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Gender-Oriented Islamic Microfinance Performance in Supporting the Achievement of the Sustainable Development Goals

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Abstract

This study examines the financial performance of gender-oriented Islamic microfinance institutions and their contributions to the Sustainable Development Goals (SDGs). Utilizing a qualitative, exploratory case study design, the research incorporates in-depth interviews, observations, and documentation, analyzed through thematic analysis. The results show that gender-based financing is associated with greater financial stability, evidenced by lower Non-Performing Financing (NPF) rates, higher customer loyalty, and more productive fund utilization. Gender orientation serves as both a risk-mitigation strategy and a mechanism for women's economic empowerment, positively affecting family welfare and micro-enterprise growth. The findings confirm that Islamic microfinance performance is multidimensional, encompassing portfolio stability, adherence to Islamic principles, and economic empowerment as essential factors for institutional sustainability. Policy implications underscore the importance of integrating business training and financial literacy into financing programs to enhance their impact on the SDGs. The study introduces a gender-oriented Islamic microfinance performance model based on the triple impact of financial sustainability, social empowerment, and sustainable development. Gender orientation is identified as an effective management strategy for strengthening institutional stability and advancing inclusive development.

Keywords: financial performance, gender, islamic microfinance, SDGs

Introduction

The Sustainable Development Goals (SDGs), established by the United Nations (UN), aim to address major global development challenges by 2030, including poverty alleviation, economic development, and gender equality. The SDGs emphasize not only economic growth but also social justice, the welfare of marginalized communities, and the promotion of a sustainable economy (Alifa et al., 2025). In this context, Islamic microfinance institutions play a strategic role in bridging financial access gaps for vulnerable groups, including women, lower-middle-class communities, and micro-entrepreneurs. Over recent decades, these institutions have expanded rapidly as vehicles for sharia-based economic empowerment, prioritizing justice, social responsibility, and economic sustainability. Empirical evidence demonstrates that Islamic microfinance institutions significantly contribute to the SDGs, particularly in poverty reduction, gender equality, inclusive economic growth, and the reduction of social inequality (Wahab & Mahdiya, 2025). The growth of Islamic microfinance in developing countries illustrates that mudharabah and musyarakah financing instruments can enhance capital access for microenterprises previously excluded from formal banking systems. Beyond financial inclusion, these institutions also act as agents of social development by providing training, business mentoring, and sustainable financial literacy (Fitri et al., 2025).

Women in developing countries often face structural barriers to accessing formal financial services, such as social discrimination and limited financial literacy. Islamic microfinance institutions within the sharia sector offer an inclusive alternative by providing financing grounded in ethical values and social solidarity. According to Awaludin (2025), a gender-focused approach in Sharia microfinance institutions not only increases women's access to financing but also enhances family welfare, children's education, and household economic stability. Integrating gender equality principles into performance evaluations can strengthen social inclusion and improve the effectiveness of economic empowerment programs (Hazmi et al., 2025). Women-oriented sharia microfinance programs have been shown to positively impact income, financial literacy, and social empowerment. Beyond economic outcomes, such financing also improves the psychological well-being of women recipients, fostering greater self-confidence and decision-making capacity in household economics (Alifa et al., 2025; Haidar, 2024). In the context of the SDGs, access to productive financing for women yields benefits that extend to the broader community. Therefore, incorporating a gender perspective into the analysis of Islamic microfinance institutions' financial performance is essential for accurately assessing their contribution to sustainable development.

Islamic microfinance institutions support various development objectives, including poverty reduction, educational advancement, economic growth, and decreased social inequality. Implementing a gender-based approach within these institutions has significant potential to advance the SDGs. Women who receive productive financing frequently invest in education, family health, and microenterprise development, amplifying the impact on community welfare (Trimulato & Nuringsih, 2023). However, most existing research focuses on social impact and general economic empowerment, without directly examining the connection to institutional financial performance. This study addresses this gap by exploring the relationship between gender-oriented Islamic microfinance performance and the achievement of the SDGs, an underexplored area. The primary objective is to analyze the financial performance of gender-oriented Islamic microfinance institutions and their role in supporting the SDGs, thereby contributing theoretically to the Islamic microfinance literature by integrating gender perspectives and sustainable development.

