ACHIEVING SUSTAINABLE DEVELOPMENT GOALS THROUGH MICROFINANCE IN FOUR SELECTED COUNTRIES: ISSUES AND CHALLENGES

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ABSTRACT

Sustainable Development Goals (SDGs) are the blueprint adopted by all United Nations Member States in 2015 to achieve a better and more sustainable future for all by 2030. They address the current global challenges of alleviating poverty, protecting the planet and ensuring that all people enjoy peace and prosperity. The 17 Goals are all integrated and interconnected urgent actions in global development that balance social, economic and environmental sustainability. Three of them are directly related to microfinance principles, including ending poverty, decent work & economic growth and reduced inequalities. The purpose of this paper is to investigate how these three goals can be achieved in the practices of microfinance in four countries, namely Bangladesh, Malaysia, Indonesia and Pakistan. This study was library research with qualitative approach that employed content analysis in evaluating the types of financing products. The results will assist us in understanding the similarity and differences in achieving the SDGs and their significance. In addition, recommendations and suggestions are highlighted at the end of the paper to provide the solutions to the current issues faced by microfinance.

Keywords: SDGs, microfinance, poverty, economic growth, reduced inequalities, decent work

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INTRODUCTION

The Sustainable Development Goals (SDGs) are a new global set of standard goals comprising 17 goals and addressing three dimensions which are economic prosperity, social well-being and environmental protection. SDGs are successors of the Millennium Development Goals (MDGs) and the United Nations Member States including Malaysia, Indonesia, Pakistan and Bangladesh adopted these 17 goals on September 25, 2015. In order to achieve the 17 goals and assure no one is left behind, each goal has especially targeted to be reached or realized in the next 15 years to transform the planet in 2030 (Dauda & Nik, 2018).

The first Sustainable Development Goals is alleviation of poverty in its all forms which is still considered as a major challenge for all nations in the worldwide community, especially in developing countries. UNDP (2019) reported that around 736 million people living in extreme poverty globally whereby they were still struggling in fulfilling the basic human needs such as food, clean drinking, sanitation and shelter. Moreover, the number of people living below the poverty line in Pakistan was about 46 million people in 2015 (ADB, 2015). According to Indonesia's Central Statistics agency latest data (BPS, 2018), Indonesia's poverty rate stood at 9.82 percent of the total population in March 2018. This means that about 25.95 million people live below the poverty line.

Accordingly, various development policies and tools were adopted by the United Nations Member States to achieve the SDGs by 2030. Pati (2017) ascertained that microfinance has been recognized widely as a new economic development tool, whereby it contributed significantly in achieving Millennium Development Goals (MDGs) since 2010 through providing affordable financial access to the poor and microenterprises. More importantly, microfinance promotes key development approaches such as self-enrichment, expansion of employment and self-employment opportunities (Rahman, Al Smady, & Kazemian, 2015). Thus, microfinance is considered as a new paradigm for achieving poverty alleviation and social welfare development.

Meanwhile, Lacalle-Calderon, Larrú, Garrido, and Perez-Trujillo (2019) conducted the study using panel data approach with annual data from 85 countries from 2001 to 2012 to analyse the contribution of microfinance to lowering income inequality in a country. They found that microfinance contributed to alleviating income inequality within that country through providing a new affordable financial access to initiate small business activities.

Nevertheless, among the selected countries, despite all the microfinance institutions are able to contribute to achieving SDGs through providing sustainable microfinancing to the poor and microenterprises, they are facing several issues that affect their role and contribution. Furthermore, the preference of debt-based instruments rather than equity-based financing is still exhaustive polemic against Shariah compliance in achieving SDGs.

Haneef, Pramanik, Mohammed, Amin, and Muhammad (2015) further emphasized that the contribution of microfinance to alleviating poverty and improving social welfare in Bangladesh is still disrupted by several challenges such as high cost of operation, high interest rates and inadequate quality of human resources. Shirazi, Obaidullah, and Haneef (2015) also ascertained that the sustainability and development microfinance in some of the OIC countries face two main problems, namely inadequate capital of funds and human resources. Hence, it is necessary to explore the practice of microfinance in four selected countries in order to further improve their contribution to realizing SDGs by 2030.

