

Islamic Microfinance for Poverty Alleviation

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Poverty is a serious problem faced by Indonesia. Most Indonesians are vulnerable to poverty. Various poverty alleviation programs have been attempted and initiated, both by the government and organizations outside the government. The process of changing poverty alleviation policies continues to be renewed. Because all parties realize that poverty is more caused by structural problems, the term structural poverty has emerged. Basically, the government has conducted many programs to alleviate poverty. But in reality, these programs have not been right on target. There is a need for a new design, so that it can be ensured that the program is right on direction and right on target. The Islamic economic system, including Islamic financial institutions, has the right and obligation to participate in managing the resources in this country. This study aims to determine the development of Islamic microfinance for poverty alleviation research trends published by leading journals on Islamic financial economics. The data analyzed consisted of 87 indexed research publications. The data is then processed and analyzed using the VoSviewer application to determine the bibliometric map of Islamic microfinance for poverty alleviation research development.

Keywords: Islamic microfinance; Poverty alleviation; Bibliometric

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INTRODUCTION

Poverty is a very serious problem faced by Indonesia. Most of Indonesia's population is vulnerable to poverty. The latest data shows that the number of poor people (people with per capita expenditure per month below the poverty line) in Indonesia reached 27.54 million people (10.96% of the population). (BPS, 2021).

Various poverty alleviation programs have been attempted and initiated, both by the government and organizations outside the government. Even organizations such as the United Nations have encouraged countries in the world to fight the enemy of poverty through various forums. Among the results is the issuance of the Millennium Development Goals (MDGs) as an indicator to measure success in fighting poverty (Kuncoro, 2010). Despite this, poverty in Indonesia is still seen as the duty of the government and certain groups who are still fighting for even the poor themselves and not a collective obligation to overcome it. Due to the limited role in the involvement of poverty alleviation, the programs that are carried out are often unsustainable and sporadic and even tend to be inappropriate. Therefore, the condition of poverty in Indonesia seems to progress slowly compared to other developments (Afriyandi, 2015).

In response to the above problems, the process of changing poverty alleviation policies continues to be reformed. Because all parties realize that poverty is more caused by structural problems, the term structural poverty has emerged. Poverty is caused by the social structure of people who cannot participate in using the sources of income that are actually available to them. At the level of the poor who are classified as micro-scale economic enterprises, for example, the structural problems they usually face include two things, first; their difficulty in accessing credit, second; the absence of protection and guarantee of capital for their business (Afriyandi, 2015).

If viewed from the point of view of Islamic economics, then Allah swt clearly prohibits poverty as stated in the Qur'an surah al-Isra verse 29. Likewise, the Prophet's hadith which says that: "work for your world as if you will live forever and worship for your hereafter as if you will die tomorrow". Therefore, based on the above references, it can be a basis for Muslims to work and fight against all forms of poverty that exist (Lubis, 2016).

Basically, the government has conducted many programs to alleviate poverty. However, in reality, these

programs have not been right on target. So there needs to be a new design so that it can be ensured that the program is right on direction and right on target. The Islamic economic system, including the Islamic financial institutions in it, has the right and obligation to participate in managing the resources in this country (Lubis, 2016).

Providing easy financing for micro businesses is one of the efforts of Islamic microfinance institutions to improve community welfare. One factor that has been a classic problem is the limited access to capital for micro businesses. Capital constraints make it difficult for micro businesses to increase productivity. Usually, the capital of micro businesses only depends on their own capital and or family. The financing program for micro businesses is considered a government effort to alleviate poverty. With access to capital, micro business actors get out of the gate of difficulties in an effort to increase production activities and with increased production activities, one can increase their income so as to improve their welfare (Bashir and Rashidah, 2014).

LITERATURE REVIEW

Structural Poverty

Structural poverty is a social problem that is more due to the dysfunctionality of the state in responding to economic globalization. In this case, Revrisond Baswier explains poverty based on its causes, namely natural poverty, cultural poverty, and structural poverty. According to him, "Natural poverty is a state of poverty caused by natural limitations, both in terms of human resources and natural resources. Cultural poverty is poverty caused by cultural factors that cause the process of poverty preservation in the community. Meanwhile, structural poverty is poverty caused by man-made factors such as unfair economic policies, control of man-made factors such as unfair economic policies, unequal control of production factors, corruption and collusion and international economic arrangements that favor certain countries." (Baswir, 2003).

