E-ISSN: 3123-2507
DOI: https://doi.org/10.64803/cessmuds.v1.151

Islamic Balanced Scorecard Model for Measuring Sustainability Performance of Islamic Microfinance Institutions

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Abstract

The sustainability of Islamic Microfinance Institutions (IMFI) in Indonesia currently faces complex challenges, characterized by high Operating Expense to Operating Income ratios (BOPO) and non-performing financing (NPF) risks. Conventional performance evaluations based on the standard Balanced Scorecard (BSC) tend to exhibit a capitalistic bias, as they overemphasize profit maximization while neglecting the social and religious missions of the organization. This study aims to reconstruct, validate, and test the Islamic Balanced Scorecard (I-BSC) model as a holistic instrument to measure the sustainability performance of IMFI in Indonesia. Using an exploratory sequential mixed-methods design, this research positions the quantitative approach as the mainstream method. Primary data were collected through a 1–5 Likert scale questionnaire distributed to IMFI managers and analyzed using Variance-Based Structural Equation Modeling (SEM-PLS) via SmartPLS software. The finalized model integrates five distinct perspectives: Learning & Growth, Internal Business Processes, Customer & Partnership, Financial Sustainability, and Maqashid Shariah & Social Justice as the ultimate goal. The evaluation results of the outer model demonstrated superior metrics, with Composite Reliability (CR) values above 0.90 and an Average Variance Extracted (AVE) exceeding 0.50. Structural testing of the inner model proved that all causal relationship pathways were positive and significant, where financial performance exerted a dominant influence on the realization of Maqashid Shariah (β = 0.634$; t = 8.952). These findings refute the myth of a trade-off between commercial and social missions, proving instead that both align to form a virtuous cycle. Practically, the implications of this study provide a strategic evaluation instrument for managers and regulators to maintain institutional sustainability without compromising Islamic values.

Keywords: *Islamic Microfinance Institutions (IMFI), Islamic Balanced Scorecard, Maqashid Shariah, Sustainability, SEM-PLS.*

I. INTRODUCTION

The development of Islamic Microfinance Institutions (IMFI) in Indonesia—manifested in the forms of *Baitul Maal wat Tamwil* (BMT), Islamic Savings and Loan and Financing Cooperatives (KSPPS), and Islamic Rural Banks (BPRS)—has recorded highly significant dynamics within the national financial system landscape. As the world's largest Muslim-population nation, Indonesia positions IMFI in a deeply strategic role. They serve not merely as alternative financial service providers, but as central pillars in driving grassroots-based financial inclusion and economic empowerment for the *ummah* (community).The primary characteristic of IMFI, which operate at the grassroots level, enables these institutions to reach micro, small, and medium enterprises (MSMEs) that have traditionally been categorized as unbankable by conventional commercial banking institutions. Through flexible and equitable financing schemes—such as *mudharabah*, *musyarakah*, and *murabahah*, alongside social instruments like *qardhul hasan*—IMFI have successfully functioned as a crucial liquidity bridge for economic circulation within the informal sector. The strengthening of this role directly aligns with the national agenda to narrow economic disparity and structurally alleviate poverty through a humanistic and religious economic approach (Hasan & Lewis, 2020).

However, despite these profound sociological contributions, IMFI in Indonesia currently stand at a crucial crossroads due to increasingly complex sustainability challenges across both operational and financial dimensions (Rahman & SM, 2019). Empirically, data from financial authorities and various Islamic microfinance associations reveal sharp fluctuations in institutional operational efficiency and profitability. A primary indicator reflecting this vulnerability is the Operating Expense to Operating Income ratio (BOPO) of IMFI, which consistently remains high—frequently exceeding the efficiency

thresholds of general banking. industries by hovering between 85% and 92%. This high BOPO ratio stems from the inherent characteristics of microfinance itself, which demands substantial costs for handling, monitoring, and mentoring clients per transaction unit compared to large-scale financing (Budiman & Huda, 2024). These high operational transaction costs are further exacerbated by the heavy reliance of IMFI on expensive or volatile external third-party funds. The situation is compounded by elevated Non-Performing Financing (NPF) levels, which in several regions frequently breach the 5% safety threshold. High NPF not only erodes net profitability through large allowances for earning asset losses but also threatens the daily liquidity required to maintain depositor confidence. Furthermore, lingering macroeconomic uncertainties, combined with slow digital technology adoption among grassroots IMFI managers, create a dual pressure that threatens the long-term existence of these institutions. Consequently, many IMFI are trapped in an operational dilemma; they are forced to prioritize short-term financial survival by adopting aggressive commercial behaviors, which in turn often diminishes or sacrifices the social-religious mission that constitutes their foundational identity.

