



# The Role of Islamic Microfinance in Empowering Women and Enhancing Entrepreneurial Success

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**Abstract:** Women's financial inclusion and entrepreneurial aspirations are central to achieving sustainable and balanced economic development. Therefore, in this study we examine how knowledge (KN), subjective norms (SN), attitude (ATT), perceived complexity (PC), and relative advantage (RA) influence the adoption of Islamic microfinance (AIM) through mediating factor social system norms (SSN). Using the structural equation model (SEM) via SmartPLS, we evaluated eleven hypotheses, with primary data collected from 384 female entrepreneurs. Using innovation diffusion theory (IDT) and theory of planned behavior (TPB), the study finds that KN, SN, and RA significantly and directly affect the social system norms. In addition, KN, SN, RA, and SSN substantially contribute to AIM. The effect of KN and SN on AIM is substantial and is mediated through SSN. By screening how social construction significantly influences women's microfinance borrowing behavior, we add to the standing body of literature on Islamic finance. It delivers practical insights for policymakers and microfinance organizations on how to raise consciousness, implement policies that improve social acceptance, and disseminate information to improve women's access to Islamic microfinance.

**Keywords:** adoption, Islamic microfinance, innovation and diffusion theory, theory of planned behavior, women entrepreneurs

**JEL classification:** B26, G10, G21, L26

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## Introduction

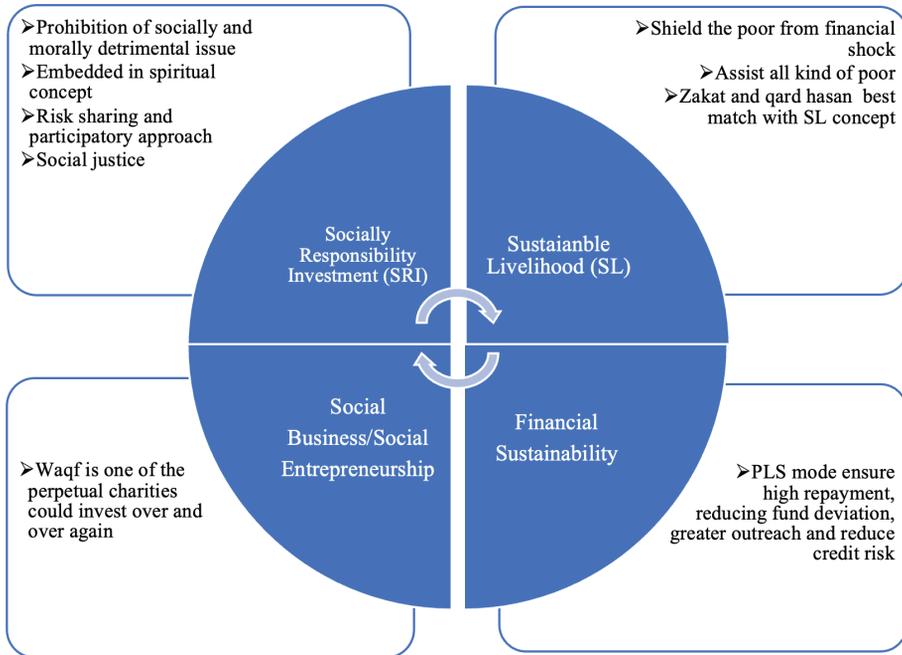
### The Role of Women in Islamic Microfinance

Islamic microfinance represents a unique approach to financial inclusion in Muslim-majority countries, offering an alternative to conventional microfinance by adhering to Shariah principles (Elzahi Saaid Ali, 2022; Nabi et al., 2017). Islamic microfinance offers a more inclusive financial services for women because of profit-loss sharing. Malaysia's dual financial system provides an ideal research context (Ibrahim et al., 2019), particularly for examining women entrepreneurs' financial choices. In this study we address a critical research gap by investigating the determinants of Islamic microfinance adoption (AIM) among women entrepreneurs in Malaysia. Despite Islamic microfinance's potential for poverty reduction and empowerment, empirical evidence remains limited, especially regarding women's financial decision-making in dual-banking environments. According to Islam (2021), microfinance, financial education programs, and assistance with company creation offered by Islamic microfinance organizations boost women's economic autonomy, advance gender parity, and foster social inclusion.

### Market Share of Islamic Microfinance in Malaysia: An Overview

Islamic microfinance is an influential apparatus for mitigating poverty, ensuring financial constancy, and expanding access to financial services. The increasing popularity of Islamic financial principles has led to a steady uptake of Islamic microfinance products in Malaysia. Islamic microfinance's role in Malaysia's financial inclusion strategy has grown in recent years. Islamic microfinance provider Amanah Ikhtiar Malaysia is one example of how government initiatives and partnerships with Islamic banks have contributed to expanding women's access to finance. Women in Malaysia who take part in Islamic microfinance programs report higher rates of entrepreneurial activity and economic empowerment. Islamic microfinance offers a financial model that adheres to Shariah principles, setting it apart from conventional microfinance through its foundational divine tenets and emphasis on risk-sharing (Hassan et al., 2013; Mahdjan et al., 2017; Obaidullah, 2008a; Qasim et al., 2017; Shirazi, 2014).

The system's unique characteristics include group-based lending, a strong focus on social and human capital, and a direct link between religious ethics and financial behavior (Kollamparambil & Muchnick, 2015), making it a potentially transformative approach to financial inclusion that supports vulnerable populations through principles of brotherhood, mutual welfare, and economic empowerment.



**Figure 1:** Concepts Embedded in Islamic Microfinancing Principles

### Women’s Contribution to AIM in Malaysia

Implementing Islamic microfinance in Malaysia has notably benefited women entrepreneurs, who are gradually emerging as the principal recipients of these initiatives. Islamic microfinance institutions in Malaysia have experienced heightened engagement from women, with women-led enterprises constituting a significant segment of their participation. Research indicates that the success rate of women entrepreneurs in Islamic microfinance programs is elevated, attributable in part to the adaptable funding methods and community-focused strategies these institutions provide. The participation of women in Islamic microfinance programs enhances their financial autonomy and simultaneously promotes local economic growth, benefiting the wider economy.

We aim to develop a comprehensive framework for understanding AIM and to examine gender-specific factors influencing Islamic financial decisions. In addition, we provide empirical insights from a mature Islamic financial market. To achieve our objective, we set two research questions:

1. What religious, social, and economic factors shape Malaysian women entrepreneurs' AIM?
2. How do religious principles intersect with entrepreneurial financial needs in a dual-banking system?

We bridge existing knowledge gaps by exploring these questions, offering theoretical insights and practical recommendations for enhancing financial inclusion while respecting cultural and religious preferences. We proceed with a literature review, methodology explanation, results analysis, and concluding discussion of theoretical and practical implications.