Structural poverty is a form of dysfunctional State institutions that give rise to policies that are not on target so that they tend to impoverish. Forms of policy failure such as making inappropriate regulations, or regulations that do not favor the welfare of the people. Structural poverty usually occurs in a society where there is a sharp difference between those who live in poverty and those who live in luxury and wealth. Sure enough, the level of Indonesia's gini ratio has increased especially in the 10 years of Susilo Bambang Yudhoyono's administration (Praptomo, 2000).

Islamic Microfinance Institutions

According to Law No. 1 of 2013, microfinance institutions, hereinafter abbreviated as MFIs, are financial institutions specifically established to provide business development and community empowerment services, either through loans or financing in micro-scale businesses to members and the community, deposit management, or providing business development consulting services that are not solely for profit.

According to [Khodijah et al. \(2013\)](#) Islamic microfinance institutions are institutions that introduce as an option for people who have low income to get financing in order to improve their standard of living and get out of poverty. So, the definition described refers to how an Islamic financial institution can benefit customers as micro-business actors so that they can improve their standard of living and get out of poverty, which so far micro-businesses are known to be difficult to get financing from banks and microfinance institutions that are ready and care about micro-businesses in the community.

Islamic Financing

According to [Zaman \(1999\)](#), microfinance contributes to reducing a number of factors that cause poverty, where the poor can start to generate income. Financing can break the vicious cycle of MSMEs that causes micro-entrepreneurs to have low income. Financing provided by informal institutions such as BMT is an alternative for micro businesses to obtain capital to develop their business, so that with additional capital micro businesses can increase production.

RESEARCH METHOD

The following table shows the collection of documents used in research on the theme of Islamic microfinance for poverty alleviation in Islamic economic research. Of the total 87 documents used, it is divided into 4 types of documents, including journal articles (69 documents), anthologies/book *chapters* (11 documents), conference papers (4 documents) and reviews (3 documents).

Table 1: Document Types

No.	Document Types	Number of Articles
1	Journal article	69
2	Book chapter	11
3	Conference Paper	4
4	Review	3
	TOTAL	87

Based on the results of the document type grouping above, the type of document most widely used as a research subject with the theme of Islamic microfinance for poverty alleviation is a document in the form of a Journal article with a percentage of 79.31% or 69 documents. Meanwhile, the least used document is in the form of a review of 3.44% or as many as 3 documents. This shows that the references used are quite valid because most of them come from documents in the form of scientific journals.

Bibliometric Graph Analysis

Bibliometrics is based on the calculation and statistical analysis of scientific output in the form of articles, publications, citations, patents, and other more complex indicators. It is an important tool in evaluating research activities, laboratories and scientists, as well as scientific specialization and country performance. The report, after setting out the background to the development of bibliometrics, presents the databases on which bibliometrics is built, as well as the main indicators used.

To explore the results of the meta-analysis, this section will present a visual mapping chart of 87 journals published in Islamic microfinance for poverty alleviation. The results of the keyword mapping analysis form the basis for mapping together important or unique terms contained in a particular article. Mapping is a process that allows one to recognize knowledge elements and their configurations, dynamics, interdependencies, and interactions.

Related to bibliometrics, science mapping is a method of visualizing the field of science. This visualization is done by creating a landscape map that can display the topics of science ([Royani, et al., 2013](#)). There are several studies using bibliometric analysis, for the example research done by [Uula & Ikhwan \(2022\)](#), [Gunawan \(2023\)](#), [Nasution et al., \(2022\)](#), [Fitria et al., \(2022\)](#), [As-Salafiyah \(2022\)](#), [Nuraini \(2022\)](#), [Kholiq et al., \(2022\)](#), [Rusydiana \(2019\)](#), and also research done by [Sari & Maysyaroh \(2022\)](#).

