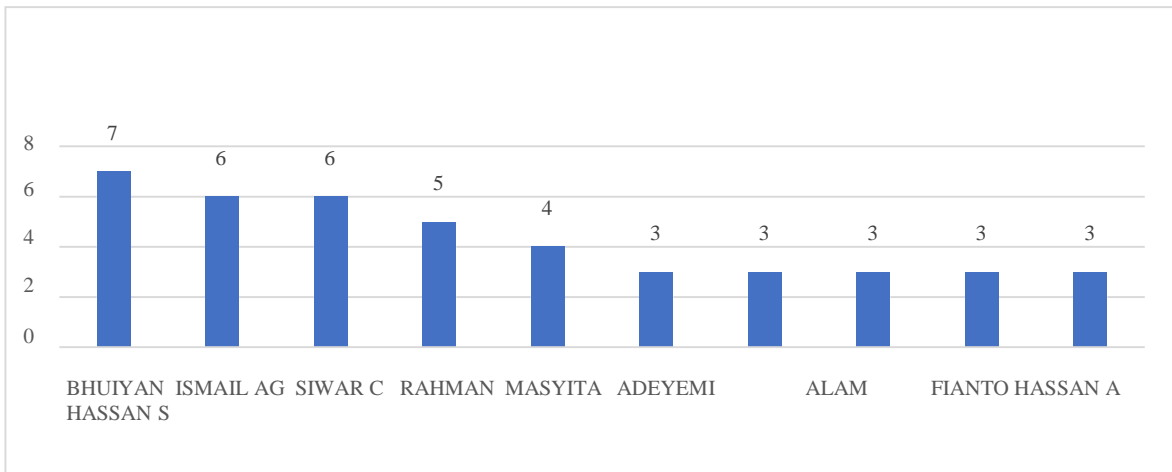


Fig. 3. Most frequently published authors in Islamic microfinance.

Table 3 lists author affiliations, ordered from most to least frequent, and Figure 4 shows the countries covered in past Islamic microfinance studies.

Table 3

Author-affiliated institutions.

No	Affiliations	Articles
1	International Islamic University Malaysia	11
2	Universiti Teknologi Mara	9
3	University of Malaya	7
4	Universitas Airlangga	6
5	Universiti Teknologi Mara (Uitm)	6
6	National University of Malaysia (Ukm)	5
7	Universiti Kebangsaan Malaysia	5
8	Universiti Utara Malaysia	5
9	University of Management and Technology	5
10	International Islamic University	4

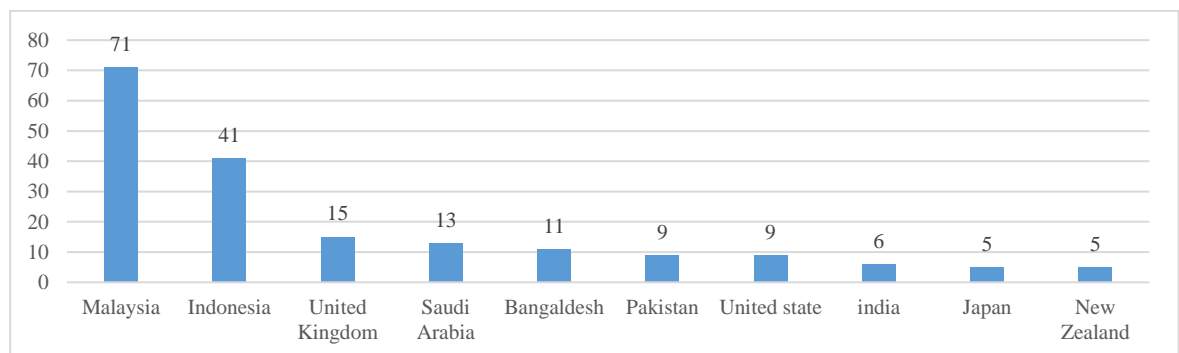


Fig. 4. Countries covered in Islamic microfinance studies.

Countries with more impoverished populations, like Indonesia, India, and Pakistan, appear frequently, perhaps because of their need for microfinance. Malaysia has a strong presence because it is an educational hub for Islamic finance. Saudi Arabia, a major Muslim country, and the United States, Japan, and New Zealand, countries supporting scientific research, also have authors publishing articles on Islamic microfinance. The *Journal of Humanomics*, later called the *International Journal of Systems and Ethics*, ranks first, followed by the *International Journal of Islamic and Middle Eastern Finance and Management* and the *International Journal of Social Economics*. Table 4 lists the frequency of Islamic microfinance publications in various journals.

Table 4

Frequency of Islamic microfinance publications, by journal.

