

# Financial Inclusion through Islamic Microfinance: Empirical Evidence from Developing Countries

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## Abstract

This study explores the important role played by Islamic microfinance in promoting financial inclusion in developing countries. Using empirical evidence, this research shows how Islamic microfinance institution shave helped in reducing poverty and improving the economic welfare of underprivileged communities. Through secondary data analysis and case studies, this research highlights how sharia economic principles such as the prohibition of riba (interest) and the emphasis on asset-based contracts have facilitated access to financial services for individuals previously underserved by conventional financial institutions. This research also discusses the challenges faced by the Islamic microfinance sector and provides recommendations for the future.

Keywords: Financial Inclusion, Islamic Microfinance

## 1. Introduction:

In this age of globalization and rapid technological growth, financial inclusion is a serious issue that deserves attention. Despite this, many people and businesses in developing countries continue to lack access to legitimate financial services. In this context, Islamic microfinance is developing as an innovative option with huge potential to promote financial inclusion. According to the World Bank, financial inclusion is the availability to individuals and companies of usable and fairly priced financial goods and services that meet their needs for transactions, payments, savings, credit, and insurance in a sustainable and responsible manner.

This study aims to evaluate the role and impact of Islamic microfinance in driving financial inclusion in developing countries. With a focus on empirical evidence, this research will explore how Islamic economic principles have been applied in microfinance practices and how they have helped in expanding access to financial services. The research will also discuss the challenges and barriers faced by the Islamic microfinance sector and provide recommendations to address these challenges. It is hoped that the findings from this study can provide new and useful insights for researchers, practitioners, and policymakers with an interest in this field.

In general, Islamic microfinance has the ability to help developing nations become more financially inclusive. In spite of the expansion of the financial industry in Muslim nations, many people and businesses are still unbanked, according to Zulkhibri (2016). However, the research raises the possibility that Islamic distributive mechanisms like zakat and waqf may help include financially excluded groups in the mainstream financial system (Zulkhibri 2016). Hudawi (2018) investigates how Islamic microfinance contributes to inclusive growth and underlines how its profit-sharing structure may make up for the drawbacks of traditional microfinance (Zitouni and Ben Jedidia 2022).

According to ul-Hassan (2013), who emphasizes the role of Islamic microfinance institutions in creating capacity for individuals who are financially excluded, Islamic microfinance is a viable and dynamic strategy for achieving development goals (Mehboob ul-Hassan and M. Usman n.d.). The book Azrak (2022) focuses on how Islamic and Western microfinance organizations have helped people in Bangladesh, Nigeria, and Uganda overcome financial marginalization. The study demonstrates that Islamic microfinance may be used in these nations to promote economic growth and solve financial exclusion thanks to its variety of financial

products (Azrak and Edema 2022). As a result, the use of Islamic microfinance concepts greatly increases financial inclusion in underdeveloped nations.

From the description above, we conclude some findings that in this study it examines developing countries, which are regions that have great potential for the development of Islamic microfinance, but also face various challenges such as low financial literacy, lack of infrastructure, and inadequate regulation. The study shows that Islamic microfinance has been successful in providing access to financial services to previously underserved or underserved segments of the population. This has been achieved through various means, including social and financial approaches, empowerment of the poor, and the use of Islamic social tools such as zakat and sadaqah. Baitulmaal Wa Tamwil (BMT) is one of the MFIs that has helped in increasing financial inclusion.

## **2. Literature Review:**

### **a. Definition and indicators of financial inclusion**

Financial inclusion refers to the availability and equality of access to financial services. It explains the process by which individuals and businesses may acquire appropriate, fairly priced, and timely financial goods and services. Banking, lending, equity, and insurance products are all included. According to the World Bank, financial inclusion is the availability to individuals and companies of usable and fairly priced financial goods and services that meet their needs for transactions, payments, savings, credit, and insurance in a sustainable and responsible manner (Ayu and Filianti 2022).

