

SUSTAINABILITY OF ISLAMIC MICROFINANCE IN INDONESIA: A HOLISTIC APPROACH

Besse Wediawati, Padjadjaran University & Jambi University

Nury Effendi, Padjadjaran University

Aldrin Herwany, Padjadjaran University

Dian Masyita, Padjadjaran University

ABSTRACT

This study aims to address the sustainability issue of Islamic Micro-Finance Institutions (IMFIs) in Indonesia. Previous researches on IMFI sustainability generally viewed the financial and social or the spiritual aspect as segregated elements. There is hardly any empirical investigation that integrated these three aspects in an effort to achieve sustainability. Thus, this research is expected to fill the gap by proposing a holistic approach for achieving IMFI sustainability.

This study used survey method on 98 units of sharia cooperatives/Baitul Maal Wattamwil (BMTs) using a structured questionnaires based on Likert scale of 5 points. The previous holistic approach was developed based on the literature review and the responses of IMFI's experts. Partial least square path modeling has been adopted to examine the relationship among the constructs.

The results show that financial, social and spiritual intermediation has a positively significant effect on IMFI's sustainability in Indonesia. These results also show that IMFI's sustainability problem can be overcome by applying holistic approach.

The study is focused on Islamic Micro Finance Institution (IMFI). The future study is expected to observe the impact of this holistic approach on the lives of the poor and on the performance of micro-enterprises as beneficiaries of IMFI. This study is the first empirical one to examine the sustainability of IMFI using a holistic approach. It also provides new contribution to the IMFI's intermediary concept from the double bottom line-as known so far-has become a triple mission of IMFI.

Keywords: Holistic Approach, Sustainability IMFI, Islamic Microfinance, Financial Intermediation, Social Intermediation, Spiritual Intermediation.

INTRODUCTION

Islamic Micro Finance (IMFI) has become one of the important financial instruments in the Islamic world to alleviate poverty by providing microfinance services for the poor to the impoverished (Abdul Rahman, 2007; Obaidullah & Khan, 2008). A number of studies revealed the positive impact of IMFI on poverty alleviation and increased household incomes (Hadisumarto & Ismail, 2010) children's education and business development (Rokhman, 2013); increased sales, business expenses and net income, as well as increased product volumes (Riwajanti, 2014) and increased employment opportunity (Mohamed & Ahmed, 2015).

IMFI's positive impact can only be sustained if the institution reaches a high level of financial performance on one hand and caters the poor as broad it can reach as possible, on the

other hand. Therefore, in addition to pursuing financial sustainability-which IMFI can cover operational costs and able to grow-it also must pursue social performance by reaching the poor to provide quality services and improve their lives (poverty outreach). In other words, to achieve IMFI's sustainability, financial sustainability and poverty outreach, there are two objectives that must be simultaneously achieved.

However, a number of studies have revealed that both IMFI's financial performance and outreach are still lagging behind when compared to conventional Micro Finance (MFI) (Abdelkader & Salem, 2013; Masyita & Ahmed, 2013; Seibel & Agung, 2005). The CGAP survey in 2007 showed that in Bangladesh-the country with the largest MFI reach in the world with nearly 8 million MFI borrowers, the IMFI's outreach only for 1% or around 100,000 clients. Meanwhile, in Syria and Indonesia, the figures account for 3% and 2% of total microcredit outstanding in 2006, respectively (Karim, Tarazi & Reille, 2008).

There are several empirical studies in attempts to investigate the causes of this lag (Widiarto & Emrouznejad, 2015; Khadijah et al., 2013); yet, the studies merely focused on IMFI's financial and social aspects. On the other hand, the spiritual aspect almost remains untouched. Yet, as an institution which combines of two rapidly growing industries: microfinance and Islamic finance. (Karim et al., 2008) and as faith-based microfinance, IMFI not only as a financial institution that runs a dual mission but is also as a religious institution that runs its da'wah function.