No	Sources	Articles
1	<i>Humanomics</i>	14
2	<i>International Journal of Islamic and Middle Eastern Finance and Management</i>	7
3	<i>International Journal of Social Economics</i>	5
4	<i>Journal of Islamic Accounting and Business Research</i>	5
5	<i>Asian Social Science</i>	4
6	<i>International Journal of Business and Society</i>	4
7	<i>Middle East Journal of Scientific Research</i>	4
8	<i>Al-Shajarah</i>	3
9	<i>Humanities and Social Sciences Reviews</i>	3
10	<i>Journal of Islamic Economics Banking and Finance</i>	3

3.2. Citation analysis

Citation analysis is a form of bibliographical reference analysis (Seglen, 1989). It captures a connection between two documents. Some scholars argue that it misrepresents the paper's quality. For example, citation analysis sometimes includes negative citations (citation of incorrect results worthy of attack), self-citations and include outdated papers (Seglen, 1989). Despite these criticisms and the controversy surrounding it, citation analysis is still a good indicator of influence (Garfield, 1979). It helps us learn more about a field or a topic by identifying seminal works.

Table 5

Most cited documents.

Author(s) (Last Name)	Title	Year	Source Title	Cited by
Seibel	Islamic microfinance in Indonesia	2008	<i>SOJOURN: Journal of Social Issues in Southeast Asia</i>	126
Rahman and Ahmad	Islamic microfinance: An ethical alternative to poverty alleviation	2010	<i>Humanomics</i>	123
Kaleem and Ahmed	The Quran and poverty alleviation: A theoretical model for charity-based Islamic microfinance institutions (MFIs)	2010	<i>Non-profit and Voluntary Sector Quarterly</i>	100
Rahman and Ahmad	Impact of microfinance of IBBL on the rural poor's livelihood in Bangladesh: An empirical study	2010	<i>International Journal of Islamic and Middle Eastern Finance and Management</i>	100
El-Komi and Croson	Experiments in Islamic microfinance	2013	<i>Journal of Economic Behaviour and Organisation</i>	99
Widiarto and Emrouznejad	Social and financial efficiency of Islamic microfinance institutions: A data envelopment analysis application.	2015	<i>Socio-Economic Planning Sciences</i>	93
Rahman and Dean	Challenges and solutions in Islamic microfinance	2013	<i>Humanomics</i>	81
Hassan	The challenge in poverty alleviation: Role of Islamic microfinance and social capital	2014	<i>Humanomics</i>	73
Adnan and Ajija	The effectiveness of Baitul Maal wat Tamwil in reducing poverty	2015	<i>Humanomics</i>	69
Haneef, Pramanik, Mohammed, Bin Amin, and Muhammad	Integration of waqf-Islamic microfinance model for poverty reduction: The case of Bangladesh	2015	<i>International Journal of Islamic and Middle Eastern Finance and Management</i>	59
Dusuki	Banking for the poor: The role of Islamic banking in microfinance initiatives	2008	<i>Humanomics</i>	55
Ahmad and Ahmad	Islamic microfinance: The evidence from Australia	2009	<i>Humanomics</i>	45
Fianto, Gan, Hu, and Roudaki	Equity financing and debt-based financing: Evidence from Islamic microfinance institutions in Indonesia	2018	<i>Pacific-Basin Finance Journal</i>	40
Ashraf and Hassan	Performance of microfinance institutions in Muslim countries	2014	<i>Humanomics</i>	39
Alam, Hassan, and Said	Performance of Islamic microcredit in perspective of Maqasid Al-Shariah	2015	<i>Humanomics</i>	27

Rather than counting all citations, our analysis measures citation among authors who publish in quality journals and thus shows the impact of top authors. Table 5 lists the most

cited papers in the Islamic microfinance literature. We provide a detailed review of this table in the Appendix. The most cited papers focus on banks' role in ensuring financial inclusion of the poor through innovative microfinance approaches. Table 6 shows the authors' impact. A. G. Ismail appears to be the most cited author in Islamic microfinance.

Table 6

Authors' impact.

No.	Author Name	H-Index	G-index	M-Index	Total Citations	Number of Papers	Year
1	Ismail, A. G.	3	5	0.300	32	6	2011
2	Bhuiyan, A. B.	3	5	0.300	28	7	2011
3	Rahman, R. A.	3	5	0.375	28	5	2013
4	Siwar, C.	3	5	0.300	25	6	2011
5	Hassan, A.	3	3	0.429	25	3	2014
6	Hassan, S.	2	3	0.250	15	3	2013
7	Fianto, B. A.	1	3	0.333	14	3	2018
8	Alam, M. M.	1	3	0.167	12	3	2015
9	Masyita, D.	1	1	0.250	1	4	2017
10	Adeyemi, A. A.	1	1	0.200	1	3	2016

Notes: We rank authors by their total citations. The H-index, available in Google Scholar Citation, focuses on total citation in past papers. The G-Index looks at overall publication records. The M-index takes into account both H-index values and year of publication.

Table 8 shows the impact of the sources. *Humanomics* is the most influential and relevant journal in Islamic microfinance, followed by the *International Journal of Islamic and Middle Eastern Finance and Management* and the *International Journal of Social Economics*.

Table 8

Journal impact.

