

Financial and Social Performances of Islamic Microfinance Service Provider With Mobile Banking

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Abstract

In Malaysia, Islamic microfinance institutions (IMFIs) are part of Islamic financial institutions and have been established to provide Islamic microfinance products (interest free loans). Their aim is to promote trade activities among Islamic microfinance recipients in improving their standard of living. Information and data gathered can be used as evidence to prove that Islamic microfinance has traits that provide a support system for the poorest of the poor. This study hence intends to investigate the application of technology by Islamic microfinance institutions within a context of its accounting information system through the usage of mobile banking. This study is conducted using qualitative approaches via interviews to obtain in depth understanding of mobile banking usage at an Islamic microfinance institution. Financial data, as well as data on the total number of loan recipients (*sahabats*) is referred by the study in investigating another aspect of social performance in terms of vicegerency and accountability of the IMFI. Extensive application of vicegerency concept in explaining the findings is parallel to *Shari'ah* Foundation for Accountants in outlining characteristics of Muslim accountants in preventing them from doing prohibited actions.

Keywords: Islamic microfinance, mobile banking, financial performance, social performance

1. Introduction

The issue of poverty highlighted by Murtada et al. (2011) has been viewed as an obstacle to the sustainability of human development. Poverty induces many indecent acts namely fraud, dishonesty, and robbery; hence it should be addressed and treated appropriately. Poverty alleviation efforts using micro-credits have been made by many countries like Malaysia. In support for Malaysia as an Islamic finance hub, the use of Islamic microfinancing seems to be the best-fit alternative to conventional microfinancing. Savings and investments are promoted by the *Shari'ah* (Islamic law) as they are tools that fight excessive consumer debt, as argued by Riwayatanti (2013).

In Malaysia, Islamic microfinance institutions (IMFIs) are part of Islamic financial institutions and have been established to provide Islamic microfinance products (interest free loans). Their aim is to promote trade activities among Islamic microfinance recipients in improving their standard of living. Information and data gathered can be used as evidence to prove that Islamic microfinance has traits that provide a support system for the poorest of the poor. According to AlHuda Centre of Islamic Banking Economics and Akhuwat (2013), poverty can be reduced as Islamic microfinance emphasises on ethical, moral, and social factors to promote equality and fairness for the prosperity of the society. With these elements, Md Saad and Abdul Razak⁴ mentioned that financing by IMFI will facilitate the achievement of Islamic socio-economic objectives which include social justice, economic growth, efficiency, and stability.

Raja Kasim and Mohd Shamsir (2012); also, Raja Kasim and Amer (2013) found that Islamic microfinancing provided by Islamic microfinance institutions (IMFIs) has been seen as a tool in fighting poverty with a provision that these institutions are being managed properly in accordance to the *Shari'ah*. Thus, this study intends to investigate the application of technology by Islamic microfinance institutions within a context of its accounting information system through the usage of mobile banking. In Malaysia, the selected case study is an IMFI which is

currently using mobile banking for the purpose of streamlining its accounting systems, specifically in Islamic microfinance repayment, towards understanding and fulfilling its financial and social performances as argued by Kaleem and Ahmed (2010); also, Kauffman and Riggins (2012). The need to understand its financial and social performances is important for this IMFI, as mentioned by Ismail (2013) and AIM (n.d.), because they receive soft loan from the Malaysian government to be distributed with justice and fairness to the poor. This soft loan prevents the IMFI from being burdened with problems of finding working capital while running its operation.

Three studies, namely Kauffman and Riggins (2012); Weber (2012); as well as Nugroho (2014), have been adapted to study on financial and social performances of the selected IMFI. All the studies mentioned here refer to the scope and goal of Islamic microfinance institutions in identifying these performances. By receiving soft loan from the government in financing its systems, the IMFI should be fair and just in managing its loan.

Based on this, the current research is aimed at exploring financial and social performance of the selected case study as the country's leading IMFI with implementation of mobile banking application to its loan repayment system. Argument on why this thesis focused on loan repayment system is because this system is an impetus and forms the main core business of this IMFI. By having proper Islamic microfinance loan repayment system, this IMFI can collect more debts; hence the fund collected can be used to finance more poor people. Therefore, financial performance in the context of this study is to examine the selected IMFI's loan repayment system from usage of mobile banking. On the other hand, social performance in the context of this study examines the IMFI's ability to finance more poor people which will lead to further poverty eradication. Both financial and social performances are inter-related and important for this study. Nugroho (2014); Holloway, Romme & Demerouti (2018) added that the concept of an Islamic microfinance institution is also to support transparency in reporting which will lead the organization to be more efficient. As for the IMFI, the management receives guidance and direct supervision by the stakeholders such as the government and the public.

