



The appreciative intelligence framework of Islamic microfinance instrument for quantity rationing to increase participation of people at the bottom of the economic pyramid

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ABSTRACT

This study solicited Islamic microfinance practitioners for a framework of appreciative intelligence for Islamic microfinance instruments in order to surmount obstacles in the practice of quantity rationing assessment. Based on methods of purposive sampling, 26 Islamic microfinance institutions (MFIs) in Indonesia were selected. One instrument was created to capture data, namely an in-depth interview to characterize the data associated with the proposed solution. The findings of this study provide several solutions for quantity rationing issues in order to increase the impact of Baitul Maal wa Tamwil (BMT) on welfare-improving objectives. The majority of respondents agreed that a write-off and the role of *zakah*, *infaq*, and *shadaqah* are the most desirable solutions in the event of financing default. In the event of financing default, rescheduling the financing and sending a card for an ATM to BMT are additional options. Lastly, some BMT practitioners propose using savings as collateral and expanding the role of *zakah*, *infaq*, and *shadaqah* in BMT to address financing default. The majority of BMT borrowers concurred that a special margin on time deposits made 2-3 months prior to the peak season would address the problem of lack of liquidity during the peak season. In addition, a gift of savings is an alternative solution. The majority of BMT practitioners choose a financing donor as the most desirable solution and continue to use channeling and other BMT as solutions for insufficient own capital sources. BMT must provide funding on a low nominal basis in order to ensure that impoverished people are treated equitably. Standardization of borrowing limits must also be implemented.

1. Introduction

The main problem in microfinance is that credit is not reaching the targeted segment of the population, specifically those at the bottom of the economic pyramid (BOP). In microfinance, minimum funding to be distributed is one of the reasons why credit is not channeled to the BOP. Besides that, when distributing money to individuals at the BOP, MFIs also confront funding

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constraints (Agur, 2012; Caudill et al., 2012; Morduch, 1999). This condition occurs when numerous MFIs are unable to accomplish all funding requests from consumers due to insufficient funds. If they so desired, MFIs could obtain funding from other sources, such as government subsidies, NGOs, or the private sector. However, relying on subsidies or external sources would have a number of consequences, including a problem with sustainability in the case of an unstable subsidy. In addition, donor over subsidization creates counterproductive issues.

Moreover, the lack of economic activity among the poor borrowers is also a significant barrier to microcredit accessibility, resulting in the poor being unable to attain a stable source of income. These conditions indicate that there are several individuals who want to access a microfinance facility but they cannot do so because they face the quantity rationing problem (Shankar, 2013). In addition, these problems not only occur in small MFIs, but also in successful micro-credit programs such as Grameen Bank which borrowers sometimes face the issue of limited accessibility to credit (Vasimalai & Narender, 2007).

Quantity rationing, also known as supply-side constraint occurs when several borrowers obtain loans or financing from financial institutions, while others could not because of a bank's funding constraint (Chiu et al., 2014). Indeed, the lowest income groups face more complex problems of quantity rationing than higher income groups despite the fact that microcredit programs are designed to target households at the BOP (Khoi et al., 2013). Although quantity rationing is not necessarily the source of the poverty trap, it reinforces the occurrence of the poverty trap. People at BOP who face quantity rationing problems will find it difficult to fulfill their daily needs because they have no income. The cheap credit policy of Governments in numerous developing countries is generally not effective (Jia et al., 2010). The compromise rate on margin discourages savings, distorts factor prices and fails in the proper substitution of labor for land and capital, paralyzes institutional lenders and excludes those at the BOP, particularly the poor and small farmers.

The term "people at the BOP" first came from Prahalad and Hart (2002) who explained that the world's population in tier 4 of the economic pyramid is dominated by those who have per capita income of less than \$2 per day. The characteristics of the people at the BOP are that they could not participate in the global market economy and live in rural villages or urban slums and shantytowns. Moreover, they have no legal title of their assets, no formal education, and face difficulties in obtaining credit. Bharti et al. (2014) add several characteristics of people at the BOP such as the dominance of illiteracy, poor health and unemployment. More alarmingly, people at the BOP are dominated by Muslims who live under the poverty level. Half of the global poverty resides in the Muslim world with the Muslim population constituting 24% of the total world population (Mughal, 2014).

The major objective of the establishment of the MFIs is to improve the economic and social well-being of the recipients, particularly those at the BOP. In many countries, the MFIs play an important role in providing credit to the people at the BOP. In practice, MFIs have a major impact on improving financial accessibility to the people at BOP through the creation of micro-loans and micro-savings (Boehe & Cruz, 2013). The MFI is initially designed to deliver micro-credit to the people at the BOP by removing the collateral requirement and creating a micro-banking system which is based on accountability, creativity, participation, and mutual trust (Roy & Goswami, 2013). Islamic microfinance, in particular, is designed as a kind of microfinance that gives financial services without charging interest to the people at BOP since many Muslims are categorized as people at the BOP.

The issues of quantity rationing mentioned earlier are also prevalent in the practice of Islamic microfinance in Indonesia. Approximately 28.07 million people (or 11.37% of the total Indonesian population) are categorized as those in the BOP, having an average monthly income of around US\$24 per month or less (Badan Pusat Statistik, 2014). This condition is reflected not only in terms of

minimum income, but also in terms of lack of education, and lack of accessibility to clean water, health provisions and proper sanitation (Rokhman, 2013).

In the specific case of Indonesia, there is also the issue of minimum participation of borrowers in Indonesia's formal financial institutions. In 2014, the percentage of accounts at formal financial institutions for customers aged more than 15 years old was only 36% of the total population (20% in 2011). Meanwhile, loans from financial institutions for customers aged 15 or more comprised only 13% of the total population in 2014 (9% in 2011) (Demirguc-Kunt & Klapper, 2012). Many of the borrowers prefer to borrow from other channels such as from friends and relatives (around 41% in 2014). This data suggests that majority of the people at the BOP are still facing quantity rationing problems since they prefer to borrow from informal sources than formal sources. According to Turvey et al. (2011), one of the major reasons why a lot of people choose friends and relatives as a source of funding rather than other informal funding alternatives in Indonesia is because other sources such as the loan sharks impose high interest rate which is forbidden in Islamic practice.

