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Islamic Microfinance beyond Credit Access: Women's Economic Empowerment and Finance Capability Agency Pathway in Indonesia

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Abstract

Although women's access to microfinance has received considerable scholarly attention, research explaining how access to finance translates into sustained economic empowerment, particularly within women-focused *Sharia* financial institutions in Indonesia, remains limited. This study aims to develop an integrative framework that explains the mechanisms by which conventional and Islamic microfinance contribute to women's economic empowerment. A qualitative evidence-synthesis approach was employed through a structured review of peer-reviewed studies published in SINTA 1–2, Scopus-indexed, and Web of Science-indexed journals, with priority given to DOI-verifiable and recent publications while retaining foundational theories of empowerment. Relevant studies were reviewed and synthesised thematically to identify recurring mechanisms, enabling conditions, and constraints. The findings reveal six interdependent mechanisms: access to appropriate finance, business and financial capabilities, social capital, control over income and household decision-making, digital capability, and institutional design. Access to finance can strengthen income, assets, savings, and business continuity; however, its effects on women's agency remain heterogeneous and may be constrained by repayment pressure, limited control over loan utilisation, weak market access, and restrictive gender norms. The study proposes a Finance–Capability–Agency pathway, demonstrating that *Sharia*-compliant finance becomes more empowering when integrated with mentoring, savings mechanisms, digital inclusion, and safeguards for women's decision-making. These findings extend current understanding of financial inclusion and women's empowerment and provide practical guidance for women-focused *Sharia* cooperatives in Indonesia and comparable contexts. Further research should empirically test the proposed pathway across different institutional and socio-cultural settings.

Keywords: Financial Capability; Financial Inclusion; Islamic Microfinance; *Sharia* Cooperatives; Women's Economic Empowerment

INTRODUCTION

Women's economic empowerment has become a central concern in contemporary development discourse because women's participation in economic activities does not necessarily translate into meaningful control over resources, decision-making, or long-term economic security. Although access to income, credit, savings, and productive assets can strengthen women's economic position, empowerment extends beyond the possession of financial resources. It involves the ability to make strategic choices, exercise agency, influence household and business decisions, and convert economic opportunities into sustainable achievements. Kabeer (1999) influential formulation conceptualises empowerment as an interaction between resources, agency, and achievements, thereby providing a more comprehensive basis for assessing whether economic interventions generate substantive changes in women's lives. This distinction is particularly important in the context of microfinance because access to financial services constitutes a resource. In contrast, empowerment depends on women's capacity to transform that resource into greater autonomy, bargaining power, resilience, and control over economic outcomes. Moreover, improvements in economic development do not automatically eliminate gender inequalities when institutional constraints, household power relations, and restrictive social norms continue to limit women's choices (Duflo, 2012).

Microfinance has frequently been promoted as an instrument for addressing women's exclusion from formal financial systems, particularly among low-income populations with limited collateral, weak credit histories, and restricted access to conventional banking services. Women have consequently become a major target group for microfinance programmes because improved access to productive capital may support entrepreneurship, household welfare, savings, asset accumulation, and income generation. Nevertheless, the empirical evidence does not support a linear assumption that access to credit inevitably produces empowerment. Randomised evidence from India, for example, demonstrated improvements in business investment without corresponding significant average changes in women's empowerment during the observation period (Banerjee et al., 2015). Qualitative evidence from Ghana similarly identified outcomes ranging from empowerment to limited change and even disempowerment, particularly when women lacked control over borrowed funds or experienced substantial repayment pressure (Ganle et al., 2015). In contrast, studies conducted in India, Ethiopia, and other contexts have reported improvements in income, savings, assets, self-confidence, and household decision-making, particularly when financial services are accompanied by repeated engagement, capability development, or complementary support mechanisms (Swain & Wallentin, 2009; Weber & Ahmad, 2014; Mengstie, 2022). These contrasting findings suggest that the relationship between microfinance and women's empowerment is conditional rather than automatic.

This study, therefore, argues that microfinance should be understood not as an empowerment outcome in itself, but as an institutional resource whose effects depend on the mechanisms by which women convert financial access into capabilities, agency, and sustained economic achievement. This perspective is especially relevant for women micro-entrepreneurs because access to finance may alleviate liquidity constraints without necessarily resolving weaknesses in business management, market access, financial literacy, social networks, or household bargaining power. A loan may increase working capital, for instance, yet generate little improvement in economic autonomy when enterprise margins remain insufficient to cover repayment obligations or when control over business income rests with other household members. Indonesian evidence illustrates this distinction. Among women-owned micro-enterprises in Surabaya, financial capital alone did not guarantee stronger enterprise performance, whereas human and social capital emerged as important correlates of business outcomes (Atmadja et al., 2016). Similarly, research on women micro-entrepreneurs in Malaysia indicates that Islamic microfinancing interacts with human capital and information and communication technology (ICT) utilisation to strengthen entrepreneurial performance (Hamdan & Kassim, 2022). Such findings support a finance-plus perspective in which credit functions as an enabling input whose effectiveness depends upon complementary capabilities and institutional conditions.

The need for a broader analytical perspective becomes even more pronounced in Islamic microfinance. Islamic financial institutions provide financial services through *Sharia*-compliant principles and contractual arrangements intended to avoid *riba* while promoting fairness, transparency, ethical exchange, and, in particular structures, risk sharing. Islamic social finance may further complement commercial microfinance through instruments such as *zakat*, *waqf*, and charitable funds that can support economically vulnerable populations (Rahman, 2010). These characteristics may reduce religious barriers to financial participation and provide an institutional architecture potentially compatible with inclusive economic development. However, *Sharia* compliance alone cannot be assumed to generate women's empowerment. A financing product may be religiously acceptable yet poorly aligned with enterprise cash flows, insufficiently accompanied by capacity-building services, or embedded in institutional practices that prioritise repayment performance over clients' long-term capabilities.