No	Source	H-Index	G-Index	M-Index	Total Citations	No	Year
1	<i>Humanomics</i>	8	13	0.600	187	14	2008
2	<i>International Journal of Islamic and Middle Eastern Finance and Management</i>	3	6	0.230	44	7	2008
3	<i>International Journal of Social Economics</i>	2	3	0.330	13	5	2015
4	<i>Journal of Islamic Accounting and Business Research</i>	2	3	0.330	9	5	2015
5	<i>Asian Social Science</i>	1	1	0.140	3	4	2014
6	<i>International Journal of Business and Society</i>	2	3	0.250	10	4	2013
7	<i>Middle East Journal of Scientific Research</i>	3	4	0.370	16	4	2013
8	<i>Al-Shajarah</i>	0	0	0.000	0	3	2017
9	<i>Humanities and Social Sciences Reviews</i>	1	1	0.500	2	3	2019
10	<i>Journal of Islamic Economics, Banking and Finance</i>	0	0	0.000	0	3	2017

Notes: We rank journals by total citations. H-Index, G-Index and M-Index provides author impact scores. H-index is an author level metric, available in Google Scholar Citation that focuses on total citation in past papers. G-Index looks at the overall publication records. M-index takes both H-index values and year of publication.

3.3. Network and content analysis using mapping tools

In this section, we analyze co-authorship, bibliographical coupling, co-citation, keywords, thematic evolution, and hierarchical clustering to identify four research streams and future research directions.

3.3.1. Coauthorship

In research work, coauthorship refers to authorship by two or more authors or organizations (Ponomariov & Boardman, 2016). We chose the minimum number of citations to be 1. Our analysis identifies 14 source documents with a total link strength of 35. A higher score indicates a stronger link between two documents (van Eck & Waltman, 2010); the link strength in this study is moderate. Figure 5 color codes the four coauthorship

clusters that we identified using VOSviewer. The green cluster is led by R. A. Rahman with three coauthors. Coauthors in the green cluster do not have coauthorship links with each other, as do those in the other three clusters. S. Hassan, M. M. Alam, and A. D. Muhammad lead the yellow, blue, and red clusters, which have coauthor links within clusters. Such coauthorship links with a moderate score indicate collaboration among authors from various parts of the world to explore various issues related to Islamic microfinance.

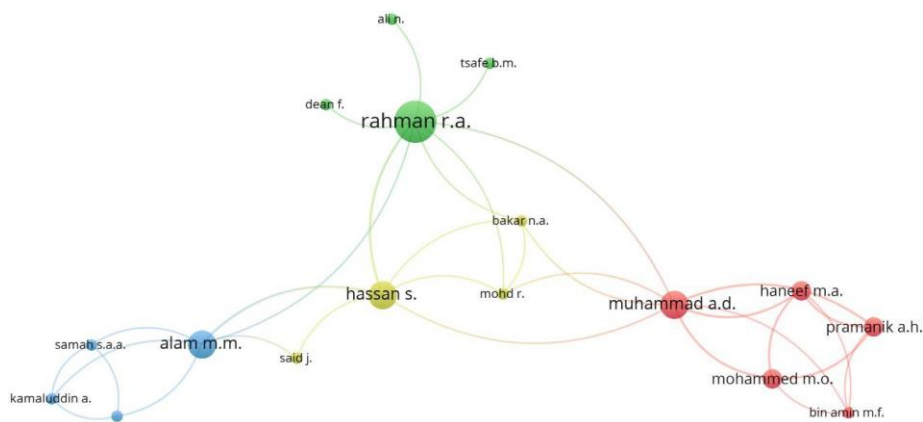


Fig. 5. Coauthorship.

3.3.2. Bibliographic coupling

We use VOSviewer to conduct a bibliographic coupling analysis to discover core items in our dataset (Boyack & Klavans, 2010). This method, which is widely used to perform automatic clustering for big data sets, identifies cases in which two documents cite the same third work in their bibliographies. Figure 6 shows this analysis for the Islamic microfinance documents in our database. We identify seven clusters and find that the documents most often co-cited are articles by Dusuki (2008), exploring the role of Islamic banks in Islamic microfinance, and Widiarto and Emrouznejad (2015), determining the efficiency of Islamic microfinance. Accordingly, we conclude that the majority of Islamic

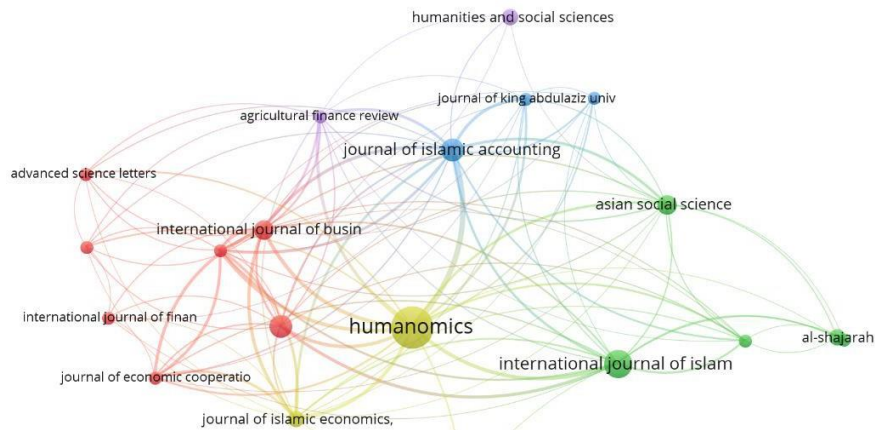


Fig. 7. Bibliographical coupling of sources.