## Review of Literature

### Women entrepreneurs and Islamic microfinance

Without woman, the balanced economic development is almost impossible. In Malaysia, 47.64 percent of the population are women (MST, 2024). It is an urgent need to consider women for balanced development. Including women entrepreneurs in the mainstream economy is a process of development. Financial access through microfinance creates opportunities to increase living standards, especially for women (Hameed et al., 2020). Their participation in micro-enterprises boosts economic prosperity and contributes to the gross domestic product at an unparalleled height. It is important to know the factors that motivate women to participate in Islamic microfinance. The TPB can be used to clarify the motivation for an Islamic person to adopt the Islamic microfinance program proposed by the scholar Ajzen (2005). According to the theory, adoption is one of the key interpreters of a person's real behavior. Adoption is an intellectual representation of a man's behavior. Many extrinsic and internal features can influence an individual's behavior, which shapes minds in a certain manner. Personal convictions and faith, impressions, and opinions of close friends and family, as well as prior experiences, social standing, and financial circumstances, are a few of the variables to consider.

Muslims' adoption of Islamic microfinance is strongly influenced by their behavioral beliefs and how they approach the product (Ajzen, 2005). The AIM among women entrepreneurs in Malaysia is driven by behavioral factors, including *KN*, *PRA*, and *SN*, with *SSN* serving as a mediating factor (ISLAM et al., 2021; Islam et al., 2023; Bashir et al., 2020). In addition, if an individual favors a system that complies with the Islamic Shariah laws, he might be more enthusiastic about using an Islamic microfinance product.

In addition, microfinance is dedicated to offering financial services to the vulnerable. Amanah Ikhtiar Malaysia, one of the microfinance institutions in Malaysia, reinforces borrowers' socioeconomic and financial conditions (Al-Shami, 2018). Moreover, studies have demonstrated that microfinance can ensure better social and economic conditions. As a result, it could reduce poverty to the expected degree (Rokhim et al., 2016). Furthermore, Schmidt (2015) asserts that it is a crucial tool in the reduction of poverty and improving living standards. Similarly, microfinance is framed to support micro-enterprises and small-scale businesses; those have a lack of access to banking resources due to high operating costs (Maneiah, 2012). It is also generally applied to assist micro businesses, which typically struggle to obtain cost-related insurance and finance services due to economic resource limitations (Ameer, 2013). According to Mersland, Shen, and Hartarska (2013), Islamic microfinance is an opportunity for low-income individuals and business owners to launch a small or medium-sized enterprise.

Multi-Functional Products (MFPs) are also providing a wide range of financial services, such as loans, savings, settlements, ATMs, accommodation, and money transfers. Islamic microfinance in Malaysia has shown positive outcomes for women empowerment, income generation, improved education system, availability of financial resources, alleviation of poverty, and better health facilities. In addition, Badri (2013) found that women's involvement in microcredit schemes promotes empowerment of women, especially boosting the women's role in the cultural and economic arena. Siddig (2013) pointed out that microfinance services contributed significantly to the development of the deprived by offering financial services and opening new business opportunities. Microfinance institutions motivating low-income households to establish micro-enterprises likely enhance their potential earning and livelihoods. As a result, it improves social cohesion and the business environment, reducing poverty.

On the other hand, conventional financial services, in nature, can be expensive, unfruitful, and unfeasible, which reduces the accessibility of vulnerable groups to financial services. (Pareek & Raman, 2016). Likewise, the cost of hitting people for multi-functional products is high. The absence of meaningful facilities raises micro and small business transaction costs. The inconsistencies between financial institutions often provoke high costs that create a burden on business (Hassan & Bauer, 2013).

Additionally, Ammar and Ahmed (2016) underscored that geographical distance impeded disadvantaged people from having access to microcredit facilities.

Moreover, it also emphasized that financial institutions always intend to ensure their profit first. Whenever they find that the microcredits to the vulnerable are profitable, only in this respect, they have an incentive to be actively involved (Agwu & Carter, 2014). Conversely, microcredit aims to provide financial access to vulnerable and marginal groups. It also complements a balanced economic development, which reduces economic inequality. Malaysia is considered a hub of Islamic finance, holding a leading position. Hence, Islamic microfinance can extraordinarily contribute to reduce poverty and empower women. So, there is an urging need to do further study to find the factors that influence women entrepreneurs to adopt Islamic microfinance.

### **Innovation Diffusion Theory**

Innovation Diffusion Theory is extensively accepted in the academia to analyze how new ideas and technology are adopted by individuals and groups within a society. The *IDT* is first introduced by Rogers (Lai, 2017). The theory emphasizes the five stages of the adoption process: knowledge, persuasion, decision, implementation, and confirmation. The aim of this study is to investigate the reflection of women entrepreneurs' knowledge and perceived complexity of their adoption of Islamic microfinance, applying the adoption channel as a means of analysis. Ezeh & Nkamnebe (2022), using the *IDT*, found the factors that influenced the adoption of Islamic microfinance in Nigeria within non-Muslim communities. Similarly, the study dedicates to investigate the factors that affect women entrepreneurs for the *AIM* in Malaysia.

### **The Theory of Planned Behaviour**

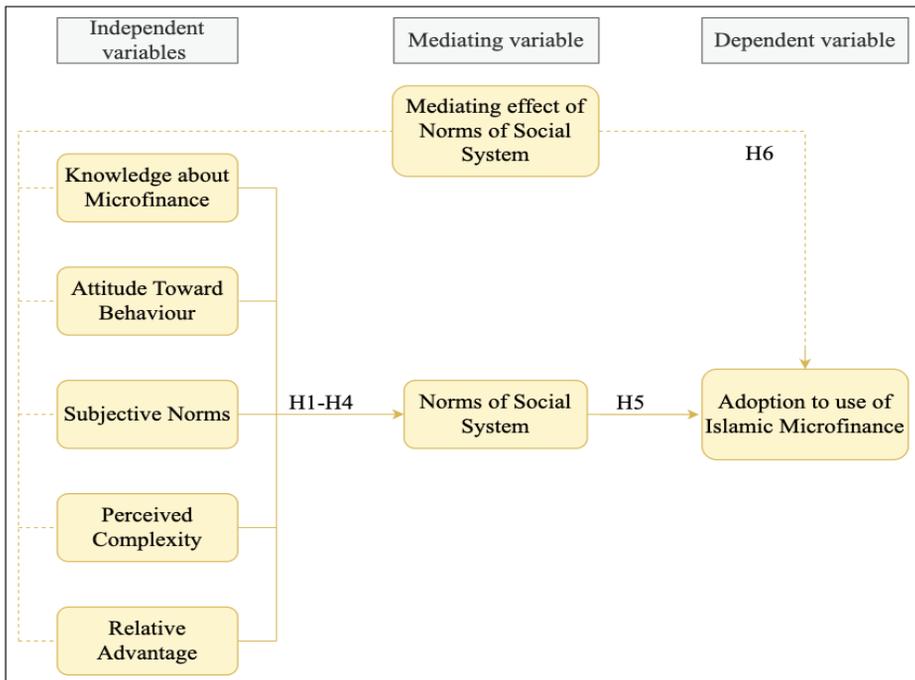
Planned behavior theory, depending on the Theory of Reasoned Action (TRA), refers to methods to achieve determinants in predictions that make it possible to adopt the corporate sustainability method in organizations (Ajzen, 1991). Three main variables are characterized by behavioral intent- mood, subjective principles, and perceived behavioral influence. Attitude refers to company owners' mental and neural states that define the path of a circular economy for the production process of companies (Kumar, et al., 2012). The subjective criterion is a view of whether or not the business handles itself under the scrutiny of external stakeholders.