Empirical studies reinforce this concern. Evidence from Bangladesh suggests that participation in Islamic microfinance may improve income, savings, living standards, and several dimensions of empowerment. However, the magnitude and direction of these effects vary across economic, socio-cultural, and familial domains (Islam, 2021). In Indonesia, research on Baitul Maal wat Tamwil indicates that women can represent an important client segment even when gender empowerment is not explicitly embedded within the institution's mission or programme design (Rahayu, 2020). Other Indonesian studies have identified women's restricted access to business capital as a persistent challenge and have highlighted the potential of *Sharia* microfinance institutions to support women's economic participation (Nawawi et al., 2022). Evidence from micro-waqf banks further suggests that financing can be combined with mentoring and community-based mechanisms to create a broader architecture of empowerment (Soemitra et al., 2022). In addition, research on Islamic microfinance contracts in Indonesia demonstrates meaningful differences between equity-based and debt-based financing arrangements, indicating that contractual and repayment structures should be considered part of the impact pathway rather than merely technical characteristics of financial products (Fianto et al., 2018).

Despite these contributions, the existing literature remains fragmented in several important respects. First, studies of microfinance frequently examine enterprise performance and women's empowerment as separate outcomes. Research focusing on business performance commonly emphasises capital, sales, profitability, or enterprise continuity, whereas empowerment studies tend to concentrate on decision-making, autonomy, confidence, or household bargaining. This separation is analytically problematic because enterprise viability may be necessary for sustainable economic empowerment. However, it is not sufficient to establish that women have gained meaningful control over the resulting economic resources. Second, studies of Islamic microfinance often concentrate on financial inclusion, poverty reduction, *Sharia* compliance, institutional models, or contractual structures without systematically integrating these dimensions with women's agency, control over income, social capital, and household decision-making. Consequently, the mechanisms through which *Sharia*-compliant finance becomes empowering remain insufficiently specified.

Third, the growing digitalisation of financial and entrepreneurial activities has changed the capabilities required to transform financial access into productive economic opportunities. Digital payments, mobile financial services, social commerce, online marketplaces, and digital communication networks increasingly influence market access, customer acquisition, financial transactions, and business scalability. Research in emerging economies indicates that ICT can expand women entrepreneurs' access to information, networks, and productive opportunities (Crittenden et al., 2019). While more recent evidence associates access to digital microfinance with enhanced female entrepreneurial empowerment (Wulandari & Kassim, 2024). Nevertheless, digital capability is rarely integrated systematically with finance, business capabilities, social capital, household agency, and Islamic institutional design within a single analytical framework. This fragmentation limits understanding of why similar financial interventions may produce markedly different outcomes across women, institutions, and socio-cultural settings.

Indonesia provides a particularly relevant setting for addressing these gaps because Islamic microfinance operates through a diverse institutional landscape that includes *Sharia* cooperatives, Baitul Maal wat Tamwil, micro-waqf banks, and other community-based

Islamic financial arrangements. Within this broader setting, Indonesia offers an especially pertinent context because *Sharia* principles are institutionally and socially salient. At the same time, women micro-entrepreneurs continue to require financial services that are not only accessible but also capable of strengthening enterprise sustainability and economic autonomy. Women-focused *Sharia* cooperatives, therefore, provide an important setting for examining how religiously compatible financing, group-based intermediation, mentoring, savings, social networks, and capability development can interact with household and market conditions. The central scholarly issue is consequently not whether Islamic microfinance merely provides women with capital, but under what conditions such finance is converted into meaningful and durable economic empowerment.

To address this problem, the present study draws primarily on Kabeer (1999) resources–agency–achievements framework while extending its application to the institutional and entrepreneurial dynamics of microfinance. The study introduces a Finance–Capability–Agency (FCA) pathway as an integrative analytical framework. In this pathway, access to *Sharia*-compliant finance, savings mechanisms, and group-based financial intermediation constitutes the resource dimension. Business knowledge, financial and accounting literacy, digital capability, mentoring, and social capital serve as conversion mechanisms that determine whether financial resources are used productively. Control over income, self-efficacy, participation in household and enterprise decision-making, and the capacity to act upon economic choices represent dimensions of agency. Income stability, asset accumulation, resilience, business continuity, and sustained enterprise autonomy constitute economic achievements. The framework further recognises gender norms, household bargaining relations, market access, repayment structures, institutional governance, and digital infrastructure as contextual conditions that may strengthen or weaken the conversion of finance into empowerment.

The novelty of this study, therefore, lies in moving beyond a credit-centred interpretation of women's empowerment and integrating financial access, entrepreneurial capabilities, social capital, decision-making agency, digital capability, and institutional design within a single explanatory pathway. Rather than examining Islamic microfinance solely in terms of inclusion, contract compliance, or poverty reduction, the proposed FCA pathway specifies the mechanisms and contextual conditions through which *Sharia*-compliant financial services may contribute to multidimensional empowerment. It also bridges literature on microenterprise performance and gender empowerment by treating business sustainability as an important economic achievement while maintaining that genuine empowerment additionally requires women's control over resources and strategic choices. In this respect, the framework offers both a theoretical contribution to the literature on women's economic empowerment and a practical basis for evaluating women-focused *Sharia* financial institutions in Indonesia and comparable socio-institutional settings.

Against this background, the study aims to develop an integrative synthesis of the mechanisms through which conventional and Islamic microfinance contribute to women's economic empowerment and to explain how institutional, capability-related, household, social, and digital factors condition this relationship. More specifically, the analysis examines how access to appropriate finance interacts with business and financial capabilities, social capital, control over income and household decision-making, digital capability, and institutional design in shaping empowerment outcomes. By synthesising these dimensions through the Finance–Capability–Agency pathway, the study seeks to provide a theoretically grounded framework for understanding when and how *Sharia*-compliant microfinance can move beyond financial inclusion towards sustained economic capability, agency, and enterprise autonomy among women micro-entrepreneurs, particularly within women-focused *Sharia* cooperatives in Indonesia and comparable settings.