Gortsos 2017 defines financial inclusion as an attempt to enable access to inexpensive financial goods and services for all parts of society, emphasizing on vulnerable populations. This definition builds on the idea of financial inclusion and its indicators (Gortsos and Panagiotidis 2017). Eldomiaty 2020 looked at how institutional variables affected financial inclusion and discovered that metrics like government effectiveness and corruption control had a big impact (Eldomiaty, Hammam, and El Bakry 2020). A dataset from Demirguc-2012 evaluates global financial inclusion metrics and demonstrates differences in account penetration across nations and socioeconomic categories (Darmawan et al. 2023). In Prabukumar 2020, the necessity of financial inclusion for inclusive growth is emphasized, as well as the function of formal financial institutions in facilitating service access.

According to the findings, financial inclusion is critical for boosting economic growth and alleviating poverty. Here are some of the reasons in support of financial inclusion: Financial inclusion may help people and businesses make future investments. Financial inclusion may help individuals and businesses balance their spending. Individuals and businesses may use financial inclusion to mitigate financial risk. According to various studies on poverty reduction and economic progress, financial inclusion is crucial. Financial inclusion is considered as a critical tool for combatting poverty and inequality and attaining the Sustainable Development Goals within the wider context of inclusive development (SDGs). Financial inclusion may empower individuals by allowing them to save money and providing women, who now have less access to the financial system, with opportunities.

### **b. The importance of financial inclusion in promoting economic growth and poverty alleviation.**

Several studies described the importance of financial inclusion, which refers to providing affordable banking services to disadvantaged and low-income groups. Dhar (2010) highlights the goal of financial inclusion as the provision of reliable and secure financial services to those without formal institutional support (Mandira Sarma 2011). Kanta (2014) emphasizes that financial inclusion should be the main goal of public policy, which aims to provide affordable banking services to the entire population without discrimination (Kanta n.d.). Bhat (2015) supports the opinion that financial inclusion is essential for poverty alleviation and inclusive growth (Tajamul Khurshid Bhat and Imtiyaz Hussain Ganaie n.d.). Although Koneru (2010) does not provide specific findings, the paper recognizes the importance of financial inclusion from a banking perspective (Hejaziey 2015). Taken together, these papers collectively emphasize the importance of financial inclusion in meeting the needs of disadvantaged and low-income individuals.

Financial inclusion refers to the accessibility and use of financial services and products by all segments of society. It is seen as an important mechanism to achieve inclusive and sustainable growth. Research has shown that financial literacy plays a positive role in promoting financial inclusion, as it empowers

individuals with the necessary skills and knowledge to utilize and manage financial services effectively (Jayanthi and Rau 2017). Pemerintah dan lembaga keuangan telah menerapkan berbagai kebijakan dan initiatives to promote financial inclusion, including the establishment of formal banking sectors, microfinance institutions, and non-banking financial institutions (Hudaefi 2020). The link between financial inclusion and trade has also been explored, with findings showing a strong and positive link between the two (Ozili 2023). To ensure the success of financial inclusion efforts, it is important for policymakers to consider the impact of social inclusion policies, such as gender equality and environmental sustainability, on financial inclusion outcomes (Pu et al. 2021). Monitoring the progress of financial inclusion initiatives can be done through the use of a multidimensional composite Financial Inclusion Index, which takes into account various indicators related to access, use, and quality of financial services (Hassouba 2023). So, financial inclusion is an important mechanism for inclusive development. And Financial inclusion affects the profitability of banks in developed and developing countries.

### **c. Principles of Islamic Microfinance**

Microfinance based on Islam refers to the provision of microfinance goods and services. The following are some basic guidelines for an Islamic microfinance scheme: Riba (Interest) is forbidden in Islamic finance. This suggests that the profit-sharing idea should be used to the loan and that no interest should be charged. Murabaha (Sale with Profit), In this section, the seller discloses both the initial purchase price and the profit that was added. It is frequently used in lending transactions. Mudaraba (Capital Partnership), One side contributes capital while the other contributes labor under this arrangement. The capital owner absorbs the loss, while the profit is dispersed in line with the specified ratio. Musharaka is a business partnership (Anon 2015).