3.3.3. Co-citation

Co-citation analysis, which tracks pairs of papers cited in the same source article (Shiau et al., 2017), allows identifying research streams through the strength of the connection between articles. After placing a threshold at a minimum of three citations, we identify five clusters. Figure 8 focuses on four clusters within a network of 10 papers. The sources in the red and yellow clusters have weak relations to the sources the in blue and green clusters, while the green and blue clusters have strong relations with each other.

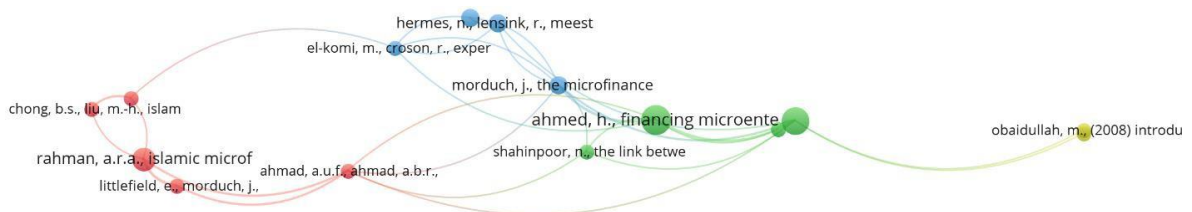


Fig. 8. Co-citation of references.

3.3.4. Keywords

Initially, our keyword analysis set the minimum number at 5 occurrences; as that

criterion provided limited results, we reduced the threshold to 3. Figure 9 presents the results of the keyword analysis. Again we see four clusters. In addition to refining the clusters, keyword analysis sheds light on research streams. Figure 9 indicates that Islamic microfinance studies fall into four classes: general studies on Islamic microfinance, the role of the banking sector in Islamic microfinance, the influence of Islamic microfinance on poverty alleviation, and female empowerment.

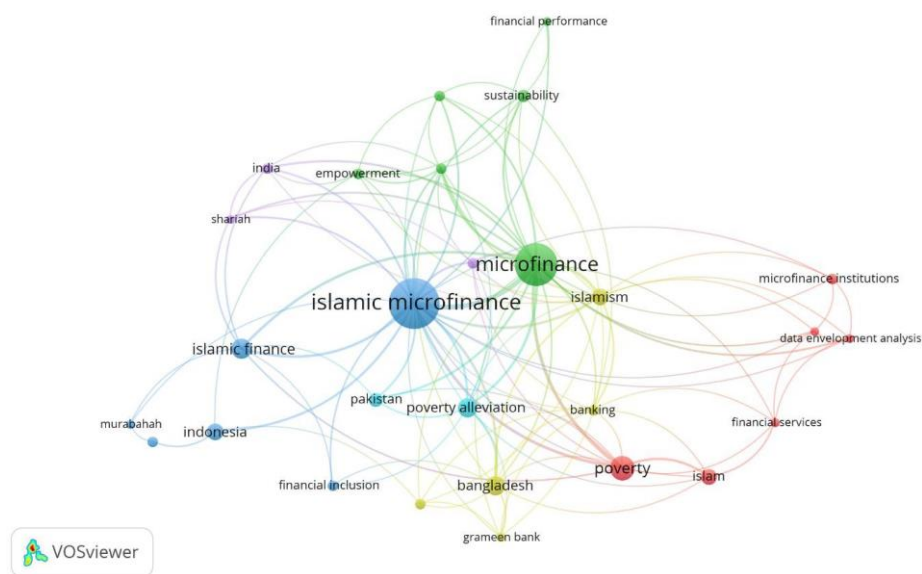


Fig. 9. Co-occurrence of keywords.

3.3.5. Thematic evolution

To improve the accuracy of our results, we conduct two more analyses using the bibliometric R-package. We use the thematic map function available in the R-package to classify other themes according to their centrality and density. The thematic map presented in Figure 10 shows 4 quadrants. Cobo, López-Herrera, Herrera-Viedma, and Herrera (2011) classify the upper right and left quadrants as motor and very specialized themes, respectively, and the lower right and left quadrants as underlying and emerging themes, respectively. As Figure 10 indicates, Islamic microfinance papers have underlying themes of

Islam and microfinance and specialized themes of sustainable development and empowerment. We confirm the themes by performing dendrogram analysis, which also produces four clusters based on the keywords of source documents.