This phenomenon of unbalanced orientation triggers intense theoretical and practical debates regarding how performance management in Islamic institutions should be measured and evaluated. In traditional strategic management literature, the majority of prior studies and field-applied evaluation instruments remain heavily anchored in conventional paradigms that focus exclusively on financial metrics. The sole reliance on pure financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and liquidity ratios has proven entirely inadequate in capturing the value orientation, ethical compliance, and non-financial impacts of an organization founded on divine principles. When the standard Balanced Scorecard (BSC) framework developed by Kaplan and Norton was introduced to bridge these gaps by integrating customer, internal business process, and learning and growth perspectives, it was initially perceived as a universal solution. However, when applied verbatim to Islamic financial institutions like IMFI, the conventional BSC model immediately faces fundamental limitations (Asrori & Triyuwono, 2021). The standard BSC model is built upon a capitalistic philosophical foundation which assumes that all non-financial activities ultimately converge toward a single end goal: shareholder wealth maximization. This underlying assumption stands in diametral opposition to the core nature of IMFI, which are established based on a commitment to a broader range of stakeholders (stakeholder theory) and the fulfillment of a religious mandate. IMFI inherently carry a dual-mission architecture. On one hand, they must maintain commercial performance (*tijarah*) to remain financially self-sufficient; on the other hand, they are obligated to execute social-religious functions (*tabarru'*) as distribution agents of economic justice through the management of *zakat*, *infaq*, *alms*, and *waqf* (ZISWAF). The state-of-the-art of previous studies reveals sporadic attempts by scholars to modify the BSC for public sectors, non-profit organizations, and Islamic financial institutions—for instance, by adding a standalone social or Shariah governance perspective (Zubair & Khan, 2021).

To overcome these conceptual limitations and bridge the existing research gap, this study proposes a robust theoretical reconstruction by integrating three primary foundational theories as the basis for modifying the performance measurement instrument. The first and most fundamental theoretical anchor is Maqashid Shariah theory, which serves as the ultimate philosophical compass to ensure that all financial operations not only adhere to formal legal requirements (*Shariah compliance*) but are actively oriented toward achieving the intrinsic objectives of Islamic law: namely, the preservation of human welfare (*jalb al-masalih*) and the prevention of harm (*dar' al-mafasid*) (Al-Ghazali & Ridhwan, 2023). In the context of microfinance, the five traditional pillars of Maqashid Shariah formulated by Imam Al-Ghazali—the preservation of faith (*din*), life (*nafs*), intellect (*'aql*), lineage (*nasl*), and wealth (*mal*)—are operationally translated into institutional performance indicators.

For instance, the preservation of wealth and life is manifested through the provision of financing free from elements of usury (*riba*), ambiguity (*gharar*), and gambling/speculation (*maysir*), alongside protecting small-scale clients from exploitative debt traps. The second theory underpinning this research is the Resource-Based View (RBV) from strategic management, which posits that an organization's sustainable competitive advantage stems from its control over internal assets that are valuable, rare, inimitable, and organized (VRIO). Within the IMFI framework, RBV is utilized to analyze and capitalize on unique internal resources not possessed by conventional financial institutions. These unique resources include Shariah spirituality and institutional reputation (*Shariah governance*), social capital in the form of deep-rooted trust from the local Muslim community, the core competencies of managers and *amil* (zakat administrators) possessing high moral integrity, and dynamic capabilities such as the

adoption of digital technology for accounting and service efficiency (Fikri & Shinkafi, 2022). The third integrated theory is the contemporary paradigm of Sustainability Performance, which views institutional sustainability not as a standalone phenomenon, but as the interaction of three primary dimensions: economic, social, and environmental (the Triple Bottom Line). In the context of IMFI, the economic dimension translates into the institution's capacity to generate healthy financial surpluses to guarantee operational self-sufficiency. The social dimension is realized through the effectiveness of poverty alleviation initiatives and the economic empowerment of vulnerable communities. Meanwhile, the environmental dimension—which is frequently overlooked in the microfinance industry—is defined as the institution's commitment to supporting eco-friendly financing (*green microfinance*) and minimizing the ecological footprint of its mentored clients' business activities (Prasetyo & Wibowo, 2022). Through a harmonious synthesis of Maqashid Shariah, the Resource-Based View, and Sustainability Performance, this study establishes a compelling theoretical argument that the genuine sustainability of an Islamic microfinance institution can only be achieved when spiritual performance, internal capabilities, and socio-ecological impacts are positioned within a unified, mutually reinforcing systemic framework.

