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Assessing the Non-Financial Sustainability of Islamic Microfinance Institutions in Pakistan and Their Contribution Towards Sustainable Development Goals

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Abstract

Non-financial sustainability becomes a vital dimension in overall performance of microfinance Industry, especially in Islamic Microfinance Institutions (IMFIs). Social performance and its assessment are essential components as they are link to institutional goals with broader social outcomes such as poverty reduction, best utilization of resources, environmental effect of social finance and economic growth at micro level. Sustainability requires effective networking with government institutions, NGOs, and international donors to enhance resources and effective knowledge & practices. Main objective of microfinance is to alleviate poverty and maintain social equality without profit oriented approach, Therefore, IFMIs sustainability shall not delimited to financial but also associate with such variables that are essential for their core objectives. Essentials factors of non-financial sustainability include mission & vision sustainability, organizational development, Governance, program, impact assessment, Shari'ah *compliance, human resources, environmental, effective market, policy & legal, and external factors sustainability. The purpose of the SDGs by UN is to create a global roadmap for making the world more prosperous, fair, and environmentally safe by 2030. The main objective of microfinance institutions is to alleviate poverty and cause of social inclusion which are the major parts of agenda 2030 of SGDs of UN. Thus, the main objective of this study is to assess the sustainability of IMFIs in term of non-financial factors. To achieve this objective, the self-administrative questionnaire was developed and responses were collected from top management of all IMFIs, all over Pakistan. Framing effect was observed in few responses. Descriptive statistics and frequency analysis are used to explain the results. Literature found on the sustainability however; it is limited to financial sustainability only. Nevertheless, other multiple*

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factors that may affect directly or indirectly to sustainability with their well-defined indicators, found missing. The results depict that, IMFIs are sustainable in terms of mission & vision, Governance structure, human resources, environmental, external factors effecting sustainability and market. However, they are lacking in Impact assessment, Shari'ah compliance & audit, risk management and program sustainability. Some respondents have concerns regarding regulator and government support. This study will contribute in assisting practitioners by highlighting measures that effect sustainability, particularly emphasizing Shari'ah compliance in IMFIs.

Keywords: Sustainability, Shari'ah, Microfinance, Poverty, Impact Assessment, SDGs

Introduction

The word sustainability usually used in environmental anxieties and most of the literature relevant to environmental sciences. However, in this article we are discussing institutional sustainability along with environmental effect of micro credit. In microfinance, social justice, poverty alleviation and wealth distribution are the main pillars therefore, sustainability of microfinance cannot justifiable without their discussion. A sustainable microfinance program can be measured through different means and controls which are the main focus of this study. Generally, sustainability stated capability of any institutions to carry on its operations and activities indefinitely (Memon et al., 2022). Therefore, sustainability is the ability of the organization to retain its body, services and branding within its limited resources. In order to retain in the market, organization has to manage multiple avenues (Mearman & Plumridge, 2012). Furthermore, microfinance intuitions are the special institutions and their objective is to alleviate poverty, social inclusion and offer environment friendly finance to poor which directly link with UN's Sustainable Development Goals (SDGs). Here in this article, we also highlighted IMFI's contribution to attain SDGs.

Sustainable development is the progress that meet the needs of deprived upcoming. It means that there should be enough resources for forthcoming generation so that they can enjoy a quality of life, at least not less than current generation. Therefore, sustainable development is the usage of current resources by present generation without compromising the liability of future generation. Microfinance plays a vital role in promoting sustainable development by providing financial services such as micro credit, savings and insurance to low-income individuals who are lacking access to traditional banking system. Pakistan Microfinance industry is considered to be the well-developed market, having regulatory strategic framework (Butlin, 1987). In 2011, State Bank of Pakistan, issued strategic framework for sustainable microfinance in Pakistan. The framework discussed the different avenues of the microfinance industry which promote the sustainability of microfinance banks (State Bank of Pakistan, 2011). However, this strategic framework discussed conventional in details and missing some parameters required for Shari'ah compliance institutions. MFIs sustainability can be divided into financial and non-financial. However, here in this article, we are focusing on non-financial.

