

Original Article

The Economic Impact, Contributing Factor and Value Co-Creation of Community-Based Microfinance - An Exploratory Study of Bank Infaq in South Tangerang District Indonesia

¹Nurmanjaya Dahri Kusumah, ²Santi Novani

¹School of Business and Management – Institute of Technology, Bandung (SBM-ITB), Jl. Ganesha 10, Bandung, 40132, Indonesia

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Abstract: Poverty remains a major challenge in Indonesia. Understanding poverty in Indonesia demands a good understanding of Micro, Small, and Medium Enterprises (MSME), as the majority (99%) of total enterprises absorb more than 97% of the Indonesian workforce and contribute 60% of the GDP. If managed well, MSME would significantly play a major role in shaping the country's economy. Conversely, impartiality could cause the MSME remain struggle with classic challenges: access to funds and access to the market. These two key factors limit their ability to survive, sustain, and grow. The credit proportion from the formal Banking sector to MSME is at around 20%. This is an opportunity for Non-Bank Financial Institutions (NBFI) to fill the gap. One NBFI scheme is Bank Infaq, a Sharia-based microfinance system with unique characteristics of inclusive community empowerment and a joint liability system. A Bank Infaq branch in the South Tangerang district in Indonesia is taken as an exploratory case study to measure its impact and understand its value to the community it has served. With the key important measures explored, a robust and workable scheme and system can be formalized and can further be replicated by other microfinance institutions; hence, community empowerment and development can be spread faster towards the noble goal of alleviating poverty in Indonesia.

Keywords: Bank Infaq, Microfinance, Economic impact, Value co-creation.

I. INTRODUCTION

Poverty is a major economic challenge in Indonesia. According to the Indonesian Central Statistics Bureau (BPS), the poverty rate in March 2023 was 9.36% population, equal to 25.90 million people. The data taken from BPS shows in the last ten years (2013 – 2023), people living below the poverty line were around 25 to 28 million people, equal to 9 – 11% of the population.

To better understand poverty and its challenges, it is important to understand where the majority of the low-income population lies. Data from the Ministry of Cooperatives and Small and Medium Enterprises in 2019 shows that 97% of the total workforce in Indonesia work within Micro, Small & Medium Enterprises (MSME). These enterprises, while operating on a small scale play a vital role in generating income, employment opportunities and job creation within local communities (Dahal & Fiala, 2020). However, the potential growth of MSMEs is frequently hampered by limited financial access (Atmadja et al., 2016). Understanding MSMEs and their challenges is essential in relation to the effort of alleviating poverty.

Table 1: Indonesia MSME Data 2019

Indicator MSME - 2019	Number of enterprises	Workforce	GDP Contribution	Credit Proportion*
	(%)	(%)	(%)	(%)
Micro Enterprises	98,67%	89,04%	37,35%	9,34%
Small Enterprises	1,22%	4,81%	9,53%	6,68%
Medium Enterprises	0,10%	3,07%	13,63%	4,81%
Total MSME	99,99%	96,92%	60,51%	20,83%
Large Enterprises	0,01%	3,08%	39,49%	79,17%
Total	100,00%	100,00%	100,00%	100,00%

As the backbone of the economy, MSME significantly contribute to Indonesia GDP at 60.51%. However, even though playing a vital role in absorbing the workforce and promoting economic growth, MSMEs often face challenges. The Indonesian Ministry of Finance stated that the majority of MSMEs still face challenges, such as difficulties in upgrading due to a lack of access to financial/capital. This is reflected in the ratio of bank loans disbursed to MSMEs at around 20.83%.



The challenge of getting capital sources from the formal Banking sector can be filled up by Non-bank financial institutions (NBFI). The Asia Development Bank (ADB), in their Asia SME Monitor 2020, reported that throughout 2016 – 2019, NBFI in Indonesia showed a noticeable growth of 7%, with a contribution to GDP at 3.2%. In Indonesia, NBFIs institutions exist in several forms: credit cooperatives, pawnshops, leasing companies, etc. One of the NBFI schemes in Indonesia is named Bank Infaq.

Bank Infaq is an institution that is operated based on the principle of mutual aid of community group assembly. The word “Bank” is a branding that refers to the activity of collecting and disbursing funds. The fund is collected from several sources (donation, corporation CSR fund) and is disbursed as microloan to micro business owners based on an agreement regulated under Islamic law (Hamzah & Anwar, 2020). Bank Infaq financing concept has several key points:

- The loan is provided by the lender (Bank Infaq) to the borrower and business owner as Bank Infaq members.
- The loan is provided and is to be repaid in the same amount as it was received (no interest).
- The loan must be used for productive activities and not for consumptive spending.
- The loan applies a joint liability scheme within the group; borrowers must form a group led by a group leader.