The FBM concept refers to the definition of faith Based Organization Clarke (2008) and is discussed in Hoda & Gupta (2015) articles as a microfinance that derives inspiration and guidance for its activities from the teachings and principles of the faith or from a particular interpretation or school of thought within that faith. As faith-based microfinance, where faith is the teachings of Islam (based on sharia), IMFI must ensure that all activities run well (kaffah) in accordance with the principles of sharia. Identity as a sharia-based financial institution should be reflected in all IMFI products. The processes and activities they undertake must also be ensured in line with the principles seen by their clients (Obaidullah & Khan, 2008).

The lag of the spiritual aspect in the IMFI can be noticed since the institution is not yet able to implement sharia principles thoroughly (kaffah) in its business activities. The main scheme of profit loss sharing, such as mudaraba or musharakah tends to be avoided because it is considered possess high risk. The product offered dominan is based on sale and purchase scheme of murabaha which is more certain source of income (Rammal, 2003; El-Zoghbi & Tarazi, 2013). IMFI also often imposes higher fees for borrowers (which customers consider the same as interest) due to economic scale (Obaidullah, 2008). In addition, collateral (ar-rahn) is still required to obtain financing for the poor (Alaeddin & Anwar, 2012). Meanwhile, the weak role of IMFI's spirituality in society can be seen from the preference of the Muslim community in choosing financial services based on economic factors (low interest rate, less collateral, loan amount) and non-economic factors (service quality, ease, speed, proximity and loan officer profile) rather than religious factors (Masyita & Ahmed, 2013).

Pertaining to this issue, a number of studies (Hadisumarto & Ismail, 2010; Mardhatillah & Rulindo, 2008; Riwijanti, 2014; Waspodo, 2008) highlighted that for the holistic goal of poverty alleviation and the development of IMFI's client performance, spiritual development is demanded in IMFI. This spiritual development is carried out through the internalization of Islamic moral values in the consciousness of the entrepreneur (akhlaq) to build honesty, discipline, passion, perseverance, patience, piety, social responsibility and awakening consciousness or to turn bad into good manner. Riwijanti (2014) also suggested that it is

necessary to educate clients to improve their understanding of the Islamic (Arabic) terms used to name IMFI's products.

Nevertheless, there still lacks empirical researches that examine the spiritual aspects incorporated with the financial and social aspects (dual mission) as a holistic effort to achieve IMFI's sustainability. The study of faith/spirituality/religion in IMFI is mostly discussed as a separate aspect of the specific research (Mardhatillah & Rulindo, 2008; Wasposito, 2008; Wediawati & Setiawati, 2016). Therefore, this study is expected to fill the gap by proposing a holistic approach which incorporates financial, social and spiritual intermediation as the basis of IMFI's activities to achieve its sustainability.

The paper is organized as follows. In Section 2, we provide a summary of the literature on MFIs' missions, sustainability and the need for the holistic approach to achieve sustainability. Section 3 presents hypotheses to be tested while Section 4 elaborates the research method of empirical analysis. Section 5 discusses the results of the research and finally, Section 6 delivers conclusion and future research agenda.

LITERATURE REVIEW

Mission of Microfinance

Micro Finance Institutions (MFIs) concurrently have two missions which are better known as dual mission or double bottom line (Brau & Woller, 2004; Ledgerwood, 2000), namely financial and social intermediation. Financial intermediation is an activity of provision of financial products and services such as savings, financing, insurance and financial transfers to the poor and low-income groups (Ledgerwood, 2000; Obaidullah, 2008; Robinson, 2001). In order that this financial intermediation is accessible to the poor and low-income groups, IMFI also performs a social intermediation function, an investment process for human resource development with the aim of increasing self-confidence to the poor, as a preparation for them to use formal financial intermediation (Bennet et al., 1996).

Social intermediation differs from other types of social welfare services for it offers mechanisms that enable the recipient (poor person) to become an MFI's client who is then ready to access formal financial services (Dusuki, 2008). With this intermediation, the MFI prepares the poor to establish long-term business relationships through group formation, self-confidence development, literacy training as well as financial management skills among group members (Ledgerwood, 2000).