Sustainable Development Goals and Non-Financial Sustainability

Sustainable development goals (SDGs) were announced by United Nation (UN) in its agenda 2030, signed in Sep-2015. SDGs are considered to be new test within the corporate strategic process and said challenges have not been yet discussed and examined in details in the field of Shari'ah compliance microfinance (Gatto & Sadik-Zada, 2022). There are 17 SDGs goals set by UN, target over within a period of 15 years. If these 17 SDGs are interconnected then we find following three dimensions which relevant to sustainable development (Cosma, Ventruelli, Schwizer & Boscia, 2020).

a. Economic Growth
b. Social Inclusion
c. Environment Protection.

The accomplishment of SDGs only possible through a joint effort of multiple stakeholders with strong collaboration between private and public partners like local bodies, administrations, banks, companies, international institutions, academia, scientist and society in general (Dinis et al., 2022). Financial institutions are considered valuable to perform a leading role in virtue of their capacity to interact the administrations, organizations and families towards priority SDGs. This aspect is connected to defined activities of financial institutions like financial intermediation, credit, enforcement, monitoring and screening by considering ethics, social and environmental factors in investment and funding provisions (Khattak, 2020). The Contribution towards SDGs provided by the financial institutions can be measured and analyzed through multiple processes covering, governance, administration, strategic planning, human development, controls and finance etc. Therefore, financial institutions contribution not limited to financial sustainability but also non-financial sustainability which can also play an important role in attaining SDGs.

The agenda of 2030 is the plan of action for planet, people and prosperity. UN recognized that poverty alleviation in all dimensions and forms is the major challenge and essential obligation for sustainable development (www.sdgs.un.org). The main objective of microfinance institutions is to alleviate poverty and cause of social inclusion which are the major parts of agenda 2030. Therefore, a sustainable IFMI can contribute in to accomplish SDGs.

Research Question, Problem Statement and Objectives of Study

There are many IMFIs that extending Islamic financing activities in the sector but facing many problems like conventional source of funding, limited sources, sustainability, risks, relevant human resources, Islamic regulations, low growth in sector, organizational development, environmental policy, market policy, lack of knowledge and client trainings etc (Aslam & Usman, 2022; SBP, 2011; Younis et al., 2023). Islamic microfinance required a lot of focus and concentrations to grow in the sector. There are many studies which discussed the financial sustainability of microfinance and somehow Shari'ah compliant institutions but non-financial sustainability was not discussed in details. The indicators of non-financial sustainability are much important as their mission is important. Such indicator also helps IMFIs to accomplish SDGs along with their mission and vision of special assignment of aggravation poverty, social inclusion and provision of resources to deprive.

The research question of this study is to evaluate whether IMFIs' are sustainable in terms of various factors of sustainability defined by different scholars like organizational development, Liquidity, costing, credit risk, market strategy, policy environment, impact assessment and Shari'ah compliance? In addition, this research also highlights whether IMFIs contributing in accomplishing SDGs? The research questions were answered by evaluating the non-financial sustainability of IMFIs by obtaining opinion of top management of Intuitions who directly involve in decision making and governance.

The sustainability of Shari'ah compliant microfinance institutions needs a special attention due their vision, mission and contribution in SDG. The Financial sustainability is not only the problem of IMFIs but non-financial sustainability's parameters like organizational development, (Mission, human resources, Program), high operating cost, credit risk, market, policy environment, impact assessment and Shari'ah compliance sustainability are also the issue. The issue of sustainability is much critical that some IMFIs have to close down or shorten their Islamic operations.[1] Therefore, there is great need to discuss and evaluate the non-financial sustainability along with financial. Here in this article, we evaluate non-financial sustainability and highlighted institutional contribution for attaining SDGs which is also the core objective of IMFIs.

Review of Literature

World commission on environment and development (WCED) was introduced as more acceptable definition of sustainable development as, “Sustainable development is a development that meets the needs of the present without compromising the liability of future generation to meet their own needs” (Butlin, 1987). There are four aspects that define sustainable development; first is social capital second is physical and produced capital this is natural capital and last one is human capital (Asadi et al., 2008).

There are some physical barriers like roads, energy resources, lack of markets, communication, lack of technology, and other poor infrastructure may hurt the sustainable development process of the country (Bossel, 1996, Shecherbak et al, 2020). The improper use of funds, lack of knowledge, accounting problems, client behavior, lack of controls and other socio-economic behavior of client may also the problems of microfinance sector growth (Bennet, 1998). The lack of said factors ultimately damages the sustainability of the institutions. The important aspects of sustainability of Industry are environmental, social, economic and ethical (Azabagic & Perdan, 2000).