Method

This research employs a qualitative, exploratory case study design to gain an in-depth understanding of gender-oriented Islamic microfinance performance in relation to the Sustainable Development Goals (SDGs). The qualitative method enables the exploration of experiences, managerial practices, and socio-economic dynamics that are not fully captured by quantitative approaches (Flick, 2018). The case study design facilitates contextual analysis of management practices within Islamic microfinance institutions operating in specific social environments. Case studies are particularly suitable for investigating complex contemporary phenomena in organizational settings and dynamic social interactions (Yin, 2018). The study adopts an interpretive paradigm and uses purposive sampling (Palinkas et al., 2015), targeting informants with direct experience of the phenomenon under investigation to provide relevant, in-depth insights.

Results and Discussion

Thematic analysis reveals that gender-oriented Islamic microfinance institutions are more financially stable than gender-neutral financing models. In-depth interviews with managers of BMTs (*Baitul Mall wa Tamwil)*, a Sharia Insurance Institution, indicate that women-focused financing portfolios are associated with relatively low levels of non-*performing financing* (NPF). These findings are further illustrated in the following table.

Table 1. Gender-Based Financial Performance Indicators

NPF Level	Low	Currently
Financing Stability	Tall	Fluctuating
Average Financing Value	Small-Medium	Medium-Large
Customer Loyalty	Tall	Currently

The gender-based financial performance indicators demonstrate that female financing recipients typically exhibit high payment discipline, influenced by peer social pressure and a tendency to use funds productively for household needs. This supports *social collateral theory*, which highlights the role of social networks in promoting financial compliance (Widiastuti et al., 2024). The findings indicate that gender orientation functions not only as a tool for social inclusion but also as an effective financial risk-management strategy. This aligns with inclusive finance literature, which suggests that women generally manage finances more conservatively, contributing to portfolio stability (Nawawi et al., 2022). Additionally, Sharia-compliant profit-sharing contracts foster trust between institutions and female clients, enhancing loyalty and financial sustainability. However, the study identifies challenges related to financing scale: lower risk does not necessarily lead to increased financing for women, and loan amounts tend to be smaller, which can affect profit margins. This highlights a trade-off between risk stability and asset expansion. The findings suggest that gender-based Islamic microfinance institutions should adopt portfolio-verified strategies to maintain financial competitiveness. The research supports the *double-bottom-line approach*, which aims for both profitability and social impact (Fatimah et al., 2025). In the context of the SDGs, financial stability is essential for sustaining poverty alleviation programs.

Gender-oriented Islamic microfinance has a direct social impact by increasing women's economic capacity, particularly within the micro-enterprise sector, including small-scale food vendors, home-based food production, and other community-based services. Increased income benefits not only individual well-being but also children's educational opportunities and family economic resilience. This reflects a significant contribution to SDG 1 (poverty eradication), SDG 5 (gender equality), and SDG 8 (decent work and economic growth). The findings support empowerment theory, which posits that access to financial resources enhances individuals' economic decision-making abilities (Jumiati, 2023). In the Islamic context, women's empowerment is further reinforced by distributive justice values and the principle of maqashid sharia, which prioritizes community economic well-being. However, the study identifies gaps in managerial capacity, as some women recipients face challenges in financial record-keeping and business planning. This suggests that successful financing outcomes depend on both access to capital and ongoing mentoring. Without adequate training, the effects of economic empowerment may be temporary and unsustainable. This observation is consistent with studies indicating that gender-based microfinance yields broader social impacts than conventional models (Lailiyah & Fajri, 2023). Therefore, gender orientation in Islamic microfinance should be viewed as a sustainable development strategy rather than solely a social policy.