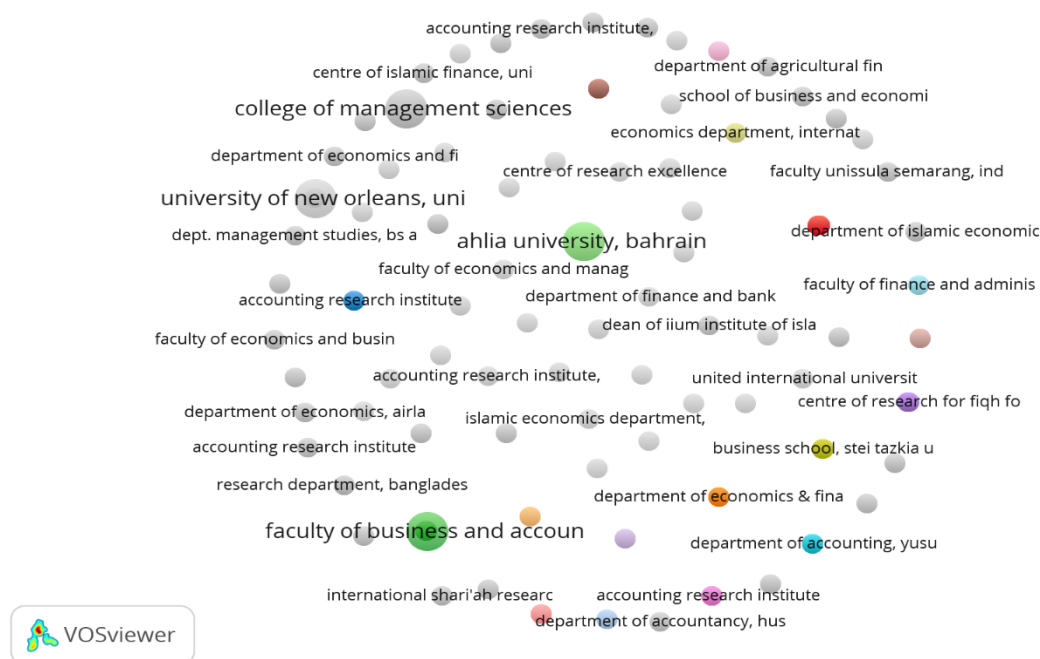


Figure 2: Bibliometric Institutions Mapping

Based on the following figure, the cluster of institutions shown with a large circle indicates how productive the institution is in contributing to publishing papers on the theme of Islamic microfinance for poverty alleviation. The largest number of institutions is calculated from the number of publications and the number of links to other institutions, where an author can write many papers in different journals.

The most popular institutions are calculated based on the number of publications and the number of links to other institutions, where a paper author may

write multiple papers in different journals. The most famous institution ranking shown by the bibliometric mapping results is the University of New Orleans, United States.

Bibliometric Country Mapping

Furthermore, the visualization of journal publisher mapping is depicted in the bibliometric image of journal sources below. Based on this figure, we can see several country clusters that appear to publish the most articles on the theme of Islamic microfinance for poverty alleviation.

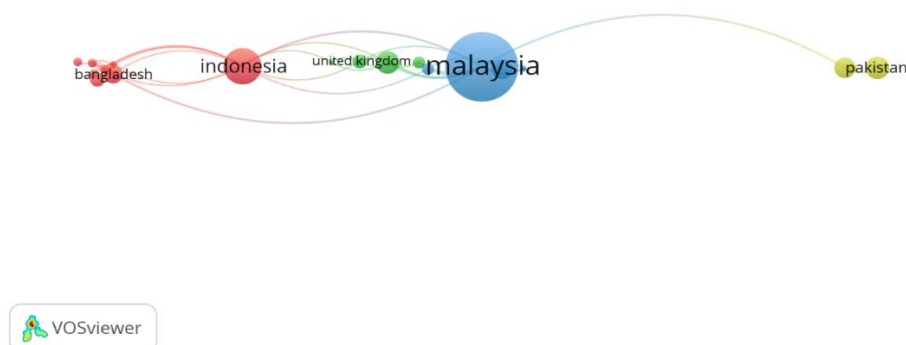


Figure 3: Bibliometric Country Mapping

Based on the figure above, the larger the circle of the publishing country, the more papers the country publishes. It can be seen that Malaysia has the brightest light. This means that Malaysia publishes the most papers on the theme of Islamic microfinance for poverty alleviation compared to other countries.