Easy access to Islamic MFI is targeted on the design and implementation of a poverty alleviation strategy that is included in welfare improvement goals such as the Millennium Development Goals (MDGs) or Sustainable Development Goals (SDGs) that are intended to create sustainability (Obaidullah & Latiff, 2008). Measuring accessibility to Islamic Microfinance to welfare improving goals is important to enhance substantial contribution to literature review since sustainability on which the purpose of welfare improving goals is the key to Islamic microfinance success. Practitioners of MFIs must enhance accessibility to finance and build a system that enables people at BOP to repay (van Rooyen et al., 2012). In dealing with this problem, the Islamic MFIs must conduct proper identification of quantity rationing problems so that people at the BOP would have ample accessibility to financing. Wulandari et al. (2021) study the practice of price rationing and risk rationing but not yet explain the quantity rationing. Moreover, Wulandari and Kassim (2019) also study credit rationing on socio-demographic aspects. The general objective of this study is to enhance the accessibility of Muslims at the BOP to Islamic microfinance in order to reach the welfare improving goals based on quantity rationing view.

2. Quantity Rationing at Glance

Quantity rationing is a condition that occurs when the lender rejects credit applications by not offering loans to credit applicants or by offering an amount that is less than what the applicants have applied for (Awunyo-Vitor et al., 2014). According to Ali and Deininger (2014), quantity rationing is a restriction on the supply side which affects borrowers' credit accessibility. It is also the result of limiting the amount of loans when demand for the loans or financing is greater than the supply of the available funds (Awunyo-Vitor et al., 2014; Jia et al., 2010). Consequently, quantity rationing leads to several financing applications being rejected or the MFIs not fulfilling the entire borrowing amount required. Essentially, quantity rationing is related to the household who wants a loan but is not able get one (Guirking, 2006).

The term "quantity rationed or supply-side constrained individual" refers to a person who had a loan application rejected or a non-applicant who knew that his application would be rejected because he faced a binding credit limit (Boucher et al., 2008; Chiu et al., 2014). Excess credit demand is expected by a quantity rationed person. Another definition states that a quantity rationed individual is a person who involuntarily withdraws the excess demand that is not met by the lenders. There is strong evidence that people at the BOP are more likely to face quantity rationing than other types of borrowers because they do not have sufficient collateral to enable them to take up the financing (Papias & Ganesan, 2010). Loyal customers from formal financial institutions are less likely to be

quantity rationed (Awunyo-Vitor et al., 2014).

A limited number of studies have been found relating to quantity rationing in Islamic microfinance. However, none has exactly studied quantity rationing problems and its suggestion to quantity rationing assessment in Islamic microfinance. Much literature has focused on definitions (Abdul Rahman & Dean, 2013), tools to reduce poverty (Abdul Samad, 2014), models (Dusuki, 2008; Smolo & Ismail, 2011), instruments in Islamic microfinance (Hassan, 2014) and microfinance impact in reducing poverty (El-Komi & Croson, 2013).

Yet, there is still a gap concerning quantity rationing practice in Islamic microfinance. Lack of study in quantity rationing issues in Islamic microfinance is being studied related to these issues. It is important to enhance the participation of BOP borrowers in Islamic microfinance through increasing BOP borrowers' accessibility to Islamic microfinance.

3. Appreciative Intelligence Framework

This research also adopts the framework of appreciative intelligence (Thatchenkery, 2009) to examine the solutions suggested by BMT practitioners to surmount the challenges of quantity rationing assessment in order to improve Muslims' access at the BOP. Appreciative intelligence is the capacity to recognize the positive potential in a given circumstance and to take deliberate action to alter the potential outcome. It is also known as the capacity to reframe a given situation in order to see its positive aspects (Thatchenkery, 2009). Moreover, according to Case and Thatchenkery (2010), appreciative intelligence is defined as the capacity to reframe experiences, value the positive, and envision possible futures based on the current situation. Appreciative Intelligence leads to four characteristics: perseverance, the conviction that one's actions matter, tolerance for uncertainty, and indomitable resiliency (Doshi, 2010). There are three steps of appreciative intelligence, namely:

i. Reframing: Reframing problems into opportunities is the conscious or unconscious process of transforming how individuals or organizations perceive the present into a new perspective of reality that leads to a new outcome (Doshi, 2010). It is based on previous experiences (Thatchenkery, 2009). Case and Thatchenkery (2010) define framing as the condition in which individuals construct or interpret a context, issue, or scenario in a particular manner. This is the concept of viewing the current condition from a new perspective in order to produce a new outcome (Doshi, 2010). Reframing is also the process of identifying an opportunity and incorporating a plan for the future into the current situation (Thatchenkery, 2009; Case & Thatchenkery, 2010; Verma & Pathak, 2011). Reframing is a difficult concept to implement because it necessitates the development of conditions for action plan applicability and the materialization of action plans.

During this phase, Islamic MFI practitioners and Shariah advisors will be asked queries such as: what problems did people at BOP have related to quantity rationing and accessibility to Islamic MFI? What are the solutions that MFI have conducted in their daily operations related to the quantity rationing problem? Is there any potential action to solve the quantity rationing problem and poor borrower accessibility from the existing daily operations?

ii. Appreciating the positive: Appreciating the positive is counter-intuitive because people are acclimated to believing that administrators have a highly developed ability to anticipate what could go wrong rather than what could go right, which is crucial for decision making (Thatchenkery, 2009). In addition, appreciating the positive is also referred to as a process of discernment and evaluation of something's positive value (Thatchenkery, 2009). This concept refers to a process of discrimination and evaluation of something's merit (Doshi, 2010). In the decision-making process, it is crucial to anticipate potential pitfalls. Appreciating the positive requires tenacity and fortitude (Thatchenkery, 2009). During this phase, Islamic MFI practitioners and shariah advisors will be asked a number of

inquiries, including: “What is the best solution to the quantity rationing problem and poor borrower accessibility in Islamic MFI?”

iii. See how possible future unfolds: It is essential to perceive or reframe positive possibilities at this crucial stage in the process of producing successful outcomes. The possibility of the future must be realized in the present (Thatchenkery, 2009). Then, this phase is also known as the capacity to perceive possibilities that already exist in the present moment but must be revealed, released, or touched (Doshi, 2010). This concept refers to the capacity to recognize opportunities that already exist in the present moment but must be revealed, unsealed, or exploited (Doshi, 2010). It is the essential phase for producing successful results. It will produce an urgently required future strategy. A effective organization will divide its action into a series of minor, manageable, and time-sensitive measures (Thatchenkery, 2009). Islamic MFI practitioners and Shariah advisors will be asked several queries as the final query in appreciative intelligence, including: “What are the concrete steps to realize the potential possibilities of enhancing poor borrowers’ accessibility that exist in the present but are untapped?”