As a sharia-based financial institution, the purpose of IMFI must be consistent with the objective of sharia (maqasid syariah). This aim leads to the balance of life (falah) between the worldly purposes (material/financial and social) with the goal of the hereafter (spiritual) that is the pleasure of Allah SWT. Thus, apart from being an economic institution that runs dual mission (financial and social intermediation), IMFI is also a missionary institution that carries out a spiritual mission. It is a manifestation of Islamic values that underlies its overall strategy and purpose. Furthermore, this mission is also reflected in the spiritual intermediary activity to educate the people and propagate the principles and practices of sharia (tarbiyah); so that they are comprehensively understood and practiced by all stakeholders (Wediawati & Setiawati, 2016). This spiritual intermediary has to be taken into account that all the activities are performed in accordance with the principles of sharia so that they are not merely impractical concept.

Several studies have explored that this spiritual intermediation includes a range of activities, such as: 1) exemplary of IMFI's managers/employees in terms of good speech and Islamic manner (Wediawati & Setiawati, 2016); 2) adhering to sharia principles in all IMFI's operational activities (Obaidullah, 2008; Obaidullah & Khan, 2008); 3) sharia education (Wasposito, 2008; Wediawati & Setiawati, 2016) and 4) sharia training (Mardhatillah & Rulindo, 2008; Wediawati & Setiawati, 2016).

Sustainability of Islamic Microfinance

The issue of IMFI's sustainability is inseparable from the perspective differences between the welfarist and the institutionists. The welfarists tend to emphasize poverty alleviation by placing relatively greater weight on the depth rather than breadth of outreach and measuring institutional success in terms of social metrics (Brau & Woller, 2004). On the other hand, the institutionalists argue that establishing a sustainable MFI through financial sustainability will lead it to fulfill its promises to reduce worldwide poverty, as sustainable MFIs will reach more poor people (Gakhar & Meetu, 2013). Despite diverse targets and how to achieve objectives, eventually, both groups of thought agreed to maximize the social impact of MFIs (Louis, Seret & Baesens, 2013) and the provision of microfinance services to the poor should be carried out sustainably (CGAP, 2004; Navajas, Schreiner, Meyer, Gonzalez-Vega & Rodriguez-Meza, 2000).

The MFI's positive effects can be maintained only if it is able to achieve ultimate financial performance at one hand and reach out the poor as broadly on the other hand. It also means that MFI's advantages can be realized if the institution can maintain the poor as its clients (Ahlin & Jiang, 2008). For that reason, in addition to pursuing financial performance-where MFI is able to cover its operating costs and able to grow as a viable institution in running microcredit and operational activities (Cull et al., 2007; Navajas et al., 2000)-MFI has also to catch up social performance in the long term operation so that it can contribute great impacts to the poor (Quayes, 2012). In other words, both financial performance and social performance are the objectives the institution must simultaneously achieve.

Need for Holistic Approach

The term of holistic approach refers to that which accommodates human nature with two main objectives, namely horizontal goals (*hablumminannas*) and vertical goals (*hablumminallah*). The achievement of these goals is accommodated in the purpose of sharia (*maqasid syariah*) wherein all aspects of his life, a Muslim is oriented towards the maintenance and improvement of five aspects, namely religion (*diin*), soul (*nafs*), reason (*'aql*), descendants (*nasl*) and wealth (*maal*) (Al-Ghazali in Chapra). Likewise, IMFI, as a sharia-based microfinance institution, its goal must be aligned with sharia objectives. The achievement of this goal can be undertaken by applying a holistic approach whereby the philosophy and all its activities are oriented towards the balance of objectives (*falah*) between worldly objectives (material/financial and social)-as the mission of microfinance so far-with the purpose of the hereafter (spiritual) objectives.

