

The Contribution Of Appropriate Islamic Group Financing Products To Women's Economic Empowerment

Kontribusi Produk Pembiayaan Kelompok Syariah Yang Tepat Terhadap Pemberdayaan Ekonomi Perempuan

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ABSTRACT

This study aims to analyze the contribution of appropriate Islamic group financing products to women's economic empowerment. Women's economic empowerment is a critical issue in sustainable development, particularly in improving women's access to financial resources, business opportunities, and economic decision-making. This research adopts a qualitative approach using a literature review method, examining various academic sources such as journal articles, books, and relevant reports. Data were collected through academic databases and analyzed using descriptive and content analysis techniques to identify patterns, relationships, and key findings. The findings reveal that Islamic group financing significantly contributes to increasing women's income, economic independence, and decision-making capacity. The group-based financing model, which applies joint liability mechanisms, has proven effective in reducing financing risks while strengthening social cohesion and mutual support among members. Furthermore, Islamic financial principles such as justice, profit-sharing, and the prohibition of riba provide a more ethical and inclusive framework for women to access financial services. However, the effectiveness of financing largely depends on the appropriateness of the products to women's needs, including flexible repayment schemes, simple contract structures, and the availability of mentoring and financial literacy programs. This study concludes that appropriately designed Islamic group financing products can serve as an effective instrument in promoting sustainable women's economic empowerment. Therefore, a holistic and gender-sensitive approach is essential in developing Islamic financial products to ensure more optimal and inclusive outcomes.

Keywords: *Islamic Financing, Group Financing, Women's Empowerment, Microfinance, Financial Inclusion*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis kontribusi produk pembiayaan syariah berkelompok yang tepat terhadap pemberdayaan ekonomi perempuan. Pemberdayaan ekonomi perempuan merupakan isu krusial dalam pembangunan berkelanjutan, khususnya dalam meningkatkan akses perempuan terhadap sumber daya keuangan, peluang usaha, dan pengambilan keputusan ekonomi. Penelitian ini menggunakan pendekatan kualitatif dengan metode tinjauan pustaka, yang menelaah berbagai sumber akademis seperti artikel jurnal, buku, dan laporan terkait. Data dikumpulkan melalui basis data akademis dan dianalisis menggunakan teknik analisis deskriptif dan analisis isi untuk mengidentifikasi pola, hubungan, dan temuan utama. Temuan menunjukkan bahwa pembiayaan kelompok Islam berkontribusi signifikan terhadap peningkatan pendapatan perempuan, kemandirian ekonomi, dan kapasitas pengambilan keputusan. Model pembiayaan berbasis kelompok, yang menerapkan mekanisme tanggung jawab bersama, terbukti efektif dalam mengurangi risiko pembiayaan sekaligus memperkuat kohesi sosial dan dukungan timbal balik di antara anggota. Selain itu, prinsip-prinsip keuangan Islam seperti keadilan, pembagian keuntungan, dan larangan riba memberikan kerangka kerja yang lebih etis dan inklusif bagi perempuan untuk mengakses layanan keuangan. Namun, efektivitas pembiayaan sangat bergantung pada kesesuaian produk dengan kebutuhan perempuan, termasuk skema pembayaran yang fleksibel, struktur kontrak yang sederhana, serta ketersediaan program pendampingan dan literasi keuangan. Studi ini menyimpulkan bahwa produk pembiayaan syariah berkelompok yang dirancang dengan tepat dapat berfungsi sebagai instrumen yang efektif dalam mendorong pemberdayaan ekonomi

perempuan yang berkelanjutan. Oleh karena itu, pendekatan holistik dan peka gender sangat penting dalam mengembangkan produk keuangan syariah guna memastikan hasil yang lebih optimal dan inklusif.

Kata Kunci: Pembiayaan Syariah, Pembiayaan Kelompok, Pemberdayaan Perempuan, Mikrofinansial, Inklusi Keuangan

1. Introduction

Women's economic empowerment is a strategic issue in sustainable development, particularly in developing countries where gender disparities in access to economic resources remain significant. Women often face limitations in accessing financial services, business skills, and opportunities to participate in productive economic activities. These constraints place women in a vulnerable position, exposing them to structural poverty and economic dependency (Alaghbari et al., 2023).

In this context, the presence of microfinance institutions, including those based on Islamic principles, has emerged as a viable solution to improve women's access to financial resources. Islamic microfinance is not solely profit-oriented but also emphasizes principles of justice, partnership, and ethical values through profit-and-loss sharing mechanisms and the prohibition of *riba* (interest). This makes Islamic financing more inclusive and aligned with the socio-religious values of Muslim communities (Karisma et al., 2024). Furthermore, Islamic financing is often accompanied by business mentoring, training programs, and capacity-building initiatives that directly contribute to enhancing women's economic independence.