## Methodology

### Theoretical Formation

A theoretical background is the rationalization of a model of how a theory defines or formulates a logical understanding of the connections between various factors necessary to the issue (Sekaran & Bougie, 2016). Thus, it gives the foundation for further discussion. In order to determine whether the suggested hypothesis can be justified in light of the study findings, testable theories are generally developed accordingly. As a result, the current study concentrates on a wide range of literature on consumer behavior, marketing service, and acceptance of innovation.

The *IDT* and *TPB*, which are now frequently applied in new inventions concerned studies, have been adapted to improve the structure of this research because they primarily focus on the participation of women entrepreneurs in Islamic microfinance and its social impacts in Malaysia. At the end, the study framework will be created by combining the *PBT* and *IDT*.



**Figure 2:** Research Theoretical Framework prepared by authors

## Definition of Variables and Development of Hypothesis

### Knowledge about Microfinance

Knowledge is a distinctive human attribute that differentiates it from simple information. According to Brimah et al. (2020), knowledge is different from information since it is shaped by one's own abilities, attitudes, and actions, rather than being based on external facts. Sveiby (2001) posits that knowledge is a dynamic process shaped by beliefs, social norms, and experiential learning. McInerney (2002) posits that knowledge includes facts, logic, and social traditions, signifying a comprehensive understanding developed through learning and personal reflection rather than merely a compilation of facts. The degree of success of female entrepreneurs is largely dependent on their experience with microfinance. Their lack of knowledge of microfinance, however, may hinder their achievement because they do not have the resources to fully utilise the provided funds.

Therefore, the purpose of this study is to evaluate how knowledge of the International Monetary Fund (IMF) might either help or impede the development of women entrepreneurs. Hence, the hypotheses are examined as follows:

**Ha<sub>1</sub>**: Holding a direct association between knowledge and adoption of Islamic microfinance.

**Ha<sub>2</sub>**: Social system norms mediate the nexus between knowledge and adoption of Islamic microfinance.

### Attitude Toward Behaviour of Islamic Microfinance

Attitude significantly influences individuals' behavior, particularly regarding financial services. In this study, attitude is defined as a cognitive result stemming from an individual's awareness, reputation, and social value assigned to Islamic microfinance institutions. Prior research, like that of Lee & Ullah (2011), has shown that an individual's opinion of a bank's brand value, which is formed by its reputation and social image, can profoundly influence the utilization of financial services. Insufficient knowledge of the distinctive features of Islamic banking frequently leads to less involvement from prospective users (Lee & Ullah, 2011). Strong consumer attitudes are linked to a higher probability of using financial services, which in turn promotes empowerment and more entrepreneurship. Thus, it is essential to comprehend how attitude affects business performance in the Islamic microfinance sector in order to encourage more financial autonomy and inclusion for women.

Hence, the hypotheses in this study are:

**Hb<sub>1</sub>**: Attitude directly influences the adoption of Islamic microfinance.

**Hb<sub>2</sub>**: Social system norms arbitrate the nexus between Attitude Toward Behaviour and the adoption of Islamic microfinance.

### Subjective Norms

According to Huda et al. (2012), personal norms are a person's opinions or ideas about what other people expect of them when it comes to engaging in or abstaining from particular activities. According to Fishbein and Ajzen (1975) and Egli and Chaiken (1993), beliefs have a major influence on attitudes, which in turn influence behaviour.

Likewise, subjective norms affect women's choices to engage in economic activities, driven by societal and community expectations. Within the realm of Islamic microfinance, subjective norms may either facilitate or hinder women's entrepreneurial success, contingent upon the perceived societal acceptability of their commercial pursuits. Therefore, the study derives to formulate the following hypotheses:

**Hc<sub>1</sub>**: Subjective norms positively pursue the adoption to use of Islamic microfinance.

**Hc<sub>2</sub>**: Social system norms pursue the adoption to use of Islamic microfinance with the mediating of subjective norms.

### Perceived Complexity in Islamic Microfinance Adoption

In the field of Islamic microfinance, perceived complexity significantly influences the use of microfinance services, especially among female entrepreneurs. The notion of perceived complexity pertains to the extent to which individuals regard an innovation or idea as challenging or intricate. Rogers (2003) argues that the intricacy of innovation can markedly affect its adoption rate, with more complicated innovations typically encountering slower societal acceptance. Prior research by Yusof (1999) and Gerrard & Cunningham (2003) has established a negative correlation between perceived complexity and the propensity to adopt an innovation. The more the apparent complexity of an idea, the lower the likelihood of its adoption by prospective consumers. In the realm of Islamic microfinance, if women regard the processes such as loan terms and conditions, documentation, and financial product utilization as intricate, they may be disinclined to utilize these services.

This underscores the necessity of streamlining the microfinance process and implementing awareness initiatives that might mitigate perceived complexity, therefore promoting increased adoption rates among women entrepreneurs. Simplifying financial services can enhance empowerment and promote entrepreneurial success, enabling women to utilize financial resources for business expansion. From the above discussion, there are two hypotheses developed:

**Hd<sub>1</sub>:** There is a direct association between perceived complexity and the adoption of Islamic microfinance.

**Hd<sub>2</sub>:** Social system norms mediate the relationship between perceived complexity and the adoption of Islamic microfinance.

### **Relative advantage in Islamic microfinance adoption**

Relative advantage denotes the apparent advancement of an innovation in comparison to prior concepts. Rogers (2003) asserts that the notion of relative advantage encompasses the perceived benefits of a new invention compared to current alternatives. Relative advantage is a crucial factor in the acceptance of innovation, as demonstrated by Tonartzky and Klein (1982), who identified it as a significant effect on the process. Aziz et al. (2015), Thumbia et al. (2011), and Amin et al. (2013) assert that RA is essential for the adoption of Islamic banking services. A greater relative advantage among individuals correlates with increased adoption of Islamic microfinance, resulting in enhanced women's empowerment and better economic success. Highlights the advantages of Islamic microfinance as a mechanism for economic inclusion and entrepreneurial empowerment for marginalised populations. Therefore, the study derives to formulate the following hypotheses:

**He<sub>1</sub>:** A direct association between relative advantage and the adoption use of Islamic microfinance.

**He<sub>2</sub>:** Social system norms mediate the nexus between relative advantage and the adoption of Islamic microfinance.