Bank Infaq is operated within a certain area (Bank Infaq branch), run under the supervision of the branch leader/supervisor, with staff members acting as operational teams and administrators. The operational team is the backbone of the day-to-day operation that directly communicates and engages with the members. The relationship among Bank Infaq stakeholders is visualized in Figure 1.

The subject of this study is the Bank Infaq branch at the Grand Mosque of Bintaro Jaya (Bank Infaq MRBJ) located in South Tangerang District, Indonesia. This branch is taken as a case study based on its outstanding performance over the past four years, referring to its notable growth (Figure 2).

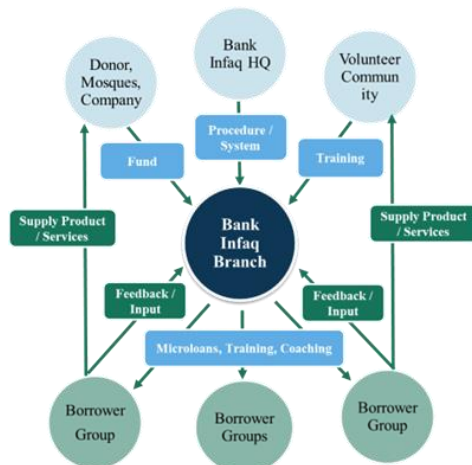


Fig. 1 Bank Infaq Stakeholder Relationship

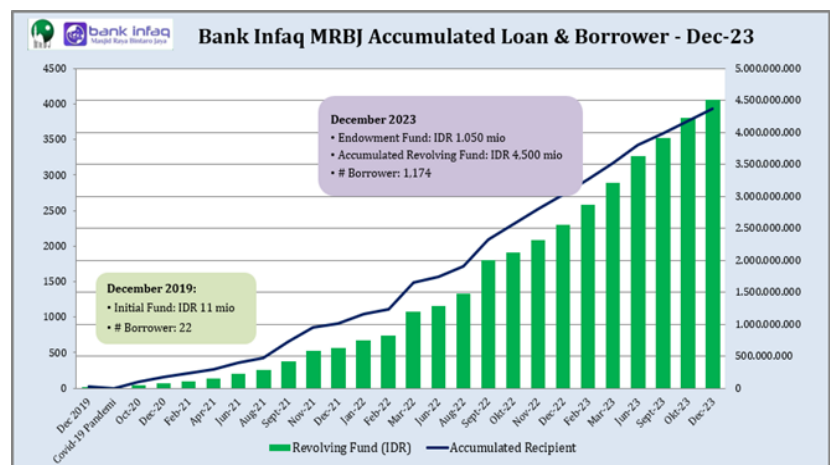


Fig. 2. Bank Infaq MRBJ accumulation of disbursed loans

With this important role, there are two problem statements to be addressed. Firstly, how Bank Infaq MRBJ can have a full understanding of whether its programs meet the needs of the borrower, Improving business performance as well as human capital and secondly, how Bank Infaq MRBJ can play a role model for others to replicate. The problem statement is translated into research questions, i.e., how is the economic impact of Bank Infaq MRBJ to the borrower. The second is what factors contribute to the business performance of the borrowers and what value co-creation is established during the interaction between Bank Infaq MRBJ and the borrowers.

II. LITERATURE REVIEW AND HYPOTHESES

Microfinance is a broad term encompassing financial services for individuals and/or community groups that lack access to traditional banking systems (Beg et al., 2024). It is also believed that by providing financial access through small loans and other financial products, microfinance can empower underserved individuals and communities to break the poverty cycle, leading to standard living improvement (Gutiérrez-Nieto & Serrano-Cinca, 2019). This is based on the assumption that the served individual/community can use the small loans to invest in income-generating activities and accumulate savings (Dutta & Banerjee, 2018).

A joint liability microfinance scheme is a type of group lending where a group of borrowers are jointly responsible for repaying loans taken by each member of the group. The rationale of the scheme is to overcome potential outstanding debt

(reduce default) by using robust peer selection, peer monitoring and pressure as a mechanism to ensure repayment. The impact and effectiveness of this unique scheme depend on various factors: group size, loan size, social and cultural norms, etc. (Hasan et al., 2021), (Dahal & Fiala, 2020), (Dutta & Banerjee, 2018). (Gutiérrez-Nieto & Serrano-Cinca, 2019), in general, the joint liability scheme positively contributes to the loan performance and interaction.