METHODS

The methods section should be presented in a clear, systematic, comprehensive, and transparent manner to ensure that the research procedures can be readily understood, critically assessed, and replicated by other researchers. At a minimum, the section should address the following five key components.

Type of Research

This study employed a qualitative evidence synthesis approach, using a structured integrative review and conceptual synthesis. This approach was selected because the research problem intersects several fields, including development economics, gender studies, entrepreneurship, microfinance, and Islamic finance, and because the available evidence comprises heterogeneous methodological traditions. The reviewed literature included randomised evaluations, cross-sectional and longitudinal quantitative studies, qualitative case studies, mixed-methods research, and systematic reviews (Harris et al., 2014). Rather than estimating a pooled effect size, as would be expected in a meta-analysis, the study aimed to identify, compare, and integrate recurring mechanisms that explain the conditions under which financial inclusion contributes—or fails to contribute—to women's economic empowerment. The integrative approach was therefore considered appropriate for developing a theoretically informed explanatory framework across diverse forms of empirical evidence.

Research Design

The research was designed as a structured integrative review with a mechanism-oriented conceptual synthesis. The review was conducted in August 2026 and consisted of four interconnected stages: literature identification, eligibility assessment, evidence verification and selection, and thematic-conceptual synthesis. The design was aligned with the study objective of explaining how financial access interacts with individual, household, social, technological, and institutional conditions in shaping women's economic empowerment.

The search strategy was organised around four principal clusters of terms: (1) "women empowerment" OR "women's economic empowerment"; (2) "microfinance" OR "microcredit" OR "digital microfinance"; (3) "Islamic microfinance" OR "*Sharia* microfinance" OR "*Baitul Maal wat Tamwil*" OR "*Sharia* cooperative" OR "micro waqf bank"; and (4) "women micro-entrepreneurs" combined with terms including "Indonesia", "human capital", "social capital", "financial literacy", and "ICT". Searches were undertaken through publisher-hosted journal platforms and DOI-resolvable scholarly records. The quality and accreditation status of Indonesian journals were cross-checked through the national SINTA system. At the same time, international evidence was prioritised from journals indexed in Scopus and/or Web of Science.

The review primarily focused on studies published between 2015 and 2026 in order to capture recent developments in microfinance, women's entrepreneurship, Islamic finance, and digital financial inclusion. Earlier studies were retained selectively when they represented foundational theoretical contributions or were necessary for interpreting long-standing debates concerning empowerment, agency, social capital, and microfinance.

Data Source

As this study was based exclusively on secondary scholarly evidence, it did not involve human participants, respondents, or informants. The units of analysis were peer-reviewed journal articles, and the final analytical corpus consisted of a purposively selected core of 34 studies. A purposive, mechanism-oriented sampling strategy was employed because the review aimed not to achieve exhaustive database coverage but to identify studies that explain relevant empowerment mechanisms and their boundary conditions.

Studies were eligible for inclusion when they met the following criteria: they were published in peer-reviewed journals; addressed microfinance, Islamic microfinance, women-owned micro-enterprises, or women's economic empowerment; provided sufficiently clear methodological information; and had a DOI or stable publisher-hosted record wherever available. For the Indonesian evidence base, priority was given to studies published in SINTA 1- or SINTA 2-accredited journals, as well as studies by Indonesian researchers appearing in established international journals. For the international literature, priority was given to journals indexed in Scopus and/or Web of Science, as well as to established publications in development studies, entrepreneurship, economics, gender studies, and Islamic finance.

Studies were retained when they contributed substantive evidence to at least one of seven analytical domains: financial access and enterprise outcomes; income, assets, and savings; household decision-making and agency; group lending and social capital; Islamic institutional design; human capital and financial capability; or digital inclusion. Theses, conference proceedings, non-peer-reviewed publications, and unverified web-based materials were excluded from the analytical corpus.

Instruments and Data Collection

Data were collected through documentary review using a structured evidence-extraction and coding framework. The framework was designed to capture the information needed to compare heterogeneous studies systematically. For each eligible article, the extraction process recorded the study context, research design, type of microfinance intervention or institutional feature, dimensions of women's empowerment examined, principal findings, direction of reported relationships, and relevant enabling or constraining conditions.

The data-collection procedure was conducted sequentially. First, potentially relevant studies were identified using the predefined combinations of search terms. Second, titles, abstracts, and available publication information were screened for relevance to the study objectives. Third, potentially eligible studies were assessed against the inclusion and exclusion criteria. Fourth, bibliographic information and DOI records were verified against official publisher or journal webpages before the study was incorporated into the analytical corpus.

Indonesian journal accreditation was additionally cross-checked against SINTA, while indexing status was considered when assessing the international literature.

To strengthen the trustworthiness and credibility of the evidence base, preference was given to DOI-verifiable publications and recognised scholarly journal platforms. Evidence was also compared across research designs, countries, and institutional settings rather than relying on findings from a single methodological tradition. Studies reporting insignificant, mixed, or adverse outcomes were retained alongside studies reporting positive effects. This procedure was important for reducing selective interpretation and ensuring that the conceptual synthesis could account for both empowering and non-empowering consequences of microfinance.

Data Analysis Technique

The evidence was analysed using a thematic and conceptual synthesis conducted in three principal stages. In the first stage, the extracted evidence was reduced and coded according to four analytical dimensions: the financial intervention or institutional characteristic examined, the dimension of empowerment addressed, the direction of the reported relationship, and the contextual or institutional conditions affecting that relationship. Particular attention was given to evidence concerning income and business performance, control over financial resources, household decision-making, entrepreneurial capabilities, social relationships, institutional arrangements, and digital participation.