### **Norms of social system**

Social norms are a collection of accepted behavioural standards that are accepted in a community. According to Neville et al. (2021), social norms are a set of widely recognised guidelines that direct both individual and group behaviour, making it easier for members of a community to coordinate their actions in a predictable and peaceful way. In Islamic microfinance, social norms profoundly affect women's empowerment and entrepreneurial success. The norms within the social system

shape the perception, acceptability, and support of women entrepreneurs in their endeavours, particularly in conservative nations where cultural norms frequently affect economic participation. Harmonising Islamic microfinance initiatives with cultural norms can substantially enhance women's economic involvement, resulting in personal empowerment and increased societal development. Based on the above, the hypothesis is formulated:

**H<sub>1</sub>:** There is a direct relationship between social system norms and the adoption of Islamic microfinance.

### **Adoption to use of Islamic microfinance**

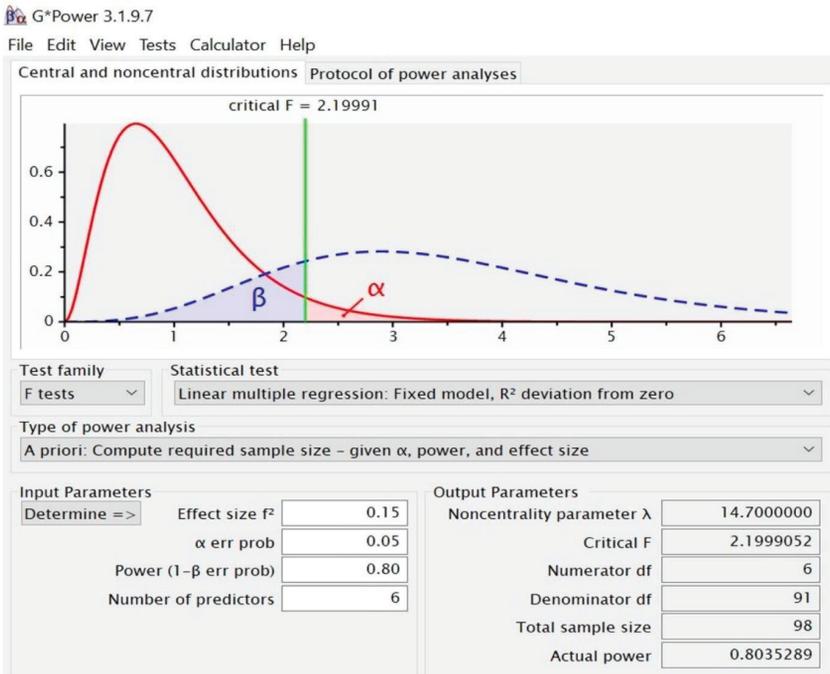
Adoption refers to the psychological drive or inclination to accomplish a task. Fishbein and Ajzen (1975) assert that the process of adoption necessitates that individuals confront challenges in a specific way. The adoption of Islamic microfinance services by an individual, in the context of the IMF, indicates a willingness to engage with and utilise these financial resources. The decision to embrace the IMF is essential since it directly affects the degree to which individuals derive benefits from these financial services, especially in empowering women and fostering entrepreneurial success. Ajzen (1991) emphasized that behavioral intention significantly influences adoption, indicating that individuals are more inclined to accept IMF if they are psychologically prepared and motivated to utilize it. Motivational variables such as confidence in Islamic financial principles, perceived accessibility, and the perceived advantages of Islamic financial models impact this adoption process. The readiness to utilize IMF services can significantly influence entrepreneurial achievement and economic empowerment, especially for women, by granting them access to finance, training, and support networks. Comprehending the adopting behavior of the IMF is essential for formulating policies and services that promote increased utilization, especially in poor areas, and augmenting its contribution to economic empowerment.

### **Methodology and estimation procedure**

In the research, the primary data has been used which is collected from women entrepreneurs with a "1-5 Likert scale" that is based on a survey in five provinces (Selangor, Kuala Lumpur, Negeri Sembilan, Melaka, and Johore) of Malaysia. Women entrepreneurs are living in those states because of industrial areas. The woman entrepreneurs involved in micro business are the target group for the study. Here, the entrepreneurs are defined as SMEs by industry-level data. Simple ran-

dom sampling (SRS) is used to collect the data, and the Delphi technique survey cross-checks the collected sample.

For the study, the Likert scale has been used, in which the value corresponds from 1, meaning “Most disagree,” to 5, meaning “Most agree” with the statement. The data is analysed by the smartPLS software. The small sample size considered is less than 100 questionnaires, the medium sample size is considered between 100 and 200 questionnaires, and more than 200 questionnaires are considered a large sample size (Hair et al., 2010). The maximum sample size of 30 and less than the sample size of 500 are appropriate for most research recommended by Sekaran & Bougie (2016). Many previous researchers have used a sample size of 250 to 500, as reported by Schumacker and Lomax (2004). This study has selected 6 variables (5 independent variables, a mediating variable, and a dependent variable). Based on the G\*Power software, the minimum sample size is 98, as shown in Figure 3.2 below. Thus, here, 384 samples have been decided for this study.



**Figure 3:** Sample size measurement formula from G-power software

### Reliability of the instrument

To analyze the data, the SPSS checked the internal reliability of data by using Cronbach’s alpha. The value is reported in the following table. All factor values are higher than 0.7, which means the reliability of the data is acceptable. Different scholars show their results (reliability analysis) of Cronbach’s Alpha on their study (Thambiah, S.,2012; Islam et. al., 2023; Azman et al., 2021; Hamdan et al., 2022 and Islam et al., 2021) which is very high and some of them are more than 0.90.

**Table 1**

*Reliability of the Instrument*

Variables	Construct	Cronbach’s Alpha
Microfinance Knowledge	<i>I would rate my knowledge of Islamic microfinance as very good</i>	0.836
	Islamic microfinance and its products & services are only meant for Muslim customers	
	I have knowledge about Islamic microfinance services and products	
	I have knowledge about Islamic microfinance benefits	
	I know how to apply for Islamic microfinance	
	I understand the procedure to apply for Islamic microfinance	
	I know bodies that offer Islamic microfinance	
Attitude Toward Behaviour	<i>My general attitude towards Islamic microfinance is very positive</i>	0.943
	<i>I find Islamic financial services useful</i>	
	I find Islamic financial services is easy to use	
	I believe all the transaction related the institutions are secured	
	Using Islamic microfinance would be a wise decision for my business	
	If I had the opportunity, I would love to start my business by using Islamic microfinance	

Subjective Norms	<i>Most people who are important to me would think that using Islamic microfinance for my business is a good idea</i>	0.846
	<i>Most people who are important to me would support me in deciding to use Islamic microfinance for my business</i>	
	Most people who are important to me would think that I should use Islamic microfinance for my business	
	Most people who are important to me would be pleased if I use Islamic microfinance for my business	
	Most people who are important to me want me to use Islamic microfinance for my business	
	Most people who are important to me are skeptical about Islamic microfinance	
Perceived Complexity	<i>I feel applying for Islamic microfinance is a difficult process</i>	0.868
	<i>I feel communicating with Islamic microfinance institutions is a difficult process</i>	
	I feel an Islamic microfinance loan involves a complex repayment process	
	Islamic microfinance terms are difficult to understand	
	Using Islamic microfinance would burden me in the future	
	The terms and rules that I need to be obliged with when using Islamic microfinance are too many	
	The loan repayment periods of Islamic microfinance loans are normally short	