Furthermore, this study mainly aims to investigate how these three goals can be achieved in the practices of microfinance in four selected countries, namely Bangladesh, Malaysia, Indonesia and Pakistan. Additional objectives of this study are (a) to find out what the issues on SGDs with regard to microfinance are; (b) to compare the similarities and differences in practices of microfinance in Bangladesh, Malaysia, Indonesia and Pakistan; (c) to evaluate the extend they have achieved SDG objectives. This paper is organized as follows; literature review ensues after the introduction. This will be followed by discussion, conclusion and recommendation.

LITERATURE REVIEW

The Microfinance revolution

In fact, the traditional microfinance programs, efforts to assist financially the destitute population have been practicing throughout the world in various forms for thousands of years. For instance, In Germany's Rhineland, the first microfinance institution based on cooperative was established in 1879 which provided affordable financial services access to the poor (BNP Paribas, 2017). Subsequently, fabulous effort in promoting the modern microfinance programs was initiated by Professor Muhammad Yunus, when he began establishing the Grameen Bank (GB) in Bangladesh in 1976, Whereby the microcredit program of (GB) model has successfully empowered the poor woman by allowing them to make a productive activity (Dhaoui, 2015).

Moreover, microfinance has, nowadays, so far assisted billion poor people around the world to receive a new microcredit program with free collateral, small amount and convenient installments of repayment. The World Bank reported that microfinance has spread impressively over the last three decades with the total number of microfinance institutions reached approximately 7000 units in 2009 (Akhter, Akhter, & Jaffri, 2009). Moreover, Bucciferro (2007), Khan, Haider, and Asad (2010) and Hamzah, Rusby, and Hamzah (2013) further highlighted that microfinance have rapidly developed and spread throughout the world because it has been able to prove as one of the policy instruments on poverty alleviation, social and economic development.

The success story of The Grameen bank model caused a remarkable replication all over the world; in Asia, Afrika, Europe, North and Latin America (Siwar & Talib, 2001). Amanah Ikhtiar Malaysia (AIM), for instance, was the first serious and successful replicator of the Grameen bank model. Whereby it was established in 1987 with the main purpose of assisting the poor and microentrepreneurs by providing affordable loans for income generating activities (Omar, Mohamad Noor, & Dahalan, 2012).

Another microfinance model is known as Akhuwat model which was established by Dr. Amjad Saqib in Pakistan in 1998. The main objective of this establishment is to eradicate poverty in Pakistan by providing benevolent loans (*Qardul Hasan*) to the rural poor and microentrepreneurs, irrespective of caste or race. Whereby the loans will be used for setting a new business or expanding the existing businesses (Harper, 2011). In addition, this model has significantly played an important role in providing microfinancing to the rural poor which started with the initial funds with only 10,000 rupees or around US$ 63 and then the funds grew to more than 450 million rupees (Rehman, Moazzam, & Ansari, 2017).

According to Indonesia, the emergence of Islamic microfinance began with the establishment of BMT Insan Kamil in Central Jakarta in 1992. This establishment mainly aimed to address the issues of poverty and inequalities in Indonesia. More importantly, the official establishment of BMT was founded by Incubation Centre for Small Business (PINBUK) and supported by the Indonesian Muslim Intellectual Association (ICMI), Indonesia Ulama Council (MUI) and Bank Muamalat Indonesia (BMI) (Soemitra, 2009). Moreover, KNKS (2019) also further emphasized that the deployment BMTs which over 3,000 BMTs flourished throughout Indonesia in less than one decade. Thus, the extraordinary deployment of BMTs indicated that it has proven to be an important instrument for achieving SDGs, especially for alleviating poverty and reducing inequality.

Definition of Microfinance

The smallest scale of financial institutions is known as microfinance, whereby it provides micro credit or micro financing to the rural poor and destitute households. Microfinance can be defined generally as the provision of financial products and services to the poor and microentrepreneurs who are unable to get financial access from banking facilities due to unavailability of credit history, and lack of collateral high interest rate (Abdelkader & Salem, 2013). More importantly, other than offering micro-credit services, microfinance is also offering other financial services such as micro savings, micro insurance and remittance (Obaidullah & Khan, 2008).