4. Methodology

This study's population consists of BMT from Nusa Tenggara Barat, Daerah Istimewa Yogyakarta, and Sulawesi Selatan in order to evaluate the results of qualitative research. As for qualitative analysis, this study employs purposive sampling (a form of non-probability sampling) to select samples in order to determine the suggested solutions to quantity rationing problems that would increase Muslims' access to Islamic microfinance at the BOP. This sampling technique involves eliciting the opinions of individuals with specialized knowledge and providing evidence of the validity of research results. Quantitatively, the sample for qualitative analysis is based on the three regions with the greatest number of impoverished individuals and the region with the lowest poverty line level. Table 1 below shows the branches of BMT chosen as sample in this study:

Table 1. BMT Sample.

Region	BMT Sample	
DI Yogyakarta	BMT Bringharjo Kauman	
	BMT Bina Ihsanul Fikri	
	BMT An Nimah	
	BTM Surya Umbulharjo	
	BMT Hidayah Ummat	
	BMT Bringharjo Malioboro	
	BMT Bumi Mizan Sejahtera	
	BTM Kotagede	
	BMT Bringharjo Pabringan	
	Puskopsyah BMT Yogyakarta	
	Sulawesi Selatan	BMT Al Hasan
		BMT Saadatul Al Birry
		BMT At Taqwa
BMT Kube 033		
BMT Sinar Surya Abadi		
BMT Fastabiqul Khaerat		
BMT Al Amin		
BMT Sinergi Karya		
BMT Kube 034		

Table 1. (continued).

Nusa Tenggara Barat	Puskopsyah BMT Inti BMT Al Iqtishady BMT Ar Rasyada BMT Gumarang Akbar Syariah BMT Permata Hidayatullah BMT Daruzzakah Mandiri BMT Al Hidayah
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The sampling requirements for qualitative analysis are:

- i. Minimum level is BMT manager with more than two years of experience
- ii. Have a product of BOP financing
- iii. Handling financing for people at the BOP

Content analysis is a method for replicating and validating inferences drawn from texts. Schilling (2006) defines qualitative content analysis as an empirical, methodologically controlled analysis of texts within the context of communication. This method emphasizes the context and subject, as well as similarities and distinctions among themes and subthemes (Bahadori et al., 2014). The interview content was read to gain a general understanding of the data and generate concepts for the subsequent analysis (Bahadori et al., 2014). Understanding social reality in a subjective but empirical approach is advantageous (Al-Issa, 2015). In addition, this method presupposes a sensitivity to the utilization of words and their context within a board discourse analytic methodology for the analysis of social reality (Al-Issa, 2015).

In preparing for qualitative content analysis, one cannot separate the data collection process from the content analysis process, as early involvement in the analysis phase will allow the researcher to move back and forth between concept development and data collection, particularly in inductive areas where the research question may be further developed depending on the situation. Similar to the traditional quantitative content analysis procedures (Tesch, 1990), qualitative content analysis requires a set of systematic and transparent procedures for data processing in order to generate reliable inferences. Qualitative content analysis can be applied to a variety of data types, but primarily written texts. The process of defining unit analysis of the data refers to the fundamental unit of text that will be classified during content analysis. The impact of unitized data on classification decisions and comparability with analogous studies is substantial (De Wever et al., 2006).

It is possible to use a word, a sentence, or a paragraph as the unit of analysis, but this study uses sentences and words. Previous relevant studies, theories, or data could be used to develop categories and a categorization scheme. It may also be utilized for inductive or deductive data development. Glaser and Strauss (1967) recommended a constant comparative method when an inductive method is used for basic material development. The constant comparative method consists primarily of two components: (i) the systematic comparison of each text assigned to a category with each text already assigned to that category in order to reveal the theoretical properties of the category; and (ii) the integration of categories and their properties through the development of interpretive memos. After categorization and simplification, the final outcome of this study will be the identification of significant social patterns, themes, and categories.

5. Result

There are 26 BMT involved in this study which are distributed in Daerah Istimewa Yogyakarta (10 BMT), Sulawesi Selatan (10 BMT) and Nusa Tenggara Barat (6 BMT). Almost all interviewees had the position of manager or above. This position is important because several questions are on

strategic matters. As a consequence, only managers and above can answer interview questions. A large majority of interviewees were graduates.

The BMT vary in size but at least they had all operated for a minimum of 2 years before 2015. Financing range also varied from Rp 300,000 to Rp 600,000,000 but on average financing is under Rp 10,000,000. The sources of financing come from savings, own assets/or borrowing from other BMTs. Several BMTs have additional sources of financing, namely from NGO grants, social ministry grants, channeling with big BMT and government agencies. Last, according to the interviewees, the characteristics of borrowers are dominated by having micro-businesses which range from traditional market stalls to fisherman. Most of the BMT borrowers are un-bankable. One of the reasons is they feel more comfortable by having a financial instrument in BMT which is semi formal financial institution rather than a bank. The details of respondents' characteristics are shown in Table 2 below.

Table 2. Demographic characteristics of respondents for qualitative analysis.

No	Code	BMT	Position	Gender	Age (years old)	Education	BMT Age (years)	Number of employee	Financing range	Financing source	Borrower characteristics	Area
1	Y01	BMT Bringharjo Kauman	Operation manager	Female	39	Graduate	24	8	Rp 500,000 to Rp 600,000,000	Savings, own asset, lending from the bank	Has micro business/salary, most of them work as trader in traditional market, unbankable	Kauman-DI Yogyakarta
2	Y02	BMT Bina Ihsanul Fikri	Deputy head (secretary)	Male	45	Master	20	22	Rp 500,000 to Rp 100,000,000	Savings, own asset, lending from the bank	Has individual and group lending based, has micro business, not only giving financing to the Moslem but also to non Moslem	Kotagede- DI Yogyakarta
3	Y03	BMT An Nimah	General manager	Male	47	Graduate	5	11	Rp 500,000 to Rp 5,000,000	Savings, own asset, lending from the bank	Has micro business/salary, most of them work as trader in traditional market, unbankable	Kotagede- DI Yogyakarta
4	Y04	BTM Surya Umbulharjo	Manager	Male	38	Graduate	4	7	Rp 500,000 to Rp 25,000,000	Savings, own asset, lending from the bank	Has micro business/salary, most of them work as trader in traditional market, contract based teacher, unbankable	Umbulharjo-DI Yogyakarta
5	Y05	BMT Hidayah Ummat	Accounting	Female	35	Graduate	7	6	Rp 500,000 to Rp 200,000,000	Savings, own asset, lending from the bank, channeling with other BMT, government donor	Has micro business/salary, most of them work as transjogja employee, unbankable	Umbulharjo-DI Yogyakarta
6	Y06	BMT Bringharjo Malioboro	Branch manager	Male	38	Graduate	24	9	Rp 500,000 to Rp 50,000,000	Savings, own asset, lending from the bank	Has micro business/salary, most of them work as trader in traditional market, unbankable	Malioboro-DI Yogyakarta
7	Y07	BMT Bumi Mizan Sejahtera	Deputy manager	Male	41	Graduate	9	9	Rp 500,000 to Rp 20,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business/salary, most of them work as trader in traditional market, unbankable	Umbulharjo-DI Yogyakarta
8	Y08	BTM Kotagede	Manager	Male	37	Graduate	3	5	Rp 1,000,000 to Rp 30,000,000	Savings, own asset, lending from the bank, NGO funding	Has micro business/salary, most of them work as trader in traditional market, unbankable	Kotagede- DI Yogyakarta
9	Y09	BMT Bringharjo Pabringan	Accounting	Female	35	Graduate	24	8	Rp 1,000,000 to Rp 100,000,000	Savings, own asset, lending from the bank	Has micro business, most of them work as trader in traditional market, unbankable	Pabringan-DI Yogyakarta

Table 2. (continued).