Sustainable microfinance is appealed to be a valuable instrument to attain the Sustainable Development Goals (SDGs) established to reduce poverty up to half in next 15 years (Daley-Harris, 2002). A number of writers claimed that microfinance tool does not resolve all the queries to eradicate poverty (Harper, 2003). There is essential to understand that poverty eradication is a multidimensional issue which may not be understand through the induction microfinance only, there involves numerous solutions (Robinson, 2001, Younis, Khalil & Bibi, 2023). Even then, microfinance can be considered as an important key to resolve the poverty issue (Fina, 2004). If microcredit is applied with its real spirit, then results will be different and improve the income level, economic prospects, open the new ways for better opportunity (Ahmad, 1991).

[1] www.wasil.org.pk, www.hhrd.org

Islamic microfinance captures only 0.5% of the total microfinance sector till 2011 and 9% till 2024 and prove to be most energetic market for Shari'ah compliant microfinance (Aslam, 2022; Kazim, 2012). Due to lack of growth, most of these MFIs are facing many problems like, funding, related field human resource, sustainability and client training and motivation. Along with said challenges, funds generation for Islamic microfinance institutions is a critical issue in the sector in Pakistan because there is lack of expansion of Islamic microfinance industry (El-Hawary, 2004). The important factors that affect institutional sustainability are discussed under. These factors also discussed by many researchers under sustainability. They also play an important role to attain SDGs goals, especially, poverty, social inclusion and environmental protection.

Factors Effecting Non- Financial Sustainability

Organizational Development

The internal environment of the organization represents the dimensions which affects the institutional sustainability (Gibson & Bernard, 2012). Sustainable growth and organizational development go hand by hand. Mission sustainability, Program sustainability and human resources are the key constraints which effects the organizational developments.

Mission Sustainability

Mission statement is a written declaration of an organization's core purposes that remains normally unchangeable overtime. The mission statement should be clear and very important in order to know the direction of the company moving forward (American Psychological Association, 2019). Sustainability of its mission is what will keep the organization in its chosen path in the long term. The orgnization should constantly evaluate the activities in which organization engaged in as per defined its mission statement. If there were any need to bring change in its mission, it will be well articulated and participatory process in the orgnization (Githinji & Wangechi, 2004).

Program Sustainability

When the clients of the organization perceive that the services they are receiving are important, sufficient, valuable and as per their desire then the program is considered to be sustainable. When sustainability of the program accrues then MFI can build a phasing out policy because the microfinance institution operations remain client supported and no outside subsidized assistance is sought (Brett, 2006).

Human Resources Sustainability

Human Resources sustainability accrues when the MFI is capable to employ, train and retain well skilled staff that are talented of providing services as requisite. Moreover, staff also talented to monitor and sustain the institution on the true track, observing all additional constraints of sustainability (Gibson & Bernard, 2012).

By considering the existence quality of governance, controlling teams, internal control system and technology used by microfinance institutions are not conductive on desired level of evolution. These are the dimensions with other than above mentioned which make the organization going concern (State Bank of Pakistan, 2011).

Market Sustainability

Market sustainability deals with the supply and demand of microfinance products. It deals with different issues relating to clients, their demands, needs and products designing that suits with their needs. Servicing these needs is in the friendliest environment and manner leads to the sustainability of demand and market. A sustainable provision of resources leads the institution self-sufficient and meets its cost from its operations through client satisfaction and earn viable rates of profit/ interest (Johnson et. al., 2006)

Policy Environment and legal Sustainability

Sustainability also required for a stable and friendly legal and policy environment which enabling in creation a large number of MFIs involved in providing microfinance services (Samuel & Onyuma, 2005). It would deal with issues relating legal form of organizations, interest rates, saving mobilization and sources mobilization from the capital market (Gibson & Bernard, 2012).

Impact Sustainability

Microfinance has developed as an impressive methodology for poverty reduction in financial sectors. Therefore, it is essential for MFIs that the services they are providing have constructive impression on poverty alleviation. The positive changes occur in the life of the poor, have long term sustained family to gradual emerge out of the state of poverty (Samuel & Onyuma, 2005).

External Factor Effecting on Sustainability

The prevailing law and order situation of Pakistan and challenging microeconomic environment also inhabit the sustainability and growth of microfinance sector (State Bank of Pakistan, 2011). It means for sustainable development of microcredit sector, law and order situation of the country should be stable.