The remainder of this paper is organised as follows. Section 2 discusses on literature review on the subject matter, which is on financial and social performance from Islamic perspectives. Methodology used to conduct the current study is described in Section 3, while its analysis and discussion of findings are described in Section 4. Finally, conclusions drawn are provided in Section 5.

2. Literature Review

This study focuses to provide input for IMFIs' sustainability through understanding on its financial and social performances, which focuses on the application of technology called mobile banking in streamlining their loan repayment system. Being part of Islamic financial institution, an IMFI forms an important pillar for economy and business in the Islamic perspective. According to Nugroho (2014), the purpose of Islamic economics is to create benefit for the *ummah* or community. Thus, in the context of this thesis, both performances have been positioned in the selected case study as discussed in the following sub-sections.

2.1 Financial Performance

The IMFI selected for the current study carries out activities that are based on Islamic principles. The main factor underlying the establishment of this IMFI comes from an intention to run an economic system which is based on values and principles of Islamic justice. This system aims to distribute microfinance loans that are free from all forms of exploitation. The necessity of for this IMFI to understand its financial and social performances as an IMFI is described with reference to a hadith by Musnad Shihab, Hadith no. 1234, mentioned by Nugroho (2014), as follows:

"The best man is the most useful for others."

In the context of this paper, the above hadith refers to the responsibility of IMFIs in understanding its financial and social performances through the knowledge of accounting. The originality of microfinance objective is the achievement of both financial and social performances. Therefore, microfinance institutions are mindful not only about financial performance, but also social performance. With that respect, the selected IMFI's financial data are used to assess its financial performance as a guide to extend the analysis of social performance indicators. As this IMFI carry dual aspects of financial and non-profit organizations, Nugroho (2014) argued that it is appropriate to assess their performance by means of not only financial ratios, but also by means of social indicators.

2.2 Social Performance

According to Nugroho (2014), goals of microfinance institutions refer to the assessment of their financial and social performances. It is not always to maximize profits, but to provide access to financial services to low-income people who cannot be served by banks. Thus, this becomes the social performance for the selected IMFI. However, this

institution is expected by Nugroho (2014) to play an active role in creating wealth evenly throughout society by enforcing *Shari'ah* in order to achieve economic goals of Islam.

Similarly, Kauffman and Riggins (2012); Ismail, et.al (2018) highlighted social performances based on the objective of microfinance institutions as financial services providers to the poor. It is critical to be analyzed in a move towards promoting economic development in developing countries through poverty eradication. However, microfinance institutions are facing increasingly competitive environments, which force them to balance the dual goals of outreach and sustainability. In order to achieve the dual goals, Kauffman and Riggins (2012) foresaw that Information and Communication Technology (ICT) is an important driver in the maturing microfinance industry. Hence, ICT may be the instigator of the competitive environment that, yet, can be the potential solution to microfinance institutions' survivability. Thus, the study proposes research directions on the role and impact of ICT in the microfinance industry in providing micro financing services to poor people.

Weber (2012) studied the impact of ICT on intermediation, outreach, and decision rights in the microfinance industry. The study suggested that ICT is changing the microfinance industry with advancements of mobile banking, Internet usage and connectivity. ICT is subsequently able to decrease digital divide. Advancements of ICT have impacted intermediation among various players in microfinance industry where institutions are able to extend their outreach to the poorer or more geographically remote, hard-to-reach, and distant borrowers. Financial sustainability has been looked at from the views of achieving better financial performance to maintain systems and outreach in understanding social performance.

In the context of this study, ICT in this IMFI is partly embedded in its mobile banking application. Part of the IMFI's social performance in the use of mobile banking is not only to bring good and justice to itself, but also to the *ummah*. Thus, to ensure that the IMFI's systems are bound by principles of justice and fairness, this study looked at its mobile banking usage in the scope of *Shari'ah* Foundation for Accountants, as suggested by Abdul Rahman (2010); that should be applied by the IMFI's staff and microfinance recipients.