In the second stage, related codes were compared and grouped into higher-order thematic categories. Through iterative comparison across the 34 studies, six interdependent mechanisms emerged as the principal analytical themes: access to appropriate finance; business and financial capabilities; social capital; control over income and household decision-making; digital capability; and institutional design. Convergent findings were identified when different studies supported similar mechanisms, while divergent findings were retained and examined to determine the conditions under which expected empowerment outcomes did not occur.

In the third stage, the higher-order themes were interpreted through Kabeer's resources–agency–achievements framework and complementary empowerment perspectives, emphasising participation, control, and contextual conditions (Kabeer, 1999; Perkins & Zimmerman, 1995; Zimmerman, 1995). This theoretical mapping provided the foundation for developing the Finance–Capability–Agency (FCA) pathway. Financial access and institutional resources were conceptualised as initial inputs; business, financial, social, and digital capabilities as conversion mechanisms; control over income and decision-making as manifestations of agency; and income stability, asset accumulation, resilience, and enterprise sustainability as economic achievements.

The emerging FCA pathway was subsequently examined against studies reporting null, heterogeneous, or adverse outcomes. This negative-case comparison was undertaken to assess whether the framework could explain circumstances in which access to finance did not lead to meaningful empowerment. Repayment pressure, weak control over loan utilisation, limited business capability, restrictive gender norms, inadequate market access, and unfavourable institutional arrangements were consequently interpreted as potential disruptions or boundary conditions within the finance-to-empowerment pathway.

Given the methodological and contextual heterogeneity of the included studies, no statistical aggregation or pooled causal estimate was undertaken. The findings are therefore reported as patterns of convergence, divergence, and explanatory mechanisms, rather than as universal causal effects. The results of this analysis represent findings from the reviewed scholarly evidence and should not be interpreted as primary empirical findings from women micro-entrepreneurs or *Sharia* cooperatives in Indonesia.

The "results" below are results of the evidence synthesis, not results of the author's field interviews. This distinction is important for research integrity and for eventual submission to an international journal.

To provide an overview of the evidence synthesis, Table 1, "Evidence Themes and Their Implications for Women-Focused Microfinance," summarises the principal themes identified across the reviewed studies, the representative evidence supporting each theme, the synthesis of the findings, and their corresponding programme implications. The table demonstrates that financial access is an important but insufficient condition for women's economic empowerment, as its outcomes depend on complementary business and financial capabilities, women's agency, social capital, Sharia-compatible institutional design, and digital capability.

Table 1. Evidence Themes and Their Implications For Women-Focused Microfinance

Theme	Representative evidence	Synthesis	Programme implication
Finance is necessary but insufficient.	(Banerjee et al., 2015; Ganle et al., 2015; Atmadja et al., 2016)	Credit relaxes liquidity constraints, but empowerment is heterogeneous, and business returns vary.	Link financing to business diagnostics, cash flow fit, and savings.
Capability converts finance into performance.	(Hamdan & Kassim, 2022; Mukhlisin & Tamanni, 2025)	Human, accounting and digital capabilities influence whether finance is used productively.	Embed bookkeeping, digital marketing and financial education.
Agency is a distinct outcome.	(Kabeer 1999; Islam, 2021; Mengstie, 2022)	Income gains are not equivalent to control over income or household decisions.	Measure control, decision-making and self-efficacy alongside income.
Groups can create social capital and pressure	(Sanyal, 2009; D'Espallier et al., 2011)	Peer structures can strengthen networks and repayment, but may also intensify social costs.	Use supportive group accountability and hardship safeguards.
Sharia compatibility can widen inclusion.	(Rahayu, 2020; Soemitra et al., 2022; Fianto et al., 2018)	Religious compatibility matters, but contract structure and mentoring determine developmental value.	Evaluate *maqasid*-oriented outcomes, not only *Sharia* compliance and repayment.
Digital access is now part of the capability.	(Crittenden et al., 2019; Wulandari & Kassim, 2024).	ICT and digital finance can increase information, market reach and service access.	Combine digital finance with digital safety, literacy and market linkage.

RESULTS

The results section should be organised in a clear, systematic, and evidence-based manner. Authors are expected to present the principal findings together with relevant supporting data in line with the study objectives, research questions, or hypotheses. This section should focus exclusively on reporting the empirical or analytical outcomes and should avoid theoretical interpretation, comparison with prior studies, or extended analytical commentary, all of which should be reserved for the Discussion section.

Main Findings

The structured integrative review of 34 peer-reviewed journal articles generated six recurring themes concerning the relationship between microfinance and women's economic empowerment: (1) access to appropriate finance; (2) business and financial capabilities; (3) agency and household decision-making; (4) social capital and group-based finance; (5) *Sharia*-compliant institutional design; and (6) digital capability. The findings also revealed divergent and non-positive outcomes, particularly where repayment pressure, limited control over borrowed funds, weak business capability, restrictive household arrangements, or inadequate market access were present.

Access to Finance and Economic Outcomes

The first theme concerned access to financial resources and their relationship with enterprise and household economic outcomes. Across the reviewed evidence, microfinance was associated with increased access to working capital, inventory financing, productive assets, business investment, savings, and income-generating opportunities. Indonesian studies reported positive associations between access to microfinance or Islamic financial services and enterprise development or household economic improvement (Pakkanna et al., 2015; Suratini, 2018; Purnamasari & Darmawan, 2017). Evidence from Ethiopia also reported improvements in income, assets, and savings among women participating in microfinance programmes (Mengstie, 2022).

Nevertheless, these outcomes were not uniform. The randomised evaluation conducted by Banerjee et al. (2015) reported increases in borrowing and selected forms of business investment, but no statistically significant average improvement in women's empowerment. Similarly, Ganle et al. (2015) documented heterogeneous outcomes among women borrowers, including cases in which financial participation was accompanied by repayment-related pressure or limited control over loan utilisation. Indonesian evidence also indicated that greater financial capital did not necessarily correspond with stronger microenterprise performance when complementary resources were inadequate (Atmadja et al., 2016).