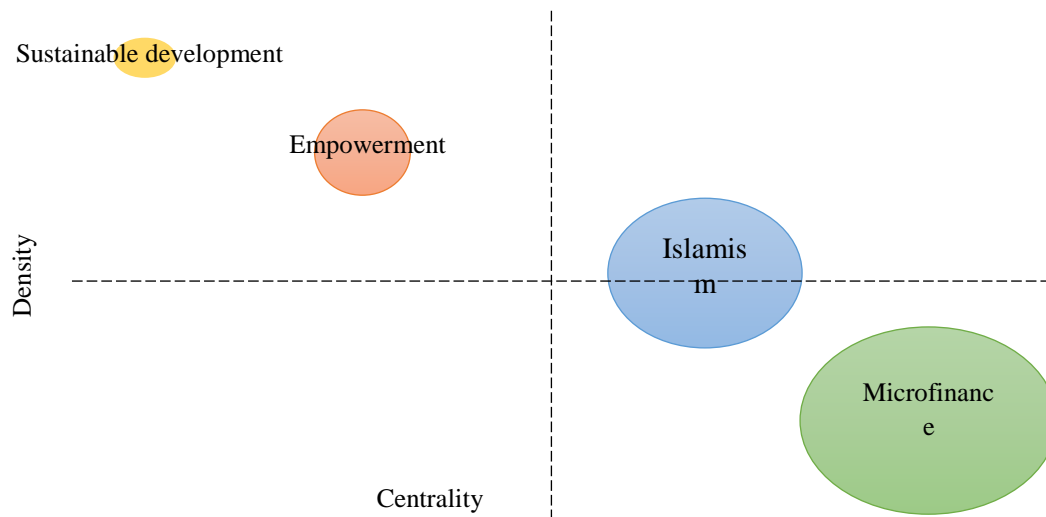


Fig. 10. Thematic evolution.

4. Research streams and future research questions

4.1. Research stream 1: Islamic microfinance—principles, performance, and problems

The first research cluster on Islamic microfinance focuses on three interlinked areas. The majority of Islamic microfinance studies begin by discussing Shari’ah principles (Alam et al., 2015; Haque & Yamao, 2011; Rahman & Dean, 2013). Shari’ah principles prohibit charging interest, making the operations and products of Islamic microfinance different from traditional interest-based microfinance. Extending this perspective, Smolo and Ismail (2011) point out that in addition to restricting interest, Shari’ah strives to preserve property rights, emphasize ethical standards, and promote risk-sharing and social justice. Therefore, Islamic microfinance can make a significant contribution through unique product offerings that fulfil Shari’ah standards (Hassan et al., 2013).

Among studies of the performance of Islamic microfinance, El-Komi and Croson

(2013) conducted an experiment and found a significantly higher compliance rate for Islamic contracts based on profit-sharing and joint ventures than for traditional interest-based contracts. Widiarto and Emrouznejad (2015) compare conventional and Islamic microfinance institutions (MFIs) using data envelopment analysis (DEA) and confirm that in terms of performance, Islamic MFIs are not on par with their conventional counterparts. Alam et al. (2015) explore the performance of Islamic microcredit programs in light of Maqasid Al-Shariah and conclude that IMFIs are improving their clients' well-being. Their study analyzes the extent of IMFIs' compliance with the Maqasid Al-Shari'ah principle of Al-daruriyat, or fulfillment of the five human needs: religion, life, intellect, honor, and wealth. They report that IMFIs in Bangladesh contribute to achieving all the principal elements of Al-daruriyat except intellect.

A substream of research covers the challenges that hinder Islamic MFIs from performing at the same level as conventional MFIs. Rahman and Dean (2013) discuss several of these, including market penetration, sustainability, and higher transaction costs. Market penetration is affected by poor branch networks among IMFIs. Lack of funds and product diversification affect the sustainability of IMFIs. The transaction costs of monitoring, searching, and enforcing are related to information asymmetry in rural financial markets. Karim et al. (2008) point out that small loans to microentrepreneurs carry high fixed and overhead costs. Haque and Yamao (2011) indicate that researchers measuring the efficiency of IMFIs should take into account lack of funds, the dominance of nongovernmental organizations (NGOs), lack of managerial and entrepreneurial skills, and government regulations. Such challenges reaffirm Seibel's (2008) findings and indicate the need for a better regulatory framework for IMFIs.

4.2. *Research stream 2: Islamic microfinance for sustainable development*

IMFIs play a vital role in the sustainable development of Muslim-majority regions in

Asia (Widiarto & Emrouznejad, 2015). Research interest in this topic has increased in recent years (Widiarto & Emrouznejad, 2015; Alam et al., 2015). Several papers on Islamic microfinance cover poverty alleviation (Bhuiyan, Siwar, Ismail, & Aminul Islam, 2012; Pramanik et al., 2015; Rahim Abdul Rahman, 2010); the majority are theoretical and provide alternative models of poverty alleviation through Islamic microfinance.

Rahim Abdul Rahman (2010) identifies IMFIs as ethical alternatives for poverty alleviation with the potential to reduce micro-entrepreneurs' risk. Bhuiyan et al. (2012) propose alternative Islamic microfinance models for poverty alleviation that follows zakat and qard hasan principles. According to Kaleem and Ahmed (2010), charity-based IMFIs can make a broader economic impact by ensuring an equal distribution of wealth. The authors propose a charity-based Islamic microfinance model for poverty alleviation, which incorporates waqf certificates to ensure wealth redistribution from rich to poor people.

We find few empirical papers that validate the conceptual model of Islamic microfinance based on poverty alleviation. Haneef et al. (2015) integrate waqf into Islamic microfinance and provide empirical evidence on the model's significance in poverty alleviation. Adnan and Ajija (2015) explore the effectiveness of Islamic microfinance based on Baitul Maal wat Tamwil (BMT) in reducing poverty. Hassan (2014) conducts a nonrandom survey to explore the challenges Islamic microfinance and social capital face in poverty alleviation. He shows that environmental awareness and poverty alleviation are achievable through the faithful management of Islamic microfinance resources.