Islamic microfinance is a financial instrument that aims to help underprivileged people by providing them access to financing based on Shariah principles for small and micro enterprises. The practice of Islamic microfinance is guided by maqasid sharia, which includes safeguarding religion, human life, intelligence, wealth, and offspring (Anon 2015). The literature on Islamic microfinance has concentrated on a variety of subjects, including the fundamentals, effectiveness, and problems of Islamic microfinance, as well as sustainable development, women's empowerment, and the role of banks (Sen 2019). However, the industry also faces challenges such as limited reach, lack of expertise, and governance and management issues.

To address these challenges and enhance the impact of Islamic microfinance, a hybrid model integrating various Islamic commercial and social financial institutions through Fintech has been proposed. The model aims to achieve financial sustainability, outreach, and scale while incorporating non-financial factors such as commitment, payment incentives, and upskilling (Hassouba 2023). Despite the demand for Islamic microfinance, it has not kept pace with the growing demand, especially in Nigeria. Efforts are needed to raise awareness and provide better customer service and product offerings in Islamic microfinance (Hassouba 2023).

Thus, the principles of Islamic microfinance are the ethical and financial guidelines underlying the operation of Islamic microfinance institutions, which include principles such as the prohibition of riba (interest), mutual risks and benefits, as well as a focus on sustainable social and economic development. These principles distinguish Islamic microfinance from conventional financial institutions and reflect a commitment to fairness, inclusion, and sharia principles in microfinance services.

### **d. The role of Islamic microfinance in achieving financial inclusion**

Islamic microfinance has played an important role in achieving financial inclusion, especially in developing countries. With its unique principles, Islamic microfinance offers a sustainable and ethical alternative to conventional financial products and services. First, is the prohibition of usury (interest). This means that loans provided by Islamic microfinance institutions are interest-free, which is often a burden for poor borrowers in the conventional financial system. In contrast, Islamic microfinance operates on the principle of profit sharing, where risks and profits are shared between lenders and borrowers. This creates a fairer and more balanced relationship between lenders and borrowers (Sari 2022).

Second, Islamic microfinance stresses the importance of asset-based contracts, not debt. This means that the loan must be used for productive purposes that can generate income or asset growth. This helps ensure that

lending leads to economic improvements for borrowers, not just the debt cycle. Herison Herison, "pendekatan inklusi keuangan dan teori perilaku terencana dalam analisis perilaku utang," 2019. Third, Islamic microfinance also includes aspects such as zakat (alms) and waqf (charitable donations), which can be used to support very poor borrowers who may not have access to conventional financial services. Pati, Pujiyono Pujiyono, and Pranoto Pranoto, "sharia fintech as a sharia compliance solution in the optimization of electronic-based mosque's ziswaf management" (2021). Finally, with its focus on ethics and social welfare, Islamic microfinance can help build trust and receive acceptance from communities that may feel marginalized by the conventional financial system. Thus, through these principles, Islamic microfinance has great potential to support financial inclusion and help reduce poverty.

### **3. Research Methodology: Research Design:**

In this study, the method used is a qualitative descriptive analysis technique, where all data obtained are presented in the form of descriptions describing the results of the study (Sugiyono. 2017). Data collection is carried out through various approaches, including online and print literature studies, as well as literature sources relevant to this research. The data analysis process is a very crucial stage in this research. The data that has been collected will be carefully analyzed to enable accurate conclusions. In the context of this study, analytical techniques based on the Miles and Huberman model were used. As explained by Sugiyono (2017), qualitative data analysis is carried out interactively and continuously until all data is covered. This analysis process consists of three main stages: data reduction, data presentation, and conclusion/verification (Sugiyono. 2017).

Some of the first developing countries to develop Islamic microfinance are Bangladesh, a country in Asia that has the largest market share of Islamic microfinance, which is around 30% of the total microfinance market share. The country has many Islamic microfinance institutions that provide products and services such as savings, credit, and insurance to low-income people. The second is Brunei Darussalam, a country that has a rapidly developing Islamic financial system and has introduced various Islamic microfinance products such as savings, credit, and insurance. The country also has regulations and supervision that support the development of Islamic microfinance.