Numerous studies have demonstrated that Islamic microfinance significantly contributes to increasing women's income, financial literacy, and social standing within both households and communities. A study by Pagalung et al. (2025) found that access to Islamic financing enhances women's income levels while also strengthening their self-confidence and autonomy in economic decision-making. This indicates that financing impacts not only economic aspects but also social and psychological dimensions of women's empowerment.

In Indonesia, group-based Islamic financing practices, such as those implemented by Baitul Maal wat Tamwil (BMT), have shown considerable potential in reaching women micro-entrepreneurs. This group financing model is considered effective as it reduces credit risk through joint liability mechanisms while simultaneously strengthening social cohesion among group members. Rahayu (2020) highlights that women constitute the majority of clients in Islamic microfinance institutions, as they are generally more disciplined in financial management and loan repayment. Therefore, the group-based approach serves not only as a financing mechanism but also as a tool for socio-economic empowerment.

However, the contribution of Islamic financing to women's empowerment is not always optimal. Several studies suggest that access to financing alone is insufficient to achieve comprehensive empowerment. Factors such as low financial literacy, socio-cultural norms, and limited access to markets and technology remain significant barriers (Zulfiqar & Tabasum, 2023; Widiastuti et al., 2024). Hence, there is a need for appropriately designed financing products, particularly group-based Islamic financing, that go beyond providing capital by incorporating mentoring, education, and capacity-building components.

Moreover, it is crucial to ensure that the financing products offered are well-aligned with women's needs in terms of contract structures (*akad*), repayment schemes, and the intended use of funds. Inappropriate financing products may increase financial burdens without generating meaningful improvements in welfare. Therefore, the concept of "appropriate Islamic group financing products" becomes highly relevant for further investigation in the context of women's economic empowerment.

Accordingly, this study is essential to analyze the contribution of appropriate Islamic group financing products to women's economic empowerment. It is expected to provide both theoretical contributions to the development of Islamic economics literature and practical

insights for Islamic financial institutions in designing more inclusive, effective, and sustainable financing products.

2. Literature Review

Women's economic empowerment refers to the process through which women gain the ability to access economic resources, enhance their income, and exercise control over financial decision-making within households and society. According to Kabeer (1999), empowerment consists of three interrelated dimensions: resources, agency, and achievements. Resources refer to access to material, human, and social assets; agency reflects the ability to define goals and act upon them; while achievements represent the outcomes of these processes. This framework highlights that empowerment is not merely about access to financial capital, but also about the capacity to utilize such resources effectively to improve well-being. Furthermore, Malhotra et al. (2002) argue that women's empowerment extends beyond economic aspects to include social and psychological dimensions, indicating that financial inclusion alone is insufficient without strengthening women's capabilities and autonomy.

In line with this, microfinance theory emphasizes the importance of providing financial services to underserved populations, particularly low-income women who are often excluded from formal banking systems. Morduch (1999) explains that microfinance plays a significant role in poverty alleviation by offering access to credit, savings, and other financial instruments. One of the most prominent approaches within microfinance is group-based lending, which was popularized by Yunus (2007) through the Grameen Bank model. This approach relies on joint liability mechanisms, where group members share responsibility for loan repayment, thereby reducing default risk and enhancing financial discipline. Armendáriz and Morduch (2010) further assert that group lending not only improves repayment performance but also fosters social capital, mutual support, and trust among participants, which are essential elements in empowering marginalized groups, particularly women.

Within the Islamic economic framework, financing is guided by principles of justice (*adl*), mutual cooperation (*ta'awun*), and the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling). Islamic microfinance integrates these principles into financial practices, ensuring that financing mechanisms are ethically grounded and socially oriented. According to Obaidullah and Khan (2008), Islamic microfinance has a dual objective: achieving financial sustainability while promoting social justice and poverty alleviation. Common contracts used in Islamic financing include *murabaha* (cost-plus financing), *mudarabah* (profit-sharing), and *musharakah* (partnership), which align financial transactions with risk-sharing principles rather than risk transfer. This distinctive feature makes Islamic financing particularly suitable for empowering women, as it promotes fairness, inclusivity, and shared responsibility.

Moreover, the concept of appropriate financing products is crucial in determining the effectiveness of financial interventions in empowering women. Ledgerwood (2013) emphasizes that financial products must be designed in accordance with the specific needs, capacities, and socio-economic conditions of target beneficiaries. In the context of women, appropriate Islamic group financing products should incorporate flexible repayment schemes, accessible contract structures, and complementary services such as training, mentoring, and financial literacy programs. Without such considerations, financial products may fail to generate meaningful impacts and could even increase financial vulnerability.