In general, microfinance models are divided into two major types in the terms of Shariah compliance principles, namely conventional microfinance and Islamic microfinance (Akhter et al., 2009). The main difference between conventional microfinance and Islamic microfinance is that the former is based on secular philosophy compared to the later which is based on Islamic principles. Moreover, conventional microfinance faced the issue of the high interest of microloans given to the poor and microentrepreneurs in which this interest of microloans creates a burden to the borrowers and hampers them to enhance and expand their businesses.

Meanwhile, The emergence of Islamic microfinance begins with the provision of interest-free loans to the poor which gives alternative financial access to millions of Muslim enterprises who are not willing to participate in conventional micro finance due to the existing *Riba* (usury), *Gharar* (uncertainty), and *Maysir* (gambling) (Abdelkader & Salem, 2013). However, both Islamic and conventional microfinances can contribute proportionately to the economic development of the nation in achieving SDGs.

Achievement of SDGs in Microfinance

There are three SDG goals that have been identified to be related to microfinance. They are ending poverty, decent work & economic growth and reduced inequalities as follows: -

SDG 1: Ending Poverty

The SDGs play a crucial role in developing the methods to reduce the degree of global poverty. Ending excessive poverty and attaining sustainable development by 2030 are the first priority goal of the SDGs due to the importance of poverty eradication in social and economic development. This goal contains five related objectives by 2030: (i) To alleviate extreme poverty all over the world by 2030. (ii) To diminish at least by half the proportion of men, women and children of all ages living in poverty by 2030. (iii) To fulfil proper social protection systems and measures for all by 2030. (iv) To ensure that the poor and vulnerable people have equal right and access to basic services such as microfinance services, appropriate new technology and natural resources by 2030. (v) To build resilience of the poor and vulnerable people in the face of various vulnerable situations such as economic, social and environmental shocks and disaster (Qian-Qian, Man, & Xiao-Lin, 2015).

Indeed, the grinding poverty with around 1.2 billion people living below the poverty line occurred in many Muslims countries that consist of six main regions: North Africa, Sub-Saharan Africa, the Middle East, Central Asia, South Asia, and Southeast Asia. Even worse, some prevailed microfinance products are not in accordance with Islamic values (Akhter et al., 2009). Based on data BPS (2018), around 25.95 million people in Indonesia are still striving to get out of poverty. While in Pakistan, second largest Muslim population, approximately 46 people are still living below the poverty line (ADB, 2015).

SDG: 8 Decent Work and Economic Growth

Other than eradicating poverty, The SDGs also strive to achieve decent work and economic growth by 2030. With these targets in mind, the goal is to achieve full and productive employment and decent work for all women and men through promoting entrepreneurship and enhancing employment opportunities to the poor and microentrepreneurs.

Despite the effect of the economic crisis and global recession in 2008, the number of people living in the extreme poverty has reduced dramatically in the last three decades. In developing countries, the middle-class people make up almost 34 percent of total employment. Moreover, as the global economy endures to improve slowly, inequalities reduce and employment opportunities increase (Frey, 2017). Hence, the poverty elimination is merely possible via well-paid and stable economic progress in all aspects.

Meanwhile, according to the International Labour Organization (ILO), more than 204 million people do not have jobs since 2015. The universal unemployment rate increased from 170 million in 2007 to almost 202 million people in 2012, in which 75 percent of the people are youth comprising men and women. Hence, in order to provide employment opportunities to this large number of unemployed people around the world, it requires about 470 million employment opportunities to be created for the new applicants to the labour market from 2016 to 2030 (Frey, 2017).

SDG 10: Reduced Inequalities

As part of the Sustainable Development Goals, SDG 10 goal is to lessen inequalities within and among nations in 2030. Knowing that this problem has become a global issue facing many countries, the United Nation included income inequality as part of the global agenda to improve and transform people. Increasing income inequalities within states is a clear challenge of our time.

Furthermore, the most principal factor of social developments such as poverty alleviation and economic development is reducing income inequality. Lahouij (2017), for instance, studied the effects of income equality on economic growth in the Middle East and North Africa (MENA) countries, he found that income inequality in the MENA countries has a negative relationship with their economic development in which economic development increases as the income inequality decreases, and vice versa. Hence, reduced income inequality within and among nations is a significant factor in achieving sustainable economic development.