The performance of gender-oriented Islamic microfinance extends beyond conventional financial indicators such as profitability or non-performing financing rates. Instead, it is a multidimensional construct shaped by the interplay of social, religious, and managerial factors. Thematic analysis of interviews, institutional documents, and operational observations identifies three core dimensions: gender-based portfolio stability, integration of sharia principles into management, and capacity for women's economic empowerment. These dimensions collectively influence both institutional financial sustainability and contributions to the Sustainable Development Goals. Portfolio stability emerges as a foundational element, with institutions allocating a higher proportion of financing to women experiencing lower risk volatility. Women recipients typically invest in stable economic activities, such as trading daily necessities and operating home-based businesses, which results in more consistent cash flow. Group responsibility mechanisms further enhance payment discipline and reduce moral hazard. From the perspective of inclusive finance theory, gender orientation serves not only as a social strategy but also as a tool for mitigating structural risks. Conceptually, portfolio stability mediates the relationship between gender orientation and long-term financial performance.

Economic empowerment capacity functions as a transformational mechanism that links financial performance to social impact. The research demonstrates that increasing women's income benefits not only individual businesses but also family economic resilience and social participation. The effectiveness of empowerment, however, is highly dependent on the quality of business mentoring and financial literacy. Institutions that incorporate entrepreneurship training and financial management achieve more sustainable economic outcomes than those offering only financing. This indicates that empowerment acts as a catalytic variable, translating financial performance into tangible contributions to the SDGs. Synthesizing these findings, the study proposes a theoretical model illustrating the interactive relationship among the three dimensions: portfolio stability, integration of sharia principles, and economic empowerment capacity. Portfolio stability supports financial sustainability, sharia principles reinforce legitimacy and trust, and economic empowerment extends financial impacts into broader social outcomes relevant to sustainable development. This interaction produces a triple-impact performance model encompassing financial sustainability, social empowerment, and development contribution.

This performance model, with direct implications for the SDGs, demonstrates how gender-oriented Islamic microfinance institutions can serve as key actors in local development. Financial stability supports the sustainability of financing programs (SDG 1), women's empowerment advances gender equality (SDG 5), and the strengthening of micro-enterprises fosters inclusive economic growth (SDG 8). The proposed model is both academically significant and policy-relevant for the development of an inclusive Islamic financial ecosystem. Gender-based financial inclusion is essential for enhancing women's quality of life and promoting inclusive economic development. Integrating Islamic financial inclusion with women's empowerment has been shown to improve social welfare and accelerate achievement of the SDGs at the local level. Additionally, optimizing digital financial inclusion for women entrepreneurs highlights the importance of financial access and digital training as critical factors in sustainable economic development (Ahmad & Ahmad, 2021).

Conculsion

The study demonstrates that gender-oriented Islamic microfinance exhibits greater financial stability than non-gender-specific financing, primarily due to lower financing risk and higher customer loyalty. Gender orientation serves both as a tool for social inclusion and as an effective financial risk management strategy. Additionally, women's economic empowerment through productive financing leads to increased family income, enhanced household economic resilience, and progress toward SDGs 1, 5, and 8. These findings build on previous research by showing that the success of Islamic microfinance depends not only on profitability but also on integrating social values and Islamic principles into management practices.

The primary contribution of this research is the development of a triple-impact performance model that integrates gender portfolio stability, sharia principles, and economic empowerment within a multidimensional analytical framework. This model illustrates the mutual reinforcement of financial performance and social impact in advancing sustainable development. The study's main strength is its qualitative approach, which provides deep insights into social dynamics and management practices. Future research should consider employing quantitative or mixed-methods designs to empirically test the model at a larger scale and enhance the generalizability of findings across diverse Sharia microfinance institutions.

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Author Contributions
Akbar: research conceptualization, methodology development, data collection, data analysis, results interpretation, initial draft writing, and manuscript preparation. **Suryani:** research supervision, validation of research results, manuscript review and editing, and academic content refinement.

Conflict of Interest
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