The need to apply a holistic approach to the IMFI is due to the following:

1. The IMFI's social mission is to alleviate poverty by providing quality and qualified financial services to improve the lives of the poor. While poverty is a multidimensional problem not only related to economic problems but also non-economic problems (Bourguignon & Chakravarty, 2003; Ferreira, 2004);

2. The lack of knowledge of Muslim societies on Shariah financial literacy. It can be seen from the results of several studies such as Masyita & Ahmed (2013) study in Indonesia revealing that Muslim societies prefer economic and non-economic aspects in choosing financial services rather than the religiosity aspect. This result is in line with the seminal study conducted by Seibel (2005) in Indonesia. Data Global Inclusion Database (F-index) is also in line with these findings. Based on information from Muslims in 148 countries, F-index shows that religious preference is the lowest factor of importance when choosing to open a formal financial account (El-Zoghbi & Tarazi, 2013). The Razak's (2015) study reveals more specifically the level of Islamic financial literacy in Muslim societies in Brunei Darussalam. This study reveals the low level of knowledge and understanding of Islamic finance and Islamic banking. Also reveal the low behavior in terms of paying zakat property and wakaf, using insurance (takaful), investing sharia and saving to go hajj.
3. The use of many Islamic terms for IMFI financial products or services that are generally unknown to the public (Riwajanti, 2014).

A number of previous studies that gave rise to the spiritual aspect of the IMFI are almost limited to conceptual ideas (suggestions). Therefore, this study endeavors to fill the research gap by accommodating spiritual aspect and proposes a holistic approach for empirical evaluation. The approach is proposed as a model of this research developed based on literature review and expert judgment using the Delphi method. For the purpose of the study, the reference experts are those who possess good IMFI knowledge from both Islamic academicians and successful BMT practitioners.

HYPOTHESES

The present study is expected to address the issue of IMFI's sustainability using holistic approach. Therefore, some hypotheses were developed for the purpose of the sustainability as elaborated in the following questions.

Does Financial and Social Intermediation Affect IMFI's Sustainability?

As previously mentioned IMFI's sustainability aspect is determined by financial and social performance and is inseparable from the implementation of IMFI's dual mission of financial and social intermediation (CGAP, 1997). A number of studies have revealed that when the MFI conducts mission drift, i.e. focusing on its financial mission and ignores the poor in its activities (Armendariz & Szafarz, 2011; Cinca & Nieto, 2014), as a result, it experiences a trade-off, in which the outreach achievement is lagging compared to that of financial sustainability (Cull et al., 2007; Hermes et al., 2011; Olivares-Polanco, 2005). However, a number of studies (Adhikary & Papachristou, 2014; Louis et al., 2013; Mersland & Strom, 2010) found the contrary results that there was no trade-off in spite of the above fact. MFI can still maintain financial sustainability achievement by being committed to and focused on the initial mission of poverty alleviation. Thus, financial and social intermediation have a positive effect on IMFI's sustainability; and to that end, we seek to validate Hypothesis 1 and Hypothesis 2.

H₁: Financial intermediation has a positive effect on IMFI's sustainability.

H₂: Social Intermediation has a positive effect on IMFI's sustainability.

Does Spiritual Intermediation Affect IMFI's Sustainability?

There still lack the studies which reveal the relationship between spiritual intermediation and IMFI's sustainability. However, the relationship can be traced through a number of studies

that examine both spiritual, faith or religion in the IMFI. Khan & Phillips (2012) found that faith motivates borrowers to repay loans so as it acts to enhance clients' repayment rate. Similarly, in Mersland et al. (2013), it was found that the Christian MFIs provide cheaper borrowing costs in order to improve loan repayment rates. As a result, the rate is as effective as that of conventional ones. Another study that proved a positive relationship between spiritual treatment and MFI/IMFI's performance which is the proxy of their sustainability is the empirical study conducted by Mardhatillah & Rulindo (2008) on Muslim businessmen in Malaysia. They found positive effects of spiritual training (ESQ training) on business performance of the trainees. This spiritual training also helps the Muslim entrepreneurs cope with the stress they encounter so that they feel more satisfied with their business and more consistent to achieve success.

Another empirical study exploring the role of spirituality in the IMFI is an experimental study conducted by Masyita et al. (2014) out of 162 clients from 13 IMFIs in Indonesia. The results of this study proved that spiritual treatment along with managerial and technological treatments provide significant results to changes in behavior and business performance of the clients. Thus, spiritual intermediation affects the sustainability of IMFIs and to that end, we seek to validate hypothesis 3.