Previous research suggested that microfinance institutions (MFI) can stimulate business growth and performance. Several research like (Félix & Belo, 2019) and (Sutiyo et al., 2020) demonstrate that access to capital will facilitate the borrower to invest in equipment, inventory and marketing, resulting in business growth - increased productivity and sales (Erlando et al., 2020). Some research (Ribeiro et al., 2022) observes more varied relationships.

While microfinance may not directly result in growth, it enhances micro business's strong foundation for future growth. Studies by (Hermes and Hudon, 2018) show how microfinance fosters borrower savings practices, improves creditworthiness and facilitates larger loans. This enhances individual financial inclusion and resilience. (Hermes & Hudon, 2018) also highlight the role of Microfinance Institutions in providing financial training and promoting borrowing practices that will empower borrowers to make and get used to making financial decisions.

Table 2: Microfinance Impact Parameter

Parameters	Detail Measurement	Reference
Income	Change/increase in household income, expenditure, or consumption	(Hasan et al., 2021) (Atmadja et al., 2016) (Félix & Belo, 2019)
Productivity	Changes in business output (sales volume) or efficiency	(Dahal & Fiala, 2020b) (Dutta & Banerjee, 2018) (Gutiérrez-Nieto & Serrano-Cinca, 2019)
Job / Employment Creation	Changes in employment, wage or labour supply of the business	(Dahal & Fiala, 2020b) (Dutta & Banerjee, 2018) (Hendriks, 2019)
Business Expansion	Change in business size, sales, profit or business growth	(Dahal & Fiala, 2020b) (Dutta & Banerjee, 2018) (Gutiérrez-Nieto & Serrano-Cinca, 2019)
Asset Accumulation	Change in physical or financial assets of the business or households	(Hasan et al., 2021) (Atmadja et al., 2016)

Value co-creation is a shift in economic thinking that emphasizes collaboration among the stakeholders. The concept of value co-creation positions that value for customers, providers, and society is actively obtained through interaction and active collaboration among stakeholders (Armstrong et al., 2018).

The interaction among stakeholders is defined and developed as the Two-layered service system method. In this two-layered system, the process of jointly creating value (value co-creation) is shown in the first layer (top layer), while actions are described in the second layer (bottom layer) (Kijima & Arai, 2016).

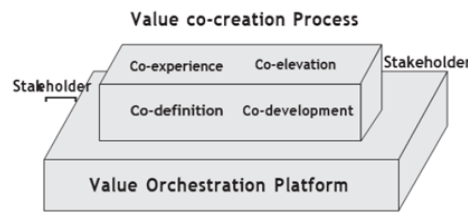


Fig. 3 Two-layer Service System (Kijima & Arai, 2016)

Previous research explored value co-creation as an outcome of interaction between MFI and the business owner.

Table 3: Value Co-Creation Impact Parameter

Parameters	Stages	Detail Measurement	Reference
Improved Knowledge Sharing	Co-Experience	Business owners acquire knowledge through microfinance platforms and networks.	(Ketonen-Oksi & Valkokari, 2019) (Re & Magnani, 2022) (Erlando et al., 2020)
Business Exposure / Market Access	Co-Development	Business owners access new markets or opportunities among microfinance networks/ecosystems.	(Dutta & Banerjee, 2018) (Re & Magnani, 2022) (Erlando et al., 2020)

Product Quality / Feature / Diversification	Co-Development	Business owner improves their product attributes, variety, or differentiation.	(Dutta & Banerjee, 2018) (Re & Magnani, 2022) (Erlando et al., 2020)
Individual Skill	Co-Elevation	Business owner enhances their technical, managerial or entrepreneurial knowledge/skill.	(Dutta & Banerjee, 2018) (Al-Shami et al., 2018) (Armstrong et al., 2018)
Financial Inclusions	Co-Definition	Defined preferences, access, usage or impact of formal financial services for business owner	(Akhmedova et al., 2020) (Novani et al., 2015) (Erlando et al., 2020)
Decision Making Power / Empowerment	Co-Elevation	Increase in autonomy or influence of business owner in their households or businesses.	(Akhmedova et al., 2020) (Novani et al., 2015) (Erlando et al., 2020)

The author set key themes that would contribute to the Business Performance as well as value co-creation. The themes are Personal Factors, Business Factors, Microloans Schemes, Stakeholder Interaction and Value Co-Creation. The author further set several hypotheses to explain the relationship and influence among the themes that become variables. Independent variables: Personal Factor, Business Factor, Microloan Scheme and Stakeholder Interaction, Mediating variables: Value Co-Creation and Dependent variables: Business Performance

Relationship among variables is set out as several hypotheses:

- Hypothesis-1: Personal factors positively affect Business Performance
- Hypothesis-2: Business factors positively affect Business Performance
- Hypothesis-3: Microloans scheme positively affect Value Co-Creation
- Hypothesis-4: Stakeholder engagement positively affects Value Co-Creation
- Hypothesis-5: Value Co-Creation positively affects Business Performance

The above factors are visualized as a conceptual framework diagram below (Figure 4).