It can be concluded from the discussions above that social performance of a microfinance institution, according to Weber (2012), Kauffman and Riggins (2012), also Nugroho (2014), Ji & Jiang (2018) is an ability to extend loans to potential poorer recipients in the more geographically hard-to-reach areas. These include disseminating of information and training in developing human resources as well as giving support to micro and small entrepreneurs. Nugroho (2014) identified further on social performances by highlighting roles and tasks of an IMFI in identifying the needs and business opportunities for Islamic microfinance loan recipients. IMFIs should help them to plan and provide them with training and business consulting.

Further, social performance of an Islamic entity was also elaborated by Nugroho (2014) in view of social responsibility of an IMFI in a form of accountability to Allah SWT. In this aspect, man is intended to derive legitimacy from Allah SWT as his goal. Material and spiritual dimensions which are related to interests of all stakeholders must be disclosed in IMFIs' social responsibility disclosure. It is mandatory to have social responsibility disclosure as IMFI is viewed as an instrument to realize the objectives of *Shari'ah*.

Nugroho (2014) also added that social responsibility reports are reports that will complement the interests of all parties that have been neglected in modern accounting systems. The social responsibility disclosure is for the purpose of providing information to all stakeholders (direct, indirect and natural) in describing how far the agency has fulfilled its obligations to all stakeholders. It is the move towards meeting accountability for humans. Therefore, Nugroho (2014) posited that the basis of disclosure must consider the public interest (*maslahah*) and should contain qualitative and quantitative information.

3. Methodology

This study intended to narrow the research gap by understanding in depth how the usage of mobile banking streamlines loan repayment system for Islamic microfinancing at the selected IMFI. The investigation contributes towards the understanding of this IMFI's financial and social performances. Therefore, in order to achieve this research objective, investigation was made by referring to studies on mobile banking which mostly were carried out using the quantitative approach. However, this study was conducted using qualitative approaches to obtain in depth understanding of mobile banking usage at an Islamic microfinance institution. Though few studies, for example Greenacre (2009); Kauffman and Riggins (2012); Weber (2012); Senthe (2012); Jraid & Alhanaqtah (2018) as well as Gant (2012) had been done on mobile banking for conventional microfinance, this study was executed using a single case study to investigate the current practice of mobile banking at the selected IMFI. A single case study is suggested by Kumar (2012) to able to present an insight into the status prevalent in an entity on which the case has

been drawn up.

Researchers' satisfaction and anxiety to elicit information from the right respondents are some reasons why qualitative approach was chosen for this study. As the study focuses on mobile banking usage in the IMFI, a case study on mobile banking is conducted on qualitative basis as it aimed to get direct and emotional findings from various players in the mobile banking ecosystem. The study also covered accounting perspectives, as it involves loan disbursement and repayment among recipients. This factor was supported by Neuman (2011) where qualitative research was performed in acquiring first-hand knowledge for research. This can be obtained by having intimate understanding in grabbing maximum reward of personal insight, feelings, and attempt to comprehend social life. Hence, the key feature in a qualitative study is on the openness and integrity of researcher in listening to respondents.

The selected IMFI was chosen for the single case study site because it adheres to Islamic principles as outlined by *Shari'ah*. This factor has been supported in reference to the Global Islamic Finance Report by Edbiz Consulting (2012), where it confirmed that the selected case study is an IMFI in Malaysia. This recognition was obtained as it is a *Shari'ah*-compliant institution. This IMFI's *Shari'ah*-compliant product is aimed at financing low-income households with necessary finance to enable them to be involved in income-generating activities. This is said by Edbiz Consulting (2012) to be a move towards lifting their socio-economic condition in eradicating extreme poverty.

To achieve the objective of this study, which is to investigate mobile banking usage in streamlining loan repayment system towards understanding the selected IMFI's financial and social performances, several research questions were formulated. At this stage, Marketspace Components Theory was applied to understand how mobile banking utilisation can streamline the selected IMFI's loan repayment system. An evaluation on how religious factor would impact the success of mobile banking utilisation was explored using *Shari'ah* Foundation for Accountants. Characteristics of Muslim accountants are also applied to several players in the context of this study, to help in describing the IMFI's financial and social performances. Data collection method hence included interviews, documentary analysis, archival analysis, and non-participatory observation, which had been carried out during the study's research stage.