10	Y10	Puskopsyah BMT Yogyakarta	General manager	Male	38	Graduate	10	5	Rp 10,000,000 to Rp 500,000,000 (primary BMT)	Ministry, NGO	Institutional funding	Kotagede- DI Yogyakarta
11	S01	BMT Al Hasan	General manager	Male	45	Graduate	21	8	Rp 500,000 to Rp 10,000,000	Savings, own asset, lending from the bank	Has micro business, most of them work as trader in traditional market, unbankable	Maros-Sulawesi Selatan
12	S02	BMT Saadatul Al Birry	General manager	Male	47	Diploma	18	7	Rp 500,000 to Rp 10,000,000	Savings, own asset, lending from the bank	Has micro business, most of them work as fisherman, unbankable	Pinrang-Sulawesi Selatan
13	S03	BMT At Taqwa	Accounting	Female	35	Diploma	10	8	Rp 500,000 to Rp 15,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business, most of them work as trader in traditional market, unbankable	Sopeng-Sulawesi Selatan
14	S04	BMT Kube 033	General manager	Female	43	Graduate	12	8	Rp 300,000 to Rp 10,000,000	Savings, own asset, lending from the bank, channeling with other BMT, social ministry	Group lending based ,Has micro business, most of them work as trader in traditional market, unbankable	Makassar-Sulawesi Selatan
15	S05	BMT Sinar Surya Abadi	General manager	Male	45	Graduate	10	3	Rp 500,000 to Rp 10,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business, most of them home industry, unbankable	Makassar-Sulawesi Selatan
16	S06	BMT Fastabiqul Khaerat	General manager	Female	52	Graduate	18	6	Rp 200,000 to Rp 50,000,000	Savings, own asset, lending from the bank, channeling with other BMT, NGO	Has micro business, most of them work as trader in traditional market, unbankable	Makassar-Sulawesi Selatan
17	S07	BMT Al Amin	Treasurry	Female	35	Master	11	8	Rp 500,000 to Rp 20,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business, most of them work as trader in traditional market, unbankable	Makassar-Sulawesi Selatan
18	S08	BMT Sinergi Karya	General manager	Female	53	Graduate	10	7	Rp 300,000 to Rp 17,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business, most of them home industry, unbankable	Makassar-Sulawesi Selatan
19	S09	BMT Kube 034	General manager	Male	45	Graduate	12	9	Rp 300,000 to Rp 10,000,000	Savings, own asset, lending from the bank, channeling with other BMT, social ministry	Group lending based ,Has micro business, most of them work as trader in traditional market and fisherman, unbankable	Makassar-Sulawesi Selatan
20	S10	Puskopsyah BMT Inti	General manager	Male	38	Graduate	11	5	Rp 10,000,000 to Rp 500,000,000 (primary BMT)	Ministry, NGO	Institutional funding	Makassar-Sulawesi Selatan
21	N01	BMT Al Iqtishady	Deputy head	Male	35	Graduate	6	5	Rp 500,000 to Rp 10,000,000	Savings, own asset, lending from the bank, channeling with other BMT, NGO	Has micro business, most of them work as trader in traditional market, unbankable	Mataram-NTB
22	N02	BMT Ar Rasyada	Deputy head (secretary)	Female	43	Master	8	8	Rp 500,000 to Rp 10,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business, most of them work as trader in traditional market, unbankable	Lombok Barat-NTB
23	N03	BMT Gumarang Akbar Syariah	General manager	Male	57	Master	3	10	Rp 500,000 to Rp 10,000,000	Savings, own asset, lending from the bank	Has micro business, most of them work as trader in traditional market	Mataram-NTB
24	N04	BMT Permata Hidayatullah	General manager	Male	45	Master	4	8	Rp 1,000,000 to Rp 5,000,000	Savings, own asset, lending from the bank, channeling with other BMT, international donor	Has micro business, most of them work as trader in traditional market and as foreign worker, unbankable	Lombok Timur-NTB
25	N05	BMT Daruzzakah Mandiri	General manager	Female	40	Graduate	3	10	Rp 500,000 to Rp 10,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business, most of them work as trader in traditional market, unbankable	Lombok Timur-NTB
26	N06	BMT Al Hidayah	General manager	Male	43	Graduate	10	17	Rp 500,000 to Rp 50,000,000	Savings, own asset, lending from the bank, channeling with other BMT	Has micro business, most of them work as trader in traditional market, unbankable	Lombok Timur-NTB

Quantity rationing is a common problem in BMT. There are five problems that lead to quantity rationing problems. Suggestions are given related to these problems. This part is explored from interview questions:

- i. What are the previous problems of quantity rationing faced by your BMT?
- ii. What are the solutions that have been conducted by your BMT?
- iii. What are your dream solutions that have not yet been conducted by your BMT?

Table 3 is shown to present the definitions of coding that are used for the interview data collection in this section.

Table 3. List of codes for quantity rationing.

Descriptive code	1 st level codes	Pattern code
Quantity rationing		
Financing default occurrence	Reasons-explain	QRP1- Probs-The-reasons-for-financing-default-occurrence
Lack of liquidity in the peak season	Withdraw-event	QRP2- Probs-Highest-frequency-of-withdraw
Low own capital sources	Purpose-withdraw-explain	QRP2- Probs-The-purpose-of-financing-proposal
	Terms-explain	QRP3- Probs-Low-own-capital-source
Big amount of financing given	Impact-explain	QRP3- Probs-The-impact-of-low-own-capital-sources
	Impact-explain	QRP4- Probs-The-impact-of-big-amount-of-financing-given
The solutions in the case of financing default	Solutions-explain	QRS1-Sol--The-reasons-for-financing-default-occurrence
The solutions in the case of lack of liquidity in the peak season	Solutions-explain	QRS2-So-The-case-of-lack-of-liquidity-in-the-peak-season
The solutions of low own capital sources	Solutions-explain	QRS3-The-solutions-of-low-own-capital-sources
The solutions of big amount of financing given	Solutions-explain	QRS4-The-solutions-of-big-amount-of-financing-given

After coding, this section provides analysis of the quantity rationing problems and their possible solutions as provided by BMT practitioners in Indonesia. The responses are classified into two focus-coding groups, which are: problems and solutions. A summary of coding analysis is shown in Table 4 below.