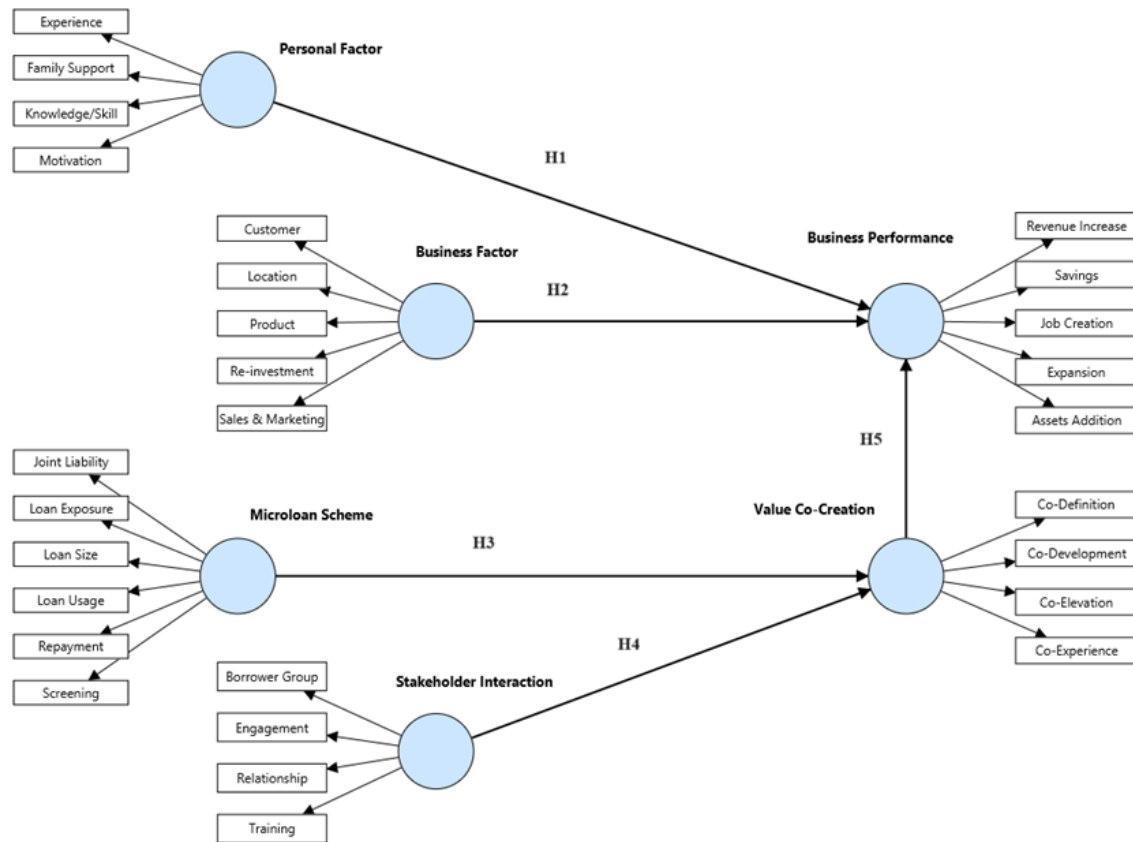


Fig. 4 Conceptual Framework Diagram

III. METHODS

This research adopted a mixed methods approach to integrate both quantitative and qualitative data collection and analysis techniques (Dahal & Fiala, 2020). This approach allows for a more comprehensive understanding of the research questions by capturing the breadth and depth of the phenomenon under investigation (Atmadja et al., 2016). In this research, qualitative data is used to explore (investigate and define) contributing factors and value co-creation, whilst quantitative data is used to capture and validate economic impact/ business performance.

Stage 1 – Qualitative. Semi-structured interviews are conducted with a purposively selected sample of participants to gain a deeper understanding of the experiences and perspectives related to the subject (Hermes & Hudon, 2018). The semi-structured interview is to allow flexibility while ensuring key themes are explored (Akhmedova et al., 2020). A total of 11 informants included in the interview consisted of the Bank Infaq manager, supervisor, operational team and borrowers.

