



Islamic Microfinance For
SUSTAINABLE DEVELOPMENT



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Spiritual, Managerial and Technological Treatments Improve Islamic Micro Entrepreneur's Behavior and Business Performance (A pilot project for Islamic Microfinance Clients in Indonesia)

Dian Masyita
Erie Febrian
Merita Bernik
Sudarmono Sasmono
Adriano Rusfi and et al.
(FEB - Universitas Padjadjaran)
Cimandiri 6, Bandung, Indonesia

Abstract:

This research attempts to find an appropriate scheme for improving SME's business behavior and performance based on the characteristics of Indonesian Muslims. Spiritual, managerial and technological treatments are expected to be able to improve micro entrepreneur behavior and business performance and ensure the high repayment rate to the financial institutions at the end. The basic assumption of this research is that the power of spirituality, managerial skill and utilized technology can be applied for ensuring high repayment rate. The linkage of these treatments can reduce banking risk, build trust and, at the end, be expected to remove the power of collateral in Islamic microfinance institutions. 162 Islamic MFI's clients from 13 Islamic financial institutions were involved in this research. The respondents were divided into four clusters, i.e., cluster A (three treatments), cluster B (two treatments), cluster C (one treatment only), and cluster D (no treatment). Based on Friedman Test and Kruskal-Wallis Test, Cluster A which received three treatments shows the higher significant changes in behavior and business performance than does cluster B which received two treatments and cluster C which received only one treatment respectively. Cluster B shows more significant changes in behavior and business performance than does cluster C and D. Cluster C also shows the better changes in behavior and business performance than does cluster D which did not get any treatments at all as a controller cluster. In brief, a combination of spiritual dimension, managerial skills and utilized technology can improve micro-entrepreneur's behavior and business performance and also reduce banking risks at the end.

Key words: the microfinance risks, spiritual, managerial, technological treatments



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P.O Box 9201 Jeddah 21413
Kingdom of Saudi Arabia
Tel : 00966 2 636 1400
Fax : 00966 2 637 8927
website : www.irti.org
Email : irti@isdb.org