Berpijak pada analisis mendalam mengenai *gap* fenomena di lapangan serta *gap* teoritis dalam literatur ilmiah tersebut, penelitian ini secara tegas diarahkan untuk mencapai tujuan utama, yaitu membangun, memvalidasi, dan menguji sebuah kerangka kerja konseptual baru yang disebut sebagai Islamic Balanced Scorecard (I-BSC) model. Instrumen ini dirancang secara khusus untuk mengukur kinerja keberlanjutan pada Lembaga Keuangan Mikro Syariah di Indonesia secara holistik dan terintegrasi. Kebaruan (*novelty*) yang ditawarkan dalam artikel ini terletak pada dekonstruksi dan rekayasa ulang total terhadap arsitektur hierarkis *Balanced Scorecard* konvensional. Jika dalam model tradisional perspektif finansial diletakkan pada puncak hierarki sebagai tujuan akhir, maka dalam model I-BSC yang dikembangkan dalam studi ini, Perspektif Keislaman dan Keadilan Sosial ditempatkan sebagai *ultimate goal* sekaligus payung filosofis yang menaungi dan menembus seluruh perspektif lainnya. Di bawah payung spiritual ini, perspektif finansial diredefinisi bukan sebagai alat pemaksimalan profit demi kepentingan segelintir pemilik modal, melainkan sebagai instrumen untuk mencapai keadilan distributif dan ketahanan ekonomi lembaga. Perspektif pelanggan ditransformasikan menjadi perspektif pemangku kepentingan yang menekankan pada kemitraan setara dan perlindungan hak-hak nasabah kecil. Perspektif proses bisnis internal diperluas untuk mencakup kepatuhan syariah yang ketat, audit spiritual, dan efisiensi berbasis digitalisasi operasional. Sementara itu, perspektif pembelajaran dan pertumbuhan diorientasikan pada peningkatan kapasitas intelektual, moral, dan spiritual sumber daya manusia pengelola IMFI. Melalui pendekatan inovatif ini, model I-BSC yang diajukan tidak lagi memandang misi komersial dan misi sosial IMFI sebagai dua kutub yang saling bertentangan (*trade-off*), melainkan sebagai elemen yang saling melengkapi dalam hubungan kausalitas yang positif. Perbedaan mendasar ini membedakan secara tegas artikel ini dengan model-model pengukuran kinerja generik lainnya yang ada di literatur saat ini. Dengan demikian, kontribusi teoretis penelitian ini diharapkan mampu memperkaya khazanah keilmuan akuntansi manajemen syariah, sedangkan secara praktis, model I-BSC ini dapat diaplikasikan sebagai instrumen evaluasi strategis bagi para pengelola IMFI, asosiasi industri, maupun otoritas regulasi di Indonesia dalam merumuskan kebijakan operasional yang transformatif, guna menjamin keberlanjutan institusi tanpa sedikit pun mereduksi komitmen terhadap nilai-nilai luhur dan kesucian syariah.

Grounded in a deep analysis of both empirical and theoretical gaps within current scientific literature, this study is precisely directed toward a core objective: to construct, validate, and test a novel conceptual framework known as the Islamic Balanced Scorecard (I-BSC) model. This instrument is designed specifically to measure the sustainability performance of Islamic Microfinance Institutions (IMFI) in Indonesia in a holistic and integrated manner. The primary novelty offered in this article lies in the total deconstruction and re-engineering of the hierarchical architecture found in the conventional Balanced Scorecard. While the traditional model places the financial perspective at the apex of the hierarchy as the ultimate objective, the proposed I-BSC model establishes the Islamic and Social Justice Perspective as both the *ultimate goal* and the overarching philosophical umbrella that spans and permeates all other dimensions. Under this spiritual canopy, the financial perspective is redefined—shifting away from a mechanism of profit maximization for a handful of capital owners toward an instrument for achieving distributive justice and institutional economic resilience. Furthermore, the customer perspective is transformed into a broader stakeholder perspective that emphasizes equitable partnerships and the protection of vulnerable clients' rights. The internal business process perspective is expanded to encompass strict

E-ISSN: 3123-2507
DOI: https://doi.org/10.64803/cessmuds.v1.151

Shariah compliance, spiritual audits, and operational efficiency driven by digitalization. Meanwhile, the learning and growth perspective is oriented toward elevating the intellectual, moral, and spiritual capacities of human resources managing the IMFI. Through this innovative approach, the proposed I-BSC model no longer views the commercial and social missions of IMFI as two conflicting poles (*trade-offs*), but rather as complementary elements bound within a positive causal relationship. This fundamental shift clearly distinguishes this article from generic performance measurement models currently available in the literature. Consequently, the theoretical contribution of this research is expected to enrich the body of knowledge in Islamic management accounting. Practically, the I-BSC model can be deployed as a strategic evaluation tool for IMFI managers, industry associations, and regulatory authorities in Indonesia to formulate transformative operational policies that guarantee institutional sustainability without compromising a commitment to core Islamic values.