Stage 2 – Quantitative: a questionnaire is utilized to gather data from respondents. A questionnaire allows the collection of large amounts of data efficiently, enabling statistical analysis and generalization of findings (Dutta & Banerjee, 2018a) (Gutiérrez-Nieto & Serrano-Cinca, 2019). The questionnaire is designed to measure key variables related to the research questions and will be validated for reliability and validity (Félix & Belo, 2019). In this stage, the stratified random sampling method is employed to ensure the sample reflects the diversity of the target population (Al-Shami et al., 2018). This helps ensure the generalizability of the findings to the wider population (Ketonen-Oksi & Valkokari, 2019). Stratification of target respondents is divided based on the loan amount, with a total of 120 respondents being surveyed, representing 10.22% of the total population

IV. RESULT

A) Stage-1 Qualitative Interview

The results of the semi-structured interview are coded and translated into thematic analysis (Figure 5).

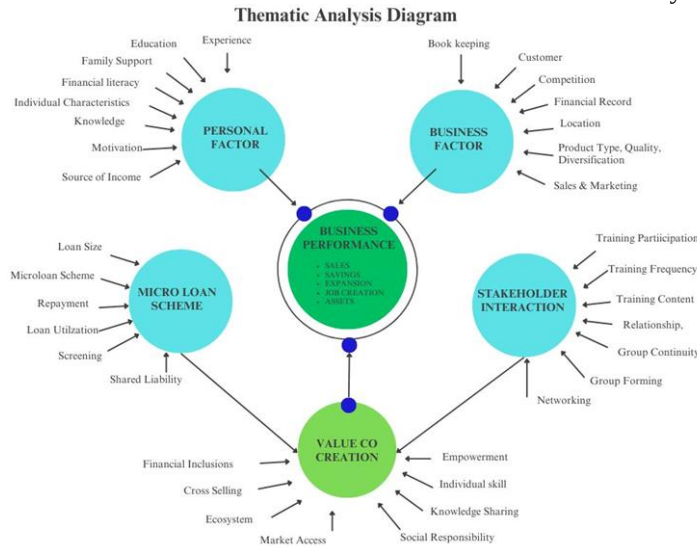


Fig. 5 Thematic Analysis Diagram

B) Stage-2 Quantitative Analysis

Demography and survey responses from the respondents related to Business Performance are tabulated below.

Table 4: Respondent Demography

Criteria	Frequency	%
Gender		
Male	1	1%
Female	116	99%
Age Group		
<25	1	1%
26 - 35	22	19%
36 - 45	45	38%
46 - 55	28	24%
>55	21	18%

Table 5: Respondent's Business Performance

Criteria	Frequency	%
Daily Revenue (IDR' 000)		
<100	12	10%
100 - 200	33	28%
201 - 300	26	22%
301 - 400	27	23%
401 - 500	13	11%
501 - 750	2	2%
>751	4	3%
Revenue Percentage Increase		

Education Level		
No formal education	10	9%
Primary School	26	22%
Secondary School	41	35%
High School	37	32%
College	3	3%
Other Source of Income vs Business Rev		
No other sources	31	26%
<30%	65	56%
30-50%	18	15%
50-100%	2	2%
>100%	0	0%
Business Experience		
<1 Year	3	3%
1 - 2 Year	24	21%
3 - 5 Year	41	35%
6 - 10 Year	34	29%
> 10 Year	15	13%
Loan Exposure (months)		
< 6 months	12	10%
6 - 12 months	10	9%
12 - 24 months	41	35%
> 24 months	54	46%
Loan Size (IDR)		
500.000 - 1.000.000	24	21%
1.500.000 - 2.000.000	66	56%
2.500.000 - 3.000.000	27	23%

Not Increase	77	3%
Up to 30%	28	66%
30 - 50%	9	24%
50 - 100%	0	8%
>100%	3	3%
Savings Ability vs Revenue		
No Savings	3	3%
Up to 10%	75	65%
10% - 25%	31	27%
25% - 50%	6	5%
>50%	1	1%
Additional Workforce		
No Additional	61	52%
Non-permanent	28	24%
Permanent: 1 - 2 People	26	22%
Permanent: 3 - 5 People	1	1%
Permanent > 5 People	1	1%
Business Expansion		
No Expansion	17	15%
Additional Volume	57	49%
Additional Type	35	30%
Expansion of premises	7	6%
Additional premises	1	1%
Additional Asset Purchased		
No Additional Assets	30	26%
Business tools	61	52%
Communication device	22	19%
Transportation device	4	3%

The evaluation of the outer model is seen from the outer loading/loading factor (LF) value; construct reliability is evaluated using Cronbach's Alpha and Composite Reliability (CR), and convergent validity is assessed by examining the Average Variance Extracted (AVE) for each construct.