Relative Advantage	<i>Islamic microfinance products and services are superior over conventional financial services</i>	0.819
	<i>I feel having an Islamic financial loan is less riskier</i>	
	Adopting Islamic microfinance schemes would benefit the society with fairness	
	Adopting Islamic microfinance schemes would benefit the society with an ethical micro financing system	
	Adopting Islamic microfinance schemes will promote the society with more equal distribution of wealth	
	I would gain competitive advantage in my small business after obtaining Islamic microfinance	
Social System Norms	<i>Islamic microfinance services have improved the standard of living of the small and medium entrepreneurs</i>	0.913
	<i>Islamic microfinance is favourable for every business in the society</i>	
	Most of the small and medium entrepreneurs' use Islamic microfinance since it increases their level of income	
	I would decide to use Islamic microfinance because of the influence of my family and friends	
	My friend set as a role model for me to use Islamic microfinance facility	
	Islamic microfinance is easily acceptable among the small and medium enterprises	

Adoption to use of Islamic Microfinance	<i>I am happy with the current services offered at Islamic microfinance institutions</i>	0.840
	I often use Islamic microfinance services	
	I would rate Islamic microfinance services I use as excellent	
	I would recommend Islamic microfinance products and services to my family/friends/peers	
	I have completely switched to Islamic microfinance services in future supporting my businesses	
	I will continue to use Islamic microfinance services to expand my business	

## Results and Discussion

### Demographic Profile of Respondents

We focused only on women entrepreneurs. In the demographic profile, most of the respondents were between 36 and 45 years old, which represents 58% of all respondents, followed by the age group 26–35 years (23.7%). Among 384 women, 296 (76.9%) were married entrepreneurs, whereas only 15.6% were single. The majority (42.2%) possessed a certificate/diploma, followed by Malaysian SPM or STPM (24.7%) and bachelor's degree (16%). Malay Muslims held the maximum number (89.8%), followed by Indians. The majority (63.3%) of respondents earned an income ranging from RM2,001 to RM4,000, followed by the income group RM4,001–RM6,000 (28.6%). We concentrated on five Malaysian provinces. Most of the women entrepreneurs were from Selangor (73.7%), followed by Kuala Lumpur (13%).

**Table 2**

*Demographic Profile of Respondents*

<b>Variables</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Variables</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>	Below 25	62	16.1	<b>Race</b>	Malay	345	89.8
	26-35	91	23.7		Chinese	10	2.6
	36-45	222	57.9		Indian	29	7.6
	46-55	5	1.3		<b>Total</b>	<b>384</b>	<b>100</b>
	Above 56	4	1	<b>Income Level</b>	Below RM 2000	1	0.3
	Total	<b>384</b>	<b>100</b>		RM2,001 – RM4,000	243	63.3
<b>Marital Status</b>	Single	60	15.6		RM4,001 – RM6,000	110	28.6
	Married	295	76.9		RM6,001 – RM8,000	30	7.8
	Divorced	15	3.9		<b>Total</b>	<b>384</b>	<b>100</b>
	Widowed	14	3.6	<b>Locations</b>	Selangor	282	73.7
	Total	<b>384</b>	<b>100</b>		Kuala Lumpur	50	13
<b>Level of Education</b>	Secondary	32	8.3		Negeri Sembilan	18	4.7
	SPM/STPM	95	24.7		Melaka	16	4.2
	Certificate/ Diploma	162	42.2		Johore	18	4.4
	Bachelor Degree	61	15.9		<b>Total</b>	<b>384</b>	<b>100</b>
	Master Degree	28	7.3				
	Doctorate/PhD	6	1.6				
	Total	384	0				

### Common Variance Test Using Maximum Likelihood Mean and Variance

Table 3 shows the total variance that each variable explains. Only the number of variables leading to a value > 1 was important; we overlooked the rest (cf. Hair et al., 2010; Tabachnick & Fidell, 2014). Table 4 displays the effects of the first six components that have their own value > 1. These six components clarified the total variation of 55.45% (see cumulative percent column), which is greater than the guidelines. Literature demonstrates that factors derived using just the Kaiser criteria (i.e., eigenvalue > 1) appear to overestimate the number of components extracted (Hubbard & Allen, 1987). Therefore, we used an additional Horn’s parallel analysis mathematical methodology (Horn, 1965) to validate the variables derived using Kaiser’s criteria. Using Monte Carlo PCA for Principal Component Analysis, we expect 54 variables with 384 sample sizes to create 100 additional random data sets. We routinely contrasted the values obtained using the SPSS data reduction process with the values obtained from the random data collection using Horn’s parallel analysis. Table (x) indicates that the value of the components 1 to 6 derived using PCA was greater than the Horn’s parallel analysis criterion value (i.e., 1.234 > 1.222), so we kept only six components and discarded the rest (Pallant, 2017).

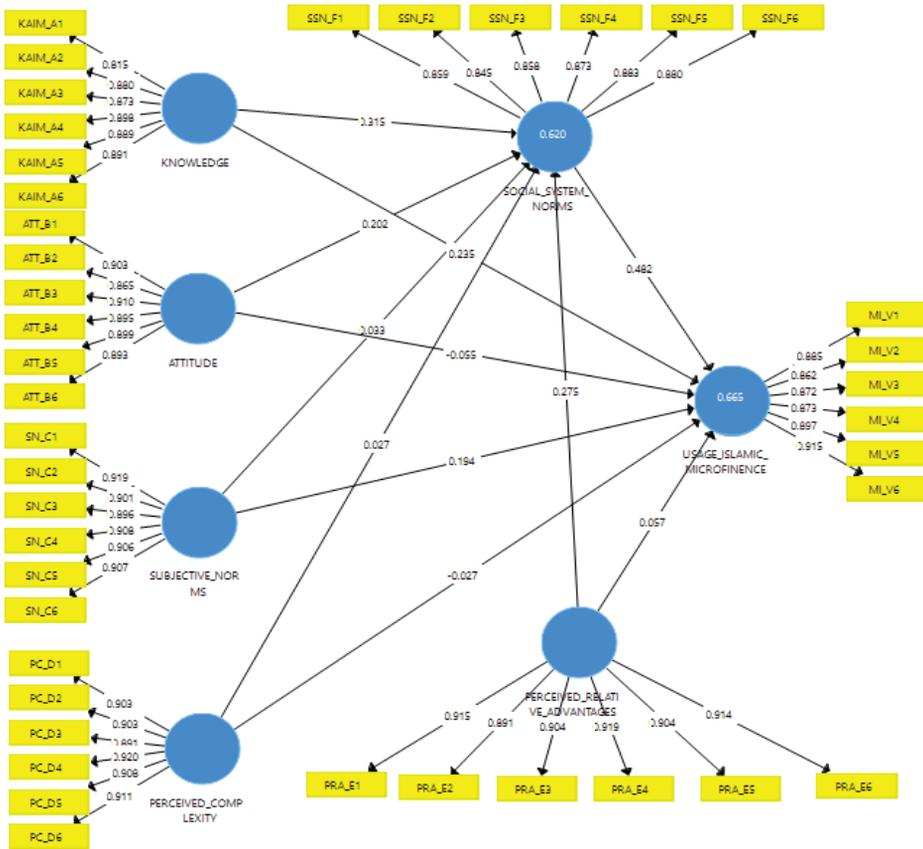
**Table 3**

*Common Method Variance Test*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	23.292	55.458	55.458	23.292	55.458	55.458	7.362	17.530	17.530
2	2.427	5.779	61.237	2.427	5.779	61.237	5.848	13.924	31.453
3	1.812	4.314	65.551	1.812	4.314	65.551	4.684	11.153	42.607
4	1.355	3.227	68.777	1.355	3.227	68.777	4.515	10.750	53.357
5	1.216	2.894	71.672	1.216	2.894	71.672	4.470	10.644	64.001
6	1.030	2.453	74.125	1.030	2.453	74.125	4.252	10.124	74.125

### Measurement Model Assessment

Seven variables (contracts) are carried out by measurement model assessment, and their indicators experiment with how the practiced indicators weighted the latent construct. For the accomplishment of model assessment, we first examined the composite reliability, then factor loading and average variance extracted (AVE), then discriminant validity. In this regard, we applied Smart PLS 3, which helps to find drawbacks in an instrument (Cooper & Schindler, 2001). Figure 4 depicts the factor loading of every item in the instrument.