H₃: Spiritual Intermediation has a positive effect on IMFI's sustainability.

RESEARCH METHOD

Variables Used

The variables of this study consist of three exogenous variables, namely financial intermediation (X1), social intermediation (X2), spiritual intermediation (X3) and one endogenous variable which are IMFI's sustainability. Operationalization of variables used in the study is summarized in Table 1.

Meanwhile, the variables of this study are latent variables which are developed through dimensions measured through items of question using a Likert scale of 5 points. Based on the literature review and proposition, the research paradigm is proposed as shown in Figure 1.

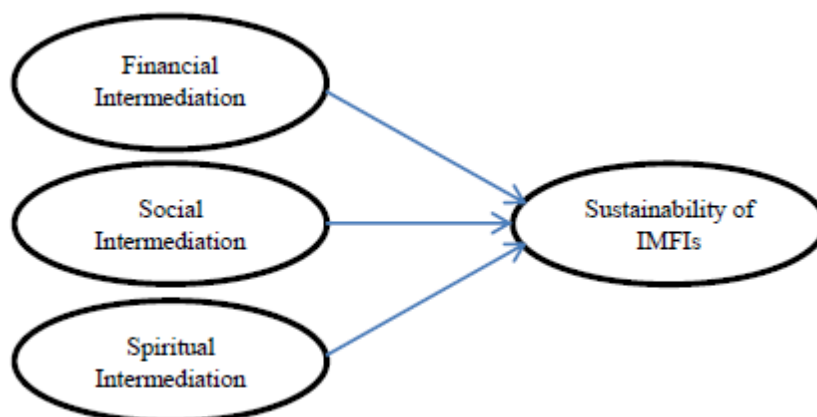


FIGURE 1
RESEARCH PARADIGM

Table 1
VARIABLE OPERATIONALIZATION OF THE RESEARCH

Variables	Dimension	Indicator
Financial Intermediation (X1)	Saving (X11)	Diversity of savings types (X111)
		Ease of saving requirements (X112)
		Ease of saving withdrawal (X113)
	Financing (X12)	Diversity of types (X121)
		Ease of requirement (X122)
		Ease of withdrawal (X123)
Social Intermediation (X2)	Knowledge propagation (X21)	Management education (X211)
		Management consulting services (X212)
	Increased Self confidence (X22)	Group formation (X221)
		Regular members meetings (X222)
	Empowerment (X23)	Business management assistance (X231)
		Facilitating partnerships of microenterprises to relevant parties (X232)
Spiritual Intermediation (X3)	Exemplary of sharia (X31)	Good and kind utterance (X311)
		Islamic manners (<i>akhlakul karimah</i>) (X311)
	Sharia compliance (X32)	BMT's operational abiding by sharia (X321)
		Managers understanding sharia finance (X322)
		Sharia supervisory board in the organization structure (X323)
	Sharia education (X33)	Sharia audits on a regular basis (X324)
		Sharia education to external parties (government/private/community) (X331)
		Sharia education to members (X332)
	Sharia training (X34)	Internal management studies (<i>halaqah</i>)
		Sharia training related to transaction (<i>muamalah</i>)(X341)
Sustainability of IMFIs (Y)	Financial performance (Y1)	Sharia training related to worship (<i>ibadah</i>)(X342)
		Return on asset/ROA(Y11)
		(Operating profit)/(Total Asset)x100%
		Return on Equity/ROE (Y12)
		(Net profit)/(Total Equity)x100%
	Social performance (Y2)	Profit Sharing Ratio/PSR (Y13)
		(Mudharabah+Musharaka)/(Total Financing)x100%
		Number of active borrower/NAB (Y21)
		(Number of active borrower)/(Total listed borrower)x100%
		Average loan size per borrower/ALPB (Y22)
(Total loan)/(Number Active Borrower)x100%		
Cost per borrower/CPB (Y23)		
(Operating Expenses)/(Number of active Borrower)x100%		

Sample

The determination of sample used purposive sampling method because of the high level of diversity of BMTs. Samples of BMTs have to satisfy some determined criteria, such as being active and having operated for at least three consecutive years, having a legal status and conducting annual meeting members for at least two years consecutively. Based on the criteria, the total samples comprised 98 Islamic cooperatives from three different regions in Indonesia, consisting of 10 units from Jambi (Sumatera Island), 84 units from Bandung (Java Island) and

the last, 4 units from Kendari (Sulawesi Island). These three cities were selected since the IMFI's in the cities are currently growing. Data were taken from March-August 2017.