Table 4. Data analysis for quantity rationing possible solutions.

Questions	(i)	(ii)	(iii)
	What are the previous problems of quantity rationing faced by your BMT?	What are the solutions that have been conducted by your BMT?	What are your dream solutions that have not yet been conducted by your BMT?
Focused Coding	1 st Level Coding	Remarks	
1	QRP1- Probs-The-reasons-for-financing-default-occurrence	Death, no stable income, sickness and moral hazard are the reasons for financing default occurrence in BMT.	
2	QRP2- Probs-Highest-frequency-of-withdraw	Most of the borrowers withdraw money to celebrate religious events. School enrolment which causes high money spending is also the reason of borrowers withdrawn.	
	QRP2- Probs-The-purpose-of-financing-proposal	Transactional motive is the dominant purpose of financing proposals in BMT	
3	QRP3- Probs-Low-own-capital-source	Many borrowers also borrow from BMT with the aim of precaution	
		First, BMT faced a problem of not enough capital from BMT founders Second, only small capital needed to establish BMT	

Table 4. (continued).

	QRP3- Probs-The-impact-of-low-own-capital-sources	Because of low own capital sources, BMT faced a problem of low capital distribution Besides that, BMT also faced low amount of capital to be invested
4	QRP4- Probs-The-impact-of-big-amount-of-financing-given	BMT collapse, borrowers bankruptcy and low sustainability are the impacts of big amounts of financing given
Conclusion for sub-theme 1	There are several problems faced by BMT which result in quantity rationing problems. First is financing default occurrence. Death, no stable income and moral hazard are the reasons for financing default occurrence in BMT. Second is lack of capital in the peak season. Most borrowers withdraw money for school enrolment and to celebrate religious event. Transactional and precautionary motives are the purpose of financing proposals in the peak season. Third, BMT have also faced a problem of low own capital source because of not enough capital from BMT founders and only small capital needed to establish BMT. Because of low own capital sources, BMTs have faced a problem of low capital distribution and low capital to be invested. Last, BMT collapse, borrowers' bankruptcy and low sustainability are the impacts of a big amount of financing given.	
1	QRS1-Sol--The-reasons-for-financing-default-occurrence	Most respondents agreed that write off and the role of <i>zakah</i> , <i>infaq</i> and <i>shadaqah</i> are the most desirable solution. Financing reschedule and automated teller machine card sent to BMT are also solutions in the case of financing default. Last, a few BMT staff suggest savings as collateral and also to increase the role of <i>zakah</i> , <i>infaq</i> and <i>shadaqah</i> in BMT to solve financing default.
2	QRS2-So-The-case-of-lack-of-liquidity-in-the-peak-season	Most of BMT borrowers agreed that special margin on time deposits of 2-3 months before peak season will solve the problem of lack of liquidity in the peak season. Moreover, savings gift is also the alternative solution.
3	QRS3-The-solutions-of-low-own-capital-sources	A majority of BMT practitioners choose a financing donor as the most desirable solution continuous with channeling with other BMT.
4	QRS4-The-solutions-of-big-amount-of-financing-given	In order to ensure that poor people get the money fairly, BMT must give funding on a nominal scale. Standardization of maximum limit of borrowing must also be implemented.
Conclusion for sub-theme 2	As a solution in the case of financing default occurrence, most respondents agreed that a write off and the role of <i>zakah</i> , <i>infaq</i> and <i>shadaqah</i> are the most desirable solutions. Financing rescheduling and automated teller machine card sent to BMT are also solutions in the case of financing default. Last, a few BMT practitioners suggest savings as collateral and also increasing the role of <i>zakah</i> , <i>infaq</i> and <i>shadaqah</i> in BMT to solve financing default. In the case of lack of liquidity in the peak season, most BMT borrowers agreed that a special margin on time deposits of 2-3 months before peak season will solve the problem of lack of liquidity in the peak season. Moreover, a savings gift is an alternative solution. A majority of BMT practitioners choose a financing donor as the most desirable solution continue with channeling with other BMT as solutions of low own capital sources. In order to ensure that poor people get the money fairly, BMT must give funding on a low nominal scale. Standardization of maximum limit of borrowing must also be implemented.	

5.1. Sub-theme 1: The problems of quantity rationing in BMT

The problems of quantity rationing in BMT have five main themes, namely: financing default, lack of liquidity in the peak season, low own capital sources, initial assessment problem and big amount of financing given.

i. Financing default occurrence: The occurrence of financing default will decrease the amount of money given to the people at the BOP. Microfinance commonly has more default cases than commercial banks. In banking practice, a bank refuses to give financing to any borrowers who have a bad track record in previous financing. The causes of default repayment in the BMT are death, no stable income, moral hazard and sickness. A summary of financing default in BMT is presented in Table 5.

Table 5. Summary of financing default in BMT.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
The Reasons of Financing Default Occurrence	Death	7	26.9%
	No stable income	13	50%
	Sick	2	7.69%
	Moral hazard	4	15.38%
	Total	26	
	Respondents who answered	15	

...We face many types of borrowers. In the middle of financing, somebody is death. Second, they are accidentally unemployed and finally cannot repay their financing or maybe sick. It is a big problem for us and we must search for solutions. The problem for us is stable income. It is the important key for us to guarantee good repayment. For borrowers who are employee, their bank cards are on us and we withdraw every month. If salary decrease or no salary, it is dangerous for us (S01). There are several borrowers who are irresponsible. They feel that their financing is secured by someone else so no responsibility. We call it moral hazard (N04)...

In dealing with default, Islamic microfinance must go back to an Islamic ethics solution (Sabi, 2015). In the future, borrowers and lender must construct trust-based loan to reduce the number of defaults (Kropp et al., 2009). This practice has been conducted in BMT.

ii. Lack of liquidity in the peak season: BMT faces a lack of liquidity especially in the peak seasons such as *idul adha*, *idul fitri* or school enrolment. Indonesian people especially Muslims at the BOP withdraw their money and also propose financing in the peak season. Most respondents agreed that religious event holidays and school enrolment are categorized as peak season. Precautionary and transactional motives are the reasons why most respondents withdraw their money in the peak season. Table 6 shows a summary of the quantitative problem of lack of liquidity in the peak season.