- LF > 0.7 indicates strong relationships between indicators and constructs. Another opinion is that $LF \geq 0.60$ is acceptable (Chin, 2015). LF between 0.4 and 0.7 may still be acceptable, especially in exploratory research or complex models. This range suggests moderate relationships, which can be considered acceptable if the CR and AVE of the associated construct are higher than the threshold (Hair et al., 2019).
- Since this research emphasizes an exploratory study, the outer model threshold used $LF \geq 0.60$ (Chin, 2015). Any indicators with $LF < 0.6$ are considered invalid and hence removed from the model.
- Construct reliability is evaluated using Cronbach's Alpha and Composite Reliability (CR). Cronbach's alpha coefficient indicates how well the variables correlate with one another. Values above 0.7 indicate good internal consistency. Values between 0.4 and 0.7 indicating lower reliability, can be accepted in exploratory research or for newly developed scales (Hair et al., 2019).
- Convergent validity is assessed by examining the Average Variance Extracted (AVE) for each construct. $AVE > 0.5$ is desirable, indicating majority of the variance in the indicators is accounted for by the construct.

Table 6. Loading Factor, Construct Reliability and Convergent Validity

Variable	Code	Indicator	Outer Loading	Cronbach Alpha	Composite Reliability	AVE
Business Performance	BP.1	Revenue Increase	0,757	0,712	0,728	0,537
	BP.2	Savings	0,703			
	BP.4	Business Expansion	0,801			
	BP.5	Assets possession	0,661			
Personal Factor	PF.1.2	Education	0,685	0,616	0,729	0,557
	PF.1.3	Experience	0,644			
	PF.2	Motivation	0,888			
Business Factor	BF.3.1	Product Variation	0,835	0,732	0,783	0,651
	BF.4	Marketing	0,687			

	BF.5	Bookkeeping	0,886			
Microloan Scheme	MS.1.1	Loan Length	0,837	0,777	0,790	0,599
	MS.2.1	Loan Size	0,726			
	MS.3	Screening	0,735			
	MS.4.2	Group Support	0,792			
Stakeholder Interaction	SI.1.1	Relationship	0,780	0,898	0,907	0,618
	SI.1.2	Interaction	0,827			
	SI.2.1	Group Forming	0,794			
	SI.3.1	Training Participation	0,785			
	SI.3.2	Training content	0,733			
	SI.3.3	Training implementation	0,801			
	SI.4.1	Networking	0,784			
Value Co-Creation	VC.1.1	Individual Skill	0,760	0,806	0,816	0,562
	VC.1.2	Financial Literacy	0,742			
	VC.1.3	Financial Empowerment	0,687			
	VC.2	Financial Inclusions	0,825			
	VC.3.2	Social Responsibility	0,729			

According to (Sarstedt & Hair et al., 2022) recommend a Heterotrait-monotrait ratio (HTMT) that is considered more accurate in detecting discriminant validity. HTMT explains the ratio of Heterotrait (average correlation between different variable measurement items) to the geometric root of Monotrait (correlation between items measuring the same variable). The recommended HTMT value is <0.90.

Table 7. Loading Factor, Construct Reliability and Convergent Validity

	Business Factor	Business Performance	Microloan Scheme	Personal Factor	Stakeholder Interaction	Value Co-Creation
Business Factor						
Business Performance	0,714					
Microloan Scheme	0,745	0,500				
Personal Factor	0,597	0,610	0,614			
Stakeholder Interaction	0,771	0,329	0,764	0,386		
Value Co-Creation	0,748	0,577	0,838	0,606	0,833	

- Collinearity checks among variables by assessing the Variance Inflation Factor (VIF). VIF < 5 indicates no multicollinearity.
- Partial hypothesis test by examining path coefficients to assess strength and significance levels of the paths by performing bootstrapping in SmartPLS. The path is considered to have a significant effect if the t-statistic > 1.96 or p-value <0.05.
- Variables impact check at the structural level by assessing f-square. The f-square is to determine whether there will be a change in R² value when a specific exogenous variable is removed from the model. i.e. assessing whether the removed variable has a substantive impact on the endogenous variable. The f-square value is interpreted to have a low effect (0.02), moderate effect (0.15), and high effect (0.35) (Sarstedt & Hair et al., 2022).

Table 8. Inner VIF

Variable	VIF	Result
Personal Factor -> Business Performance	1,323	No Collinearity
Business Factor -> Business Performance	1,582	No Collinearity
Microloan Scheme -> Value Co-Creation	1,715	No Collinearity
Stakeholder Interaction -> Value Co-Creation	1,715	No Collinearity
Value Co-Creation -> Business Performance	1,658	No Collinearity

From the above, inner VIF values are < 5. These indicate the parameter estimates of the model can be accepted/not biased.