Savings emerged as an additional financial mechanism distinct from borrowing. Evidence from the Philippines showed that access to a commitment savings product was associated with greater decision-making power among some women participants (Ashraf et al., 2010). Collectively, the evidence indicated considerable variation between access to financial resources and subsequent economic or empowerment outcomes.

Business and Financial Capabilities

The second theme concerned the capabilities required to utilise financial resources productively. The reviewed studies identified human capital, financial knowledge, accounting practices, business experience, digital skills, mentoring, and market knowledge as recurring factors associated with enterprise outcomes.

Among women micro-entrepreneurs in Malaysia, Islamic microfinancing, human capital, and ICT usage were positively associated with business performance (Hamdan & Kassim, 2022). Evidence concerning Islamic microfinance in Indonesia and Pakistan also linked accounting education, financial discipline, and institutional supervision with women's autonomy in family financial management (Mukhlisin & Tamanni, 2025).

Studies focusing on women-owned micro-enterprises further reported that enterprise outcomes were associated with managerial and commercial capabilities, including pricing, record-keeping, inventory management, market access, and business characteristics (Tundui & Tundui, 2020). These results demonstrated that participants receiving financial resources differed in their ability to translate financing into sustainable business outcomes.

Agency and Household Decision-Making

The third theme related to women's agency, particularly control over financial resources and participation in household and enterprise decision-making. Across the reviewed evidence, economic outcomes and agency outcomes did not consistently move in the same direction.

Studies reported several indicators of agency, including control over loan utilisation, authority over business income, participation in investment and reinvestment decisions, control over savings, confidence in financial interactions, and involvement in significant household decisions. Research on Islamic microfinance in Bangladesh found variations across economic, socio-cultural, and familial dimensions of empowerment (Islam, 2021). The broader literature similarly identified empowerment as a multidimensional outcome encompassing economic, cognitive, relational, and institutional dimensions (Kivalya & Caballero-Montes, 2024).

The reviewed evidence also included cases in which financing was formally provided to women, while other household members still influenced decisions regarding its utilisation or the allocation of subsequent income. Thus, financial participation, household income, and women's control over economic resources were not consistently equivalent outcomes.

Social Capital and Group-Based Finance

The fourth theme concerned group-based financing and social capital. Across several studies, group participation was associated with repeated interaction, peer networks, information exchange, social accountability, and collective learning. Sanyal (2009) for example, reported that relationships established through microfinance groups contributed to women's social capital and collective engagement. Repeated participation in financing groups was also associated with stronger institutional familiarity, networks, and cumulative learning in some settings (Weber & Ahmad, 2014).

However, the evidence also identified negative experiences associated with group-based repayment mechanisms. In particular, peer accountability could generate social pressure, interpersonal conflict, embarrassment, or repayment-related distress when members experienced difficulty meeting financial obligations (Ganle et al., 2015). Group participation, therefore, produced both supportive and potentially adverse social outcomes across the reviewed studies.

***Sharia*-Compliant Institutional Design**

The fifth theme concerned institutional characteristics specific to Islamic microfinance. The reviewed literature showed that *Sharia*-compliant financial arrangements offered alternatives for individuals seeking financial services that are consistent with Islamic principles. Studies addressed several institutional mechanisms, including financing contracts, group-based intermediation, mentoring, savings, micro-waqf arrangements, and Islamic social finance.

Evidence from Indonesia demonstrated differences between equity-based and debt-based Islamic microfinance arrangements (Fianto et al., 2018). Research on micro-waqf banks showed that financing could be combined with group mechanisms and mentoring for women micro-entrepreneurs (Soemitra et al., 2022). However, evidence from women-owned SMEs indicated that access to Islamic social finance instruments did not consistently produce financial resilience across institutional contexts (Mahadi et al., 2024).

Institutional orientation also varied. Rahayu (2020) found that women could constitute an important client segment within a Baitul Maal wat Tamwil, even without women's empowerment being an explicit institutional objective. Accordingly, the reviewed studies showed variation in both the structure of Islamic financial products and the extent to which empowerment objectives were incorporated into institutional practices.

Digital Capability

The sixth theme concerned the growing role of digital capability in women's entrepreneurial and financial activities. Studies identified digital payments, mobile financial services, e-commerce, social media, online marketplaces, and digital communication tools as relevant components of contemporary microenterprise activity.

ICT utilisation was associated with improved access to information, networks, markets, and business tools among women entrepreneurs in emerging economies (Crittenden et al., 2019). More recent evidence also linked access to digital microfinance with female entrepreneurial empowerment (Wulandari & Kassim, 2024).

At the same time, the reviewed studies identified several limitations associated with digitalisation. These included unequal access to devices, limited control over digital technologies, high data costs, digital fraud, low digital literacy, and exclusion stemming from limited formal transaction histories. Digital access, therefore, showed both enabling and constraining patterns within the evidence base.

Negative and Divergent Findings

Negative and divergent findings occurred across several themes. Access to credit did not consistently lead to greater empowerment or improved enterprise performance. Some studies reported increased borrowing or investment without corresponding improvements in women's decision-making or autonomy. Other evidence identified repayment stress, weak control over loan utilisation, business underperformance, and social pressure within group-lending arrangements.

Similarly, *Sharia* compliance did not consistently correspond with stronger financial resilience or women's agency, while digital access could introduce new forms of vulnerability alongside expanded market opportunities. These non-positive findings were retained in the analysis rather than treated as exceptional cases because they represented important variations within the evidence base.

The consolidated findings are presented in Table 2, "Summary of Main Findings from the Evidence Synthesis." Table 2 summarises the six principal themes by comparing the main pattern identified in the reviewed evidence, the divergent or negative findings, and the principal outcome dimension associated with each theme. The table shows that access to finance, business and financial capabilities, agency, social capital, Sharia-compliant institutional design, and digital capability generate differentiated outcomes, indicating that financial inclusion and women's economic empowerment represent interconnected but distinct dimensions.