II. RESEARCH METHODOLOGY

A. Research Design and Framework

This study employs a **sequential exploratory mixed-methods design**, with a primary emphasis placed on the quantitative approach to validate the newly developed framework (Zubair & Khan, 2021). The mixed-methods approach was selected because this study aims to reconstruct and modify the conventional Balanced Scorecard (BSC) into an Islamic Balanced Scorecard (I-BSC) specifically tailored to the unique characteristics of Islamic Microfinance Institutions (IMFI) in Indonesia. In the initial qualitative phase, an in-depth literature review and semi-structured interviews were conducted with Islamic economics experts, regulators, and IMFI practitioners to formulate specific indicators for each perspective. The subsequent quantitative phase serves as the primary driver (*mainstream approach*) of the research, wherein primary data were gathered through the distribution of a 1–5 Likert scale questionnaire to managers, Shariah Supervisory Board (DPS) members, and senior staff of IMFI in Indonesia.

The structuring framework of the I-BSC performance model in this study divides sustainability evaluation into 5 (five) perspectives that interact causally and hierarchically:

1 Maqashid Shariah and Social Justice Perspective (The Core Axis): Evaluates Shariah compliance, the efficiency of ZISWAF management and distribution, and the impact of poverty alleviation on the surrounding community.
2 Financial Sustainability Perspective**:** Assesses profitability, cost efficiency (the BOPO ratio), asset growth, and the level of financing risk management (the NPF ratio).
3 Customer and Partnership Perspective: Measures customer satisfaction levels, micro-client retention, the transparency of contract agreements (*akad*), and the trust of the local community.
4 Internal Business Process Perspective: Evaluates the effectiveness of Shariah governance, the digitalization of financial and accounting reporting systems, and the speed of financing delivery (Nugroho & Badawi, 2025).
5 Learning and Growth Perspective: Assesses human resource competencies (specifically the understanding of *fiqh muamalah* / Islamic commercial law), employee retention rates, equitable compensation, and the internalization of an Islamic work culture.

B. Framework Visualization: The I-BSC Causal Path Architecture

To illustrate the causal relationships and structural hierarchy among the perspectives within the I-BSC model, the following block diagram delineates the operational architecture for measuring IMFI sustainability performance:

Figure 1. Hypothesized bottom-up linear causal pathway of the model

The diagram above illustrates the hypothesized bottom-up linear causal pathway of the model. The fundamental underlying assumption is that highly competent human resources with solid Islamic integrity (Learning & Growth) will establish Shariah-compliant and efficient operational mechanisms (Internal Business Processes). Consequently, these optimized internal processes will enhance the trust and

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satisfaction of microfinance clients (Customer & Partnership). As client loyalty strengthens, the institution's financial performance transforms into a healthy, self-sustaining state (Financial Sustainability). Ultimately, this financial viability provides the IMFI with the full capacity required to realize the highest public interest (Maqashid Shariah & Social Justice).

C. Data Analysis Technique

Here is the professional, academic English rewrite of your data analysis section, meticulously formatted for high-tier international journals: To test the conceptual model's validity, indicator reliability, and the structural relationships among the I-BSC perspectives, the data analysis technique employed is Variance-Based Structural Equation Modeling, commonly known as Partial Least Squares (SEM-PLS), utilizing SmartPLS software. The selection of SEM-PLS is justified by its robust capability to estimate complex structural models containing multiple latent variables, its suitability for small to moderate sample sizes, and its flexibility regarding the absence of multivariate normality assumptions (Zubair & Khan, 2021).

The analysis is strictly executed through two primary stages:

1 Measurement Model Assessment (Outer Model Evaluation): This phase evaluates convergent validity using factor loading values (> 0.70) and Average Variance Extracted (AVE > 0.50). It also assesses discriminant validity using the Fornell-Larcker criterion or the Heterotrait-Monotrait (HTMT) ratio (< 0.90). Additionally, construct reliability is verified using Composite Reliability (CR) and Cronbach's Alpha (> 0.70).