Table 9. Hypothesis Testing – Direct Effect

Paths	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T Statistics (O/STDEV)	P-Values
H1: Personal Factor -> Business Performance	0,244	0,255	0,068	3,598	0,000
H2: Business Factor -> Business Performance	0,392	0,402	0,120	3,275	0,001
H3: Microloan Scheme -> Value Co-Creation	0,357	0,359	0,079	4,552	0,000

H4: Stakeholder Interaction -> Value Co-Creation	0,512	0,514	0,079	6,466	0,000
H5: Value Co-Creation -> Business Performance	0,068	0,065	0,123	0,552	0,581

Hypothesis H1 to H4 are supported. Personal Factors and Business Factors have a significant positive effect on Business Performance with a T-statistic > 1.96 or a P-value < 0.05. As for hypothesis H5, even though Value Co-Creation has a positive effect on Business Performance (path coefficient > 0.068), the effect is not significant from the T-statistics of $0.552 < 1.96$ and P-value of $0.581 > 0.05$.

Table 10. f-square

Variable	f-Square	Category
Personal Factor -> Business Performance	0,068	Low to moderate effect
Business Factor -> Business Performance	0,148	Nearly moderate effect
Microloan Scheme -> Value Co-Creation	0,200	Moderate effect
Stakeholder Interaction -> Value Co-Creation	0,410	High effect
Value Co-Creation -> Business Performance	0,004	Low effect

The influence of Personal Factors and Business Factors on Business performance are low to moderate and nearly moderate effects, respectively. Microloans Scheme and Stakeholder Interaction, respectively, have moderate and high impact on Value Co-Creation. Value Co-Creation has a low effect on Business Performance. Hence it can be concluded that the Stakeholder Interaction variable has the Highest effect in this research model.

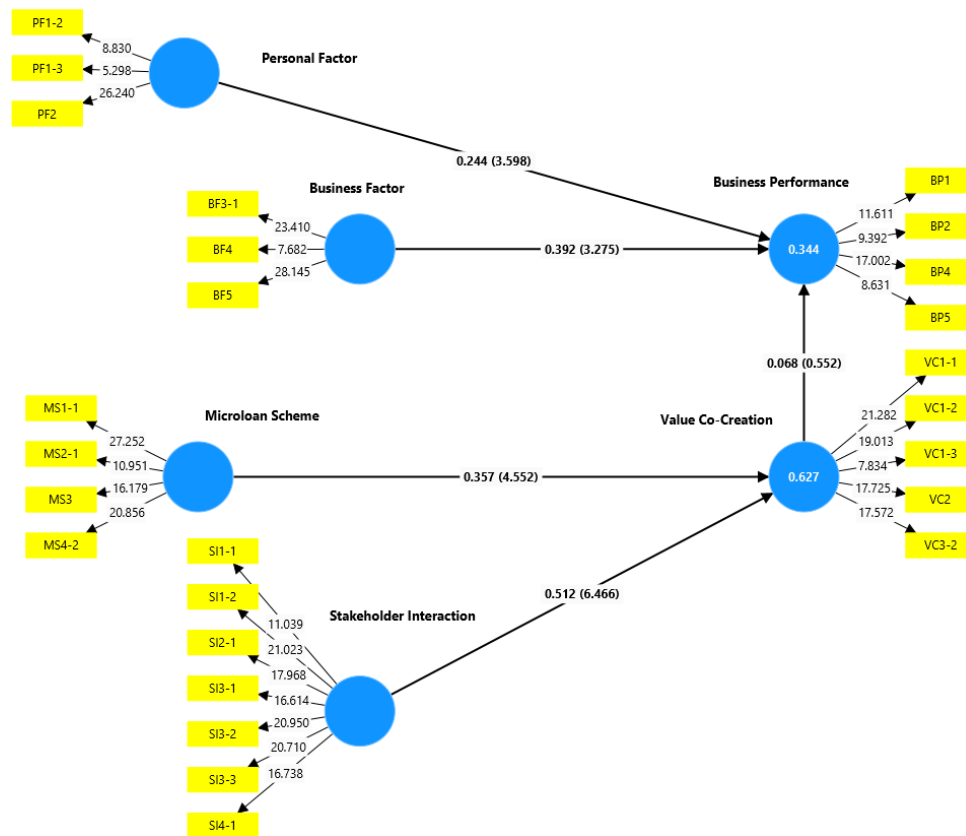


Fig. 6 Hypothesis testing

Relationships between variables and measurement items are valid and significant, as indicated by T-statistic values above 1.96. Variable Personal Factors and Business Factors have a significant impact on Business Performance, while Value Co-Creation does not have a significant impact. Meanwhile, the Microloan Scheme and Stakeholder Interaction both significantly influence Value Co-Creation.