4. Results and Discussion

IMFI's financial and social performances refer to the accountability of the IMFI in its loan repayment system, as stated in the Holy Quran and outlined by *Shari'ah* Foundation for Accountants, mentioned by Abdul Rahman (2010). To investigate further on the IMFI's financial and social performances from the streamlining process of mobile banking to loan repayment system, findings are organized in two sections of the IMFI's financial performance and social performance.

4.1 IMFI's Financial Performance

Financial performance in the context of this study is referred by Kauffman and Riggins (2012); Weber (2012); also, Nugroho (2014), as the performance of the IMFI's loan repayment system from the usage of mobile banking. Analysis of financial performance is a necessity for the IMFI as it is a subsidized IMFI that receives full financial support from the government. Financial support is obtained in terms of grants and soft loans. In this scenario, the government is known as a seller, whereas the IMFI is a customer, as elaborated in the Marketspace Components Theory by Turban et al. (2010); Khan Hassan & Marimuthu (2017).

The study analyzed the financial data of the selected IMFI on the total of Islamic microfinance disbursed to its recipients as at 30th November 2014. Financial data provides evidence on the IMFI's accountability in understanding its financial performance. Since the inception in 1986, the selected IMFI has been a financial intermediary, as described by Turban et al. (2010) in Marketspace Components Theory. The following table shows the total of Islamic microfinance loan disbursed in Ringgit Malaysia (RM) according to regions.

Table 1. Accumulated disbursement to recipients as at 30 November 2014

No.	Regions	Islamic Microfinance Disbursed (RM)
1	Selangor/Kuala Lumpur	532,778,070
2	Negeri Sembilan & Melaka	338,890,920
3	Kedah	2,019,623,610
4	Perak	1,433,087,840

5	Kelantan Utara	1,449,264,360
6	Kelantan Selatan	1,224,275,748
7	Terengganu	1,516,906,155
8	Pahang	707,310,670
9	Johor	249,439,570
10	Sarawak Selatan	441,318,430
11	Sarawak Utara	418,617,620
12	Sabah Timur	473,893,540
13	Sabah Barat	539,974,250
14	Sabah Tengah	373,635,410
Accumulated Loan Disbursed		11,719,016,193

Up to 2015, this IMFI has received approximately RM1.099 billion from the government. This is evidenced by the head of budget unit as follows:

“IMFI up to date has been receiving about RM1.099 billion from the government”.

In identifying the financial performance of the selected IMFI, financial support from the government totaling approximately RM1.099 billion has been further enhanced by the IMFI through practicing the concept of viceregency. Being the vicegerent of Allah SWT, this IMFI examined its financial performance by having good loan repayment system via the application of group lending method for its recipients. With more loan repayment that this IMFI manages to get back from recipients, more recipients and potential recipients can obtain new loans (Khan, & Adnan Hye 2014; Suryanto, Haseeb, & Hartani, 2018).

Table 1 indicates the accumulated loan disbursement made to recipients as at 30 November 2014. The figures are presented according to regions in Malaysia. The total of RM1.099 billion obtained from the government has increased by 11 times, as the total of loan disbursed as at 30 November 2014 was stated to be RM11,719,016,193. As said by the head of budget unit:

“From the total of RM1.099 billion received from the government, the total of loan disbursed by this IMFI is now about RM11.7 billion. It shows that it is 11 times more than the total of loan obtained from the government”.

Since discussions of financial and social performances are inter-related with one another, financial data obtained on total accumulated disbursements to recipients as at 30th November 2014 is utilized to further discuss on the IMFI’s social performance.

4.2 IMFI’s Social Performance

In the previous section, financial data on total accumulated disbursements to recipients as at 30th November 2014 was used to assess the financial performance for the selected IMFI. As the objective of microfinance is to achieve both successful financial and social performances, the financial data analyzed in assessing financial performance also acts as a guide to extend the analysis of social performance Nugroho (2014) at the IMFI. Therefore, in this section, it is appropriate to assess their performance not only by means of financial ratios, but also by use of social indicators.

Social performance in the context of this study is referred by Kauffman and Riggins (2012); Weber (2012); also Nugroho (2014), as the usage of mobile banking in extending loan to more potentially poor recipients in more geographically hard-to-reach areas. In tandem with this situation, the selected IMFI had moved forward to obtain greater outreach in assessing more potential recipients to apply for Islamic microfinance in improving their households’ performance.