Third is Indonesia, a country that has the second largest Islamic microfinance market share in Asia after Bangladesh, which is around 23% of the total microfinance market share. The country has various types of Islamic microfinance institutions such as banks, BMT, cooperatives, and zakat institutions. The country also has government and private initiatives to increase financial inclusion through Islamic microfinance. Fourth is Kazakhstan, a country that has great potential for the development of Islamic microfinance as it has a significant Muslim population and a rapidly developing Islamic banking system. The country also has cooperation with international institutions such as the Islamic Development Bank to support the development of Islamic microfinance. And finally is Malaysia, a country that is one of the largest Islamic financial centers in the world and has introduced various Islamic microfinance products such as savings, credit, and insurance. The country also has a strong infrastructure and regulation to support the development of Islamic microfinance.

Financial inclusion through Islamic microfinance has been studied empirically in developing countries. Research shows that financial inclusion, as measured by various dimensions such as financial development, FDI, trade openness, urbanization, and population, has a significant impact on economic growth in Organization of Islamic Cooperation (OIC) countries (Amijaya 2019). In addition, financial inclusion has a positive influence on women's empowerment, as it allows women to develop their skills and qualities, leading to their empowerment (Yusuf and - n.d.).

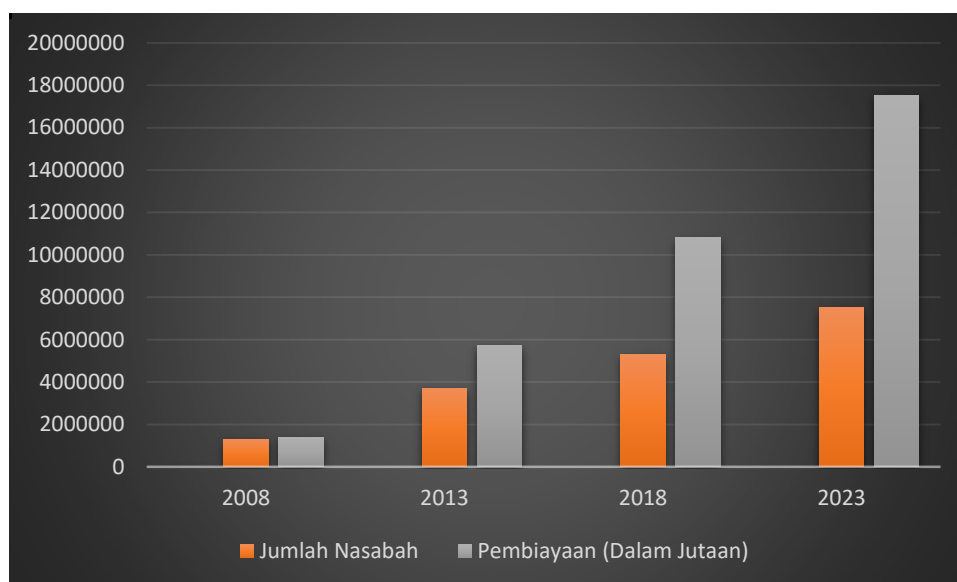
In addition, microfinance providers play an important role in poverty reduction and sustainable development, but their financial sustainability is influenced by factors such as loan size, number of borrowers, percentage of female borrowers, inflation, organizational structure, liquidity, leverage, cost per borrower, and GDP (Fahlevi and - n.d.). Furthermore, participating banks in Turkey have the potential to integrate microfinance into their activities, and contribute to financial inclusion and social responsibility (CSR) roles (Savaşan and - n.d.). Overall, the study provides empirical evidence on the importance of financial inclusion through Islamic microfinance in achieving sustainable development goals in developing countries.