Shari'ah Compliance Sustainability

For Islamic microfinance Shari'ah compliance is the pre–requisite. Non-Shari'ah compliance in any operations of IMFIs may cause of good will and market sustainability (Akhlaq & Asif, 2024). There should be Shari'ah advisor or Shari'ah board in order to lookafter the matter as per Shari'ah rulings (Kassim et. al., 2018). Shari'ah compliance department and Shari'ah audit unit increase the stregnth of Shari'ah compliance environment in the organization culture (Awan et. al., 2023).

Islamic microfinance symbolizes the divergence of two speedily growing industries: Islamic finance and microfinance. The foundation of Islamic finance derived from Shari'ah that is basically involvement of interest or usury (Riba) in monetary transactions and business activities which is prohibited in Shari'ah.

وَأَحَلَّ ٱللَّهُ ٱلۡبَيۡعَ وَحَرَّمَ ٱلرِّبَوٰاْۚ[1]

This verse principally says that Islam has permitted trading but prohibited Riba. This idea gives importance that money does not have intrinsic value; therefore, one has no right to charge anything extra for its usage as money is only a source of measure of value and does not carry any value to it (Meera, 2018).

Empirical Evidence of Non-Financial Sustainability

A study was conducted in Indonesia to examine the relationship between capital, funding, lending, assets, human resources, liability management and non-financial sustainability. The study objective was to investigate the relationship of independent variables with financial and non-financial sustainability of Bank Perkreditan Rakyat (BPR) in Indonesia as BPRs played an important role in the development of Indonesian economy. The data was collected from 92 BPRs from all over Indonesia. The results of the study were concluded that the relationship of funding, lending, human resources and asset liability management to non-financial sustainability was significant. However, the relationship between capital and non-financial sustainability was not significant (Erwin et. al., 2018).

[1] Al Quran, Surah Al Baqarah, Verse 275

Nyanzu et. al., (2019) conducted a study to scrutinize the effect of regulations on sustainability of microfinance institutions and outreach in Sub-Saharan Africa (SSA). Ten years unbalanced panel data was used from 30 different countries. Multilevel estimation technique was used to find the results. The researchers found that regulations helped to improve the sustainability of microfinance institutions and enhance the outreach. Moreover, researcher also found that the organization, accepting deposit, have better sustainability but need to serve the marginal poor. In addition to that, the regulator quality services possessed positive impact on sustainability and outreach.

A study was conducted by Saad et. al., (2018) in Malaysia to determine the sustainability level of microfinance institutions (MFI) by using multi-dimensional concepts. The main objective of this study was to conceptualize an index that helpful to determine the sustainability of microfinance organizations. Therefore, in the said paper existing literatures were reviewed that contained measuring sustainability of MFI. The researcher concluded that sustainability measurement of MFI was still an unresolved issue. They further concluded that sustainability of MFI, is a physical parameter, comprising of both outreach and financial sustainability. According to researchers, as MFIs have both mission of attaining sustainability and outreach simultaneously therefore, operational self-sufficiency, financial self-sufficiency, depth and outreach are the four indicator which are helpful to determine the overall sustainability of microfinance institutions.