**Figure 4:** Measurement Model Assessment

Note: Usage of Islamic microfinance = AIM

### Indicator Reliability

The indicator reliability satisfies the validity if every single element’s loading reaches a minimum 0.7, and the level of significance holds at 5%. Ramayah et al. (2017) mentioned an exception: if any item reflects loading smaller than 0.7, and the overall AVE while holding a minimum threshold of 0.5, would be also acceptable. Table 4 demonstrates that all constructs in the study surpass this criterion.

**Table 4**

*Convergent Validity, Internal Consistency, and Average Variance Extracted (AVE)*

<b>Items</b>	<b>Items</b>	<b>Loading</b>	<b>T-value</b>	<b>CA</b>	<b>CR</b>	<b>AVE</b>
<b>Knowledge</b>	KN_1	0.815	96.104	<b>0.939</b>	0.951	0.766
	KN_2	0.880	63.012			
	KN_3	0.873	75.106			
	KN_4	0.898	66.304			
	KN_5	0.889	83.573			
	KN_6	0.891	73.109			
<b>Attitude</b>	ATT_1	0.903	97.338	<b>0.950</b>	0.960	0.800
	ATT_2	0.865	78.933			
	ATT_3	0.910	118.592			
	ATT_4	0.895	109.012			
	ATT_5	0.899	85.946			
	ATT_6	0.893	74.509			
<b>Subjective Norms</b>	SN_1	0.919	59.630	<b>0.956</b>	0.948	0.821
	SN_2	0.901	68.791			
	SN_3	0.896	98.158			
	SN_4	0.908	84.563			
	SN_5	0.906	89.382			
	SN_6	0.907	74.509			
<b>Perceived Complexity</b>	PC_1	0.903	103.483	<b>0.956</b>	0.965	0.821
	PC_2	0.903	103.557			
	PC_3	0.891	56.241			
	PC_4	0.920	76.291			
	PC_5	0.908	93.382			
	PC_6	0.911	89.649			
<b>Relative Advantages</b>	RA_1	0.915	67.640	<b>0.957</b>	0.966	0.824
	RA_2	0.891	97.223			
	RA_3	0.904	33.890			
	RA_4	0.919	75.219			
	RA_5	0.904	87.842			
	RA_6	0.914	94.714			

Items	Items	Loading	T-value	CA	CR	AVE
<b>Social System Norms</b>	SSN_1	0.859	96.192	<b>0.933</b>	0.948	0.751
	SSN_2	0.845	67.612			
	SSN_3	0.858	87.849			
	SSN_4	0.873	105.732			
	SSN_5	0.883	98.630			
	SSN_6	0.880	95.137			
<b>Adoption of Islamic microfinance</b>	AIM_1	0.885	95.243	0.944	0.956	0.782
	AIM_2	0.862	74.515			
	AIM_3	0.872	87.815			
	AIM_4	0.873	105.572			
	AIM_5	0.897	58.340			
	AMI_6	0.915	102.636			

Table 4 shows that all loadings, such as the factor loading, composite reliability, and the average variance for each item, belong to a value of more than 0.70. Hence, all the values satisfy the acceptable standard level and validity. Table 6 shows the discriminant validity.

### Discriminant Validity

We used the Fornell–Larcker criterion and cross-loadings test to measure discriminant validity, which shows the difference between constructs. When the variance with its given variable is higher than the variance of other constructs, the constructs hold discriminant validity (Fornell & Larcker, 1981). The AVE expresses the average difference in constructs as a percentage of total variance. Table 5 presents the construct’s correlation matrix.

**Table 5**

*Discriminant Validity*

	<b>ATT</b>	<b>KN</b>	<b>RA</b>	<b>PC</b>	<b>SSN</b>	<b>SN</b>	<b>AIM</b>
<b>ATT</b>	<b>0.894</b>						
<b>KN</b>	0.828	<b>0.875</b>					
<b>RA</b>	0.765	0.761	<b>0.908</b>				
<b>PC</b>	0.841	0.821	0.862	<b>0.906</b>			
<b>SSN</b>	0.724	0.740	0.719	0.721	<b>0.866</b>		
<b>SN</b>	0.853	0.823	0.806	0.868	0.709	<b>0.906</b>	
<b>AIM</b>	0.675	0.728	0.674	0.685	0.776	0.706	<b>0.884</b>

**Structural Model Assessment**

Partial least squares (PLS) in combination with structural equation modeling (SEM) is a powerful statistical tool that allows researchers to examine complex relationships between latent and observable variables. There are several crucial steps in the SEM-PLS process. The first step in defining the model is to describe the connections between observable and latent variables. Following this, data collection is carried out to gather the necessary observations for analysis. In order to determine path coefficients and other parameters, the model is then estimated using the PLS technique. In the end, the findings are analyzed, with a focus on the path coefficients and their statistical importance to draw conclusions about the information and connections. The PLS structural model has been applied for hypotheses investigation (Hameed et al., 2018; Hameed & Naveed, 2019). In Figure 4, the result depicts a direct relationship among knowledge, attitude, subjective norms, perceived complexity, and relative advantage. It reflects that the *t* value for all three relationships is significant. Figure 4 shows that all factors keep relationships significant, referred to by the *p*-value lower than 0.05 by hypotheses testing. Furthermore, all beta values are positive. It means that the independent and dependent variables are positively associated.

**Hypothesis Testing**

Table 6 depicts the relationship between different variables and AIM. We use the hypotheses to investigate how the variables such as attitude (AT), subjective norms (SN), perceived complexity (PC), knowledge (KN), and perceived relative advantage (PRA) affect AIM. The results show that KN, SN, and PRA significantly influence

social system norms (SSN), with these variables having a dominant effect on SSN. Additionally, the direct influence of these variables on SSN is evident. Furthermore, KN, SN, and PRA play a substantial role in influencing AIM. In contrast, AT and PC do not show significant effects on either SSN or AIM. However, SSN itself has a direct and significant influence on AIM, suggesting that SSN is a key factor in AIM.