#### 4. Discussion

To address the poor inclusiveness of Islamic banking in Indonesia, it is vital to provide financial products and services that meet the demands of the community. This may be accomplished by doing the following. First, increase the provision of Sharia-compliant financial services. This involves expanding the availability of cash for finance, ensuring that financing models are Shariah-compliant, and making these services more accessible to enterprises. This necessitates regulatory support and incentives, as well as the creation of Sharia-compliant financial goods and services, as well as infrastructure, such as information technology systems. The necessity to raise public literacy and understanding regarding Islamic finance. Public literacy and understanding of Islamic finance is also an essential issue that has to be increased. This is because high (Widyandri and Laila 2022).

The second is increasing demand for Sharia-compliant financial services: This can be done through product education and training to support businesses and increase their production capacity. Improving accessibility of these services also includes increasing productivity, innovation, and product marketing, as well as supporting integrated information systems and databases for businesses, Sharia-compliant financial service providers, and related institutions(Sari et al. 2016). Develop products and services that are tailored to people's needs: This includes considering the types, features, and prices of Shariah-compliant financial products and services to ensure that they meet the specific needs of the community.

Table 1. Number of Customers and Sharia Finance financing



Source: processed data.

From the data above, it can be concluded that the number of Islamic microfinance institutions from 2008 to 2023 has increased significantly. Similarly, the number of customers and the amount of financing where from the table above explain that in 2008 the amount of financing was only worth 1.4 trillion, in 2013 it rose to 5.7 trillion, then in 2018 the amount of financing reached 10.8 trillion and until 2023 the amount of financing for Islamic microfinance institutions reached 17.5. From the table above, the bottom of the number of customers, the amount of financing and the number of financial institutions always go up.

#### 1. Factors Influencing the Relationship between Islamic Microfinance and Financial Inclusion

Several factors influence the relationship between Islamic microfinance and financial inclusion:

Social and Financial Approach Islamic microfinance goes above and beyond traditional methods by successfully promoting both social and financial inclusion. This is accomplished using Islamic social instruments including zakat, waqf, and sadaqah, which are given to the impoverished directly to cover their fundamental needs prior to receiving microcredit(Jones 2018).

In Islamic microfinance, the social approach and financial are intertwined. While the Islamic microfinance approach can help alleviate poverty by applying Islamic values and a social justice approach for all people to



achieve economic development through the development of human abilities on the moral and spiritual side, the social approach in Islamic studies can help understand the makeup and stratification in a community group. In the Islamic perspective, poverty is not only seen from material aspects but also moral and spiritual, so poverty alleviation strategies must reflect these two aspects. Islamic microfinance institutions also apply Islamic values and the Islamic financial system such as the prohibition of *riba* and *gharar*, thus providing benefits for Muslims. In the development of Islamic microfinance institutions in Indonesia, an effective and comprehensive development strategy is needed with the IFAS EFAS matrix approach, namely IFAS is an Internal Strategic Factors Analysis Summary (Internal Strategy Factor Analysis), which consists of the strengths and weaknesses of the company. EFAS is an External Strategic Factors Analysis Summary, which consists of opportunities and threats to the company

Table 2. The Relationship of Social and Financial Approaches in Islamic Microfinance

Aspek	Pendekatan Sosial	Pendekatan Keuangan
Tujuan	Meningkatkan kesejahteraan masyarakat	Meningkatkan akses masyarakat ke layanan keuangan
Prinsip	Keadilan, kebersamaan, dan kemitraan	Profitabilitas dan daya tahan
Klien	Masyarakat berpenghasilan rendah	Masyarakat umum
Produk dan Jasa	Pembiayaan, simpanan, dan jasa keuangan lainnya	Pembiayaan, simpanan, dan jasa keuangan lainnya
Proses	Berorientasi pada pemberdayaan	Berorientasi pada profitabilitas
Pengukuran Kinerja	Kesejahteraan masyarakat	Kepuasan nasabah, profitabilitas, dan daya tahan