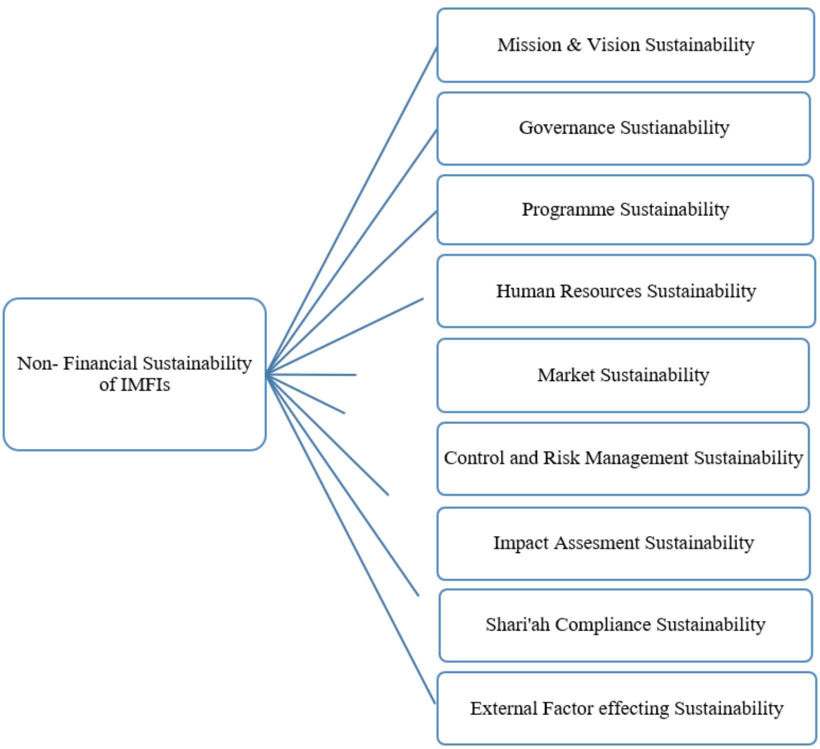
Pérez et. al., (2018) conducted a study and discussed the sustainability and sustainable development of microfinance institutions. The main objective of this study was to define a balanced MFI sustainability approach that considered governance, environmental and social dimensions along with financial. In this research, cluster process was used and established a relationship between the various indicators of sustainability, provided by mix market. Through this process researchers determined MFIs sustainable profiles. The study concluded that there was no balance between the different sustainability areas. Furthermore, study concluded that there is need to enhance integrative approach to foster sustainability management practices for the promotion of microfinance industry.

Data Description and Research Methodology

Sustainable microfinance is considered very important to achieve the Sustainable Development Goals (SDGs) to reduce poverty. Many researchers claimed that microfinance does not answer all the queries to eradicate poverty. It is necessary to understand that poverty eradication is a multidimensional issue which may not be resolved through the microfinance only. There is need to work on multiple dimensions. In the same lines, sustainability is not just a financial sustainability. There are few other factors which are necessary for sustainability of IMFIs. The factors which are important for non-financial sustainability include organizational development (Gibson & Bernard, 2012), mission & vision (Githinji & Wangechi, 2004), programme sustainability, human resources (Gibson & Bernard, 2012), market sustainability (Johnson et. al., 2006), policy environment and legal (Gibson & Bernard, 2012), impact assessment (Samuel & Onyuma, 2005), Shari'ah compliance and few external factors.

These are essential factors which effecting sustainability of IMFIs. These factors will be used to gain our study objectives. The institution that does not acquire the services of Shari'ah scholar, the sustainability of such organization compromises with respect to Shari'ah compliance. Variables representing non-financial sustainability are presented below:

Figure 1: *Conceptual Model*



Source: Author

Population and Sampling

There are seventeen MFIs, offering Islamic microfinance services in Pakistan. The population and sample of this study encompass the whole Islamic microfinance industry in Pakistan.

Keeping in view the objective of this study that is non-financial sustainability of IMFIs, we collected data from all institutions, offering Shari'ah compliant microfinancing. As a sample, we selected one person from top management from each entity and self-administered questionnaire distributed accordingly. The reason for selecting a sample from top management is that they are well aware of the organization's structure and have participated in policy formulation for IMFIs. All available sources were utilized to collect the data including direct interviews. Emails and social media used for discussions and share links. Descriptive statistics and frequency analysis are used for analysis. Owing to the objectives of the study, descriptive analysis is appropriate (Aslam, 2021 & Akmal, 2014). Questionnaire developed after thorough discussion with researchers, academia persons and practitioners. Questionnaire contains nine different dimensions for evaluating non-financial sustainability of IMFIs (Gibson & Bernard, 2012). Each dimension contains few relevant questions. Questionnaire developed keeping in view the regulatory requirements, instructions, guidelines, circulars, Shari'ah requirement for poverty alleviations in light of Maqaṣid al Shari'ah and industry perspective. The reliability of questionnaire is checked through Cronbach's Alpha.