In order to substantiate the above, this study referred to financial data on total accumulated disbursement to recipients as at 30th November 2014, showing inter-relation between financial and social performances. The increment of 11 times the total of disbursements to recipients from the total soft loans provided by the government shows that usage of technology, particularly mobile banking in this IMFI, can extend loans to more potentially poor recipients in more geographically hard-to-reach areas. As asserted by Kauffman and Riggins (2012); Weber (2012); also Nugroho (2014), the usage of mobile banking is an enabler for an IMFI to fulfil its social responsibility

disclosure in providing information to all stakeholders (direct, indirect, and natural) in describing how far the agency has fulfilled its obligations to all stakeholders. According to Nugroho (2014), this is how the selected IMFI examines its social performance towards meeting accountability to the poor.

The understanding of social performance portrays that this IMFI is exercising its viceregency in extending its financial services to more potential recipients. This is in line with what was done by *Khalifah* Umar al-Khattab, the Caliph of Prophet Muhammad (pbuh), in taking care and helping the poor. Samat²¹ stated that *Khalifah* Umar al-Khattab took an initiative to search for the poor and help them in solving their problems. This applies the characteristic of integrity in the context of this study. The IMFI's social performance is not only limited to helping existing recipients in coming out of poverty, the institution also tries to find more poor people in providing them with access to obtain Islamic microfinance to achieve its aim towards further poverty eradication.

In order to prove that this IMFI has taken its initiative in further reducing poverty, data on total recipients as at 30th November 2014 is used to indicate and explain the social performance of this IMFI. From its establishment in 1986 up to this date, the selected IMFI has a total of 352,422 recipients. The total number of recipients has increased tremendously ever since the inception of this IMFI, which originally started with 373 recipients. This indicated that the usage of mobile banking can assist the IMFI¹⁰ to extend its products to more potentially poor recipients in more geographically hard-to-reach areas.

Table 2 presents the total number of recipients according to regions in Malaysia.

Table 2. Total of recipients as at 30 November 2014

No.	Region	Recipients
1	Selangor/Kuala Lumpur	24,257
2	Negeri Sembilan & Melaka	17,512
3	Kedah	44,059
4	Perak	41,139
5	Kelantan Utara	25,406
6	Kelantan Selatan	21,788
7	Terengganu	30,213
8	Pahang	24,462
9	Johor	18,988
10	Sarawak Selatan	19,995
11	Sarawak Utara	17,719
12	Sabah Timur	24,935
13	Sabah Barat	24,515
14	Sabah Tengah	17,434
Total Recipients		352,422

By observing the total number of recipients as at 30 November 2014, this data showed that the selected IMFI strived hard in ensuring good loan repayment so that it can examine its financial and social performances. The understanding of both performances is required in combating challenges of poverty, as stated in the Holy Quran.

Additionally, as a vicegerent, Abdul Rahman (2010) argued that an IMFI is accountable to Allah SWT. The study has hence investigated further on social performance of the selected IMFI from aspects of a holistic approach, adapting from Raja Kasim and Mohd Shamsir (2012), also on spiritual dimension with reference to Nugroho (2014) in realizing objectives of *Shari'ah* at the IMFI. In order to achieve this, this study referred to the formation of *Shari'ah* Panel Committee. The function of this committee is to monitor all aspects of the selected IMFI's *muamalah* (transactions) to be within the scope of Islam.

In line with the formation of *Shari'ah* Panel Committee, the IMFI has created its own staff and recipient pledge in

reflecting their divine accountability to Allah SWT. Reference has been made to interpretation of the fourth chapter in the Holy Quran, which is Surah An-Nisa'/ The Women, verse 86, as follows:

“Surely Allah SWT takes careful account of everything”.

This was expressed by a branch manager in the East Coast:

“Yes, IMFI itself is an Islamic organization. Look at the pledge for staff and sahabat, ... Allah SWT bears witness on all our utterance and doing”.

Furthermore, the IMFI realizes that the symbol of Islam should be reflected in its systems. As such, the abbreviation for AIM's recipients is provided based on similar terminology given to companions of Prophet Muhammad (pbuh). This word encourages members of this IMFI community to live in harmony according to *Sunnah* teachings from Prophet Muhammad (pbuh).