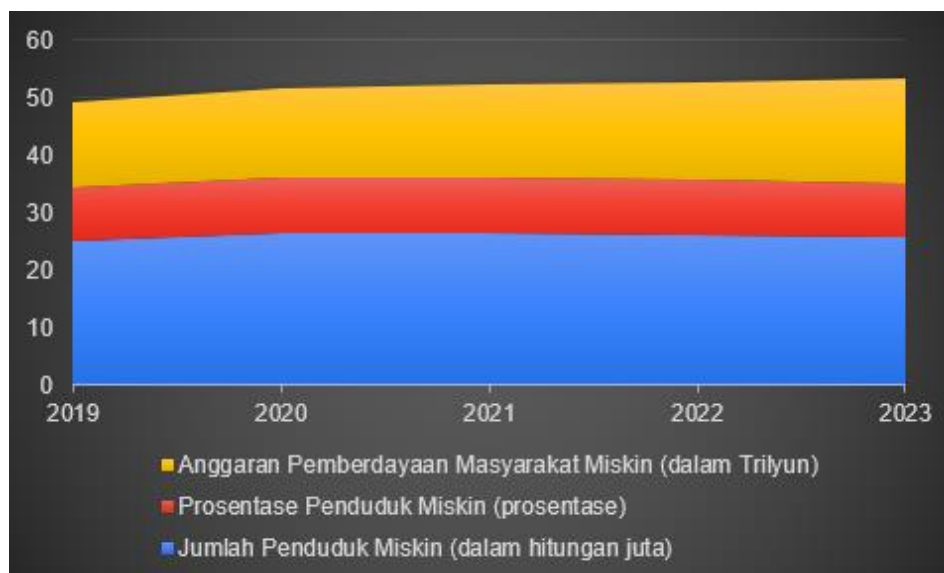
Source: processed data

Islamic microfinance organizations use a social approach to improve the welfare of the society, particularly the underprivileged. This is done by the application of Sharia values of justice, community, and collaboration. The purpose of Islamic microfinance enterprises' financial strategy is to increase public access to financial services. This is achieved by providing financial services and products that meet community needs, as well as by putting in place efficient and effective procedures. In Islamic microfinance organizations, social and financial approaches are interconnected and complimentary. The social approach provides the foundation for Islamic microfinance organizations to operate sustainably. Meanwhile, the financial strategy is used to attain these social objectives. Examples of social and financial techniques used in Islamic microfinance organizations.

## 2. Empowering the Poor

Islamic microfinance focuses on empowering the poor through upskilling and access to microcredit and other related activities (Soemitra 2018).

Table 3. Poor Community Empowerment data from 2019-2023



Source: processed data

The Central Statistics Agency provides information on the number of impoverished individuals (BPS). From 25.14 million in 2019 to 25.70 million in 2023, Indonesia's population of impoverished people has been steadily declining. The Central Statistics Agency provides information on the percentage of persons who are in poverty (BPS). Additionally, Indonesia's poverty rate continues to decrease year over year, falling from 9.22 percent in 2019 to 9.50 percent in 2023.

Islamic microfinance does focus on empowering the poor through upskilling and access to microcredit and other related activities. However, the Islamic microfinance approach focuses not only on material aspects, but also moral and spiritual. In the Islamic perspective, poverty is not only seen from material aspects but also moral and spiritual, so poverty alleviation strategies must reflect these two aspects. Therefore, Islamic microfinance institutions also apply Islamic values and the Islamic financial system such as the prohibition of riba and gharar, thus providing benefits for Muslims (Ginanjar and Kassim 2021). With various poor community empowerment programs implemented by the government, it is expected to help improve the welfare of the poor and vulnerable poor in Indonesia.

### 3. Zakat dan Sadaqah

Other measures for decreasing income disparity offered by Islam include zakat and sadaqah, which are donations paid directly to people in need to address their urgent needs. The payment of zakat by Muslims who have completed the prerequisites is one of the pillars of Islam. Alms is a selfless act of giving with no hope of recompense. Indonesia's Muslim population Muslims account for 229.5 million Indonesians, or around 87.2 percent of the country's total population. The relationship between zakat and charity is one of the most important Islamic measures for combating economic inequity (Ascarya and Sakti 2022).