Practices of Microfinance in Four Countries Bangladesh, Malaysia, Indonesia and Pakistan

Grameen Bank Model

The Grameen Bank (GB) model is the most well-known model that has been extensively replicated in many parts of the world. This model was introduced by Muhammad Yunus, in the late 1970 in Bangladesh. In terms of microcredit schemes, the GB utilized group-based lending in providing microcredit to the rural poor women whereby each group typically comprises five individuals. The group members guarantee each other's loan as a form of peer pressure and as a substitute for collateral requirements in order to reduce delinquency and default risks. Currently, the GB model has around 8.28 million borrowers and 2,564 divisions in Bangladesh. More importantly, the borrowers are allowed to purchase one share of the GB when their savings reach a certain amount and the savers are able to get access to standard deposit account and investment account (Abdullah, Amin, & Ab Rahman, 2017).

Meanwhile, in terms of sources of funds, the GB decided to become self-reliant in 1995 in which it does not receive any donor funds and covers its operation costs using deposits from the borrowers and non-borrowers. More importantly, the GB is considered as co-owner institutions in which currently the 76% ownership of the GB belongs to the Bank and the remaining 24% belongs to the government (Grameen Bank, 2020). Furthermore, (Abdullah et al., 2017) further emphasized that the GB has been covering 90 percent of its expenses from the deposits and interest income since 1995, whereby the interest rate is 20 per cent per annum.

Amanah Ikhtiar Malaysia

The government of Malaysia has dedicated an extraordinary effort to eliminating poverty and enhancing the standard of living of the poor and microentrepreneurs. Accordingly, the government focused mostly on policy instruments for economic and social development since last decade. An example of an instrument for economic and social development was the establishment of Amanah Ikhtiar Malaysia (AIM) in 1987, whereby it was founded as an alternative approach of government strategy for alleviating rural poverty in Malaysia by the end of the New Economic Policy (NEP) period 1971 to 1990 (Omar et al., 2012). Consequently, the country achieved to decrease its poverty rate 97% from 1970 to 2012. In doing so, the average living standard of the people increased from RM 264 in 1970 to RM 5,000 in 2012, respectively (Manaf & Ibrahim, 2017).

Moreover, the AIM as the first serious replicator of the GB provides affordable loans to the poor women all over Malaysia using a group lending model (Mokhtar, Nartea, & Gan, 2012). This group lending model plays as a substitute for physical collateral and guarantors in which each group consists of 5 persons with the equality education and economic level and knowing each other. Hameed, Nawaz, Basheer and Waseem (2019) further ascertained that the AIM offers various services to the poor and microentrepreneurs, namely micro loans, entrepreneurship and book-keeping training courses.

Meanwhile, in terms of products, the AIM provides several types of micro loan scheme such as I-Mesra, I-Srikandi, I-Wibawa loan, I-Penyayang, I-Bestari and I-Sejahtera (Nawai & Bashir, 2007) whereby each type of the above micro loan products has peculiar eligibility and benefits. For instance, I-Mesra product will be provided to the new sahabat of the AIM, whereas I-Bestari and I-Sejahtera will be given to the non-economic purpose such as for the education and the meet of daily basic needs purposes.

Mokhtar et al. (2012) further highlighted that the AIM primary attains the source of funds from the government grant and fixed interest rate for all kinds of loan scheme that are offered to the poor rural women as the targeted group. Accordingly, the AIM does not face the problem of lack of funds but faces the problem of interest on loans.

Baitul Mal Wat Tamwil

Baitul Mal Wat Tamwil (BMT) is an Islamic microfinance institution established in Indonesia in 1995. It operates on two principles, namely Baitul Tamwil (financing function) and Baitul Maal (social function). It operates under cooperative system and is guided by the principles of Shariah. Darsono, Astiyah, Darwis, Sakti, and Suryanti (2016) emphasized that the BMT is developed under the Islamic cooperative framework with the initial capital collected from the shareholders. Other than shareholders' capital, the BMT generates another source of funds through mobilizing deposits from its members, namely compulsory deposits, saving deposits and time deposits. If it experiences shortage of funds, The BMT can borrow the funds from external institutions such as Apex institution, Islamic banks or foreign sources in order to cover the deficit funds (Ascarya, 2018).