Method

This study used a quantitative approach based on structured questionnaire survey and used the technique of statistical analysis based on variants (partial least squares). The use of PLS is in accordance with the purpose and model of the research, which is to examine the causal relationship between latent variables with relatively small sample size (Hair et al., 2010); thus, the deviation of normality assumption is not the issue. Since one of the variables is a new construct (spiritual intermediation), the orientation of this study is aimed more at development; thus, the prediction model is more suitable than the estimation model. Subsequently, the data were processed with the aid of smart program PLS 3.00.

RESULTS AND DISCUSSIONS

Respondents' Description

There were 98 respondents of managers from management of BMTs, all the employees of which, people of productive ages, from 41-50 years old, constitute 50%, while the elderly account for 45%. At last, the remaining 5% employees of the BMTs are those who are 31-40 years old. This profile of employees reflects the failure of regeneration which are the BMTs are commonly facing. In fact, the problem cannot be separated from the BMTs' constraints in recruiting appropriate candidates who understand and have the skills to manage cooperatives as they require; and their incapability to pay professional compensation. Also, the common assumption that believes age determines the maturity, which causes a BMT administrator, instead of a manager, manages the institution.

On average, males constitute 80% BMT management and the rest (20%) are women. As other strategic positions in Indonesia, which experience gender bias, so does it in BMT, where men are more dominant as a chairman. Therefore, in most annual members meetings, the candidates predominantly promoted for chairmen are males, while more women are put up in the office as a secretary or a treasurer.

Regarding education profile of cooperative's management, 79% of total chairmen obtained bachelor degrees, 18% of them are graduates of high school and the remaining 3% are postgraduate degree holders. This education profile indicates that the members of the cooperative realize that reliable, capable human resources are those who are well educated, who have broader insights; and clear and concepts in accordance with the purpose of cooperatives to create prosperity for the members and society.

Validity and Reliability Test

Prior to questionnaire dissemination, preliminary research was first conducted on 30 IMFIs. After the data collection, the validity and reliability of the instrument were then tested. Test validity used person product-moment correlation in which if the criterion of correlation coefficient (r) is greater than or equal to 0.40, it is considered valid. Meanwhile, test reliability used Cronbach's Alpha in which if the criteria are greater than 0.70, it is claimed to be reliable (Hair, Hult, Ringle & Sarstedt, 2017). With the aid of IBM SPSS version 19 software, all

question items in the research questionnaire were found to be valid ($r_s\text{-count} > 0.40$) and high reliability with Cronbach's Alpha value since it was between 0.60-0.80. Thus, the questionnaire can be used to collect research data on 98 BMTs.

Prior to hypothesis testing, a goodness of fit test was conducted in order to see whether the research model is in accordance with empirical conditions. Testing the model went through two stages:

Measurement Model-Outer Model

Measurement model analysis aims to test the validity and reliability of the dimensions and indicators used to measure latent variables. This analysis is measured using discriminant validity through Average Variance Extracted (AVE) value, in which, if AVE value is greater than 0.5, the dimension and indicator is valid. Furthermore, reliability used Composite Reliability and Cronbach's Alpha, in which, if the value of Composite Reliability and Cronbach's alpha are greater than 0.70 (Hair et al., 2017), the dimensions and indicators are said to be reliable in measuring the research variables. The Outer model testing results are presented in Table 2.