**Table 6**

*Hypothesis Testing*

<b>Hypotheses</b>	<b>Beta</b>	<b>St. Error</b>	<b>T Statistics</b>	<b>P Values</b>	<b>Decision</b>
ATT -> SSN	0.208	0.605	1.921	0.055	<b>Not Supported</b>
AT -> AIM	0.046	0.505	0.517	<b>0.605</b>	<b>Not Supported</b>
KN -> SSN	0.322	0.470	4.530	<b>0.000</b>	<b>Supported</b>
KN -> AIM	0.229	0.694	2.490	<b>0.013</b>	Supported
SN -> SSN	0.390	0.520	3.530	<b>0.018</b>	<b>Supported</b>
SN -> AIM	0.427	0.439	2.488	<b>0.037</b>	<b>Supported</b>
RA -> SSN	0.268	0.700	2.762	<b>0.004</b>	<b>Supported</b>
RA -> AIM	0.063	0.709	0.419	<b>0.042</b>	<b>Supported</b>
PC -> SSN	0.026	0.719	0.218	<b>0.073</b>	<b>Not Supported</b>
PC -> AIM	0.041	0.713	0.224	<b>0.437</b>	<b>Not Supported</b>
SSN -> AIM	0.482	0.587	5.570	0.000	Supported

**Evaluation of the Proportion of Variance in the Endogenous Latent Variable**

Evaluation of variance R-squared values of 0.60, 0.19, and 0.33, respectively, are substantial, weak, and moderate explanations of the endogenous latent variable (Chin, 1998). Table 4 shows the R-squared value. It shows that a number of variables account for 0.665 of the variance in microenterprise success. Chin (1998) asserted that this value is strong.

**Table 7**

*Assessment of Variance Explained in the Endogenous Latent Variable*

Particulars	R Square	R Square Adjusted
AIM	0.789	0.784
SSN	0.530	0.522

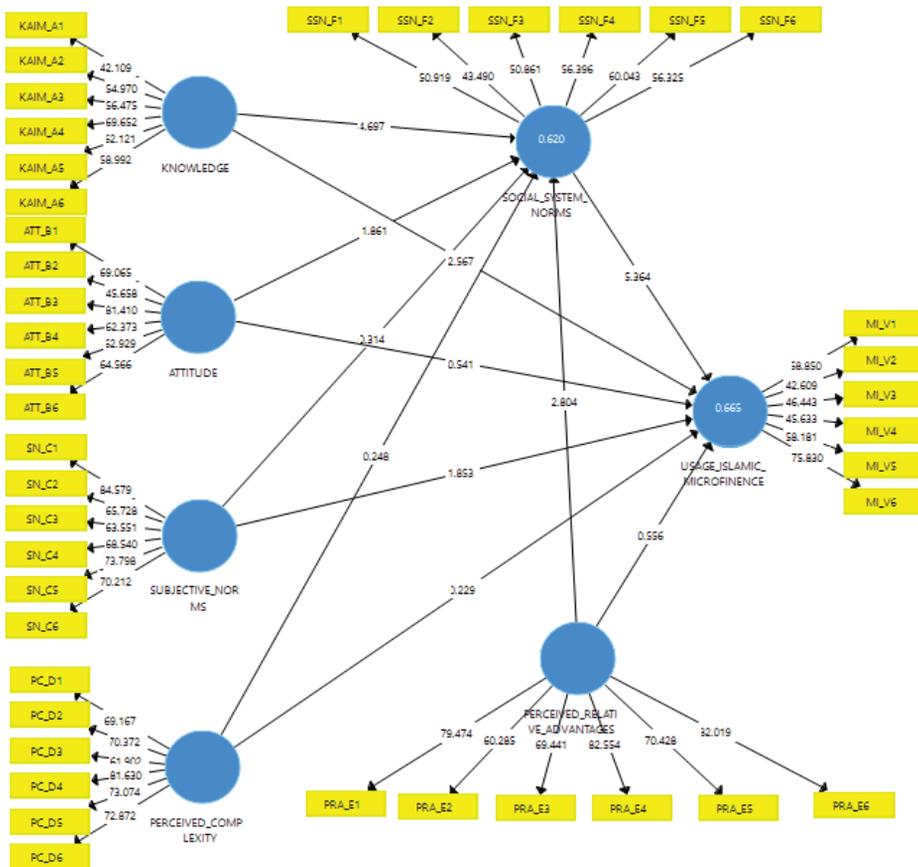
### Assessment of Predictive Relevance (Q<sup>2</sup>)

Employing a blindfolding procedure, we utilized the Stone–Geisser test to assess the predictive relevance (Q<sup>2</sup>) of the model (Geisser, 1974; Stone, 1974). In accordance with the guidelines Henseler and Fassott (2010) established, we expect Q<sup>2</sup> to exceed zero. The findings presented in Table 8 reveal a Q<sup>2</sup> value of 0.511.

**Table 8**

*Assessment of Predictive Relevance (Q<sup>2</sup>)*

Particulars	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
AIM	890.000	463.402	0.479
SSN	712.000	477.244	0.330



### Mediating Effects

Table 9 shows the impact of KN, SN, ATT, PC, and PRA on AIM, including SSN as a mediating variable. The findings demonstrate that both KN → SSN → AIM and SN → SSN → AIM have a substantial effect on AIM, with SSN acting as a significant mediator. The results show strong evidence with significant *p* values (0.000 and 0.003) and high T-statistics (6.119 and 3.759, respectively), indicating that both KN and SN positively influence AIM through SSN.

However, ATT → SSN → AIM, PC → SSN → AIM, and PRA → SSN → AIM do not reveal any significant relationship. For example, ATT → SSN → AIM demonstrates a *p* value (0.590), which identifies that ATT does not show any significant impact on AIM through mediating SSN. In a similar vein, PC → SSN → AIM and PRA → SSN → AIM have nonsignificant *p* values such as 0.075 and 0.673, respectively. The evidence reveals that PC and PRA do not show any significant influence on AIM through moderating factors. Overall, the results identify that KN and SN have significant contributions to AIM, with SSN acting as a mediator. Nonetheless, ATT, PC, and PRA reveal a nonsignificant effect in this moderating process.

**Table 9**

*Mediating Effects*

Path	Beta	St. Error	T Statistics	P Values	Decision
<b>ATT → SSN → AIM</b>	0.160	0.025	6.366	0.590	<b>Not Supported</b>
<b>KN → SSN → AIM</b>	0.229	0.037	6.119	0.000***	<b>Supported</b>
<b>SN → SSN → AIM</b>	0.217	0.032	3.759	0.003***	<b>Supported</b>
<b>PC → SSN → AIM</b>	0.079	0.024	3.281	0.075	<b>Not Supported</b>
<b>RA → SSN → AIM</b>	0.008	0.020	0.422	0.673	<b>Not Supported</b>

\*\*\*5% level of significance

### Results and Discussion

The empirical results show that KN has a significant association with SSN, and KN and AIM have a substantial relationship. In addition, SN significantly impacts on SSN. SN is also positively pursued in AIM. Moreover, PRA has a substantial effect on SSN; in contrast, the nexus between PRA and AIM is significant. SSN substantially contributes to AIM. Through the social system mediating factor, KN indirectly influences AIM. In the end, SN with SSN as a mediating factor have a significant effect on AIM.