Based on holistic approaches, spiritual dimension according to Nugroho (2014), through vicegerency has impacted the application of Marketspace Components Theory by Turban et al. (2010) in understanding the social performance of the selected IMFI. From this, the study tried to prove that Islamic teachings plays an important role in understanding the IMFI's financial and social performances, as well as being accountable to Allah SWT. Within the context of this study, financial performance of the IMFI refers to accounting knowledge in providing information to all stakeholders, for example the government, describing how far the IMFI has fulfilled its obligations. According to Nugroho (2014), it is a move towards meeting accountability for the poor in understanding social performance.

The adaptation of Islamic disciplines and *Shari'ah* in enhancing the IMFI's governance is supported from findings obtained throughout the study. Raja Kasim and Mohd Shamsir (2012) emphasised that top management of IMFIs should adopt supportive Islamic governance policy. Their seriousness can be portrayed in the readiness of IMFIs to create and provide resources and information by having proactive and innovative attitude. Inclusion of spiritual dimension by Nugroho (2014) on Marketspace Components Theory by Turban et al. (2010) indicates that usage of mobile banking is seen to have provided benefit to the Islamic microfinance fraternity. This was clearly expressed by the branch manager of Northwest Selangor branch:

“Efforts have been made to convey the Islamic teaching to recipients as there are many malpractices happening here. Starting from 2014, we have started finding Ustaz who can give talks on the necessity of being accountable to Allah SWT. In respect to what has been done by other branches and in order to get the blessings from Allah SWT, we have started to conduct prayers recitation, zikir (to recite religious verses like to repeat the name of Allah SWT), and salawat (salutation to Prophet Muhammad (pbuh)). In asking for Allah SWT protection, occasionally the centres perform Yassin recitation. It is all been done since we have encountered a lot of problems and malpractices here last time”.

The above finding shows that spiritual dimension has an ability to solve their problem of malpractices. In order to convey Islamic principles in examining social performances, the IMFI has identified its officers as an intermediary, as proposed by Turban et al. (2010) between the IMFI and its recipients. This can be achieved by being present during weekly meetings in witnessing the flow of meeting. The IMFI's officers show integrity, following Abdul Rahman (2010) in exploiting opportunities of physically seeing recipients during these meeting. This allows officers to identify problems that might be faced by recipients, so that they are able to advise them to refer to Islamic principles for potential solutions. They become vicegerents as they advise recipients to show piety to Allah SWT. This act was elaborated by a branch manager in the East Coast:

“This IMFI's staff and officers here are at their level best try to instill the Islamic values towards recipients. They do it based on their own capacity and knowledge of Islam. This is done by realizing the fact that recipients need guidance. Recipients may face problems in obtaining and learning about Islam at their own capacity. That is why the IMFI's officers need to help them”.

Being an intermediary, it also becomes a responsibility for the IMFI's officers to collect and carry large amount of money from repayments made by recipients after weekly meetings. In this situation, the IMFI's officers are exposed to risks of being robbed. Despite this risk, they should remain accountable to the IMFI as they hold the trust of carrying money. Nugroho (2014) suggested that piety helps the IMFI officers to be accountable for the cash, as well as in evaluating their responsibilities.

The IMFI realizes these risks which are faced by its officers, hence mobile banking was introduced in order to minimize these risks. Another aspect of social performance, as asserted by Nugroho (2014), is to ensure that the usage of mobile banking brings benefit to *maslahah* within the related mobile banking ecosystem. Findings show

that the application of mobile banking enables the IMFI to reap benefits of risk reduction faced by their officers when carrying a big amount of collection. This was evidenced by a branch manager:

“Last time before using mobile banking, the total collection was about RM30,000 and this amount of cash had to be carried by the IMFI's officers after the weekly meetings. But now is only around RM3,000 of cash collection and this is lowering down the risk to the IMFI's officers”.

Once payments are made by recipients through mobile banking, back end systems at the mobile banking application provider, which is a collaborator for the IMFI, will take place. Repayments made through mobile banking will be updated in the IMFI's bank statement. Upon receiving statement from the mobile banking application provider, staff from accounts department at regional offices will take up repayments made by recipients for the purpose of updating the recipients' accounts (Umrani, Mahmood & Ahmed, 2016; Kofarmata, Applanaidu & Hassan 2016; Khan & Ali 2017).