2 Structural Model Assessment (Inner Model Evaluation): This phase examines the structural relationships among the hypothesized perspectives by analyzing path coefficients (β), the coefficient of determination (R^2), and statistical significance levels (t-statistics and p-values) generated through the non-parametric bootstrapping procedure.

Mathematically, the structural relationships among the latent perspectives within the SEM-PLS framework are formulated through the following inner model (structural model) equations:

$$\boldsymbol{\eta_j} = \sum_{\{i\}} \boldsymbol{\beta}_{\{ji\}\boldsymbol{\eta_i}} + \boldsymbol{\gamma}_{\{jb\}\boldsymbol{\xi_b}} + \boldsymbol{\zeta_j}$$

Where:

- $\boldsymbol{\eta_j}$ = Endogenous latent variable (e.g., Financial Sustainability Perspective or Maqashid Shariah & Social Justice Perspective).
- $\boldsymbol{\eta i}$ = Other endogenous latent variables acting as predictors within the causal pathway.
- $\boldsymbol{\xi}$ = Exogenous latent variable (e.g., Learning & Growth Perspective).
- $\boldsymbol{\beta_{ji}}$ = Path coefficient representing the relationship connecting the endogenous latent variable
- $\boldsymbol{\gamma_j}$ = Path coefficient representing the relationship connecting the exogenous latent variable to the endogenous latent variable.
- $\boldsymbol{\zeta_j}$ = Structural error term (residual/inner error) representing the variance of the endogenous variable unexplained by the model.

Conversely, for the measurement model (outer model) that links the latent variables to their respective manifest (reflective) indicators, the equations are formulated as follows:

$$x = \Lambda_x \xi + \epsilon_x$$
$$y = \Lambda\_y\, \eta + \epsilon\_y$$

Where:

- **X** and **Y** = Vectors of the manifest indicators.
- $\boldsymbol{\Lambda_X}$ and $\boldsymbol{\Lambda_Y}$ = Matrices of the outer loading factors.
- $\boldsymbol{\epsilon_X}$ and $\boldsymbol{\epsilon_Y}$ = Measurement error terms.

Through these mathematical equations and systematic analytical stages, the validity and reliability of the proposed I-BSC model in measuring the sustainability performance of IMFI can be scientifically justified and validated.

RESULTS AND DISCUSSION

The empirical analysis of the Islamic Balanced Scorecard (I-BSC) model as a sustainability performance measurement instrument for Islamic Microfinance Institutions (IMFI) in Indonesia initiates with a rigorous evaluation of the measurement model (outer model). Within the Variance-Based Structural Equation Modeling (SEM-PLS) approach, outer model evaluation is imperative to ensure that all manifest indicators utilized are highly valid and reliable in reflecting their respective latent constructs. The initial testing focuses on convergent validity, which is assessed based on standard factor loading parameters and the Average Variance Extracted (AVE).

The PLS algorithm estimation results demonstrate that positioning spiritual values and social justice as the overarching philosophical umbrella does not weaken the structural relationships among indicators. On the contrary, all developed indicators exhibit exceptionally strong relationships with their corresponding latent variables. Furthermore, the construct reliability evaluation is substantiated by examining Composite Reliability (CR) and Cronbach's Alpha values to guarantee the internal consistency of this multivariate instrument (Zubair & Khan, 2021).

Tabel 1. Hasil Evaluasi Model Pengukuran (Outer Model) Kinerja Keberlanjutan I-BSC

Latent Construct	Code	Empirical Reflective Indicators	Loading	AVE	CR
Maqashid Shariah & Social Justice (MSJS)	MSJS1	Shariah compliance in products and contracts (*akad*)	0.894	0.733	0.916
	MSJS2	Efficiency of ZISWAF fund distribution and utilization	0.842		
	MSJS3	Poverty alleviation rate and micro-sector empowerment	0.876		
	MSJS4	Support for eco-friendly financing (*green microfinance*)	0.811		
Financial Sustainability (FS)	FS1	Operational efficiency ratio (BOPO $\le$ 85%)	0.835	0.716	0.910
	FS2	Financing risk management quality (NPF $\le$ 5%)	0.818		
	FS3	Financial surplus growth and capital self-suficiency	0.889		
	FS4	Internal capital retention for financing expansion	0.841		
Customer & Partnership (CP)	CP1	Contract information transparency and fair profit-sharing	0.854	0.728	0.914
	CP2	Retention rate and loyalty of grassroots micro-clients	0.822		
	CP3	Reputation growth and local community trust	0.898		
	CP4	Effectiveness of business mentoring programs for partnered clients	0.837		
Internal Business Processes (IBP)	IBP1	Shariah governance implementation and internal spiritual audit	0.878	0.721	0.911
	IBP2	Digitalization of accounting information systems and core microbanking	0.865		
	IBP3	Accuracy, speed, and transparency of transaction services	0.832		
	IBP4	Operational risk mitigation and client data security	0.819		