Results and Discussion

Non-financial sustainability measures include organizations mission & vision, human resources, program effectiveness, market effectiveness, impact assessment and most important Shari'ah compliance. The study achieved a response rate of 82% from the total sample. The value of coefficient of Cronbach's Alpha is 0.8663 which is acceptable. The results of the interviews are provided in below tables:

Table 1: *Management Responses regarding Non-Financial Sustainability*

Sr No.	Variable of Sustainability		Questionnaire	TY*	TN**	TNR***
1	Mission sustainability	a.	Has your institution defined your mission and vision and well known to everyone working in your organization?	100%	0%	0%
		b.	Has your institution ever changed your vision and mission during your	14%	79%	7%

			operation if yes then mention the reason in other option?			
2	Programme Sustainability	a.	What you think that your programme remains client supported and no external subsidized support is sought?	50%	29%	21%
		b.	Has your institution made any survey from your client regarding your services are important, sufficient, valuable and as per their desire if yes what was the overall results in below other option?	64%	21%	14%
3	Human Resources Sustainability	a.	Has your institution developed staff training and development policy?	100%	0	0
		b.	What is your organization staff turnover ratio______________? (High/Low)	14%	0	86%
		c.	What types of facilities your organization offering to your staff other than salary? (yes/No)	72%	14%	14%
		d.	How much time required for staff promotion in next grade ___________ years? ≥3	21%	14%	57%
4	Governance	a.	Does your IMFI have a formal governance structure and hold required minimum criteria of BOD.	100%	0	0
		b.	Does your organization have required minimum independent (non-executive) members of BOD?	100%	0	0
		c.	Does your organization have female member in BOD?	84%	16%	0
		d.	What committees exist within the board? (Check all that apply) ☐ Audit Committee ☐ Risk Management ☐ Human Resources ☐ Governance ☐ Credit	65%	14%	21%
		e.	Does your CEO/President have duality position?	84%	0	16%
		f.	Does your institution have clearly defined roles and responsibilities for BOD and Management?	65%	14%	21%

5	Sharī'ah Compliance Sustainability	a.	Have you acquired the services of a qualified Mufti/Sharī'ah advisor to see organizational matters as per Sharī'ah rulings?	93 %	7%	0
		b.	Is Sharī'ah governance framework of SBP or other such regulatory frameworks issued by SECP fully complied by your organization?	65 %	14 %	21%
		c.	Do you enter Islamic financing training module or trainer planner in your training policy?	79 %	21 %	0
		d.	Do you have a separate Sharī'ah compliance department and Sharī'ah audit unit in order to review the Sharī'ah matters?	50 %	50 %	0
		e.	While hiring, does your organization prefer that candidate, having prior study of Islamic finance or experience?	64 %	36 %	0
6	Market Sustainability	a.	Does your organization have established a separate department for market research and product development?	43 %	57 %	0
		b.	Has your organization built any market and product development policy document?	64 %	36 %	0
		c.	Write down the name of your product which have maximum portfolio _______________ and which product has least portfolio__________________? ≥2	35 %	65 %	0
		d.	What is average TAT (Turn Around Time) of your organization_____________? ≥ 3	65 %	0	35%
		e.	What is your client retention rate _______________ %? ≥50%	35 %	0	65%
		a.	Has your institution a separate (Other than credit, operations, finance, audit etc.) risk department headed by a competent authority?	71 %	29 %	0

7	Control and Risk Management Sustainability	b.	Has your institution built up organizational system for risk management and established standard risk assessment system?	79 %	21 %	0
		c.	Has your institution established controlling mechanism for emergent risk?	86 %	14 %	0
		d.	Has your institution built any mechanism to control the overall in-debtness among the microcredit entrepreneurs? (Using ECIB or any other such like document which shows the client debt burden and repayment behaviour)	86 %	14 %	0
		e.	Has your institution introduced proper screening criteria for client selection and its verification from other department/ third party before disbursement?	93 %	0	7&
8	Impact Assessment Sustainability	a.	Has your organization developed any systematic mechanism to assess the impact of Islamic microfinance for poverty alleviation?	43 %	57 %	0
		b.	Has your organization made any survey of clients in order to evaluate the impact of your financing? If yes what was the overall results___________________________ ___ in below other option? Write your answer in 'other' option # 4	75 %	14 %	35%
		c.	Have you organization published overall impact assessment (Not individual) report annually in your annual report?	57 %	43 %	0
		d.	Do you think proper utilization of microfinance facility for productive (Business) purpose have maximum chances of positive impact in client's life?	100 %	0	0
9	External Factors of	a.	Do you think Government and regulatory has keen interest in development of Islamic microfinance industry?	57 %	36 %	7%