4.3. Research stream 3: Islamic microfinance for female empowerment

Research stream three focuses on the importance of Islamic microfinance for ensuring financial inclusion, especially among women entrepreneurs. Tariq and Umar (2011) have studied rural households' access to Islamic microfinance. Haque and Yamao (2011) conclude that IMFIs fail to reach the poorest of the poor. Fianto, Gan, and Hu (2019)

find that IMFIs have a positive and significant impact on Indonesian women's access to finance; however, in general, the results indicate that male members of rural households are likelier to receive financing from IMFIs.

Applying bounded rationality theory, Ashraf (2018) concludes that the participation of women entrepreneurs has significantly affected the success of micro-entrepreneurship programs run by IMFIs. Nik Azman et al. (2016) explore the role of Ar-Rahnu as a viable micro-credit instrument to improve financial inclusion among women entrepreneurs. The authors also explore factors that may affect financial decision making among women entrepreneurs, including transaction cost and familiarity with the product.

4.4. Research stream 4: the role of the banking sector in operationalizing Islamic microfinance

The Islamic microfinance banking model and its role in empowering women and alleviating poverty (Bhuiyan et al., 2011) in Bangladesh (Suzuki et al., 2013) have attracted research attention to the involvement of Islamic banks in developing microfinance products (Bhuiyan, Siwar, Ismail, & Omar, 2017; Hassan & Saleem, 2017). Aliyu, Yusof, and Naiimi (2017) focus on the sustainability of Islamic banks and propose a conceptual Islamic micro-finance bank that promotes society's well-being. Ayaz, Shah, Noor, Shaheen, and Yusuf (2019) identify several obstacles that limit the penetration of Islamic banking in providing microfinance schemes. These challenges are similar to those currently faced by IMFIs (see research stream one), and further emphasize the need for a regulatory framework, government support, product diversification, and operational efficiency. Dusuki (2008) explores the importance of Islamic banks as an innovative approach to strengthening microfinance schemes' impact on sustainable development. He also proposes using special purpose vehicles (SPVs) for channelling microfinance funding to poor entrepreneurs. Bhuiyan et al. (2011) confirm Dusuki's (2008) propositions by drawing case-based evidence

from Bangladesh and further emphasize the challenge to develop universally accepted Shari'ah-compliant Islamic microfinance products.

However, Islamic banks still face challenges in designing Shari'ah-compliant microfinance products for their clients, who lack access to finance because they lack collateral (Hassan et al., 2013). Santoso and Ahmad (2016) propose an innovative branchless Islamic microfinance banking model that utilizes recent advances in information and communication technology (ICT). Amran et al. (2019) reaffirm Santoso and Ahmad's (2016) proposal, highlighting the importance of mobile banking services to promote Islamic microfinance products offered through Islamic banking channels.

5. Future research directions

IMFIs face several challenges that affect their ability to contribute to sustainable development. While Rahman and Dean (2013) offer various solutions, a need exists to explore country-specific challenges to the sustainability of IMFIs. The regulatory and operational challenges identified by Haque & Yamao (2011) require further development. Shari'ah standards also affect the availability and use of IMFIs; and except for Mansori, Kim, and Safari (2015) and Alam et al. (2015), few scholars have discussed these issues. Alam et al. (2015) state the need to evaluate the achievements of IMFIs in light of Maqasid Al-Shari'ah principles. Widiarto and Emrouznejad (2015) propose that researchers conduct further comparisons between conventional and Islamic MFIs within a region or country.

Past studies have proposed several theoretical models that allow IMFIs to contribute to poverty alleviation (Kaleem & Ahmed, 2009). We expect future research to test the practical application of these business models to allow IMFIs to play a significant role in ensuring financial access to rural households. Adnan and Ajija (2015) highlight various poverty measurement indicators and recommend future research to explore a different aspect

of poverty alleviation through Islamic microfinance. Further studies can explore the role of Islamic microfinance in ensuring low-cost housing, water supply, sanitation, and health services. We also expect research that addresses initiatives taken by Islamic microfinance to protect the environment. We find limited evidence on green initiatives taken by Islamic microfinance institutions.

Our evidence shows that IMFIs' goals of financial inclusion through empowering women are rarely achieved. Fianto et al. (2019) provide evidence on how demographic factors affect financial access through IMFIs, but other factors could also affect women's ability to secure loans from IMFIs and efficiently use such loans in their businesses (Rahman & Dean, 2013). Researchers have not adequately documented such factors for Muslim-majority emerging economies. Future research on micro-entrepreneurs' financial decision making can enhance our understanding of Islamic microfinance sustainability. Limited evidence is available on the extent to which women entrepreneurs' living standards have improved through Islamic microfinance schemes.