In updating the recipients' accounts, staff from accounts department should be provided with training on certain accounting aspects pertinent to mobile banking. As education is an important aspect in Islam, providing training becomes part of the duties of the IMFI as a vicegerent, since education is important to enable staff to carry out their duties as vicegerents of Allah SWT, as mentioned by Abdul Rahman (2010). By continuous training, assistant accounts officer will obtain better understanding of the IMFI's Accounts Department workflow in catering to the institution's repayment system. From the interview with an assistant accounts officer, the following was obtained:

“When I started working here, I was taught by the senior staff on how to handle the accounts. No proper training actually was given to the new staff”.

She also added that:

“I just do what I was instructed to do. The rational of doing it, I myself am not so sure”.

Based on this finding, it showed that training is necessary to produce reliable social responsibility disclosure. Furthermore, training forms part of social performance, as asserted by Nugroho (2014). This is required since an IMFI is accountable to provide information to all its stakeholders (direct, indirect, and natural) in describing how far the IMFI has fulfilled its obligations. On this aspect, accounts manager was asked on the training of the selected IMFI's accounts department staff. It was admitted by the accounts manager as follows:

“Yes. We are trying to encourage the usage of mobile banking. With that, we also will give training to the regions' managers and assistants, branch manager and assistants, also the accounting staffs on the aspect mobile banking, especially its relation to accounting”.

It is mandatory to have social responsibility disclosure as the IMFI is viewed as an instrument to realise objectives of *Shari'ah*. Modern accounting systems have neglected social responsibility reports, which complement the interests of all parties. In order to resolve this issue, Nugroho (2014) proposed that social responsibility disclosure should be a holistic disclosure as it should include material and spiritual dimensions in relation to interests of all stakeholders involved.

5. Conclusion

This study has investigated on how mobile banking usage in streamlining the loan repayment system moves towards understanding the selected IMFI's financial and social performances. The IMFI's financial services have been facilitated with new technological support called mobile banking, and its positive impacts would result in bringing higher quality to lives of the poor people. Kauffman and Riggins (2012) explained that Information and Communication Technology (ICT) is an important enabler to the economic development by bridging digital divide in distributing more funds to the poor, which would eliminate poverty in developing nations. This study contributed to the body of knowledge by providing insights on financial and social performances of the IMFI and explained the significance of delivering its financial services through reliable repayment system. Thus, this study contributed to the body of knowledge as it narrows gap in the literature by providing new platform of research in the area of Islamic microfinance.

Findings of the study showed that social performance, as outlined by Nugroho (2014), is a form of accountability to Allah SWT. Man is intended to be pious to Allah SWT and place it as his goal. This can be achieved by referring to Allah SWT in solving any of their problems in life. This is a form of Islamic principles that should be frequently reminded by the selected IMFI officers to recipients. The IMFI's success in channelling capital to the poor is also due to the number of contributions received by the IMFI. The Government of Malaysia has been supporting the IMFI by channelling capital funding to prevent the institution from being burdened with problems of working capital. As a

vicegerent, the IMFI needs to evaluate both financial and social performances in managing this loan. Financial data showing the total loan disbursed to recipients was analysed to show the financial performance of the IMFI. As at 30 November 2014, the IMFI has made a total of RM11,719,016,193 disbursement for its Islamic microfinance products. This figure is 11 times more than the amount of RM1.099 billion of total soft loan provided by the government.

Finally, social performance of the selected IMFI as a financial service provider was obtained by analysing a total of 352,422 recipients as at 30 November 2014. High number of recipients indicated that the IMFI has good repayment system, which enables it to disburse more loans to existing and potential recipients.

This study made significant contribution to knowledge in such a way that it indicated how mobile banking could enable the understanding of the selected IMFI's social performance. Social performance was assessed by how mobile banking was able to offer a diverse set of delivery channels in widening the access of financial services in more remote areas which was proposed by Bank Negara Malaysia²². Therefore, usage of mobile banking is seen as an enabler to streamline the repayment system of the IMFI, hence providing an understanding on its financial and social performances.

In order to play a more proactive role, the IMFI should provide training on mobile banking to its regional managers and assistants, branch managers and assistants, as well as the IMFI officers who work directly with the application to boost their motivational skills. By using mobile banking, enhancement of data processing using ICT would enable for an upgrade towards the IMFI's daily systems and its weekly repayment from recipients (*sahabats*). Due to its practical and reliable payment ecosystems, it is envisioned that the IMFI could reduce its operating cost, while at the same time increase its business opportunities. The most important factor is for the IMFI to have a solution towards mobile banking usage enhancement in obtaining 'win-win situation' between recipients and the IMFI itself.

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