Variabels	Average Variance Extracted	Composite Reliability	Cronbachs Alpha
Financial Intermediation	0.945	0.990	0.988
Social Intermediation	0.828	0.966	0.962
Spiritual Intermediation	0.675	0.954	0.946
Sustainability of IMFIs	0.711	0.936	0.916

Based on Table 2, it can be seen that all variables in the predicted model are valid with AVE is greater than 0.5. Similarly, the Composite Reliability and Cronbach's Alpha values of each variable are greater than 0.70 which indicates that all variables have good reliability. The research used multidimensional construct; as a consequence, the construct validity test is performed using second order Confirmatory Factor Analysis (CFA). This validity was measured using a loading factor value of >0.70 (Hair et al., 2017). The result of the construct validity test is presented in Table 3.

Based on Table 3, it can be seen that all indicators have a loading factor value greater than 0.70 except the indicator X331 (sharia education to the public) which has a loading factor less than 0.70, i.e. 0.541. It means that all indicators of all dimensions are valid except Indicator X331 (an activity of disseminating knowledge about sharia literacy to government, private sector and public). In fact, such activities are still found to be restricted in almost all IMFIs because of financial issue and human resources constraints. Thus, X331 indicator is unable to explain the dimensions of sharia education (X3.3); as a result, it must be left off the model before the data is redone. The result show that loading factor values of all indicators in all dimensions are greater than 0.70 and likewise, T statistics is greater than 1.96. Thus, it is said that all indicators of all dimensions are valid.

Table 3
LOADING FACTOR BETWEEN DIMENSIONS-INDICATORS

		Indicator ←Dimension	Original Sampel	T-Statistics	P-Values
Financial Intermediation (X1)	Saving (X11)	X111 <- X11	0.972	87.119	0.000
		X112 <- X11	0.987	161.065	0.000
		X113 <- X11	0.982	126.096	0.000
	Financing (X12)	X121 <- X12	0.978	120.100	0.000
		X122 <- X12	0.957	60.167	0.000
		X123 <- X12	0.972	85.757	0.000
Social Intermediaton (X2)	Knowledge propagation (X21)	X211 <- X21	0.986	325.865	0.000
		X212 <- X21	0.987	396.231	0.000
	Self confidence (X22)	X221 <- X22	0.887	45.759	0.000
		X222 <- X22	0.904	57.720	0.000
	Empowerment (X23)	X231 <- X23	0.996	127.033	0.000
		X232 <- X23	0.964	114.677	0.000
Spiritual Intermediation (X3)	Exemplary of sharia (X31)	X311 <- X31	0.921	72.277	0.000
		X312 <- X31	0.939	105.147	0.000
	Sharia compliance (X32)	X321 <- X32	0.803	22.140	0.000
		X322 <- X32	0.929	79.306	0.000
		X323 <- X32	0.934	85.970	0.000
		X324 <- X32	0.911	52.959	0.000
	Sharia Education (X33)	X331 <- X33	0.593	4.142	0.000
		X332 <- X33	0.957	280.989	0.000
	X333 <- X33	X333 <- X33	0.961	314.971	0.000
		Sharia Training (X34)	X341 <- X34	0.898	43.110
X342 <- X34	0.930		92.379	0.000	
Sustainability of IMFIs (Y)	Financial performance (Y1)	Y11 <- Y1	0.970	99.991	0.000
		Y12 <- Y1	0.924	36.850	0.000
		Y13 <- Y1	0.820	11.285	0.000
	Social performance (Y2)	Y21 <- Y2	0.908	59.118	0.000
		Y22 <- Y2	0.774	18.595	0.000
		Y23 <- Y2	0.859	32.509	0.000

Critical value for two tailed test is 1.96 (significance level=5%)

In addition, the CFA first order was carried out to measure the extent to which the validity of the dimensions in measuring the latent variables. The analysis results are presented in Table 4.

As in the Table 4, according to the measurement model of the variable over its dimension, it shows that all dimensions of the four latent variables of this study are valid with loading factor values >0.70 and T Statistics >1.96.