Although these studies propose conceptual frameworks to improve the Islamic banking sector's role in institutionalizing microfinance, limited empirical evidence is available that validates authors' claims. Seibel (2008) recommends using excess liquidity in the Islamic banking sector to extend financial services to the rural poor through microfinance. However, researchers have not empirically explored the practical application of this concept, in particular, microfinance clients' ability to adopt ICT-based Islamic microfinance frameworks. Future research is also required to explore how the Shari'ah aspects of microfinance products might affect Islamic banks' current product offerings. Rahman (2010) proposes Qard-al-Hasan as a viable microfinance scheme that can increase Islamic banks' ability to ensure financial inclusion among micro-entrepreneurs; this scheme needs further investigation covering Shari'ah perspectives and operational issues.

At present, we find limited evidence on the impact of good governance on the performance of IMFIs, a topic that has been extensively explored for conventional MFIs. Research is needed on the role of political connection among IMFI board members and its impact on performance. Limited evidence is available on the role of Shari'ah board members in Islamic microfinance institutions. Also, in-depth market research is needed to provide greater insights into the market size and customer needs. Findings from such market research could allow IMFIs and Islamic banks to develop attractive microfinance products.

6. Conclusions

Islamic microfinance is no longer a theoretical concept discussed only by academics. The United Nations Development Programme (UNDP) identifies Islamic microfinance as a local innovative tool for transformational change and cites the success of the Islamic Bank Bangladesh Limited (IBBL) in changing the rules for women entrepreneurs in Bangladesh.

Above, we identify four clusters of studies on Islamic microfinance, and critically examine each cluster to find gaps that suggest future research directions in Islamic microfinance. We find that future research should seek to identify innovative applications of Islamic microfinance schemes that shift the focus from economic to sustainable development. The issue of Shari'ah compliance has not been explored extensively in the context of Islamic microfinance as compared to that of Islamic banking. As a growing number of studies explore the potential role of Islamic banks in providing Shari'ah-compliant microfinance to rural entrepreneurs, we emphasize the need to critically evaluate such models. Finally, Industry 4.0 is bringing a paradigm shift in all business models. ICT development could improve the penetration of Islamic microfinance. Future studies could develop financial technology (fintech)-based Shari'ah-compliant Islamic microfinance models to benefit poor entrepreneurs with limited access to finance from traditional financial

channels. Policy makers could also benefit from our discussion of the need for regulatory reform to improve the practical viability of Islamic microfinance as a tool for economic transformation.

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Appendix

Table 9

Descriptive review of the twenty most frequently cited papers.

Author(s)	Purpose	Method	Results	Total Citations
Dusuki (2008)	<ol style="list-style-type: none"> 1. Review the microfinance scheme. 2. Discuss how Islamic banks can participate in economic development without compromising institutional viability and sustainability. 	<ul style="list-style-type: none"> • Conceptual paper 	<ul style="list-style-type: none"> - Microfinance requires innovative approaches beyond the traditional financial intermediary role. - Build human capacity through social intermediation and designing group-based lending programs are proven to be effective tools to reduce transaction costs and lower exposure to numerous financial risks. - Suggests the use of a special purpose vehicle (SPV) as an alternative for Islamic banks channeling funds to the poor. 	55
Widiarto and Emrouznejad (2015)	Propose a two-stage analysis to measure Islamic microfinance institutions' (IMFIs') performance by comparing them to conventional MFIs.	<ul style="list-style-type: none"> • Analytical paper • Data envelopment analysis (DEA) for MFI efficiency 	<ul style="list-style-type: none"> - The dataset delivers comparable performance with conventional MFIs in term of pure overall, financial and social efficiency for an input-oriented model in global and MENA meta-frontiers. - MFIs outperform conventional MFIs in social efficiency for both models in SA meta-frontier. - Conventional MFIs surpassed Islamic/window MFIs in financial and social efficiency under output-oriented strategy in global EAP and SA meta-frontiers. 	38
El-Komi and Croson (2013)	Describe and experimentally test Islamic-compliant microfinance products in the context of information asymmetry and costly state verification.	<ul style="list-style-type: none"> • Analytical paper 	<ul style="list-style-type: none"> - Compliance rates are significantly higher for Islam-compliant contracts (profit-sharing and joint venture) than for traditional contracts (interest-based). 	28

Kaleem and Ahmed (2010)	<ol style="list-style-type: none"> 1. Seek guidance from the Quran. 2. Develop a theoretical model of charity-based Islamic microfinance institutions (MFIs). 	<ul style="list-style-type: none"> • Conceptual paper 	<ul style="list-style-type: none"> - Charity-based Islamic MFIs will be financially and socially sustainable, as these are to be based on the concepts of brotherhood, local philanthropy, and volunteer services. 	26
Rahim Abdul Rahman (2010)	Assess the potential of Islamic financing schemes for micro-financing purposes.	<ul style="list-style-type: none"> • Conceptual paper 	<ul style="list-style-type: none"> - Islam has the potential to provide various schemes and instruments, like Qardhul hasan, murabahah, and ijarah. - Participatory schemes such as mudarabah and musharakah have great potential for microfinance purposes because of risk-sharing concept. 	23
Rahman & Ahmad (2010)	Describe a microfinance scheme to alleviate rural poverty.	<ul style="list-style-type: none"> • Analytical paper • Primary data • Multi-stage random sampling 	<ul style="list-style-type: none"> - The money invested significantly increased household income, the productivity of crops and livestock, expenditure, and employment. - Clients' age, number of family members in farming, total land size, and clients' ethics and morals had a positive and significant influence on household income. 	22
Ashraf et al. (2014)	Analyze whether performance measures and their factors for microfinance institutions (MFIs) in Muslim countries are significantly different from those in their non-Muslim counterparts.	<ul style="list-style-type: none"> • Analytical paper • Secondary data • Cross-sectional data 	<ul style="list-style-type: none"> - Country gross domestic product size is positively related to profitability. - The percentage of women borrowers is also significant in driving loan recovery and firm profitability in the OIC sample but not significant in the rest-of-the-world sample. 	18
Seibel (2008)	Systematically study Islamic microfinance in Indonesia.	<ul style="list-style-type: none"> • Conceptual paper 	<ul style="list-style-type: none"> - To promote Islamic microfinance <ul style="list-style-type: none"> ○ assisting Islamic commercial banks to establish units with Islamic microfinance products; ○ reassessing in a participatory process the challenges and realistic opportunities of Islamic rural banks and cooperatives, with a focus on effective internal control, external supervision, and the establishment of associations with apex services to their member institutions. 	18