In Islam, zakat and charity are two significant tools for reducing economic disparity. Zakat is an obligatory payment for Muslims who have met the conditions, whereas alms is a free donation. The number of Indonesian Muslims reached 229.5 million, accounting for approximately 87.2 percent of the country's overall population. With such a huge Muslim population, Indonesia has a great potential for zakat and alms. Zakat and alms can be utilized to support a variety of poor-empowerment projects, including education, health, economic, and social development. Thus, zakat and charity can aid in the reduction of economic disparity in Indonesia.

Zakat fitrah is a zakat that must be paid by Muslims who already have excess food for one day and one night for themselves and their families. The amount of zakat fitrah per person is 2.5 kg of rice or other staple foods. With a large number of Indonesian Muslims, the potential of zakat fitrah in Indonesia is also very large. In 2023, the potential of zakat fitrah in Indonesia will reach IDR 12.9 trillion. Zakat fitrah can be used to help meet the food needs of the poor, such as food aid, clothing assistance, and board assistance.

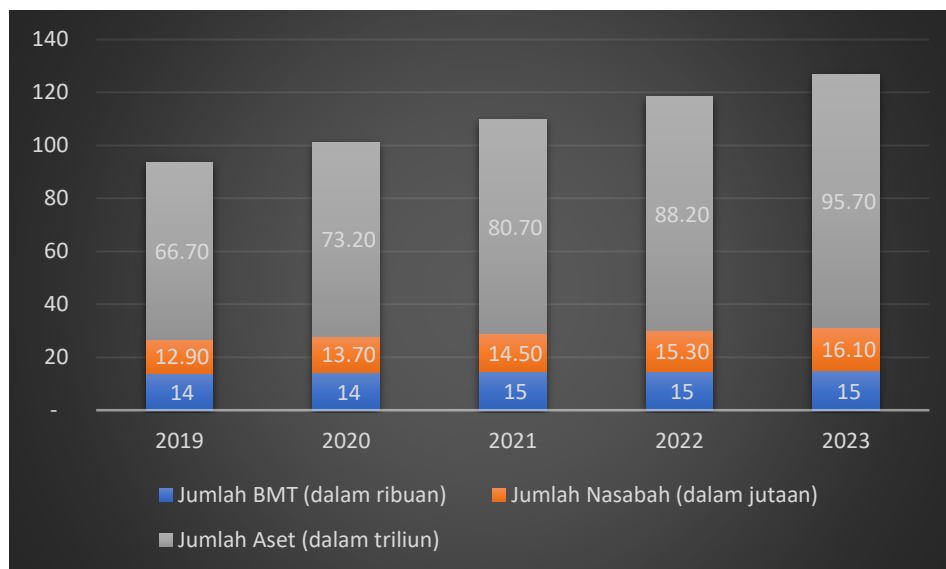
While Zakat maal is zakat that must be cashed by Muslims who have the obligatory wealth of zakat, such as gold, silver, money, livestock, agricultural products, and trade. The potential of zakat maal in Indonesia

reaches Rp370 trillion per year. This potential is obtained from the calculation of the compulsory wealth of zakat owned by Muslims in Indonesia. Zakat maal can be used to help various programs to empower the poor, such as education, health, economy, and social. Alms can be done by Muslims in various forms, such as money, goods, and labor. Alms can be done voluntarily without any particular reward. Thus, zakat and alms can be one of the solutions to reduce economic inequality in Indonesia

#### 4. The Role of Islamic Microfinance Institutions (MFIs)

MFIs play an important role in increasing financial inclusion in Indonesia. For example, Baitulmaal Wa Tamwil (BMT) is one of the MFIs that has helped in increasing financial inclusion (Ginanjar and Kassim 2021).

Table 4. BMT Data in Indonesia from 2019-2023



Source: processed data.

BMT is one of the microfinance institutions that contributes significantly to financial inclusion in Indonesia. This is due to the fact that BMT offers various benefits, including the fact that it is founded on sharia principles that are consistent with the ideals of local knowledge in Indonesia. This makes BMT more acceptable in the community, particularly among rural residents. BMT emphasizes its services in low-income neighborhoods. This enables low-income individuals to have access to formal financial services. In Indonesia, BMT has a large network. As a result of this, people will be able to obtain financial services from BMT more simply. According to the estimates, Indonesia's BMT population is increasing year after year. This indicates how BMT is becoming a more important factor in increasing Indonesian financial inclusion.