From this table, it can be inferred that most BOP borrowers withdraw money for religious events. It is common that Muslims spend a lot of money during religious events in Indonesia. The "angpau" (the tradition of giving money to others) is a usual tradition in Indonesia. This tradition is practiced in Indonesia so Muslims should have more money during religious event. Moreover, the motive for withdrawing in the peak season for transactions while there are a few respondents who have precautionary motives because of they are afraid that they may run out of money.

...In general, we faced liquidity problem especially in religious event holiday and school enrolment. It is the biggest problem for us because money demanding is so huge. Moreover, many people also withdraw their money (Y05). Usually they take a lot of fund in the religious event

(Y06). Several borrowers take money for precautionary motives (N01)...

Liquidity is a binding constraint for SMEs operations (Bao Duong & Izumida, 2002). In BMT practice, there is no single institution that can provide a guarantee in the case of a liquidity problem (Hamzah et al., 2013). Extra liquidity is important for daily expenses during the crisis (Gehlich-Shillabeer, 2008).

Table 6. Summary of lack of liquidity in the peak season.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
Highest frequency of withdraw	Religious event	9	60%
	School enrolment	6	40%
	Total	11	
The propose of financing proposal	Respondent who answered	10	
	Precautionary motive	3	20%
	Transactional motive	11	73.33%
	Total	14	
	Respondents who have answered	10	
	Respondents who have no answered	1	

iii. Low own capital sources: The availability of Islamic microfinance capital can reduce the cases of default (Dusuki, 2008). Many people at BOP rely on Islamic microfinance capital. They need this financing to build small businesses (Nashihin, 2014). Unfortunately, BMT faces the problem of low own capital sources and the impact of low capital distribution and low capital to be invested. A summary of low own capital sources is shown in Table 7.

There are several reasons for low own capital sources in BMT. First is not enough capital from BMT founders. Since BMT founders are mostly individuals who have limited capital. Most BMT staff stated that initial capital to build a new BMT starts from Rp 5,000,000 which is only a nominal amount invested. Most respondents agreed that low own capital sources will impact on low capital distribution. Moreover, several respondents also added that low own capital sources will lower the capital to be invested by BMT.

Table 7. Summary of low own capital sources.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
Why low own capital sources	Not enough capital from BMT founders	7	46.67%
	To establish BMT, only small capital needed	8	53.33%
	Total	15	
The impact of low own capital sources	Respondents who answered	11	
	Low capital distribution	12	80%
	Low capital to be invested	3	20%
	Total	15	
	Respondents who answered	11	

...The problem is our capital sources low. If we are not searching from external financing, we just rely to our own money. The problems are BMT owner and employee whom most of all have

minimum funding. Accordingly, the distribution of funding is not optimal because our own source of money is low. The effect is if there is borrower who asked for Rp 10,000,000 funding, we just give Rp 5,000,000 (Y04)...

This problem finding also aligns with Hamzah et al. (2013) who state that because establishment of a BMT is easy and not complicated, it does not need large amount of capital. As a consequence of the low capital invested, BMT only distributes small amounts of money to borrowers.

iv. Big amount of financing given: Several BMTs have drifted from their mission. They try to shift their purpose from giving micro-financing to give big amounts of financing. Concentrated financing only on one party will impact on the worst condition especially when the parties suffer bankruptcy problems. Table 8 presents the impact of a big amount of financing given.

Table 8. Summary of big amount of financing given.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
The impact of big amount of financing given	BMT collapse	12	42.857%
	Borrowers bankruptcy	11	39.28%
	Low sustainability	5	17.857%
	Total	28	
	Respondents who answered	15	

...Last year, we found BMT collapse. Previously, they become a big BMT with a big funding distributed to customer. However, after checking, they give big funding only to one person so after the person loss, BMT will also loss. Then, the person is suffering loss (N04). In several BMTs, sustainability is no more than two years (N06)...

In this practice, mission drift has occurred. Mission drift creates negative impact to BMT because they change their mission from being a non-profit organization to a for-profit organization (Pischke, 2012).

5.2. Sub-Theme 2: The Solutions to the Problems of Quantity Rationing in BMT

Solutions were also given regarding quantity rationing problems, namely, the solutions in the case of financing default, lack of liquidity in the peak season, low own capital sources and big amount of financing given.

i. The solutions in the case of financing default: There were several suggestions from BMT practitioners regarding the case of financing default, namely: financing rescheduling, write off, use savings as collateral that act as risk management in the case of default, automated teller machine card sent to BMT administrator for salary keeping, a "Bungkesmas" scheme which replaces lost income using micro insurance, and the role of *zakah*, *infaq*, and *shadaqah* in the case of financing default. Table 9 shows the solutions from BMT practitioners regarding to the case of financing default.

From the table, it can be inferred that most respondents agreed that write off and the role of *zakah*, *infaq* and *shadaqah* are the most desirable solution. Financing rescheduling and sending automated teller machine card to BMT are also the solutions in the case of financing default. Last, a few BMT practitioners suggested savings as collateral and also increasing the role of *zakah*, *infaq* and *shadaqah* in BMT to solve financing default.

Table 9. Summary of solutions in the case of financing default.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
Solutions in the case of financing default	Financing rescheduled	13	20%
	Write off	14	21.54%
	Savings as collateral	9	13.85%
	Automated teller machine card sent to BMT	11	16.92%
	"Bungkesmas" scheme	4	6.15%
	The role of <i>zakah</i> , <i>infaq</i> and <i>shadaqah</i>	14	21.54%
	Total	65	
	Respondents who answered	24	

...In our BMT, if there is default case. For example: sickness, fired, or death, we conduct financing reschedule. Especially for death case, we discuss with family. Why? Because, here, many of them religious. Even though they are poor, they don't want leaving debts (Y01). In practice, several customers get fired, then what should we do except reschedule (Y05)...

Rescheduling is the way to maintain the financial performance of Islamic microfinance through reducing non-performing loans (Effendi, 2013). The rescheduling process will see any default case as no default in the case of the borrowers being unable to pay financing (Yunus, 2004). Although rescheduling is a solution, customers who conduct rescheduling are more likely to be credit rationed for the next financing proposal (Petrick, 2004).

...There is probability of customer run. However, we have facilitated with write-off which automatically closed but it is monitoring write-off. We are waiting the honesty of our customers to repay every year. November is write-off process. Any fund losses, we have prepared since beginning (Y01)...