Table 2. Summary of Main Findings from the Evidence Synthesis

Theme	Main Pattern Identified	Divergent or Negative Findings	Principal Outcome Dimension
Access to appropriate finance	Financing increased access to working capital, assets, savings, and business opportunities.	Credit did not consistently increase empowerment or enterprise performance; repayment pressure occurred in some settings.	Economic resources
Business and financial capabilities	Human capital, accounting knowledge, financial literacy, mentoring, and market capabilities were associated with stronger enterprise outcomes.	Similar financing produced different outcomes where capabilities were weak.	Capability
Agency and household decision-making	Some studies reported increased control over income, savings, and economic decisions.	Financial access or higher household income did not necessarily increase women's control over resources.	Agency
Social capital and group-based finance	Groups generated networks, repeated interaction, information exchange, and collective learning.	Peer mechanisms could produce pressure, conflict, or repayment-related distress.	Social capital
Sharia-compliant institutional design	Islamic finance broadened financial options and incorporated financing, mentoring, group mechanisms, and social finance.	Sharia compliance alone did not consistently generate resilience or empowerment.	Institutional design
Digital capability	ICT and digital finance expanded access to information, markets, and financial services	Digital exclusion, fraud, limited skills, and unequal control over technology remained evident.	Digital capability

DISCUSSION

Analysis and Interpretation of Findings

The findings demonstrate that the relationship between microfinance and women's economic empowerment is best understood as a conditional conversion process rather than a direct causal sequence. Financial access expands the resources available to women.

However, the extent to which these resources translate into empowerment depends on whether women possess the capabilities and decision-making authority needed to transform them into sustainable economic outcomes (Dutta & Banerjee, 2018).

The first major implication concerns the distinction between financial inclusion and empowerment. Access to credit can alleviate liquidity constraints, facilitate business investment, and strengthen household resources, yet these changes do not, by themselves, establish that women have acquired greater economic agency. The finding that some studies reported increased borrowing and business activity without corresponding improvements in empowerment demonstrates that institutional outreach indicators and empowerment indicators measure different phenomena. The number of women borrowers, the amount of financing disbursed, and repayment performance may demonstrate financial inclusion (Fiala, 2018). However, they do not establish who controls the resources, who makes business decisions, or who benefits from the resulting economic surplus.

This distinction is especially important for women micro-entrepreneurs. Enterprise financing can generate additional turnover while failing to improve economic autonomy if business returns are insufficient, repayment obligations are excessive, or income is appropriated for other household purposes. Empowerment, therefore, depends not simply on obtaining capital but on retaining meaningful control over its productive use and subsequent economic benefits (Hakim & Dalimunthe, 2022).

The capability findings further explain why similar amounts of financing can generate substantially different results. Financial resources require a conversion mechanism. Women who possess stronger bookkeeping skills, understand cash flows, separate household and enterprise finances, access market information, and use digital channels effectively are better positioned to convert financing into productive investment and sustainable enterprise performance (Hassan & Saleem, 2017). Accordingly, the findings support a finance-plus rather than finance-only model of women-focused microfinance.

Agency represents a second critical mechanism for conversion. Economic gains become empowering when women can exercise meaningful choice over the use of resources, business investment, savings, and household expenditure. Where financing is formally registered in a woman's name, but substantive control remains with another household member, financial inclusion has occurred without an equivalent expansion of agency

(Khursheed, 2022). This distinction explains why improvements in income and familial empowerment may diverge across studies.

Social capital similarly performs a dual role. Group structures can reduce informational barriers, strengthen peer networks, facilitate learning, and expand access to market information. However, the same social relationships can generate coercive pressure to repay when group accountability is poorly governed. Social capital should therefore not be regarded as inherently beneficial; its effects depend on the quality of the relationships, institutional rules, and forms of accountability through which it operates.

The findings on Islamic microfinance reinforce this conditional interpretation. *Sharia* compliance may increase the acceptability and accessibility of financial products in Muslim communities, but religious compatibility does not in itself guarantee developmental outcomes. Contract structure, repayment schedules, mentoring, institutional governance, and the relationship between commercial and social-finance instruments remain critical determinants of whether *Sharia*-compliant financing contributes to meaningful economic empowerment.

Digital capability adds a contemporary dimension to this conversion process. Financial and entrepreneurial capabilities can no longer be understood solely in conventional terms, as women micro-entrepreneurs increasingly operate in hybrid physical and digital markets. Digital payments, e-commerce, online marketing, and mobile financial services can expand economic opportunities, but their benefits depend on access, skills, control over technology, safety, and digital literacy.

Comparison with Theoretical Perspectives and Previous Literature

The findings are consistent with Kabeer's (1999) resources–agency–achievements framework, which distinguishes access to resources from the ability to exercise strategic choice and from the outcomes that emerge from those choices. Within the reviewed evidence, microfinance primarily expands the resource dimension, whereas financial, entrepreneurial, social, and digital capabilities influence the conversion of those resources into effective action. Agency is reflected in control over income, financing, savings, and business or household decisions, while achievements include sustained income, asset accumulation, savings, business resilience, and economic autonomy.

The findings also correspond with empowerment perspectives that emphasise perceived control, participation, and contextual conditions rather than treating empowerment as a single economic (Perkins & Zimmerman, 1995; Zimmerman, 1995). In this respect, the evidence helps explain the divergent findings reported in previous microfinance research. Banerjee et al. (2015) for example, identified increased business activity without significant average improvements in women's empowerment, whereas studies such as Mengstie (2022) documented improvements across several economic indicators. These apparently contrasting findings can be reconciled when financial resources and agency are treated as conceptually distinct stages rather than equivalent outcomes.

Similarly, Atmadja et al. (2016) showed that financial capital alone was insufficient to account for enterprise performance, while Hamdan and Kassim (2022) demonstrated the importance of human capital and ICT alongside Islamic microfinancing. The present synthesis extends these observations by positioning business, financial, accounting, and digital competencies as capability-conversion mechanisms linking financial resources to economic outcomes.