Moreover, Soemitra (2009) further ascertained that Baitul Tamwil division derived its deposits from its cooperative members, investors and deposits made by Islamic institutions. The deposits obtained are then channeled to commercial financing for microentrepreneurs. On the other hand, Baitul Mal division collects donations from *Zakat, Infaq, Sadaqa, Wakaf, Qardul Hasan* (ZISWAQ) and donation from Corporate Social Responsibility and will assist microenterprises and the poor who are not able to pay the financing from the Baitul Maal.

Meanwhile, in terms of financing schemes, the BMT offers various products for its members and customers, namely *Murabahah* (cost plus) *Musyarakah* (joint venture profit sharing), *Mudarabah* (trustee profit sharing), *Ijarah* (leasing) and *Qardul Hasan* (benevolent loan) (Darsono et al., 2016). The organization also obtains financing support from Indonesian community in the form of *Zakat, Waqf and Sadaqa*. Many Muslims living in Indonesia are not willing to use conventional microfinance due to the interest charged by these institutions. Hence, the BMT provides an alternative access to financial institutions for Muslim society in Indonesia.

However, the BMT is affected adversely by the lack of funds since the majority of its members are poor. Hence, the collection of deposits from its members are not able to meet the high demand in the financing of micro enterprises (Ascarya, 2018). Moreover, Hamzah et al. (2013) further highlighted that the BMT also faces others main problems such as inadequate human resources and lack of robust regulation that interfere the effectiveness of the BMT in providing for financing to micro enterprises.

Akhuwat

Akhuwat is a microfinance institution founded by Dr. Amjad Saqib in Pakistan in 1998 which provides interest-free loans (*Qardul Hasan*) for those who are below the poverty line. Basically, the term Akhuwat refers to the Islamic thought of *Muakkawat* or Brotherhood (Harper, 2011). Therefore, Akhuwat microfinancing schemes represent the Islamic noble thought of love, brotherhood, mutual care and mutual help through offering benevolent loans to the poor and microentrepreneurs.

Moreover, Akhuwat provides both individual and group loans. Whereby since the poor and microentrepreneurs do not have adequate physical collateral, Akhuwat utilized the joint liability lending known as Self Help Groups (SHGs) for group loans, Whereas two personal guarantees were adopted for individual loans (Jaafar, 2018).

As non-governmental organization, Akhuwat generates primary funds from donations given by an individual or other organizations using the spirit of voluntarism, mutual care and mutual help of Islamic tenets (Khan et al., 2010). However, this institution still relies on donations from both an individual and other organizations to cover its expenses despite it has managed the efforts to obtain other sources of funds (Akhuwat, 2019). More interestingly, Harper (2011) further ascertained that Akhuwat arranges the Mosque as the centre of the operation of mobilizing funds includes Islamic charities such as *Zakat, Infaq and Sadaqa* to the beneficiaries.

Comparison of Microfinance Models

Microfinance institutions have been playing a significant role to promote the development of microenterprises and economic development. Its role and contribution by mean offering several products and services in assisting the microenterprises financially. This study measured the extent of contribution of microfinance institutions among four countries, namely Grameen bank in Bangladesh, Amanah Ikhtiar in Malaysia (AIM), Baitul Maal wat Tamwil (BMT) in Indonesia and Akhuwat in Pakistan. Please refer to Table 1 for the comparison of the microfinance model in the four countries.

Table 1. Comparison of Microfinance Models

No	**Type**	**Grameen bank**	**Amanah Ikhtiar Malaysia**	**Baitul Maal wat Tamwil**	**Akhuwat**
1	Legal Status	Bank for the poor	NGOs	Cooperatives	NGOs
2	Source of Fund	Unsubsidized: (i) Savings (ii) Interest rates	Subsidized: (i) Government grant	Unsubsidized: (i) Deposits (ii) Islamic charities	Unsubsidized: (i) Donation (ii)Islamic Charities
3	Financing Products	Microcredit loans	(i) I-Mesra (ii) I-Srikandi (iii) I-Wibawa, (iv) I-Penyayang (v) i-Bestari	(i) Murabahah, (ii) Musyarakah (iii) Mudarabah, (iv) Ijarah (v) Qardul Hasan	Qardul Hasan
4	Objective Target	Rural poor women	Rural poor women	Poor	Poor
5	Lending	Group lending	Group lending	Individual lending	Individual &