Sustainability	b.	Do you think government has proper legislation for protection of microfinance institutions?	57 %	43 %	0
	c.	Do you think law and order situation in the country is stable and have positive impact on microfinance sustainability?	64 %	36 %	0
	d.	Do you think in case of wilful default from client-side law enforcement agencies (Police and courts) will be stands with the organizations?	29 %	79 %	0

Source: Author

Whereas:

TY* = "Total Yes", TN** = "Total No" and TNR***= Total Don't Response

Table 2: *Management Responses Human regarding Resource Sustainability*

Hiring Criteria of Islamic Microfinance Institutions								
IMFIs	**Sales/ credit staff (relationship officers, verification officers, risk officers, branch managers etc)**		**Operational officers (performing office jobs only)**		**Middle Managers (including area manager, regional managers)**		**Top managements (Heads)**	
	Edu	**Experience (At Least)**	**Edu**	**Experience (At least)**	**Edu**	**Experience (At least)**	**Edu**	**Experience (At Least)**
A	1	0	1	>0	3	3 y	3	5 y
B	1	2 y	2	2 y	3	5 y	3	> 5 y
C	1	0	1	1 y	1	5 y	3	> 5 y
D	1	>0	1	2 y	3	> 5 y	3	> 5 y
E	1	0	1	2 y	3	5 y	3	> 5 y
F	1	0	1	2 y	1	5 y	3	> 5 y
G	1	2 y	2	2 y	1	5 y	3	> 5 y

H	1	0	2	2 y	3	5 y	3	> 5 y
I	1	0	2	>0	3	3 y	3	> 5 y
J	1	0	1	2 y	3	5 y	3	> 5 y
K	1	0	1	2 y	3	5 y	3	> 5 y
L	1	0	1	2 y	3	2 y	3	5 y
M	1	2 y	1	2 y	3	5 y	3	> 5 y
N	1	0	1	0	1	>5 y	3	> 5 y

Source: Author

Whereas:

*Graduation = 1, ** Graduation or Professional = 2, *** Master = 3

Descriptive statistics are given in the above tables. First section explains responses about mission and program sustainability of the institutions. All of the respondents are of the point of view that they have well defined mission and vision and are well familiar with it. Additionally, seventy-nine percent of the respondents believe that institution has never change mission and vision. While 14% replied that organization changed the mission and vision. Whereas, 7% of the respondent remained indifferent.

Second part of the table#1 explains the program sustainability of the institutions. Fifty percent of the participants are of the opinion that their institution's program is client supportive and there is no external support to run the program. However, 29% of have opposite answer and 21% remain indifferent. Based on responses, 64% institutions have conducted surveys to check the service quality. 14% did not answer the query while remaining replied otherwise.

Third dimension of the table #1 is related to human resource sustainability. Based on the responses, all of the institutions have well developed staff training & development policy. However, majority of the participant did not reply on the question of employees' turnover. The reason might be to avoid reputational risk in case of the disclosure of information regarding employee turnover. Only 14% respondents replied that turnover ratio is very high. On next question regarding facilities other than salary, 72% of the participants replied additional facilities are offered other than salary. Majority of the participants remain silent regarding the time period for promotion of staff. Nonetheless 21% replied that it takes three or more years for promotion.

Next dimension is Governance sustainability, all IMFIs have quite well governance mechanism as required by the regulator. It has been noticed that majority of the organizations i.e. 84% have female in BOD. Duality role of President/CEO is dominant in IMFIs that is around 84%. However, there is need to focus towards establishing BOD different committees as per best practices defined in the market. Furthermore, there is need to define role and responsibilities of BOD as 21% did not respond the query and 14% replied in form of "No".

Next dimension of the table no 1 describes Shari'ah compliance sustainability of the institutions. All of the institutions have acquired the services of qualified scholar to take Shari'ah rulings on business. Out of total 65% participants replied that their institutions are fully complied regarding regulatory requirements. However, 14% replied that they are not fully complied. Majority of the organizations focuses on the Islamic microfinance training which is supported by the 78% of the respondents Remaining have no such policy. Based on the answer, only 50% institutions have a separate Shari'ah compliance and audit departments. While others have no proper setup. Majority of the participants replied that their institutions prefer those candidates who possess Islamic finance experience and knowledge while 35% have opposite answer.

Fifth part of the table explains the responses regarding market sustainability of the organization. 43% respondents replied that they have separate market research and development department. Further, 64% institutions have built market and product policy documents. 57% institutions have only one type of financing mode for Islamic financing. However, 28% replied that they have two or more than two modes. 64% participants replied that average turnaround time is three or more than three days. Client retention rate is more than fifty percent in 21% of the institutions. Whereas, 63% participants have no opinion on this perspective.