Therefore, the integration of women's empowerment theory, microfinance theory, and Islamic finance principles provides a comprehensive theoretical foundation for this study. These frameworks collectively explain how appropriate Islamic group financing products can

enhance women's access to resources, strengthen their decision-making capacity, and ultimately improve their economic and social outcomes.

3. Research Methods

This study employs a qualitative approach using a literature review method to examine the contribution of appropriate Islamic group financing products to women's economic empowerment. The literature review approach is considered appropriate as it allows for a comprehensive analysis of existing theories, empirical findings, and conceptual frameworks related to Islamic microfinance and women's empowerment. This method enables the researcher to synthesize knowledge from various scholarly sources in order to develop a deeper understanding of the relationship between Islamic group financing and women's economic outcomes. The data used in this study are secondary data obtained from reputable academic sources, including peer-reviewed journal articles, books, conference proceedings, and official reports published by international organizations. The literature is collected through academic databases such as Google Scholar, ScienceDirect, SpringerLink, and other open-access platforms. The selection criteria for the literature include relevance to the research topic, publication within the last ten years (to ensure up-to-date insights), and empirical or theoretical contributions to Islamic finance, microfinance, and women's empowerment studies.

The data collection process involves identifying, screening, and selecting relevant literature using keywords such as "Islamic microfinance," "group financing," "women's economic empowerment," and "financial inclusion." After collecting the literature, the researcher conducts a critical review by organizing the selected studies based on themes, methodologies, and key findings. This thematic classification helps to identify patterns, similarities, differences, and research gaps within the existing body of knowledge.

Data analysis is carried out using a descriptive and content analysis approach. Descriptive analysis is used to summarize the main findings of each study, while content analysis is applied to interpret and compare the concepts, variables, and results across different studies. Through this process, the researcher is able to evaluate how appropriate Islamic group financing products influence women's access to resources, decision-making power, and overall economic empowerment. To ensure the validity and reliability of the findings, this study adopts a systematic approach in reviewing the literature, including the use of credible and peer-reviewed sources, transparent selection criteria, and consistent analytical procedures. Additionally, triangulation of sources is applied by comparing findings from different studies to enhance the robustness of the conclusions. Through this literature review method, the study aims to provide a comprehensive and integrative understanding of the role of appropriate Islamic group financing products in promoting women's economic empowerment, while also identifying gaps for future research and offering recommendations for policy and practice.

4. Results and Discussions

The findings of this study, based on an extensive literature review, indicate that appropriate Islamic group financing products play a significant role in enhancing women's economic empowerment across multiple dimensions, including income generation, financial independence, decision-making capacity, and social status. The synthesis of various empirical studies reveals that access to Islamic microfinance enables women to engage in productive economic activities, particularly in the micro and small enterprise sectors. For instance, research by Alaghbari et al. (2023) demonstrates that Islamic microfinance significantly improves women's income levels and contributes to poverty reduction by providing accessible and ethically grounded financial services. This improvement in income is often accompanied by

increased financial stability and the ability to reinvest in business activities, thereby creating a sustainable cycle of economic growth for women entrepreneurs.

Furthermore, the group-based financing model inherent in many Islamic microfinance institutions has been identified as a critical factor in strengthening women's empowerment. The joint liability mechanism not only reduces the risk of default but also fosters mutual support, trust, and collective responsibility among group members. According to Armendáriz and Morduch (2010), such social capital is essential in enhancing repayment performance and building confidence among borrowers. In the context of women, this group dynamic provides a supportive environment that encourages knowledge sharing, peer learning, and emotional reinforcement, which are crucial for sustaining business activities. Similarly, Rahayu (2020) highlights that women participating in Baitul Maal wat Tamwil (BMT) programs in Indonesia experience not only economic benefits but also increased social interaction and community engagement, which contribute to their overall empowerment.

In addition to financial access, the appropriateness of Islamic financing products emerges as a key determinant of their effectiveness. Appropriate products are those that align with the specific needs, capacities, and socio-economic conditions of women. Ledgerwood (2013) emphasizes that financial services must be tailored to the characteristics of target users, including flexible repayment schemes, simple contract structures, and supportive non-financial services. Studies by Widiastuti et al. (2024) further confirm that Islamic microfinance programs that integrate training, mentoring, and financial literacy initiatives tend to produce more substantial empowerment outcomes compared to those that focus solely on credit provision. This suggests that empowerment is a multidimensional process that requires both financial and non-financial interventions.