Bibliometric Keyword Mapping

VOSviewer can also find bibliometric mapping of the most used keywords in the theme of Islamic

microfinance for poverty alleviation related to Islamic economics. The bibliometric mapping of the keywords used can be seen in the figure below. Keywords that have a larger shape indicate that the word is more widely used in journals related to Islamic microfinance for poverty alleviation.

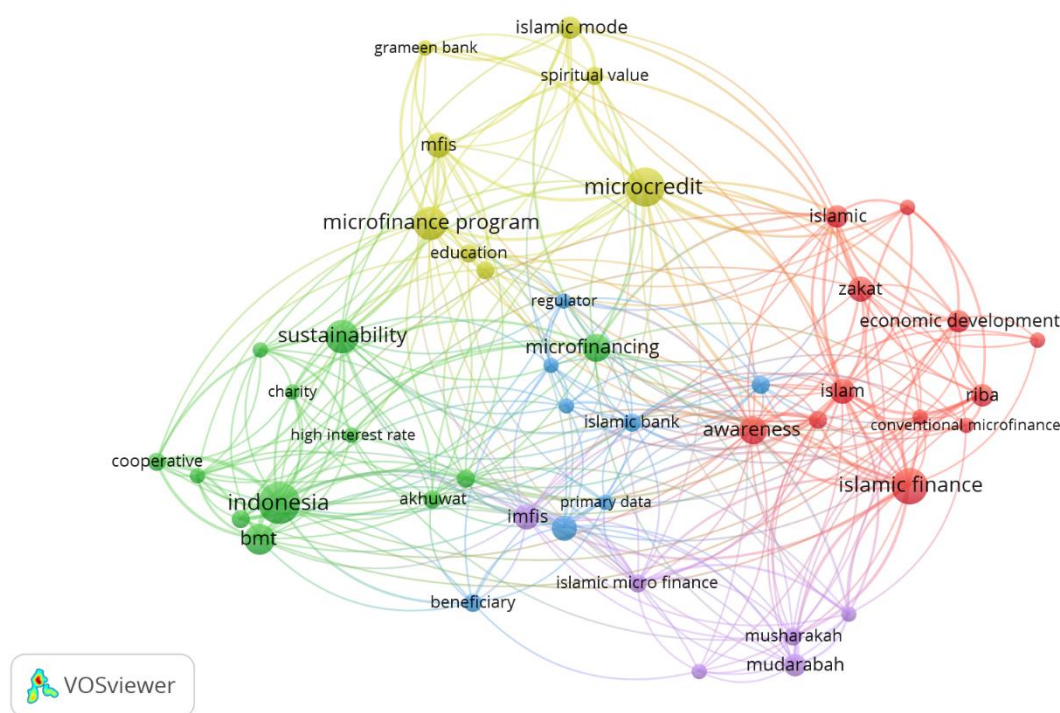


Figure 4: Bibliometric Keyword Mapping

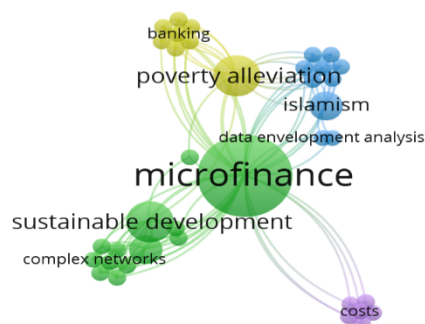
Some of the keywords that frequently appear in papers on the theme of Islamic microfinance for poverty alleviation are divided into 5 clusters, namely:

- Cluster 1 in red consists of 10 keywords: Awareness, Conventional Microfinance, Economic Development, Islam, Islamic, Islamic Finance, Muslim, Riba, Social Implication, Zakat, Conventional microfinance.
- Cluster 2 in green consists of 11 keywords: Akhuwat, BMT, Charity, Cooperative, High Interest Rate, IMFI, Indonesia, Islamic Principal, Microfinancing, Religional, Sustainability.
- Cluster 3 in blue color consists of 8 keywords: Beneficiary, Islamic Bank, Islamic Banking, Islamic Microfinance Primary, Practitioner, Primary Data, Profit, Regulator.
- Cluster 4 in yellow color consists of 8 keywords: Education, Grameen Bank, Islamic Mfis, Islamic Mode, Mfis, Microcredit, Microfinance Program, Spiritual Value.
- Cluster 5 purple color consists of 6 keywords: Imfis, Islamic Micro Finance, Mudarabah, Musharakah, Muslim Country, Shariah.

The keywords divided into 5 clusters above are arranged in colored circles indicating clusters. This data can be used to determine the trend of keywords in the past year.

The bibliometric analysis shows some of the keywords that are widely used in the paper, which is the

object of the study. The more keywords that appear, the wider the circle shown. Meanwhile, the line relationship between keywords shows how much they are related to other keywords.



power, psychological
hiv infections
acquired immunodeficiency synd
acquired immune deficiency syn

Bibliometric Index Mapping

Then, this research also obtained results in the form of indexes that are often used by authors and are interrelated in the theme of Islamic microfinance for poverty alleviation related to Islamic economics as shown in the figure below. Indexes that have the same color indicate a very close relationship.

Figure 5: Bibliometric Index Mapping

Based on the results obtained, the lighter the color indicates the more recent the index is used. In the word index of Islamic microfinance for poverty alleviation themed papers related to Islamic economics,

some of the most used words are Microfinance, followed by the words Poverty Alleviation and Sustainable Development.

Table 2: Most cited articles in 2010 to 2021

Rank	Title	Author(s)	Year	Journal	Total
1.	Social and financial efficiency of Islamic microfinance institutions: A Data Envelopment Analysis application	Widiarto, I., Emrouznejad, A.	2015	Socio-Economic Planning Sciences	57
2.	Islamic microfinance: An ethical alternative to poverty alleviation	Rahim Abdul Rahman, A.	2010	Humanomics	36
3.	The quran and poverty alleviation: A theoretical model for charity-based Islamic microfinance institutions (MFIS).	Kaleem, A., Ahmed, S.	2010	Nonprofit and Voluntary Sector Quarterly	29
4.	Integration of waqf-Islamic microfinance model for poverty reduction: The case of Bangladesh	Haneef, M.A., Pramanik, A.H., Mohammed, M.O., Bin Amin, M.F., Muhammad, A.D.	2015	International Journal of Islamic and Middle Eastern Finance and Management	23

5.	The challenge in poverty alleviation: The role of Islamic microfinance and social capital	Hassan, A.	2014	Humanomics	19
6.	Microfinance and sustainable livelihood: A conceptual linkage of Microfinancing approaches towards sustainable livelihoods	Bhuiyan, A.B., Siwar, C., Ismail, A.G., Aminul Islam, M.	2012	American Journal of Environmental Sciences	12
7.	Islamic Microcredit is the way of alternative approach for eradicating poverty in Bangladesh: A review of Islami bank Microcredit scheme	Bhuiyan, A.B., Siwar, C., Ismail, A.G., Talib, B.	2011	Australian Journal of Basic and Applied Sciences	11
8.	An Islamic microfinance business model in Bangladesh: Its role in alleviation of poverty and socio-economic well-being of women	Hassan, A., Saleem, S.	2017	Humanomics	10
9.	The key players' perception on the role of Islamic microfinance in poverty alleviation: The case of Pakistan	Abbas, K., Shirazi, N.	2015	Journal of Islamic Accounting and Business Research	8
10.	Integrated waqf based Islamic microfinance model (IWIMM) for poverty alleviation in OIC member countries	Haneef, M.A., Muhammad, A.D., Pramanik, A.H., Mohammed, M.O.	2014	Middle - East Journal of Scientific Research	8