Control and risk management sustainability is the next variable of discussion. Seventy-one percent of the institutions have a separate risk department headed by competent authority whereas, 29% have no separate department. 79% institutions have established standard risk assessment system while 21% have no such system. 86% institutions established controlling mechanism for emergent risk and a mechanism to control the overall in-debtness among the micro credit entrepreneurs. Moreover, 93% institutions set up proper screening criteria for client selection and its verification from other department/third party before disbursement.

Responses regarding impact assessment sustainability is also presented in above table. Almost 43% of the institutions developed a systematic mechanism to assess the impact of microfinance for poverty alleviation. While other have no such mechanism. Additionally, 43% institutions conducted survey of customers to evaluate the impact of financing while 35% respondents did not respond the query. Likewise, 58% institutions published overall impact assessment report in their annual report. Remaining did not publish any data pertain to impact assessment. Majority of the respondents are of the opinion that microfinance has a positive impact to uplift the living standard of customers if properly utilized.

Last part of the table describes the external factors of sustainability; 57% participants believe that government and regulator have taken keen interest in development of Islamic microfinance industry. While remaining have different opinion. Moreover, 57% participants replied that government is protecting microfinance through proper legislation. However, 42% is of the opinion that government have no proper policy to protect it. Sixty-four percent of the participants replied that law and order situation in the country is stable and have positive impact on microfinance sustainability. However, 35% think otherwise. Nevertheless, 71% participants are on the opinion that law enforcement agencies do not stand with the institution in case of wilful default by customer. However, 29% participants have opinion otherwise.

Table#2 explains that minimum education required for sales/credit staff (relationship officers, verification officers, risk officers, branch managers etc.) and operation staff is graduation. Furthermore, education for middle management (including area manager, regional managers) and for top management is master. No minimum experience required for sale staff and however, two years for operation staff. Furthermore, most of the respondent replied that minimum experienced required for middle and higher management starting from three to five years and more than five years respectively.

The above-mentioned factors are considered non-financial factors for the sustainability of IMFIs. Based on respondents' opinions, most entities are following these criteria for sustainability. Almost all IMFIs are performing well in the above-mentioned aspects, which include a clear vision and mission, human resources, risk management, impact assessment, etc.

Conclusion and Policy Implication

Based on the results, all IMFIs have well defined mission and vision and finely communicated to everyone in the organisation. Some IMFIs lacking in service quality and not focusing to obtain the opinion of customer regarding service quality.

On the other side, IMFIs have well defined hiring criteria, providing trainings to staff along with benefits other than salary. Majority of the institution are acquiring the services of Shari'ah advisors. Shari'ah compliance & audit department are combined in fifty percent of the institution. Some of the organization lacking in measuring market sustainability with limited product exposure. Most of the institutions introduced risk control mechanism however, around 30 Percent organization have not established a separate risk management department. Forty percent IMFIs developed a systematic impact assessment mechanism. Some respondents have a concern regarding regulator and government support. Most of respondents are of the opinion that law enforcement agencies should be supportive in order to protect the microfinance institutions. However, in some responses, we observe framing effect. Therefore, we may conclude that IMFIs are sustainable in terms of mission & vision, Governance structure, human resources. There is a need of effective focus on environmental control, external factors effecting sustainability and market with minor deficiencies. Furthermore, they are lacking in Impact assessment, Shari'ah compliance & audit, risk management and program sustainability. Additionally, we may also conclude that microfinance institutions are working in line with the agenda 2030 of SGDs of UN. A sustainable IMFI can contribute effectively to attain SDGs especially, poverty alleviation, economic growth, social inclusion and environmental protection. Therefore, IMFIs need to concentrate on all such areas in which are lacking. Areas of sustainability also discussed in details and respondents' opinions also provide an opportunity for practitioners to take timely corrective measures. Moreover, practitioners need to place greater emphasis on key non-financial aspects of sustainability, particularly Shari'ah compliance in IMFIs. This study contributes in existing body of knowledge and provides new insights for scholars for future research. IMFIs need to focus on market, service quality, risk management measures, human resource development, impact assessment measures and reporting for non-financial sustainability which is indeed a very important aspect.

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