Rahman and Dean (2013)	<ol style="list-style-type: none"> 1. Highlight challenges faced by Islamic microfinance institutions (MFIs). 2. Map out suggestions for overcoming the challenges. 	<ul style="list-style-type: none"> • Conceptual paper 	<ul style="list-style-type: none"> - Challenges are low market penetration, lack of fund mobilization, and high administrative costs. - Suggested solutions include a collective resolution in increasing bank participation in microfinance and diversifying their portfolios, provision of education and training, better coordination and networking, technical assistance. 	15
Hassan (2014)	<ol style="list-style-type: none"> 1. Examine the growth of an Islamic microfinance (bila sudi-qardh) scheme in the Andaman Islands. 2. Discuss how the Islamic microfinance sector and social capital contribute to facing the challenge of poverty alleviation. 	<ul style="list-style-type: none"> • Analytical paper • Questionnaire • Nonrandom sampling 	<ul style="list-style-type: none"> - Collective action through Islamic microfinance groups helps to increase environmental awareness, economic betterment of the members, and fruitful management of LCRs. 	14
Fianto et al. (2018)	Investigate the impact of Islamic microfinance on rural households' welfare in Indonesia.	<ul style="list-style-type: none"> • Analytical paper • Secondary data 	<ul style="list-style-type: none"> - Demographic variables affect rural households' financial access from IMFIs. 	13
Adnan and Ajija (2015)	Examine the effectiveness of Baitul Maal wat Tamwil (BMT) based Islamic microfinance in reducing poverty.	<ul style="list-style-type: none"> • Case study 	<ul style="list-style-type: none"> - Qualitative results indicate that Baitul Maal wat Tamwil (BMT)–based Islamic microfinance can effectively reduce poverty. 	13
Ahmad and Rafique Ahmad (2009)	Explore the cooperative nature of Islamic microfinance and its effectiveness to attract capital along with fulfilling religious obligations.	<ul style="list-style-type: none"> • Conceptual paper • Qualitative research design 	<ul style="list-style-type: none"> - Islamic microfinance has opportunities for further development in Australia. However, IMFIs will require government support and must design products to serve the financial needs of diverse clients. 	13
Alam et al. (2015)	Examine the performance of IMFIs in the perspective of Maqasid Al-Shariah.	<ul style="list-style-type: none"> • Analytical paper • Questionnaire survey 	<ul style="list-style-type: none"> - AIM has enhanced the living standards and well-being of microcredit borrowers. 	12
Haneef et al. (2015)	Develop a conceptual waqf-based Islamic microfinance model with the ability to alleviate poverty in Bangladesh.	<ul style="list-style-type: none"> • Analytical paper • Questionnaire survey 	<ul style="list-style-type: none"> - A waqf-based Islamic microfinance model integrating the takaful concept contributes toward alleviating poverty. 	12
Bhuiyan et al. (2012)	Link Islamic microfinance with a sustainable livelihood.	<ul style="list-style-type: none"> • Conceptual paper • Qualitative research design 	<ul style="list-style-type: none"> - An Islamic microfinance model integrating zakat and Qard Hasan principles can contribute to poverty alleviation and sustainable livelihoods. 	10
Smolo and Ismail (2011)	Propose a conceptual model of Islamic microfinance for poverty alleviation.	<ul style="list-style-type: none"> • Conceptual paper • Qualitative research 	<ul style="list-style-type: none"> - IMFIs are a source of capital for micro-entrepreneurs and can ensure financial inclusion among the poor 	10

Obaidullah (2015) Examine the role of Islamic microfinance in enhancing food security.	<p>design</p> <ul style="list-style-type: none"> • Case study 	<p>segment of the population in emerging economies.</p> <ul style="list-style-type: none"> - IMFIs face several risks and challenges in enhancing food security for rural households. 	9
Kurt et al. (2020) Explore the role of religion and spirituality in Islamic microfinance.	<ul style="list-style-type: none"> • Qualitative research design • Semistructured interviews 	<ul style="list-style-type: none"> - Spirituality drives member commitment to the Islamic microfinance network. 	8