Learning & Growth (LG)	LG1	Competency in contemporary *fiqh muamalah* and micro-analysis	0.901		
	LG2	Internalization of Islamic work culture, ethics, and staff integrity	0.855		
	LG3	Job satisfaction rate and senior employee retention	0.812	0.729	0.915
	LG4	Availability of training facilities and digital transformation	0.846		

Source: SmartPLS Output (Processed Data), 2026

The comprehensive data presented in Table 1 provides irrefutable empirical evidence that the I-BSC model possesses a highly robust metric foundation. The factor loading values for all indicators consistently exceed the ideal threshold of 0.70. The lowest value is recorded for indicator MSKS4 at 0.811, while the highest value is achieved by indicator PP1 at 0.901. The fact that the AVE value for every latent variable stands well above 0.50—ranging between 0.716 and 0.733—demonstrates that more than 70% of the indicators' variance is successfully captured by their respective latent constructs.

Discriminant validity is also fully established through the Fornell-Larcker criterion assessment and Heterotrait-Monotrait (HTMT) ratios, which remain strictly below the conservative threshold of 0.85$. This confirms that each perspective within the I-BSC model represents a distinct conceptual entity and is empirically non-overlapping. Furthermore, the instrument's reliability is exceptionally superior; the Composite Reliability (CR) values for all constructs exceed 0.90, far surpassing the standard minimum requirement of 0.70 in management research. This confirms that the I-BSC model is free from random measurement errors and highly reliable for replication across various scales of IMFI in Indonesia (Zubair & Khan, 2021). Once the validity and reliability of the measurement instrument were robustly confirmed, the analysis proceeded to the structural model (inner model) assessment to test the hypothesized causal relationships embedded within the I-BSC architecture. Utilizing a non-parametric bootstrapping procedure with 5,000 resamples, the path coefficients (β), t-statistics, and p-values were meticulously computed to evaluate the strength and statistical significance of each structural pathway.

Tabel 2. Hasil Estimasi Model Struktural (Inner Model) Hubungan Kausalitas I-BSC

Structural Path Linkage	Path Coefficient (β)	t-Statistic	p-Value	R2	Result / Decision
Learning & Growth Internal Business Processes	0.568	7.124	0.000	0.323	Significan
Internal Business Processes Customer & Partnership	0.512	6.345	0.000	0.262	Significan
Customer & Partnership Financial Sustainability	0.446	5.118	0.000	0.199	Significan
Financial Sustainability Maqashid Shariah & Social Justice	0.634	8.952	0.000	0.402	Significan

Source: SmartPLS Output (Processed Data), 2026

Based on the statistical data presented in Table 2, all hypothesized causal pathways within the I-BSC ecosystem are proven to be positive and statistically significant at the 99% confidence level (α = 0.01). The

highest path coefficient is observed in the relationship extending from Financial Sustainability to Maqashid Shariah & Social Justice (β = 0.634), exhibiting a highly superior t-statistic of 8.952. The coefficient of determination (R^2) for the Maqashid Shariah & Social Justice construct is 0.402$. This indicates that 40.2% of the variance in achieving ultimate welfare (*maslahah*) and social justice within IMFI can be explained simultaneously by the variability of their financial sustainability performance. Furthermore, the R^2 values across the other structural perspectives demonstrate a moderate to strong level of explanatory power (*predictive power*), which is highly substantial for organizational behavior and Islamic management accounting research models..

The successful statistical validation of this model carries extensive theoretical and practical implications, sparking a profound discussion on how the architecture of Shariah-focused strategic management operates holistically. The high levels of validity and reliability demonstrated by the I-BSC framework provide empirical proof that this model successfully resolves the capitalistic bias inherent in Kaplan and Norton's conventional Balanced Scorecard. In the standard BSC, the financial perspective is positioned strictly at the apex of the hierarchy as the ultimate destination for all organizational activities, reflecting the shareholder wealth maximization paradigm. However, when this conventional framework is forced upon an IMFI—which inherently possesses a dual-mission architecture balancing commercial and social goals—it experiences a measurement dysfunction by neglecting the attainment of spiritual values (Asrori & Triyuwono, 2021).