Table 2 shows the 10 most cited articles related to Islamic microfinance for poverty alleviation. The first article, namely Social and financial efficiency of Islamic microfinance institutions: A Data Envelopment Analysis application (Widiarto, I., Emrouznejad, A. 2015), was cited the most 57 times. This article discusses Microfinance has been developed as an alternative solution to global poverty alleviation efforts in the last 30 years. Microfinance institutions (MFIs) have unique characteristics in that they face the dual bottom-line objectives of reaching the poor and financial sustainability. This study proposes a two-stage analysis to measure the performance of Islamic Microfinance Institutions (IMFIs) by comparing them with conventional MFIs. First, we develop a Data Envelopment Analysis (DEA) framework to measure the efficiency of MFIs in the double bottom line objective, i.e. in terms of social and financial efficiency. In the second stage non-parametric tests are used to compare performance and identify factors that contribute to the efficiency of IMFIs and MFIs.

The article that came in second place was Islamic microfinance: An ethical alternative to poverty alleviation (Rahim Abdul Rahman, A. 2010) was the article cited 36 times. This article is about Islamic finance that has an important role in contributing to advancing

the socio-economic development of the poor and small entrepreneurs (micro) without charging interest. The results obtained are Islamic finance offers a variety of ethical schemes and instruments that can be developed and customized for microfinance purposes. Comparatively, *qardhul hasan*, *murabahah*, and *ijarah schemes* are relatively easy to administer and will guarantee the capital (*qardhul hasan*), equipment (*murabahah*) and rental equipment (*ijarah*) needs of aspiring micro-entrepreneurs and the poor. Participatory schemes such as *mudharabah* and *musyarakah*, on the other hand, have great potential for microfinance purposes as they can cater to the risk-sharing needs of micro-entrepreneurs.

The third place article is The quran and poverty alleviation: A theoretical model for charity-based Islamic microfinance institutions (MFIS). (Kaleem, A., Ahmed, S. 2010), was cited 29 times. This article is about the Qur'an prohibiting interest and encouraging trade and charity as alternatives. The article seeks guidance from Qur'anic verses and develops a theoretical model of charity-based Islamic microfinance institutions (MFIs), which can be used as an alternative approach to reducing poverty. The article argues that charity-based Islamic MFIs will be financially and socially sustainable as they are based on the concepts of brotherhood, local philanthropy, and voluntary service. Charity-based

Islamic MFIs will provide money for consumption as well as production purposes and, thus, can broadly target the economic and social needs of the poorest of the poor. They can help minimize debt and reduce the unequal distribution of wealth in society.

CONCLUSION

This study aims to determine the extent of the development of the theme of Islamic microfinance for poverty alleviation in the world. The results show an increase in the number of papers published on this theme in recent years from 2010 to 2021, more than 80 studies have been published on this theme.

Bibliometric visualization mapping shows that Bhuiyan A.B. wrote the most about Islamic microfinance for poverty alleviation. The institution that published the most papers related to Islamic microfinance for poverty alleviation is University of New Orleans, United States. And the country that published the most papers related to Islamic microfinance for poverty alleviation is Malaysia.

The research development map of Islamic microfinance for poverty alleviation is divided into 4 clusters. Cluster 1 consists of 11 topics, cluster 2 consists of 11 topics, cluster 3 consists of 8 topics, cluster 4 consists of 8 topics and cluster 5 consists of 6 topics. In the word index with the theme of Islamic microfinance for poverty alleviation, the most used word is Microfinance.

The recommendation that can be given to academics is to continue to develop scientific research in the theme of Islamic microfinance, especially by utilizing bibliometric results, for example using popular keywords, selecting references based on the most popular authors, institutions, countries, keywords and indexes. Academics can also expand the study of Islamic microfinance literature with more specific references, such as Scopus indexed articles or use other software to produce more diverse bibliometric mapping, such as R-Biblioshiny (Ikhwan, 2021; Izza, 2022; Puspita, 2022).

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