Structure	(Banking system)	group lending

Source: Authors' own work

From the table 1 above, it can be seen that all four microfinance models have several similarities and differences. First, from the type of Legal status and ownership, Grameen bank is a bank for the poor comprises shareholders 76% and the government 24%. Interestingly, the shareholders are the borrowers who are considered as the poor previously. However, after being assisted financially by the Grameen, they can expand the business and get out of poverty trap (Grameen Bank, 2020). On other hand, BMT in Indonesia is the Islamic microfinance institutions performing under cooperative model, While Akhuwat is free interest microfinance institution registered as a NGO in Pakistan (Akhter et al., 2009). Although the AIM is Malaysia's NGO microfinance institution, it was founded and subsidized fully by the government of Malaysia (Mokhtar et al., 2012).

Secondly, the BMT as NGO collects its funds from members such as principal deposits, saving deposits and time deposits investors. At the time when it is in short, it can borrow the funds from external institutions such as Islamic banks or Apex institutions. However, the better management of Islamic charities, including *Zakat, Infaq, and Waqf* can assist BMT to become more self-reliant and independent (Ascarya, 2018). Moreover, Soemitra (2009) futher supported that the Baitul Maal side of BMT collects donations from *Zakat, Infaq, Sadaqa, Waqf, Qardul Hasan* (ZISWAQ), and donation from Corporate Social Responsibility (CSR) . On the other hand, Grameen bank is self-reliant, which does not receive any external donor funds to cover its operations cost, so it pools the fund of the depositors and shareholders' funds (Grameen Bank, 2020). Conversely, Akhuwat as a leading interest-free microfinance institution generates a primary source of funds from the donation given by individuals and organization. Besides, Akhuwat also receives other funds from *Zakat*, membership fees, application fees, and partnership with local and foreign government and international organizations (Jaafar, 2018). The AIM, in contrast, is one of NGOs in Malaysia which is fully subsidized by the government on its operation. Therefore, the issue of capital structure of funding can be addressed precisely (Mokhtar et al., 2012)

Thirdly, in terms of financing products, the GB and the AIM are based on debt financing concept which is akin to conventional financing and charged a fixed rate similar to the interest rate to the borrowers. Whereby the GB charges various interest rates for different type of loans such as 20% for income invention loans, 8% for home mortgage loans, 5% for students and 0% for abused members (Shah, Abeer Imam, Qureshi, & Sehrish Hanif, 2014). According to the AIM, the loan schemes are divided into three major categories (Mokhtar et al., 2012), such as:-

i. Economics i.e. I-Mesra, I-Srikandi, I-Wibawa, and Urban micro loan

ii. Non-economic purposes i.e. I-Bestari and I-Sejahtera) and

iii. Business recovery loans i.e. I-Penyayang.

On the other hand, the BMTs are offering different types of Islamic microfinancing products, namely *Murabahah* (cost plus), *Musyarakah* (Joint venture profit sharing), *Mudarabah* (Trustee Profit Sharing), *Ijarah* (leasing), and *Qardul Hasan* (benevolent loan), whereby *Murabaha*h financing is the most prevalent contracts in assisting the microenterprises (Darsono et al., 2016). Moreover, Ascarya (2018) further ascertained that BMT also provides interest-free loans or *Qardul Hasan* when it is needed in order to assist the microenterprises.

Similar to BMT in Indonesia, Akhuwat in Pakistan also provides interest-free microfinance products to finance the poor microenterprises by means of Qardul Hasan (benevolent loans) (Harper, 2011). In addition, the products offered by Akhuwat include family enterprise loan, agriculture loan, liberation loan, housing loan, education loan, health loan, marriage loan, emergency loan, and equip and build the school loan (Akhuwat, 2019)

Fourthly, the objectives and targets of all the four models differ based on the types of financing given. Generally, it is meant to assist poor women and microenterprises at large (Maulana, Razak, & Adeyemi, 2018). The GB and the AIM are focused on rural poor women as their target groups (Omar et al., 2012). Whereas, the BMT is focusing on microenterprises in general as the target (Hamzah et al., 2013). Whilst, Akhuwat targeted the improvement of social welfare of the poor as its goal.