PLS analysis aimed to test theoretical models emphasizing predictive studies. Several measures have been developed to confirm acceptance of the proposed model. These include R-square, Q-square prediction, PLS prediction (Shmueli et al. 2016), and goodness of fit index (Henseler et al., 2013).

- R-Square measures predictive accuracy, i.e. the extent of variation in endogenous variables that can be influenced by other exogenous/endogenous variables within a model. Interpretation of R Square is 0.19 (low), 0.33 (moderate), and 0.66 (high). (Chin 1998)
- Q-Square measures predictive relevance, i.e., how well each change in exogenous/endogenous variables can predict endogenous variables. This is done by performing the blindfolding technique. Interpretation of Q-Square is > 0 (low), 0.25 (moderate), 0.50 (high). (Hair 2021)
- The goodness of Fit Index (GoF Index) is the overall evaluation of the model, which assesses both the measurement and structural model. GoF index is calculated from geometric mean of communality and R-square, (Henseler and Sarstedt 2013). Communality is a squared form of outer loading. Interpretation of GoF index value is 0.1 (low), 0.25 (medium), and 0.36 (high) (Wetzels et al. 2009).
- PLS prediction is a model validation to demonstrate how well the proposed PLS model predicts (Shmueli et al. 2016). To show that PLS results have good predictive strength, the PLS algorithm needs to be compared with another model, such as linear regression. The PLS model is considered to have high predictive power if the RMSE (Root Mean Squared Error) or prediction error of the PLS model is lower compared to the linear regression model (Hair et al., 2019).

Table 11. R-Square and Q2 Predict

Variable	R-square	R-square Adjusted	Q ² predict
Business Performance	0,344	0,325	0,284
Value Co-Creation	0,627	0,620	0,603

The influence of personal factors, business factors, and value co-creation on business performance is 34.4% (considered moderate). The influence of microloan schemes and stakeholder interaction on value creation is 62.7% (considered high). Based on the above, the Q² prediction for business performance is 0.284 > 0.25 (moderate prediction), and for Value Co-Creation is 0.603 > 0.50 (high prediction). This result confirms PLS model of this research has moderate and high predictive accuracy (predictive relevance is accepted).

Table 12. Goodness of Fit Index

Average Communality	Average R-Square	GoF Index
0,589	0,485	0,534

The above table shows a GoF model value of 0.534 > 0.36 (categorized as high GoF). This means the empirical data is able to explain both the measurement model and structural model in this research model with a high level of fit.

Table 13. PLS Predict

Measured Item	Q2 Predict	PLS RMSE	LM RMSE
BP1	0,139	0,556	0,584
BP2	0,089	0,529	0,587
BP4	0,245	0,729	0,743
BP5	0,129	0,813	0,814
VC1-1	0,236	0,428	0,412
VC1-2	0,188	0,535	0,529
VC1-3	0,189	0,808	0,801
VC2	0,471	0,588	0,610
VC3-2	0,510	0,764	0,819

The above table shows the majority of endogenous variable indicators (6 out of 9 indicators), namely BP1, BP2, BP4, BP5, VC2, and VC3-2 in the PLS model, have lower RMSE values compared to the Liner Regression (LM) model. This indicates the proposed PLS model has medium predictive power. Hence, the PLS model demonstrates good predictive power.

V. CONCLUSION

Bank Infaq MRBJ has yielded a positive economic impact to the borrowers, captured from several pieces of evidence: revenue increased, savings ability, workforce addition, business expansion and assets addition. The quantitative data analysis revealed that Personal Factors and Business Factors significantly affect Business Performance. This underscores the importance of a holistic approach to microfinance to consider both individual characteristics and business knowledge/skills.

The research also shows that Value Co-Creation emerged by strong influenced from microloans scheme and stakeholder interaction. This can be interpreted that the overall design of microloan schemes (screening, loan size, repayment terms, joint liability) and quality of stakeholder interactions (relationship, group support, training programs) worked well. While Value Co-Creation is notably a positive outcome, its effect on business performance is not significantly seen. This suggests that Value

Co-Creation may have a longer-term benefit that is not captured in a short-term timeframe research, suggesting the need to perform longitudinal studies.

As a recap, The Bank Infaq MRBJ has played a crucial role in revitalizing and empowering its surrounding community. Therefore, there is a need to continue and accelerate its program and activities. This way, the objective to empower and grow MSME can be achieved eventually contributing to the goal of poverty alleviation in Indonesia.

VI. REFERENCES

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