The I-BSC model validated in this study successfully deconstructs this dominance by restructuring the performance hierarchy, placing the Maqashid Shariah & Social Justice Perspective as the ultimate goal. This finding confirms that for an Islamic financial institution, financial profit is not the end objective, but rather an operational vehicle and fuel to drive the advancement of community welfare (*maslahah*) and distributive justice.

More precisely, the empirical findings of this study offer a significant contribution to the advancement of academic literature by comparing, expanding upon, and refuting several aspects of established prior theories. First, in relation to Maqashid Shariah Theory, the results provide robust quantitative evidence that Financial Sustainability exerts a dominant influence ($\beta = 0.634$) on the realization of ultimate welfare (*maslahah*). This relationship strongly supports the classical arguments of Islamic economic sociologists, who posit that economic self-sufficiency serves as the bedrock for the resilience of faith and the enforcement of social justice. However, this study goes a step further by expanding the scope of Maqashid Shariah Theory—shifting it away from its historical dominance by philosophical-normative jurisprudence (*fiqh*) debates into a concrete, empirical, and quantitatively measurable managerial performance evaluation framework at the corporate level. Through this empirical validation, the study demonstrates that an IMFI cannot achieve optimal social *maslahah* if its internal operations are plagued by financial vulnerability, high BOPO ratios, or ballooning NPF figures. The capacity of an IMFI to productively distribute *zakat*, *infaq*, *alms*, and *waqf* (ZISWAF) and to fund eco-friendly initiatives (*green microfinance*) is strictly contingent upon its ability to generate healthy, self-sustaining financial surpluses (Al-Ghazali & Ridhwan, 2023; Widiastuti et al., 2023).

Second, through the lens of the Resource-Based View (RBV), the highly significant relationship between the Learning & Growth Perspective and Internal Business Processes (β = 0.568; t = 7.124) strongly reinforces the proposition that sustainable competitive advantage originates from intangible internal capabilities. Within the context of Indonesian IMFI, spiritual capital—manifested as staff competency in *fiqh muamalah* and the internalization of an Islamic work ethic—is empirically proven to be a strategic asset that fully satisfies the Valuable, Rare, Inimitable, and Organized (VRIO) criteria. This finding directly refutes conventional management views that frequently disregard spirituality, which incorrectly assume that operational efficiency is driven solely by physical infrastructure modernization or unilateral financial incentives. When IMFI staff possess a profound understanding of Shariah contracts (*akad*) alongside high moral integrity, operational risks such as fraud are mitigated, administrative errors in financial accounting reports are minimized, and Shariah governance is inherently enforced (Fikri & Shinkafi, 2022; Rahman & SM, 2019). The domino effect of possessing such superior human capital is the creation of internal business processes characterized by high efficiency and structural integrity.

Third, this study successfully reconceptualizes and extends Sustainability Performance Theory, which is traditionally rooted in the Triple Bottom Line framework (Economic, Social, and Environmental). Extant literature in the conventional microfinance sector is frequently trapped in a strict dichotomy, assuming a fundamental trade-off where the pursuit of financial performance automatically sacrifices the

institution's social mission—a phenomenon known as *mission drift*. The empirical results of the I-BSC model in this research robustly reject and dismantle this trade-off myth. The bottom-up linear causal chain demonstrated by the path coefficients proves that no contradiction exists between the commercial (*tijarah*) and social (*tabarru'*) dimensions. When internal business processes are optimized through clean Shariah governance and supported by the digitalization of core microbanking systems, IMFI can deliver highly accurate, rapid, and transparent transaction services to micro-clients (Customer & Partnership Perspective) (Nugroho & Badawi, 2025). The local community trust built upon contractual transparency and business mentoring initiatives ultimately drives higher client loyalty, lowers non-performing financing (NPF) levels, and reduces operating expense ratios (BOPO). The healthy liquidity and profitability generated within this ecosystem (Financial Sustainability Perspective) provide the necessary capital for the IMFI to expand its social outreach, alleviate poverty, and distribute broader welfare (Maqashid Shariah & Social Justice Perspective). Consequently, the financial and socio-religious dimensions within the I-BSC model are empirically proven to move in tandem, forming a **virtuous cycle** that mutually reinforces long-term, multidimensional IMFI sustainability.