Fifthly, based on the structure of each of the four models, there are several differences. According to (Bhuiyan, Siwar, & Talib, 2012), the GB is adopting group lending structure in which there is joint liability among the group members. The GB has been transformed into a formal bank in 1983. The AIM which is a replica of the GB is also adopting group lending scheme to replace the collateral and guarantor for the poor borrowers. On the other hand, the BMT operation is based on cooperative system in which each client has to be a member before being able to borrow the money from BMT. This would require them to deposit a small amount because the objective of cooperative is to improve the welfare of its member. Whereas, the establishment of Akhuwat in Pakistan institution is derived from donations of individuals or organizations based on the spirit of solidarity *(Mawakhat)* in which providing individual and group lending to the poor and needy through *Qardul Hasan* or the interest-free loans (Khan et al., 2010).

Nevertheless, despite the diversity of conceptual framework among the four microfinance institutions, the main issues and challenges of microfinance do not have substantial differences. For instance, the BMT and Akhuwat are affected adversely by the similar issues such as lack of funds, inadequate human resources and lack of robust regulation (Hamzah et al., 2013; Jaafar, 2018). On the other hand, the GB and the AIM do not face the problem of lack of funds because they can depend sufficiently on their primary sources and do not receive any more donor funds. Whereby the GB attains the primary source of funds through taking deposits from the borrowers and non-borrowers to cover its operations. Whilst, the AIM is fully funded by the government and management fees as interest rate for all kinds of scheme to cover its operations (Grameen Bank, 2020; Mokhtar et al., 2012).

Moreover, the BMT and Akhuwat do not face the issue of interest on loans since they are founded as Islamic microfinance in nature in which offer free-interest loans and manage Islamic charities such as *Zakat, Sadaqa, Infaq and Waqf* (ZISWAQ) in order to achieve their own goals and SDGs through microfinance (Harper, 2011; Soemitra, 2009). On the other hand, the GB and the AIM have the issue of interest on loans which are considered as the notion of injustice, shameful deeds and extortion to the poor (Abdullah et al., 2017; Mokhtar et al., 2012).

In addition, the GB and the AIM also face the issue of a lack of outreach to the rural poor men as they concentrated on assisting only the rural poor women. On the other, the BMT and Akhuwat provide the access of financial inclusion for the poor and microentrepreneurs without considering the gender issue in order to enhance the outreach and benefits since the microentrepreneurs are referring to both men and women.

Accordingly, with reference to the strengths and weakness of four selected microfinance institutions, it is necessary to form a common microfinance model that is able to fill those gaps. The BMT and Akhuwat should learn from the experience of the AIM and the GB by having better capital management, more adequate human resources and robust regulations in order to increase their contribution and independence. It can be realized by way of either increasing the variety of their products and services to generate revenue or getting congenial environment of investment and fund security from the government. Whereas, the GB and the AIM must eliminate the element of usury or interest on loans in order to promote justice, goodness and brotherhood.

RESULT AND DISCUSSION

In this section, we will analyse whether the three goals of SDGs that relates to the microfinance models in the four countries, namely Bangladesh, Malaysia, Indonesia and Pakistan are met.

Overall, all four microfinance models are contributing to the achievement of the three SDGs, namely ending poverty, developing economic growth and reducing inequalities goals of the country. However, the means of achieving it differs. the GB and the AIM are utilizing debt financing based on the fixed rate of borrowing that the capital plus predetermined interest has to be paid periodically. This might be a burden on the poor and microentrepreneurs especially at the time when their businesses are experiencing losses. The BMT is providing both debt and profit-sharing product of financing to assist the poor and microenterprises. On other hand, Akhuwat is providing financing through the interest-free loans based on *Qardul Hasan* (benevolent loans). Hence, it is necessary to eliminate all elements of injustice, shameful deeds and extortion to the poor such as the interest rate on loans in order to improve their contribution in achieving SDGs by 2030.