Moreover, Islamic financing principles themselves contribute positively to women's empowerment by promoting fairness, transparency, and risk-sharing. Contracts such as *murabaha*, *mudarabah*, and *musharakah* provide ethical alternatives to conventional interest-based financing, reducing the financial burden on women borrowers. Obaidullah and Khan (2008) argue that the prohibition of *riba* and the emphasis on profit-and-loss sharing create a more equitable financial system that benefits marginalized groups, including women. This ethical foundation enhances trust in financial institutions and encourages greater participation among women who may otherwise be hesitant to engage with formal financial systems.

However, despite these positive contributions, the literature also identifies several challenges that limit the effectiveness of Islamic group financing in achieving comprehensive women's empowerment. One major constraint is the persistence of low financial literacy among women, which affects their ability to utilize financial resources efficiently. Zulfiqar and Tabasum (2023) find that many women lack adequate knowledge of financial management, leading to suboptimal use of financing and limited business growth. Additionally, socio-cultural barriers, such as gender norms and restrictions on women's mobility, continue to hinder their full participation in economic activities. These findings are supported by Widiastuti et al. (2024), who emphasize the need for integrated approaches that address both economic and social constraints.

Another important finding is that access to financing alone does not automatically lead to empowerment. Kabeer (1999) argues that empowerment requires not only access to resources but also the ability to make strategic life choices. In many cases, women may have access to financial resources but still lack control over their use due to household dynamics or cultural expectations. Therefore, the effectiveness of Islamic group financing products depends on their ability to enhance women's agency and decision-making power, not merely their economic resources.

Overall, the results of this study suggest that appropriate Islamic group financing products have a substantial and multidimensional impact on women's economic

empowerment. These impacts are maximized when financing is combined with group-based approaches, capacity-building programs, and supportive institutional frameworks. The integration of Islamic financial principles with socially oriented microfinance practices creates a holistic model that addresses both economic and ethical dimensions of empowerment. Nevertheless, to achieve more sustainable and inclusive outcomes, policymakers and practitioners must focus on improving financial literacy, designing gender-sensitive financial products, and addressing socio-cultural barriers that limit women's participation in economic activities.

5. Conclusion

Based on the results of the literature review, it can be concluded that appropriate Islamic group financing products have a significant and multidimensional contribution to women's economic empowerment. These contributions are reflected in increased access to financial resources, improved income levels, enhanced business performance, and strengthened decision-making power among women. The group-based financing approach, which emphasizes joint liability and social cohesion, not only improves financial discipline and repayment rates but also fosters mutual support, trust, and collective learning among women participants. This social dimension plays a crucial role in reinforcing women's confidence and participation in economic activities.

Moreover, the principles underlying Islamic finance such as justice, risk-sharing, and the prohibition of *riba* provide an ethical and inclusive framework that is particularly beneficial for marginalized groups, including women. When financing products are appropriately designed to match the needs and capacities of women through flexible repayment schemes, suitable contract structures, and complementary services such as training and mentoring their impact on empowerment becomes more substantial and sustainable. However, the findings also indicate that access to financing alone is insufficient to achieve full empowerment. Structural challenges such as low financial literacy, socio-cultural constraints, and limited access to markets and technology continue to hinder the effectiveness of Islamic microfinance initiatives. Therefore, women's economic empowerment should be understood as a holistic process that requires the integration of financial access, capacity building, and supportive socio-institutional environments. Appropriate Islamic group financing products can serve as a powerful instrument for empowerment when they are implemented within a comprehensive and inclusive development framework.

Islamic microfinance institutions are recommended to develop and implement financing products that are specifically tailored to the needs and capacities of women by providing flexible repayment schemes, simple and accessible contract structures (*akad*), and integrating complementary services such as financial literacy programs, business training, and mentoring to enhance the effectiveness of financing. In addition, policymakers should strengthen supportive regulations and create inclusive financial ecosystems that encourage the active role of Islamic financial institutions in promoting women's empowerment, including facilitating collaboration with educational and community-based organizations. It is also essential to improve women's capacity through continuous skill development, particularly in financial management, entrepreneurship, and digital literacy, so that they can optimally utilize financial resources. Furthermore, future research is encouraged to employ empirical and mixed-method approaches to validate and expand the findings of this study, including exploring the role of financial technology in Islamic finance. Overall, a holistic and gender-sensitive approach is crucial to ensure that Islamic group financing not only improves financial access but also addresses broader structural barriers, thereby contributing to sustainable and inclusive women's economic empowerment.

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