Analyzing the aforementioned findings, we show that Islamic microfinance favors women entrepreneurs. Specifically, we conclude that the social media network contributes to creating awareness among women entrepreneurs about the need to use Islamic microfinance further. Moreover, we open an opportunity to evaluate the existing policies and help formulate effective potential policies that will increase women's participation in Islamic microfinance. The original research projects collect data from more than 500 respondents that will provide a reference of how female online entrepreneurs embrace microfinance. In addition, like a pilot survey, the testing reliability and feasibility validate the study at first.

In addition, studies conducted in countries such as Indonesia, Pakistan, and Bangladesh have shown that Islamic microfinance significantly cuts down poverty by raising income and economic opportunities for women. Similar studies in Malaysia would help build a stronger evidence base for the effectiveness of Islamic microfinance in the poverty alleviation process. Although much of the literature (Dhaoui, 2015; Hassan, 2014) suggests that Islamic microfinance contributes to poverty alleviation, more empirical evidence from Malaysia is required to confirm these effects.

In contrast, a comparison between Islamic and traditional microfinance is essential to highlight the advantages of the former. Conventional microfinance institutions (e.g., Grameen Bank) offer interest-based loans, whereas Islamic microfinance operates on interest-free models, aligning with Shariah principles (Ben Abdelkader & Ben Salem, 2013; Marwa Fersi & Mouna Boujelbéne, 2016). Islamic microfinance products, such as Qard Hasan (interest-free loans) and Mudarabah (profit-sharing contracts), provide more flexibility and fair repayment, ensuring borrowers are not penalized for unforeseen circumstances (Hassan et al., 2013). These products encourage shared responsibility between lenders and borrowers, creating more sustainable financial inclusion. The absence of interest also makes Islamic microfinance more acceptable to Muslim communities, which would otherwise shy away from conventional, interest-based financial systems (Abdullah et al., 2017). Islamic microfinance has a broader social impact in empowering women entrepreneurs (Islam, 2020).

Women with access to Islamic microfinance can improve their financial independence, contributing to their families' well-being and enhancing their community status (Senghore, 2023). As women gain financial autonomy, they are more likely to invest in their children's education, health care, and business development. This reinforces the Maqasid al-Shariah objective of protecting and enhancing the

welfare of individuals, especially women, by ensuring they have access to ethical financial products that enabling them to contribute to economic and social development. While AIM empowers women, the socioeconomic benefits extend beyond individual women to their families and communities. Islamic microfinance helps reduce poverty, improve household incomes, and create long-term social stability by offering access to interest-free loans and profit-sharing financing models (Begum et al., 2018). Women entrepreneurs in Malaysia, particularly in rural areas, have utilized Islamic microfinance to start small businesses in the agriculture, handicrafts, and retail sectors, improving their living standards and contributing to community welfare (Al-Shami et al., 2016; Othman, 2015). The growth of these small businesses also fosters economic development in marginalized areas, which traditional financial institutions would otherwise underserve.

### Significance of the Study

This study's results contribute to the existing literature on microfinance's impact on society in Malaysia and developing countries. In particular, the findings assist policymakers in formulating more convenient guidelines to strengthen microfinance practices. Our study is a scholarly reference that accelerates further academic studies and accordingly develops an institution-friendly environment. Moreover, Islamic microfinance is considered a possible counterpart to traditional microfinance. In Islamic microfinance, religiousness is an essential instrument (Sanyal, 2015; Singh, 2015). Therefore, religious belief does have a beneficial impact on the practices of Islamic microfinance. Therefore, microfinance borrowers from Muslims pay back more frequently (Kollamparambil & Muchnick, 2015). Accordingly, Islamic microfinance provides tremendous potential in terms of ethical practices, including economic and social impacts on the household (Bhuyian et al., 2012; Kollamparambil & Muchnick, 2015).

As a result, the benefits of Islamic microfinance enhance higher satisfaction for consumers. It also brings advantages for borrowers with a large social capital network (Permani, 2011) and leads to the achievement of human capital through its unique ethical characteristics. In addition, Islamic microfinance has special charity facilities, which, when combined with commercial microfinance, ensure the welfare of the poor (Hassan et al., 2013; Obaidullah, 2008). However, there is an inadequate empirical study into Islamic microfinance to show its ability to relieve poverty and affirm the well-being of borrowers and their families (Bhuyian et al., 2012; Noipom, 2014).

## Policy Implications

To boost women's participation in Islamic microfinance and address the present obstacles, we propose several policy recommendations. First, enhancing financial literacy programs. Appropriate financial literacy programs are needed for women, especially in rural areas. These programs can focus on understanding Islamic microfinance products, how they can be used for business development, and how they align with Islamic values.

Second, a helpful regulatory system. Malaysian policymakers should ensure the Islamic microfinance regulatory framework is gender-responsive and inclusive and provides easier access to financing sources for women entrepreneurs.\

Third, facilitating women's entrepreneurship. The government and financial institutions should offer tax holidays, lower interest rates, and conducive repayment phases to women entrepreneurs who are involved with Islamic microfinance institutions.

Fourth, mentorship and capacity building. Financial institutions and NGOs should take supervising initiatives for women entrepreneurs to provide them with the necessary skills, networks, and access to resources to strengthen their businesses.

## Conclusion

In this study we advance our understanding of AIM among women entrepreneurs by examining the intersection of religious values, financial inclusion, and women's economic empowerment in Malaysia. Drawing on an integrated theoretical framework combining the theory of planned behavior and innovation diffusion theory, we validate eleven hypotheses about both the direct and indirect effects through SSN as a mediating mechanism. The empirical findings provide several significant theoretical contributions. First, KN emerges as a crucial determinant of AIM, but only through the mediating role of SSN—a finding that extends the current theoretical understanding of financial decision-making in Islamic contexts. Second, both SN and PRA demonstrate significant direct and indirect effects on AIM behavior, highlighting the complex interplay between social influences and individual perceptions in financial choices. These results enhance our theoretical understanding of how religious and social factors interact with economic decision-making in dual-banking environments.

From a practical perspective, these findings offer valuable insights for Islamic microfinance institutions and policymakers. The significant role of SSN suggests that

community-based approaches may be more effective in promoting AIM. Furthermore, the importance of KN and PRA indicates the need for targeted educational initiatives and clear communication of Islamic microfinance benefits. While this study makes substantial contributions, we consider several limitations and provide directions for future research. First, we focus our analysis on a specific set of determinants, leaving room for exploration of additional factors such as institutional trust, religious commitment, and financial literacy. Second, the geographical scope of the data collection, while methodologically sound with its random sampling across rural and urban areas, suggests opportunities for comparative studies. Future researchers could extend this work by (a) investigating the long-term impact of AIM on women's economic empowerment, (b) conducting cross-country comparisons to examine the role of institutional and cultural contexts, and (c) exploring the interaction between AIM and broader socioeconomic outcomes.

This study contributes to both theoretical understanding and practical implementation of Islamic microfinance initiatives targeting women entrepreneurs. The findings provide evidence-based guidance for financial institutions and policymakers in designing interventions that align with religious values while promoting financial inclusion and women's economic empowerment. As Islamic finance continues to evolve globally, these insights become increasingly valuable for developing effective, culturally sensitive approaches to poverty reduction and economic development.

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