The agency findings are also consistent with Islam (2021), whose analysis of Islamic microfinance revealed variation across economic, socio-cultural, and familial empowerment dimensions. Such variation suggests that a single composite financial measure should not represent empowerment. Rather, it requires explicit attention to women's control over resources and participation in decisions affecting their economic lives.

The findings concerning group-based lending support previous evidence that microfinance groups can strengthen social capital and collective participation (Sanyal, 2009). However, evidence of repayment-related stress identified by Ganle et al. (2015) shows that the same institutional mechanism can lead to adverse outcomes. This divergence indicates that group finance operates through both supportive and disciplinary mechanisms, with programme governance determining which mechanism becomes dominant.

A comparable conclusion emerges from the Islamic microfinance literature. Fianto et al. (2018) demonstrated that different *Sharia* financing structures generate distinct incentives and outcomes, while Soemitra et al. (2022) illustrated the possibility of integrating financing, mentoring, and community-based mechanisms. Rahayu (2020) demonstrated that a high proportion of female clients does not necessarily imply an institutional commitment to empowerment. The present synthesis, therefore, distinguishes *Sharia* compliance from empowerment-oriented institutional design.

The Finance–Capability–Agency Pathway

Building on these findings, this study proposes the Finance–Capability–Agency (FCA) pathway as an integrative framework for explaining how *Sharia*-compliant microfinance may contribute to women's economic empowerment. The model rejects a direct relationship between receiving finance and becoming empowered. Instead, it conceptualises empowerment as a sequential but context-dependent process involving resources, capability conversion, agency, and economic achievements.

In the first stage, Finance, women obtain access to *Sharia*-compliant financing, savings mechanisms, social finance resources, or other forms of financial support. The developmental value of these resources depends on the suitability of the product, including the financing amount, repayment schedule, tenure, transaction costs, transparency, and alignment with enterprise cash flows.

At the second stage, Capability, financial resources are converted through business knowledge, financial and accounting literacy, digital competence, mentoring, market information, and productive social networks. This stage explains why comparable financing facilities can generate markedly different outcomes among women entrepreneurs.

At the third stage, Agency, women exercise meaningful control over the utilisation of financing, enterprise income, reinvestment, savings, and other strategic economic decisions. Agency also encompasses self-efficacy, bargaining power, and the ability to protect productive resources from involuntary diversion.

At the fourth stage, Achievements, successful conversion is reflected in outcomes such as sustained income, savings, productive assets, business continuity, resilience to economic shocks, household welfare, and durable economic autonomy.

Gender norms, household bargaining arrangements, educational background, business sector, market conditions, digital infrastructure, exposure to shocks, and institutional practices moderate the pathway. These contextual influences explain why a uniform empowerment effect should not be expected across settings.

The proposed conceptual framework is summarised in Table 3, "Finance–Capability–Agency Pathway for Women-Focused Sharia Microfinance." Table 3 maps the progression from financial resources to capability development, agency, and economic achievements. The Finance dimension includes Sharia-compliant financing, savings mechanisms, social-finance support, cash-flow-appropriate products, supportive group structures, and transparent repayment arrangements. The Capability dimension captures financial literacy, bookkeeping, business and market knowledge, digital capability, mentoring, and productive social capital. Agency is represented by women's control over financing and business income, reinvestment decisions, household bargaining, self-efficacy, and economic participation, while Achievements include income stability, asset accumulation, increased savings, business resilience, improved household welfare, and sustained enterprise autonomy. Contextual moderators, including gender norms, household bargaining, education, business sector, market conditions, digital infrastructure, economic shocks, and institutional practices, further condition the pathway.

Table 3. Finance–Capability–Agency Pathway for Women-Focused Sharia Microfinance

Finance	Capability	Agency	Achievements
Sharia-compliant financing	Financial literacy	Control over financing use	Income stability
Savings mechanisms	Bookkeeping capability	Control over business income	Asset accumulation
Social-finance support	Business and market knowledge	Reinvestment decisions	Increased savings
Cash-flow-appropriate products	Digital capability	Household bargaining	Business resilience
Supportive group structures	Mentoring	Self-efficacy	Improved household welfare
Transparent repayment arrangements	Productive social capital	Economic voice and participation	Sustained enterprise autonomy

Contextual moderators: gender norms, household bargaining, education, business sector, market conditions, digital infrastructure, economic shocks, and institutional staff practices.

The principal theoretical contribution of the FCA pathway lies in identifying the mechanisms connecting financial inclusion with empowerment. It extends the resources–agency–achievements logic by specifying the role of entrepreneurial, financial, social, institutional, and digital capabilities within women-focused microfinance. It therefore offers a more conditional explanation than the conventional assumption that expanding credit access is itself sufficient to empower women.

Research Implications

The findings have several theoretical and practical implications. Theoretically, the study integrates previously fragmented literatures on microfinance, women's empowerment, entrepreneurship, Islamic finance, social capital, and digital inclusion. By distinguishing finance, capability, agency, and achievements, the FCA framework provides a mechanism-based explanation for the heterogeneous results reported across previous microfinance studies.

The framework also contributes to the evaluation of Islamic microfinance. *Sharia*-compliant institutions should not assess developmental success exclusively through financing volumes, outreach, repayment rates, or contractual compliance. These indicators remain important for institutional sustainability, but they should be complemented by measures capturing women's control over financing, business capability, savings, resilience, household decision-making, and sustained economic autonomy.

For women-focused *Sharia* cooperatives, particularly in Indonesia and comparable settings, financing assessment could be combined with a concise capability assessment. Women with newly established enterprises may require fundamental support with cash flow management, bookkeeping, pricing, and product-market assessment. In contrast, more established entrepreneurs may benefit from digital marketing, inventory management, supplier linkages, or expansion financing.