Any increase in the write-off ratio means an increase in total risk (Chakravarty & Pylypiv, 2015). Write off is the stage after the rescheduling process and will increase non-performing financing (Morduch, 1999). A write off fund is a part of financial administration planning and charged proportionally to every customer (Lyra & Winker, 2015).

A peculiarities solution in the case of financing default is the borrowers' automated teller machine card being kept by BMT especially in the case of employee borrowers. BMT will ask every borrower who has funding in BMT to give their ATM card with the password. First, the borrowers with BMT staff will go to the ATM to show the password and his/her current balance. Second, at the end of payday, BMT staff will withdraw all the money, take the monthly payment obligation and give the rest to the borrower. Honesty is important here. Although this solution will be a hassle for BMT staff because they not only withdraw using one ATM card but withdraw from the accounts of all customers using their ATM cards, this procedure will effectively reduce cases of default. This procedure is the only solution for BOP borrowers who have a monthly salary.

...The guarantee is his/her ATM card give to BMT. Honestly, it will hassle us because we must conduct monthly withdraw not only from one customer but also from overall customers. We withdraw all money that come to their account, cut their monthly payment to BMT and we sent back the rest to customers. If there are 1000 customers, it will hassle us but we always do it...

The deposit micro-insurance scheme is named bungkesmas in BMT. This micro-insurance will replace the lost of income. It can be implemented for borrowers who have a non-stable income (no salary). So, BOP borrowers who have no salary have the same chance as BOP borrowers who have a

salary. Unfortunately, this scheme is not yet used in BMT.

...Several month ago, there are micro-insurance scheme proposed to us namely bungkesmas. The system is that we will charge the customer through including it into administration cost. It is important to reduce the case of default but not yet realize. If there are customers who are sick or die, they will directly being covered by insurance so no need to repay their financing because insurance has replace their monthly income. The insurance premium is proportional depends on financing nominal (S04)...

Since BMTs are not under the supervision of the central bank of Indonesia, all savings and financing is not guaranteed by a deposit insurance corporation (Rahajeng, 2013). It is important for every borrower to have his/her own deposit insurance. This scheme will repay outstanding financing if the borrowers die or sick (Wilson, 2006). The implementation of deposit micro-insurance will reduce the role of depositor monitoring (Agur, 2013).

Last, BMT as an Islamic microfinance institution uses *zakat*, *infaq*, *shadaqah* and *waqf* (ZISWAF) as its risk management to handle defaults especially from people at the BOP. The existence of ZISWAF will provide start-up capital for the micro-entrepreneurs (Obaidullah, 2008).

...Every ZISWAF funding sent to BMT is managed by baitul mall. We will use it to cover disaster or the case of default. It is because until now no deposit-insurance available, so we depend on this ZISWAF fund. Every borrower who is dealing with case of default is categorized as poor people. So ZISWAF can distribute to them (S02)...

One of the targets of ZISWAF is to help poor SMEs to repay their financing in the case of default (Dariah, 2012). ZISWAF is also a tool to mobilize funds from the rich to the poor. Every SME which has funding in BMT must pay ZISWAF and this fund will be mobilized to help in cases of default (Cokro & Ismail, 2009).

ii. The solutions in the case of lack of liquidity in the peak season: Giving a special margin for time deposits in the 2 to 3 months before peak season and savings gifts are solutions for minimizing the lack of liquidity in the peak season. Savings mobilization with competitive rates of return on deposits is also crucial to meet various customer liquidity needs (Barham et al., 1996). The solutions in the case of lack of liquidity in the peak season are shown in the Table 10.

Most BMT borrowers agreed that a special margin for time deposits 2-3 months before peak season will solve the problem of lack of liquidity in the peak season. Moreover, giving savings gifts is an alternative solution.

Table 10. Summary of solutions in the case of lack of liquidity in the peak season.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
Solutions in the case of lack of liquidity in the peak season	Special margin for time deposits 2-3 months before peak season	15	55.55%
	Savings gifts	12	44.44%
	Total	27	
	Respondents who answered	21	

...We have policy namely "prime-rate". We distribute time deposit 2 or 3 months before the time on which customer withdraw their saving, such as: school enrolment or religious event. On that time, we give higher margin rate or profit sharing for every 6 months or more time deposit so we do not face liquidity problem in the peak season (S09). We also increase promotion before fasting month like: fasting month time deposit, profit sharing and gift. So the preference of customer to

place in time deposit is high. The effect is our liquidity safe in the peak season (N05)...

The gift tradition in BMT will make a closer relationship between BMT officers and customers. They will support each other. In the case of financing, BMT can educate customers in depth to manage their money in the peak period (Sakai, 2010). This also motivates them to have more savings instead of financing in BMT.

iii. The solutions to low own capital sources: There are several solutions to the case of low capital, namely channeling with other BMT, and financing donors. Table 11 shows the solutions of low own capital sources.

Table 11. Summary of solutions of low own capital sources.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
Solutions in the case of low own capital sources	Channeling with other BMT	13	48.15%
	Financing donor	14	51.85%
	Total	27	
	Respondents who answered	15	

A majority of BMT practitioners choose a financing donor as the most desirable solution continues with channeling with other BMT.

...Several financing with high nominal, we give to bigger BMT. We called it channeling. So there is no credit rationing. If the financing proposal is big and we cannot afford, we will channeling to other BMT (Y04)...

The practice of channeling to the biggest financial institutions is common practice in microfinance and also Islamic microfinance. This will enlarge the possibility of the poor getting funding (Chowdhury, 2005). Besides that, BMT also need financing donors from other institutions to counter low own capital source. Microfinance, which includes Islamic microfinance, needs capital from external financial institutions or donors (Bourjade & Schindele, 2012).

...The solution is we increase our capital but using own source is impossible so we prepare to request funding to other party although independence aspect will be decrease. However, since we get cheaper source of fund, it will benefit us and our liquidity still safe (S02). Our BMT has collaboration with Muslim aid. The purpose is for poor people. Our liquidity problem is solved using this funding (N04). So far, primary cooperatives help us through distributing soft financing from the government. If there is no source of financing, our BMT will collapse (S01)...

External sources of funds will carry a high margin or profit sharing in return. This condition has the consequence that the impacts to high margin or profit sharing is passed on to borrowers for every financing (Shankar, 2013). It also reduces the level of BMT dependency since the donor always monitors BMT activities (Alaeddin & Anwar, 2012). However, besides increasing BMT capital, the existence of an external fund will create efficiency if the source is cheap (Ghosh & Van Tassel, 2011).

iv. The solutions to big amount of financing given: In order to ensure that poor people get money fairly, BMT must give funding on a small amount. However, several BMTs give money in a big amount. Since their customers are people at the BOP, they will have to deal with bad repayment. Last, standardization of a maximum limit of borrowing must also be implemented. Table 12 presents the solutions to big amounts of financing given.