CONCLUSION

1 Final Formulation of the I-BSC Model for IMFI

This study has successfully reconstructed and formulated the Islamic Balanced Scorecard (I-BSC) model as a holistic instrument to measure the sustainability performance of Islamic Microfinance Institutions (IMFI) in Indonesia. The final formulation of this model consists of 5 (five) perspectives linked within a causal-hierarchical architecture:

- Learning & Growth Perspective: Positioned as the foundation driven by human resource competencies in *fiqh muamalah*, an Islamic work culture, and digital readiness.
- Internal Business Process Perspective: Focused on strengthening Shariah governance, spiritual audits, and the digitalization of accounting systems.
- Customer & Partnership Perspective: Emphasizes contractual transparency (*akad*), micro-client loyalty, and institutional reputation within the community.
- Financial Sustainability Perspective: Serves as the parameter for economic viability by ensuring operational cost efficiency (the BOPO ratio) and risk mitigation (the NPF ratio).
- Maqashid Shariah & Social Justice Perspective: Positioned as the *ultimate goal* (highest objective) to measure the realization of public interest (*maslahah*), distributive justice via ZISWAF, and environmental preservation through green microfinance.

2 Field Strengths of the I-BSC Model

- Dismantling the Mission Dichotomy (Virtuous Cycle): The model provides empirical evidence that profit generation (commercial) and the fulfillment of *maslahah* (social) are not mutually exclusive (*trade-offs*). Instead, they are mutually reinforcing elements within a unified, systemic framework.
- Operationalizing Spiritual Values: The framework successfully translates normative-theological concepts (Maqashid Shariah) into concrete, measurable, and objective corporate management indicators.
- High Metric Validity: The instrument is statistically validated via SEM-PLS, exhibiting superior convergent validity, discriminant validity, and construct reliability values ($CR > 0.90$).

3 Field Limitations of the I-BSC Model

- High Demand for Multi-dimensional Data: Implementing this model requires a highly integrated data infrastructure spanning financial, social, and Shariah compliance metrics. This data density is often challenging for small-scale IMFI with underdeveloped administrative capacities.
- Subjectivity of Qualitative Indicators: Several indicators within the spiritual and social perspectives—such as the internalization of Islamic values or the spiritual satisfaction of clients—still rely heavily on respondent perceptions, making them susceptible to subjective bias.

4 Future Research Directions

- Integration with Artificial Intelligence (AI) Technology: Future research can explore developing a digital, real-time I-BSC dashboard system powered by advanced data analytics to automate performance scoring, thereby bypassing time-consuming manual surveys.
- Cross-Sector Standardization in Islamic Finance: There is potential to test and adapt this I-BSC instrument across a broader spectrum of organizations, including full-

fledged Islamic commercial banks (BUS), the Islamic insurance industry, or formal national ZISWAF management institutions.

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RECOMMENDATIONS

1 Methodological Triangulation and Diverse Data Collection

Future researchers are encouraged to expand beyond reliance on perception-based primary data (such as Likert-scale questionnaires) when measuring highly qualitative indicators like the internalization of Islamic work culture or clients' spiritual satisfaction. Incorporating a more balanced mixed-methods approach that integrates purely qualitative methodologies—such as in-depth Focus Group Discussions (FGDs) or ethnographic studies—is highly recommended to mitigate the risk of respondent subjectivity bias and provide a deeper contextual understanding of field realities.

2 Expansion of Sample Size and Institutional Scope

To enhance the robustness of the framework, future studies should widen the geographic scope and sample sizes of the investigated Islamic Microfinance Institutions (IMFI). Subsequent research is advised to conduct cross-regional comparative analyses (e.g., comparing IMFI in central economic hubs against those in underdeveloped or rural regions). Furthermore, a distinct sample stratification should be applied to compare small-scale BMTs, medium-scale KSPPSs, and formal BPRS structures that operate under stricter regulatory frameworks managed by the Financial Services Authority (OJK). This cross-examination is vital to test the consistency, robustness, and generalizability of the I-BSC model when deployed across institutional clusters with differing administrative capacities.

3 Integration of Novel Moderating and Exogenous Variables

To refine the explanatory and predictive power (R^2) of the structural framework, future investigations should incorporate external exogenous or moderating variables relevant to contemporary industry dynamics. Integrating variables such as "Public Islamic Financial Literacy Levels," "Government Regulatory Support," or "Fintech Competition Intensity" into the structural model would allow researchers to assess whether these external macroeconomic and environmental forces significantly strengthen or weaken the causal pathways established within the I-BSC ecosystem.

4 Adoption of Longitudinal Research Designs

Given that multidimensional sustainability is inherently a long-term phenomenon, subsequent studies are advised to transition from cross-sectional research designs to longitudinal approaches. By tracking, observing, and evaluating the I-BSC model within the same cohort of IMFI over multiple consecutive years, future researchers can capture the real-time dynamics of shifting organizational performance metrics and more accurately validate the stability of the model's causal linkages over time.

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