Latent Variabels	Latent variables -> Dimension	Original sample	T-Statistics	P-Values
Financial Intermediation (X1)	X1->X11	0.997	1.037.711	0.000
	X1->X12	0.997	966.605	0.000
Social Intermediaton (X2)	X2->X21	0.967	183.171	0.000
	X2->X22	0.976	223.625	0.000
	X2->X23	0.932	72.645	0.000
Spiritual Intermediation (X3)	X3->X31	0.851	57.618	0.000
	X3->X32	0.893	41.300	0.000
	X3->X33	0.703	33.062	0.000
	X3->X34	0.735	148.887	0.000
Sustainability of IMFIs (Y)	Y->Y1	0.965	188.000	0.000
	Y->Y2	0.956	165.863	0.000
Critical value for two tailed test is 1.96 (significance level=5%)				

Structural Model-Inner Model

Structural model testing used R^2 and Q^2 (predictive relevance). The criteria using value of R^2 0.75 are regarded as substantial/strong while Q^2 of 0.35 is considered great (Hair et al., 2017). The test results as shown in Table 5 show that the value of R^2 is "strong" (>0.67) and the value of Q^2 is "great" (>0.35); therefore, it can be concluded that the research model is supported by empirical condition or fit model and thereby, hypothesis testing can proceed. The Hypothesis testing results are presented in Table 5.

Endogenous Variable	R²	Q²
Sustainability of IMFIs	0.720	0.523

Hypothesis Testing

The results of hypotheses testing are presented in Table 6.

Hypothesis	Original sample	Standard Division	T-Statistic	P-Value	Note
X1 -> Y	0.147	0.068	2.170	0.015	Significant
X2 -> Y	0.333	0.135	2.476	0.007	Significant
X3 -> Y	0.493	0.149	3.298	0.001	Significant
Critical value for one tailed test is 1.65 (significance level=5%)					

As seen in Table 6, Hypothesis 1 predicts that financial intermediation has a positive effect on IMFI sustainability cannot be rejected with original sample value 0.147, T-Statistic>1.96 and P-value>0.05. Similarly, Hypothesis 2 which predicts that social

intermediation has positive effect on IMFI's sustainability also cannot be rejected with original sample value 0.333, T-Statistic >1.96 and P-value >0.05 . The results of this hypothesis test are in line with Adhikary & Papachristou (2014); Louis et al. (2013); Mersland & Strom (2010) studies, revealing that IMFI sustainability can be achieved through the implementation of both financial and social intermediation.

Furthermore, neither can Hypothesis 3 which predicts that spiritual intermediation positively affects the sustainability of IMFI be rejected with original sample value 0.493, T-Statistic >1.96 and P-value >0.05 . These results are in agreement with the studies of Mardhatillah & Rulindo (2008); Masyita et al. (2014) who found that the implementation of the spiritual aspect of the IMFI is one of the efforts to improve the performance of IMFI's clients and in turn, has positive impact on IMFI's sustainability.

The results of this study answers recent calls for spiritual research development in IMFI, suggesting that spiritual development through internalization of Islamic values in entrepreneurs' awareness will give effect to the sustainability of IMFI (Hadisumarto & Ismail, 2010). Furthermore, simultaneous spiritual implementation incorporated with financial and social intermediation can affirm the IMFI's differences from the MFI and undermine IMFI's negative stigma. A further holistic approach might become an activity in order to improve IMFI's performance and to catch up from their counterpart.

CONCLUSIONS AND RESEARCH AGENDA

The results show that financial, social and spiritual intermediation has a significantly positive effect on IMFI's sustainability. Therefore, to achieve the sustainability, IMFI can simultaneously perform triple intermediation in its activities. Financial intermediation is carried out by providing diverse financial services/products, easy requirements and quick disbursement. Meanwhile, social intermediation can be carried out through knowledge dissemination, increasing self-confidence and enhancing empowerment whereas spiritual intermediation is performed through Islamic example, role model and sharia compliance as well as sharia literacy education and training to the clients.

The results of this study can serve as a reference for IMFI practitioners to improve sustainability by applying holistic approach for a manifestation of IMFI role as a financial as well as a Da'wah institution.

This research is based on an institutional perspective (IMFI) that implements a holistic approach. While the influence or impact of a holistic approach to the change of life of the poor or the performance of a small micro enterprise (client perspective) can be the agenda for future research.

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