Next is to improve community welfare, namely BMT helps improve community welfare by providing business financing to low-income people. Improving community empowerment, by providing training and mentoring to the community to improve their skills and capacity. With various advantages and positive impacts, BMT can be one of the solutions to increase financial inclusion in Indonesia.

#### 5. Deliberative Policy

Deliberate policies have nurtured Islamic finance as a source of financial inclusion since the 1960s. These policies are developed after extensive consultation with the government and public. Various stakeholders, including community leaders, religious leaders, and community organizations, are involved in this debate process. The government is supposed to generate policies that are of higher quality, more legitimate, and more trusted by the public by incorporating the public in the policy formulation process. Policy has been a crucial component in the growth of Islamic finance as a source of financial inclusion. Since the 1960s, countries like as Malaysia have enacted legislation aimed specifically at advancing and expanding the Islamic financial industry. The goal is to improve public access to traditional and alternative energy sources (Hassan et al. 2022).

The policy addresses a wide variety of topics, such as rules and criteria created to make sure that Islamic



financial activities adhere to sharia principles. Islamic financial regulations, for instance, forbid involvement in transactions with a high level of risk and/or ambiguity. Islamic finance also places a high priority on ethics. High ethical standards and adequate procedures for taking into account the overall impact of sponsored transactions must be followed. Thus, the industry has developed into a significant source of financial inclusion thanks to a mix of deliberate policies and the distinctive principles of Islamic banking. As a result, populations that were previously unserved or underserved by the traditional banking system now have access to financial services.

## 6. Conclusion And Recommendation

Financial Inclusion through Islamic Microfinance: Empirical Evidence from Developing Countries is a study that explores how Islamic microfinance has contributed to financial inclusion in developing countries. In this context, financial inclusion refers to efforts to make financial services more accessible to the general public, particularly those previously underserved or underserved by the conventional financial system. Islamic microfinance, with its unique principles such as the prohibition of *riba* (interest) and the emphasis on fair and ethical transactions, has become an important tool in this endeavor.

The study shows that Islamic microfinance has been successful in providing access to financial services to previously underserved or underserved segments of the population. This has been achieved through various means, including social and financial approaches, empowerment of the poor, and the use of Islamic social tools such as *zakat* and *sadaqah*. In addition, the study also highlights the important role of Islamic microfinance institutions (MFIs) in increasing financial inclusion. For example, Baitulmaal Wa Tamwil (BMT) is one of the MFIs that has helped in increasing financial inclusion.

Overall, the study provides strong empirical evidence on how Islamic microfinance has contributed to financial inclusion in developing countries. This shows the huge potential of this approach in helping to achieve broader financial inclusion goals.

## Recommendations

Based on the title Financial Inclusion through Islamic Microfinance: Empirical Evidence from Developing Countries, here are some recommendations that can be considered:

1. The development of Islamic Microfinance Institutions (MFIs such as Baitulmaal Wa Tamwil (BMT) has proven effective in increasing financial inclusion. Therefore, there is a need to support and expand MFI networks in developing countries.
2. To ensure that the public can avail of Islamic microfinance services, there needs to be increased education and training on the principles and benefits of Islamic microfinance.
3. Governments in developing countries should implement policies that support the growth and development of the Islamic microfinance sector. These could include regulations that facilitate MFI operations and incentives to encourage participation in the Islamic microfinance system.
4. To attract more people to use Islamic microfinance services, there needs to be innovation in the development of products and services offered by MFIs. This can include products and services specifically designed to meet the specific needs of a particular community.
5. Developing countries can learn from the experience of other countries in implementing Islamic microfinance. Therefore, there needs to be international cooperation to share knowledge and best practices in this field.

By implementing these recommendations, financial inclusion through Islamic microfinance can be further enhanced in developing countries.

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