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Title :

Influences of Market Orientation on Sustainability of Islamic Microfinance Institutions in Malaysia

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For the past century, the human has been suffered by "Poverty". Several attempts have been made to fight this particular moral challenge. Since last four decades providing small loans for the vulnerable entrepreneurs, which is called as "Microfinance", has been known as one of the most efficient tools for poverty alleviation. But conventional microfinance or "Microcredit Program" that is based on pre-determined interest may cause more issues for the borrowers, in terms of repaying back the loans. In addition, all contracts based on predetermined interest is strongly prohibited in Islamic rules, which is called "Shariah". Therefore, for meeting Muslim clients of microfinance products who were not interested in using microcredit, based on avoiding getting predetermined interest, "Islamic Microfinance" was born in South East Asia. But, after three decades and despite of having great market, Islamic microfinance institutions (Islamic MFIs) still face un-sustainability (unsustainable performance) which can result in high poverty rate in this region. The main purpose of this study is to determine influences of three dimensions of market orientation, namely customer orientation, competitor orientation and inter-function coordination on two aspects of sustainability of Islamic microfinance institutions (management sustainability and financial sustainability), in Malaysia that is considered as one of the pioneers in Islamic microfinance business. The "stakeholder theory" and also some of Islamic behavioral values like "Brotherhood" and "Al-Adl" have been used for supporting theoretical framework of the current research. The current study is conducted based on top two Islamic microfinance institutions in Malaysia, as the samples, namely Amanah Ikhtiar Malaysia (AIM) and The Economic Fund for National Entrepreneurs Group (TEKUN). The used data was gathered from three categorizes; *management level* inclusive 60 top managers of AIM and TEKUN (out of 90), *employee level* consists of 300 respondents and finally, *customer level* inclusive 400 customers from the both Islamic MFIs, chosen randomly. Using the variance based structural equation modeling (SEM), partial least squares (PLS) analyses, the results of this investigation have revealed that financial sustainability and management sustainability of Islamic MFIs in Malaysia are found to be influenced positively by their level of being customer oriented. Further, management sustainability of Islamic MFIs is demonstrated to be influenced positively by inter-function coordination. In contrast, the results also demonstrated that financial sustainability of Islamic MFIs is not influenced positively by competitor orientation and inter-function coordination. Finally, from the analysis, the positive relationships between competitor orientation and utility management sustainability of Islamic MFIs did not receive statistical support.