Moreover, the GB and the AIM are adopting a group-based lending or joint liability among the group members in which social responsibility among members of the group replacing physical collateral. Both microfinance institutions focusing on empowering poor rural women which are mostly neglected by society. On the other hand, the BMT and Akhuwat are providing accessible financial services to individual micro entrepreneur and the poor. However, there are differences between group and individual lending in the regard to methods disbursing the loans and repayments. For group lending each member in the group is responsible in repayment. In the case of individuals, micro entrepreneurs, they are solely responsible. Thus, in order to enhance the successful performance of microfinance, especially in supporting the achievement of SDGs, it is important for all microfinance institutions to provide both individual and group lending for both the rural poor men and women. Whereby, the group lending model is very important for replacing physical collateral and increasing the repayment rate on loans since it leads to a sense of peer pressure, mutual care and mutual help among the members of the group

Furthermore, In terms of ownership, the two microfinance institutions are owned by the NGOs. The GB's ownership is based on bank shares between shareholders and government, Whereas, the BMT's legal status is a cooperative institution. Accordingly, the GB is not only offering microcredit loans but also providing micro-savings, micro-insurance, and pension funds to its borrowers and the BMT also offers microcredit loans and micro-saving products to its members. On the other hand, Akhuwat and the AIM in contrast, are only offering the microcredit loans products in its operations (Mokhtar et al., 2012). Therefore, it is important for the AIM and Akhuwat to enhance types of microfinance to further contribute to the achievement of SGDs though providing access to comprehensive financial services which consist of micro-savings, micro-insurance, and pension funds, etc. to their borrowers.

Nevertheless, despite of the significant contribution on the achievement of SDGs through enhancing various employment opportunities and social welfare of their borrowers, there are some unresolved problems such as an interest rate issue, a lack of capital funding, a lack of variety of products, inadequate human resources and a lack of robust regulation that could hamper and affect adversely their sustainability and contribution. Whereby, the BMT and Akhuwat face the following issues that the GB and the AIM do not have these issues:

i. A lack of capital funding
ii. A lack of robust regulation
iii. Inadequate human resources

CONCLUSION AND RECOMMENDATIONS

This study compares the practices of four microfinance models, namely the Grameen Bank in Bangladesh, the AIM in Malaysia, the BMT in Indonesia and Akhuwat in Pakistan in achieving three goals of SDGs such as ending poverty, decent work & economic growth and reduced inequalities. In terms of strength of principles in contributing to the achievement of those three goals of SDGs, the GB in Bangladesh is self-reliant in which does not receive any more donor funds, offers more variety microfinance products such as micro-credit loans, micro-savings, micro-insurance, and pension funds using group lending as a substitute of physical collateral. Whereas, the AIM is an NGO which is fully subsidized by the government, has robust regulation and greater outreach throughout Malaysia. Whilst, the BMT and Akhuwat offer free-interest loan which promotes Islamic noble thought of, justice, fairness, brotherhood, love, mutual care and mutual help.

However, despite of their contribution on the achievement of SDGs through enhancing employment opportunities and social welfare of their borrowers, they face some different problems that could hamper and adversely affect their contribution. Whereby, the BMT and Akhuwat face some issues such as a lack of capital funding, a lack of robust regulation and Inadequate human resources that affect their sustainability and outreach and hamper them in meeting the high demand of financing and. Moreover, the GB and the AIM face an interest rate issue on loans which is against the three goals of SDGs since the interest could hurt the poor or borrowers and lead the poor get poorer. Whilst, special issue of the AIM is a lack of variety of products in which it only provides micro-credit

Consequently, this study recommends policy makers to consider the strength of all models that can end poverty, improve decent work & economic growth and reduce income equalities. This study also recommends practitioners and policy makers to resolve the above issues in order to improve their contribution to the achievement of SDGs through microfinance. Despite all the four microfinance models are able to fulfil the three SDG goals mentioned, the GB and the AIM which are based on debt financing are more profit driven compared to BMT and Akhuwat which use profit sharing and interest free that subscribe to the ethical values of justice and fairness in wealth distribution. Moreover, the main difference between Grameen bank, Akhuwat, and BMT is the presence of riba (interest) which makes it non

Shari'ah complaint and poses a burden solely on the micro enterprises. It is not attractive to the poor Muslim and Muslim microenterprises which are the majority in the four countries.

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