The findings also support the development of a *maqasid*-oriented client performance framework that incorporates both financial and empowerment indicators. Such a framework may include productive utilisation of financing, income stability, emergency savings, record-keeping practices, avoidance of over-indebtedness, control over enterprise decisions, repayment affordability, and dignity in interactions with financial institutions.

Group-based arrangements should likewise be designed as capability- and social-capital platforms rather than solely as repayment mechanisms. Peer mentoring, joint procurement, practical business learning, market information, and digital marketing groups could strengthen their developmental role. At the same time, hardship protocols, transparent restructuring mechanisms, and accessible complaint channels could reduce the risks associated with social repayment pressure.

Digital capability should also become an explicit component of women-focused financial inclusion programmes. Relevant support may include digital payment reconciliation, online bookkeeping, safe use of marketplaces, product promotion through digital platforms, customer communication, fraud awareness, privacy protection, and informed use of digital financial services.

Research Limitations and Directions for Future Research

Several limitations should be acknowledged. First, this study employed a structured integrative review rather than an exhaustive systematic review or meta-analysis. The 34 included articles constituted a purposively selected, mechanism-oriented corpus; consequently, the review does not claim to provide complete coverage of the literature on women's empowerment and microfinance.

Second, substantial methodological and contextual heterogeneity existed across the included studies. The corpus comprised randomised evaluations, observational quantitative studies, qualitative research, mixed-methods studies, and reviews conducted across different national, institutional, and socio-cultural settings. Accordingly, the synthesis identifies recurring mechanisms and patterns rather than generating a pooled causal estimate or universally generalisable effect.

Third, causal identification varied considerably across the reviewed studies. Positive associations between microfinance participation and empowerment-related outcomes should therefore not automatically be interpreted as direct causal effects. Client self-selection, programme duration, household characteristics, institutional differences, and wider market conditions may influence observed outcomes.

Fourth, the Indonesian context in the present article serves as an application context rather than a source of primary empirical findings. The available material did not contain a completed empirical findings chapter; consequently, no interview findings from women clients were incorporated into this synthesis.

Future research should therefore empirically test the FCA pathway using primary data. Longitudinal research would be particularly valuable because baseline and follow-up measurements could distinguish access to resources from subsequent changes in capability, agency, and economic achievements. Mediation analysis could examine whether business, financial, social, and digital capabilities explain the association between financing and longer-term outcomes. In contrast, moderation analysis could assess the influence of household bargaining, gender norms, institutional design, and market conditions.

Comparative research between clients receiving finance alone and those receiving finance combined with structured mentoring would also strengthen the evidence base. Where experimental designs are not feasible, matched comparison groups, repeated measurements, mixed-methods designs, and triangulation using business records, savings histories, financing cycles, and institutional documentation could improve analytical credibility.

Future qualitative research in Indonesia should explicitly examine both positive and negative cases. Interviews should investigate access to finance, understanding of *Sharia* contracts, repayment suitability, control over loan utilisation, financial and digital capability, household bargaining, business outcomes, and experiences of group-based arrangements. Participants whose enterprises do not improve or who experience repayment difficulties should be analysed systematically because such cases may reveal where the Finance–Capability–Agency pathway is interrupted.

Through such empirical testing, future studies can determine whether the proposed FCA pathway provides a robust explanation of how *Sharia*-compliant finance interacts with local gender norms, household relations, institutional arrangements, entrepreneurial capability, and digital transformation in shaping women's economic empowerment.

CONCLUSION

This study demonstrates that women's economic empowerment through microfinance cannot be understood solely in terms of access to financial resources. The evidence synthesis indicates that microfinance may strengthen access to capital, income-generating opportunities, savings, assets, enterprise continuity, and social networks, but its empowerment effects remain heterogeneous. The extent to which financial access produces meaningful and durable outcomes depends on women's capacity to convert financial resources into productive economic activity and to exercise control over the resulting benefits. Limited business capability, repayment pressure, weak control over the use of financing, restricted market access, and unfavourable household dynamics can interrupt this process. Within Islamic microfinance, *Sharia*-compliant financial services may broaden participation and provide an institutional foundation consistent with clients' religious preferences; however, *Sharia* compliance alone does not constitute evidence of empowerment. Sustainable empowerment requires appropriate product design, capability development, savings mechanisms, supportive institutional practices, digital inclusion, and protection of women's economic decision-making.

The principal scholarly contribution of this study lies in the proposed Finance–Capability–Agency (FCA) pathway, which integrates previously fragmented dimensions of financial inclusion, entrepreneurial capability, women's agency, and sustainable economic achievements within a single conceptual framework. The pathway conceptualises finance as the initial resource, capability as the mechanism through which financial resources are translated into productive opportunities, agency as women's ability to exercise control and make strategic economic decisions, and achievements as sustained outcomes reflected in income stability, savings, assets, business resilience, and economic autonomy. By incorporating institutional design, social capital, digital capability, household bargaining, gender norms, and market conditions as relevant contextual factors, the framework provides a more nuanced basis for understanding why similar microfinance interventions may generate different empowerment outcomes. Practically, it also offers a structured basis for designing and evaluating women-focused *Sharia* microfinance programmes, including *Sharia* cooperatives operating in Indonesia and comparable settings.

Future research should empirically test and refine the FCA pathway using primary data and research designs that examine change over time. Longitudinal, mixed-methods, or comparative studies would be particularly valuable for assessing whether business, financial, social, and digital capabilities mediate the relationship between financial access and empowerment outcomes, and whether household, institutional, and socio-cultural conditions moderate these relationships. Further research in Indonesia should integrate women's reported experiences with relevant institutional and enterprise evidence, including financing histories, savings patterns, business records, and programme documentation, where available. Particular attention should also be given to negative or divergent cases, as these may reveal where and why the pathway from financial access to sustainable empowerment is interrupted. Such empirical testing would strengthen the explanatory validity of the FCA framework and advance understanding of how women-focused *Sharia* microfinance can contribute to sustained economic capability, agency, and autonomy.

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