The majority of BMT practitioners should give funding on a small amount. Standardization of the maximum limit of borrowing is also a solution to big amounts of financing given.

Table 12. Summary of solutions of big amount of financing given.

Sub sub-theme	Explanation	BMT	
		Freq.	Percent
Solutions in the case of low own capital sources	Give funding on a small nominal scale	11	57.89%
	Standardization of maximum limit of borrowing	8	42.10%
	Total	19	
	Respondents who answered	14	

...Basically, we provide financing service to the smallest nominal. In average, the financing nominal is around Rp 2,500,000 to Rp 3,000,000. If someone increase financing proposal to 20 million, 30 million, 50 million until 100 million, we still provide. Although it is not our scope, we only provide micro financing. But we still provide even the risk is we cannot give small financing to others and we also face risk of return. As a consequence, we only provide big amount of financing to previous customers with 10 to 20 years return. So daily return is the same with small financing because we just want control their business (Y01). We are not brave to give big nominal funding. Even if someone has big saving, we will direct them to the bank. Why? They sometimes cannot repay and if they have big saving, they will withdraw in a short period and BMT will face liquidity problem (S05)...

Micro-financing scope is an effective way to generate economic empowerment. It is also effective to alleviate poverty. This scope helps the poor to enhance their household income and minimize life crises (Idris & Agbim, 2015). The micro financing program is suitably given to the lowest income groups (Barboza & Trejos, 2009). It also acts as an indicator that people at BOP are bankable people (Muhumuza, 2013).

The last solution is standardization of a maximum limit of borrowing. BMT must set a maximum limit to borrowing in order to ensure financing is distributed fairly to the people at the BOP.

...We have limitation of maximal financing is around Rp 25,000,000 but our priority is under Rp 10,000,000 (Y04). Financing nominal is started from Rp 1,000,000, Rp 2,000,000, Rp 5,000,000 and even Rp 500,000,000 also we give (Y01). We do not have standardization of maximal limitation. Since we can give, we will give (S02)...

Until now, there is no standardization of a maximum funding limit and every BMT has its own policy. Some BMT give a huge amount of funding only to one person, so quantity rationing becomes worse since they have no money to give to others.

6. Conclusion

Several suggested solutions from BMT practitioners for overcoming the challenges in practicing quantity rationing. The first set of challenges is financing default because of death, no stable income, moral hazard and sickness. These problems are solved through financing rescheduling in the case of sickness and no stable income, write off if the customer cannot repay at all, holding the borrower's ATM card for salary keeping in order to handle default cases, micro-scheme insurance as income replacement and *zakah*, *infaq* and *shadaqah* to fund default financing. The second set of challenges is lack of liquidity in the peak seasons because of school enrollment and religious holidays. These problems are solved through giving savings gifts and a special margin on saving which is given before the peak seasons so it can save the stock of money. The more the savings balance the less quantity rationing occurs. Third is low capital sourced by the BMT which results in lower capital

distribution from BMT to borrowers. Channeling with other BMT, searching for donors from other institutions and setting a maximum limit on borrowing are the solutions to low own capital source. Last is the case of a big amount of financing given to a borrower which is solved using the micro-financing scheme and standardization of a maximum limit of financing.



6.1 Policy implications

This study is expected to solve quantity rationing problems for borrowers at BOP and there are several policy recommendations to be highlighted. These recommendations are useful for two institutions, namely, the observed institutions of Islamic microfinance (BMT) and generally to the policy maker institution (the Indonesian government). The policy recommendations of this study can be summarized as follow:

1. BMT should provide credit plus financing. In the future, BMT must engage in an education program as their financing plus program. So, here, BMT will not only provide financing but also a program to enhance education. Several microfinance institutions have credit plus financing in which they not only provide financing but also credit plus such as education and training. Education and training are important to increase knowledge of how to handle the quantity rationing problem. Microfinance can provide the best practice to clients by providing credit-plus service. This will be viewed as a crucial initiative for the development of the semi-micro and micro aspect of the global

economy and will help to achieve the MDGs/SDGs goals.

2. Creating the eligibility standard of BOP borrowers to get financing. Moreover, the standard of eligibility is important for BMT in the first financing proposal. It is recommended that BMT use eligibility as screening in the first financing proposal. The eligibility criterion will ensure that only the poor or very poor can participate in BMT financing (Hassan & Renteria-Guerrero, 1997). However, for the second financing proposal, BMT must screen through character. Character will replace the function of eligibility for the second or additional financing proposal. BMT should provide various financial products.

BMT must provide various financial products. Nowadays, people at BOP are more critical. They can choose another financial institution provider as they want. Many of commercial banks build and also create channeling to the microfinance sector. If BMT stay with their previous products without any improvement, they will lose out in competition with others.

3. Controlling financial aspects of their clients. BMT should conduct monitoring on their clients monthly sales, monthly profit, monthly food expenditure, monthly non-food expenditure, monthly medical expenditure and monthly education expenditure. Through controlling these variables, BMT has participated in eradicating extreme poverty and hunger. The existence of BMT is effective in achieving universal primary education.

Finally, people in the BOP market are still profitable. BMT should cut several barriers to the BOP market, such as the problems of quantity rationing, price rationing and risk rationing. It is recommended that BMT implement several of the suggestions obtained from qualitative assessment to reduce several barriers to BOP market.

4. Government should have extra budget to support BMT. The government must support BMT in several ways. First, government must have a budget to support BMT growth since the purpose of BMT is reducing poverty. The condition of lack of money to be distributed to people at BOP must be considered by the Government.

Government intervention especially in the rural credit market is needed to provide access for the poor through leading credit institutions, producing financing programs, and subsidizing margin, together with several interventions (Jia, 2010). It is because eradicating poverty and hunger is under Government responsibility.

5. Clear regulation from Government is needed. Government must support BMT with regulation. Difficulty conducting central bank checking to know about their borrowers is a problem for BMT. Supervising BMT is important for government through channeling with other banks or providing proper regulation. Another way is that BMT must be supervised by the financial service authority since it distributes and collects fund.

Government policies and regulations are needed to protect borrowers' saving and rights. These policies and regulations enable MFIs to serve poorer borrowers (Im and Sun, 2014). Since the case of mission drift in Islamic microfinance arise, the immediate need for regulation arises when MFIs seek to accept deposits. Regulation, encompassing licensing, capital requirements, and safety of depositors, is essential as MFIs grow in size and scope. Regulatory guidelines would also help level the playing field (Koveos & Randhawa, 2004).

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